

industryperspective

MOBILE MARKET

**Let's stop talking about
Millennials already!**

BY KARA HOLM

Most everyone we talk to in the casino gaming industry is fatigued with the constant talk of Millennials. But, the apparent obsession and continued discussion are connected to very real business challenges faced by the industry in North America.

THE REAL ISSUES CASINO operators have been trying to address through the focus on Millennials, that speak to the long-term sustainability of the industry, are:

- Attracting, engaging and retaining new customers; and
- Activating and engaging infrequent and lapsed players.

Millennials have become the scapegoats for the industry's inability to effectively address these issues. No wonder we're tired of talking about Millennials — they have been the frustrated focus for our industry for more than five years.

MULTIPLE THREATS TO LAND-BASED GAMING

There are multiple threats that challenge the sustainability of the bricks-and-mortar casino industry in Canada, including:

- Mature gaming market in many Canadian provinces;
- Over-supply of slot product, particularly when considered in conjunction with VLTs, in many provinces;
- Strong anti-gaming sentiments in some provinces — compounded by the tentativeness of Crowns and private operators to demonstrate the value of a responsible, accountable industry to the public — have resulted in the erosion of social licence;
- Misconceptions about the casino entertainment experience among infrequent and lapsed players, and non-patrons;
- The rise of online gaming (grey market and legal);
- Illegal poker and table games across the country is impacting revenue and labour supply;
- Slow pace of development in casino games, particularly slot machines;
- Disparate priorities between Crowns and operators: long-term sustainability vs. short term profits;
- Economic uncertainty impacting disposable income for discretionary spend, including entertainment of all types.

RE-ORIENTING THE INDUSTRY: E-GAMING

It is a daunting list, but there is good news for operators, Crown agencies and product manufacturers willing to re-orient their thinking.

There is an army of entertainment-seeking consumers active in Canada that are not defined by their age, but rather by their behaviour. Our industry talks about "gaming," but there is another gaming

industry that exists parallel to casinos, lottery and other games of chance, that presents prospect opportunities — electronic gaming or "e-Gaming" for short.

The e-Gaming industry includes three categories of games and gamers:

- Mobile gaming, which includes games played on smartphones and tablets;
- Console gaming (xBox, Nintendo, etc.);
- PC gaming, meaning games played on your personal computer.

E-Gaming is big business. The sector in 2016 is estimated to generate \$100 billion US in consumer spending. Mobile gaming accounts for 37 per cent of the e-Gaming consumer spend. 2016 is the first year that mobile gaming will outperform the other two categories. This is particularly impactful considering this \$37 billion US represents worldwide spending on downloads and in-app purchases or "microtransactions." For context, global casino revenues were estimated at \$183 billion in 2015.

WHO IS AN "E-GAMER"?

Now that we understand the scale of the opportunity, how can we relate this to the casino industry in Canada? Is there an audience crossover? We believe the answer is YES and we are especially enthusiastic about the mobile segment of e-Gamers.

The e-Gamer is often misunderstood and misidentified. Here are the facts:

- The average age of an e-Gamer is 31. There are more e-Gamers over the age of 36 than there are gamers between 18 and 35, or under 18.
- 52 per cent of e-Gamers are men and 48 per cent are women.
- The average man who plays electronic games is 35 and the average woman is 44.

ELECTRONIC GAMING IS SOCIAL

According to the 2016 Entertainment Software Association's annual report: 54 per cent of respondents reported playing games with other people, including friends (40 per cent) and family members (21 per cent).

E-GAMING IS A SPECTATOR SPORT

Young gamers now spend more than twice as much time watching others play electronic games as they spend playing games themselves.

- According to Business Insider, KewDiePie, a Swedish "vLogger" (video blogger) is the most successful Youtuber in the world. (Can you believe being a Youtuber is a job?) He has over 39 million

subscribers and over 10 billion views. KewDiePie comments on the video games he is playing.

- More people watched the League of Legends championship (the most popular PC video game in the world) than the 2015 World Series.
- 334 million viewers tuned into the four-week League of Legends finals period in 2015, up from 288 million viewed the previous year.
- On average the audience was 4.2 million strong at any given time.

THE PROFILE OF E-GAMERS LANDS IN THE SWEET SPOT FOR CASINO OPERATORS

E-Gamers can be seen to have attributes that make them extremely attractive to land-based casino operators. E-Gamers are:

- Highly social;
- Men and women;
- From various generational cohorts, they are not just youth and young adults;
- Not guaranteed to identify as e-Gamers;
- Individuals who have money to spend on entertainment and are willing to spend money on smartphone and tablet games (\$37 billion!);
- A group that includes individuals who are currently casino players.
- In summary — practically everyone is a potential e-Gamer. E-Gaming has been mainstreamed. While e-Gamers used to be a defined subgroup of society (anti-social, basement-dwelling, geeky boys), e-Gaming is now accessed and enjoyed by a majority in our population, and is no longer marginal behaviour.

The land-based casino industry in Canada, and elsewhere, must determine how to steal some of this market share. This group of social, connected, entertainment seekers is an important part the future of games of chance, in whatever form they evolve for both land-based and virtual operators. They also represent new potential revenue streams for casino operators beyond traditional casino games.

UNDERSTANDING THE BARRIERS TO ACTIVATION

The challenge for bricks-and-mortar casino operators who wish to engage with individuals in this market segment who have not yet found their way to casinos continues to be experience, preconceptions, and product.

Efforts are being made in Canada to create casino experiences that appeal to a casual/infrequent casino customers who

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are more interested in an entertainment experience than gambling for its own sake. Micro-casino experiences, party pits and e-Sports are appearing at casinos across the country. None of the offered experiences in this country stand out as being effective means of driving gaming revenue; they are tentative steps forward on a long road.

Some consumers — including those enthusiastically enjoying e-Games — have an outdated idea of what the casino experience is like. There is a widely held view, validated by research in multiple Canadian jurisdictions, that casinos are full of smoke and old ladies playing reel machines, clutching buckets of coins.

Even when casino operators attract new customers to their properties, perhaps to sample entertainment or dining, engaging them with the casino gaming product is challenging — particularly slot machines.

CASINO GAME DEVELOPMENT LAGGING BEHIND E-GAMING TRENDS

Some product manufacturers and international casino entertainment companies are operating in the mobile gaming space. MGM and Caesars Entertainment come to mind, but they are still using the traditional slot experience as the launching point for their smart phone e-games. (They are making money with their games too!) This approach may be successful for established casino customers who cross over into the e-Gaming space, but does not have the necessary appeal to attract new casino customers from the e-Gaming audience.

Product manufacturers have been evolving their casino games but progress has been slow. New games featured at Global Gaming Expo (G2E) in September look a lot like the same old slot machines, even when they incorporate skill-based elements or multiplayer opportunities. Some newer manufacturers offer games that look more like arcade games, which may appeal to the console game player. Skill-based games could start to appear in Canada in 2017, as the provinces work through the regulatory approvals. The introduction of these new products may have a positive influence and help operators attract a new audience to casino properties, if executed properly.

THE OPPORTUNITY

There is a huge, largely untapped, market consisting of highly social, connected, entertainment-seekers with disposable income.

Millennials as a stand-alone group are not the answer. Operators and Crowns that are taking a long-term view, and considering the industry's sustainability can look to a group of qualified prospects described in behavioural terms, rather than a broadly defined demographic group. E-Gamers share key characteristics that make them very strong casino prospects:

- ▶ Predisposed to gaming;
- ▶ Spending on entertainment;
- ▶ Social, connected;
- ▶ Experience-seeking.

Operators need to consider how to mitigate the challenges that present barriers to engaging with this audience opportunity. This means continuing to refine both gaming and non-gaming experiences at the casino destination (in partnership with game manufacturers). Operators must reach this audience and encourage them to take a fresh look at casinos in Canada. Using the smartphone as a platform for a new type of engagement with e-Gamers could create new revenue opportunities and transform the casino experience. "Gamifying" the casino experience — meaning making all points of contact at the casino property part of the entertainment experience, employing smartphone technology — is an idea worth exploring, in our opinion.

Unfortunately, our industry is technology forward but we are not innovative. In Canada, we have observed that there is little appetite for taking risks. Cautious Canadians, accountable to the public, prefer to see how things turn out for someone else before trying something new with the level of commitment required to see if truly works.

So, we would like to issue a challenge to the industry. We all understand the issues we face. We all know there is an opportunity, but activating the opportunity requires someone to step ahead of the curve.

Who among us will emerge as the leader? ■

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