



THE MARRIAGE BETWEEN ONLINE AND LANDBASED A REGULATOR'S VIEW

The case of Spain

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The marriage between landbased and online: a regulator's view. The case of Spain



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MINISTERIO
DE HACIENDA
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SECRETARÍA DE ESTADO
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There is more than meets the eye!

1. NAVIGATING THE HYPE

Cannibalisation?

Set the scenario straight:

1. Define, regulate and monitor actual
2. Consider how to compete the market?

"If you don't cannibalize yourself, someone else will."
- Steve Jobs



Cannibalisation?

Set the scenario straight:

1. Online, *regulated* online and counterfactual
2. Cannibalisation in competitive markets?



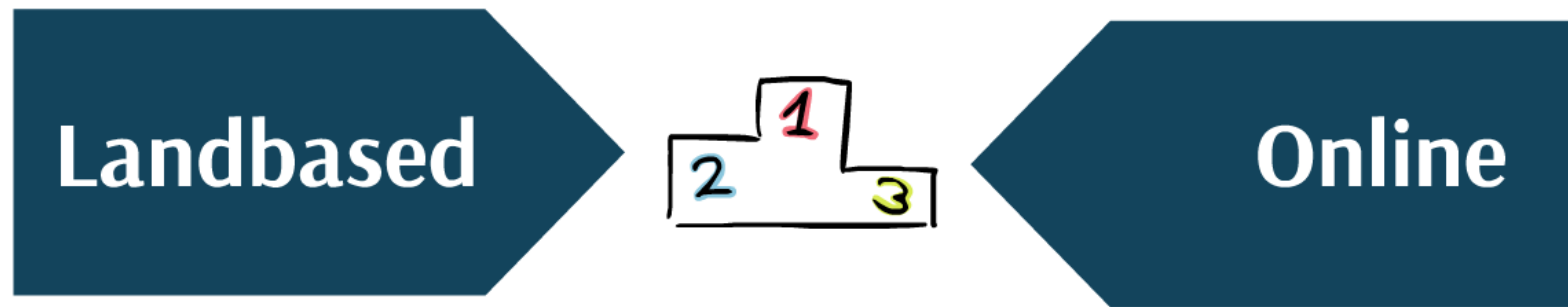
"If you don't **cannibalize yourself**,
someone else will."
- Steve Jobs

...What are the competitive interactions?



...Substitution?

Are market channels close competitors within gambling services?



Demand and supply features serve as constraints

1. Player profile: Demographics, patterns of behaviour...
2. Consumer preferences: experiential differences, "social" element,...
3. Offer limitations: access to markets, brand reputation...

What does empirical analysis say on this relationship?

Known research point towards a complementary (non substitution) relationship on:

- Poker (US-Canada)
- Casino (UK BGPS 2011)

2-good consumer choice model constructed shows:

- No strong change in preference from existing offline based consumers but wide overlapping area with two-fold consumption

Relationship is highly dependent on technology development and leisure timing - budgetary constraints

The moment and context of the market is very important!!

Fielder, I. et al, 2012. Online poker in North America: evidence on its complementary effect on the offline gambling market. Gaming Law and Economics Review, 16 (7-8), 215-243

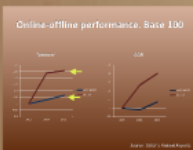
Philander, K. et al (2015), Consumer spending in the gaming industry: evidence of complementary demand in casino and online venues. International Gambling Studies, 15:2, 256-272

Spain makes a good case-study...

- Both on and offline regulated markets coexist
- Online regulated market effective mid-2012
- No partnership with a landbased incumbent required to go online
- Different responsible authorities and stiff regulations make convergence business models harder to develop

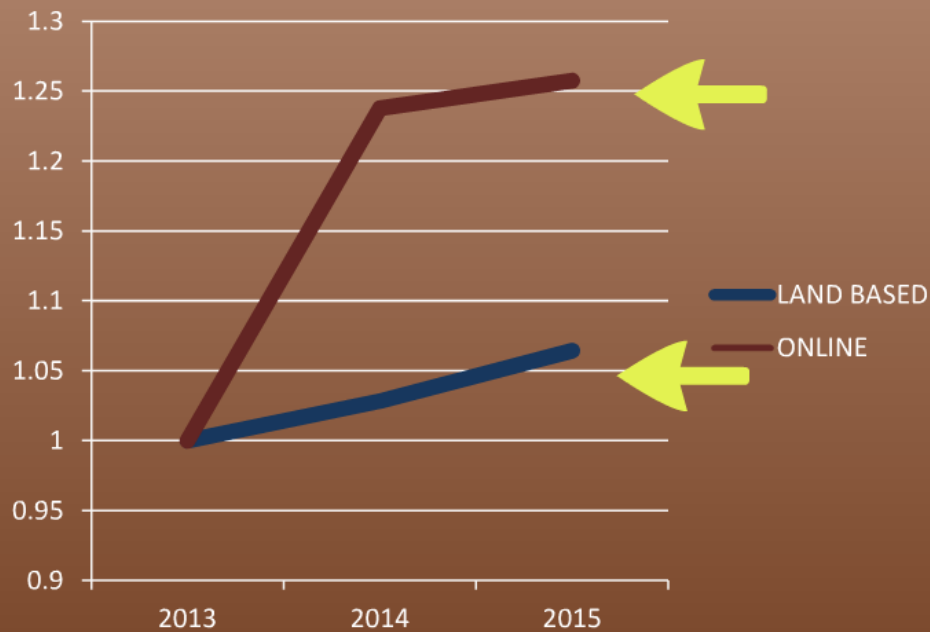
Evidence on cannibalisation is inconclusive;
conversely, there are some signs of complementarity

2. THE EXPERIENCE IN SPAIN

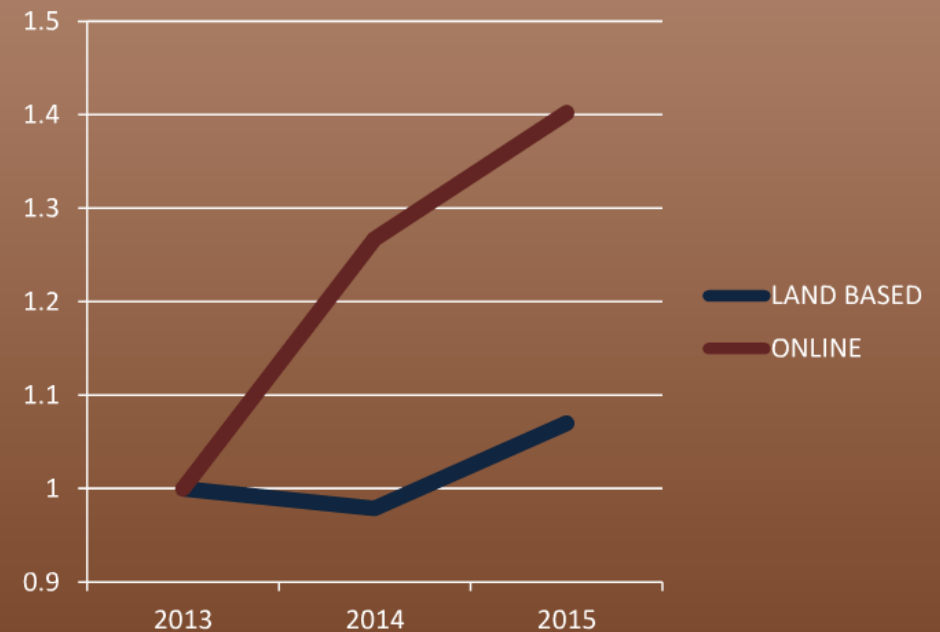


Online-offline performance. Base 100

Turnover

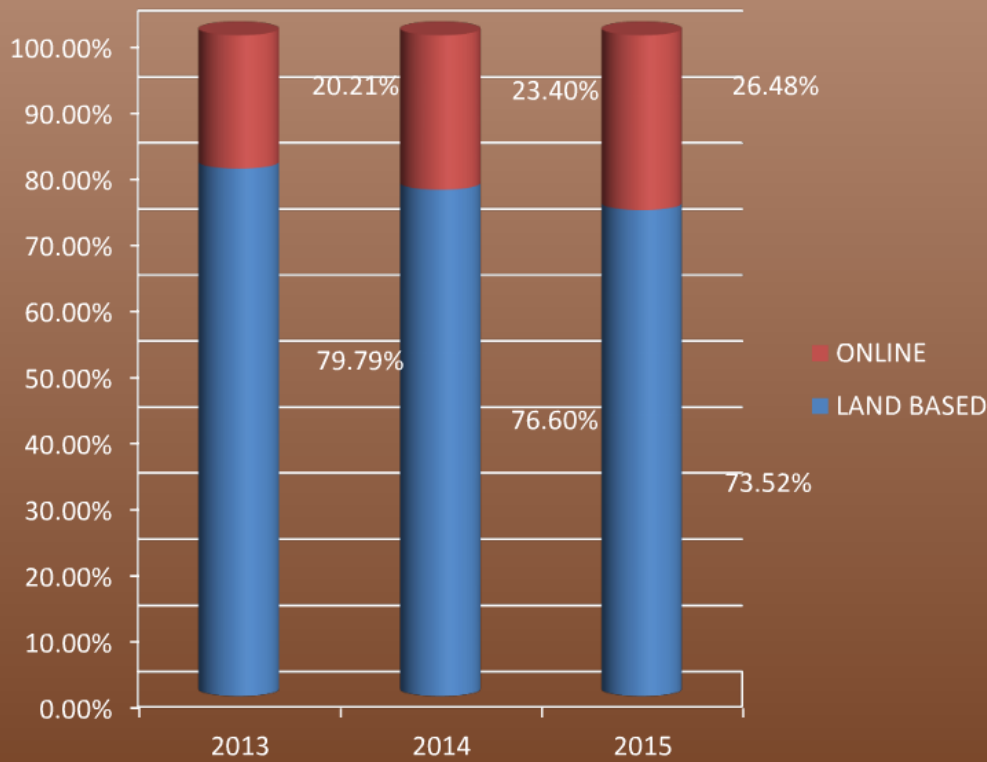


GGR

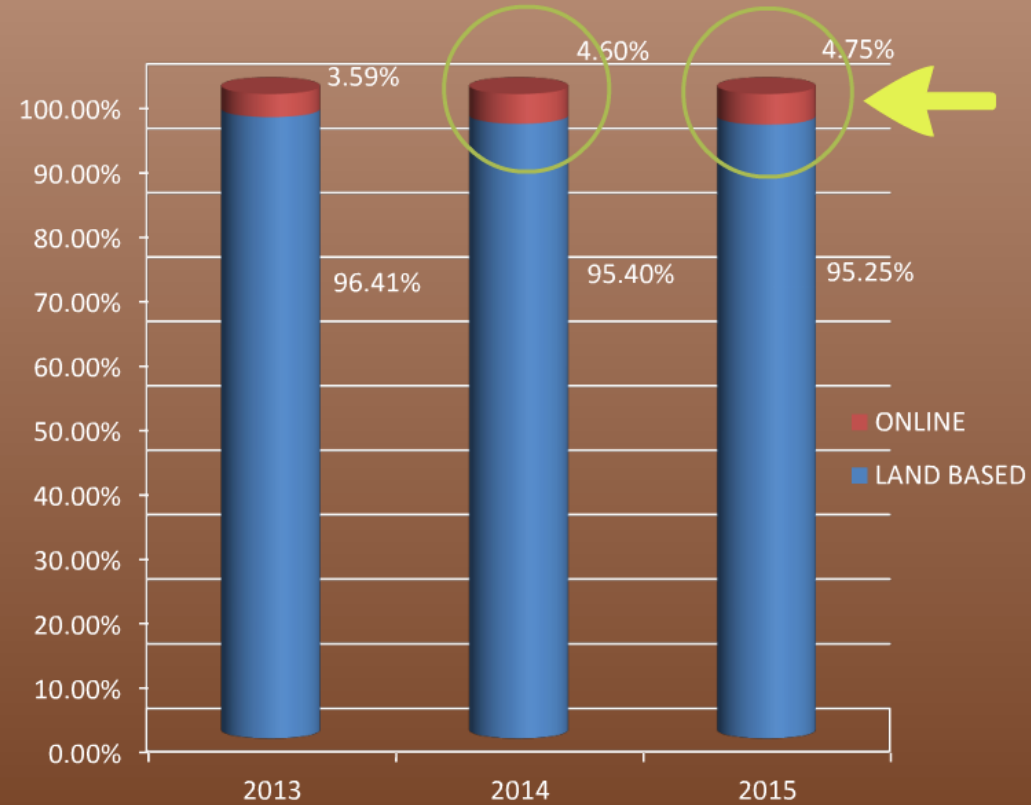


Online-offline split

Turnover



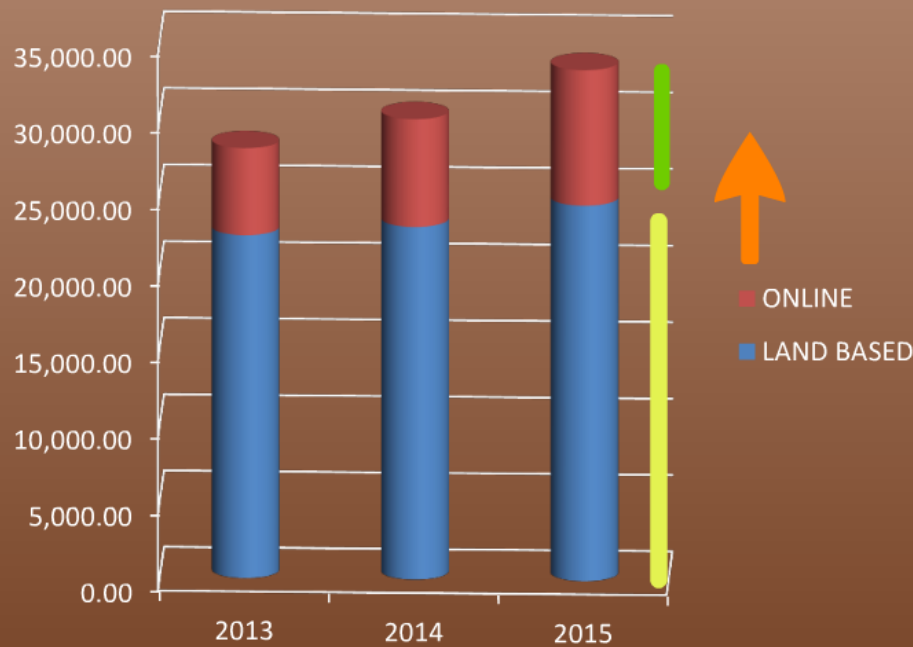
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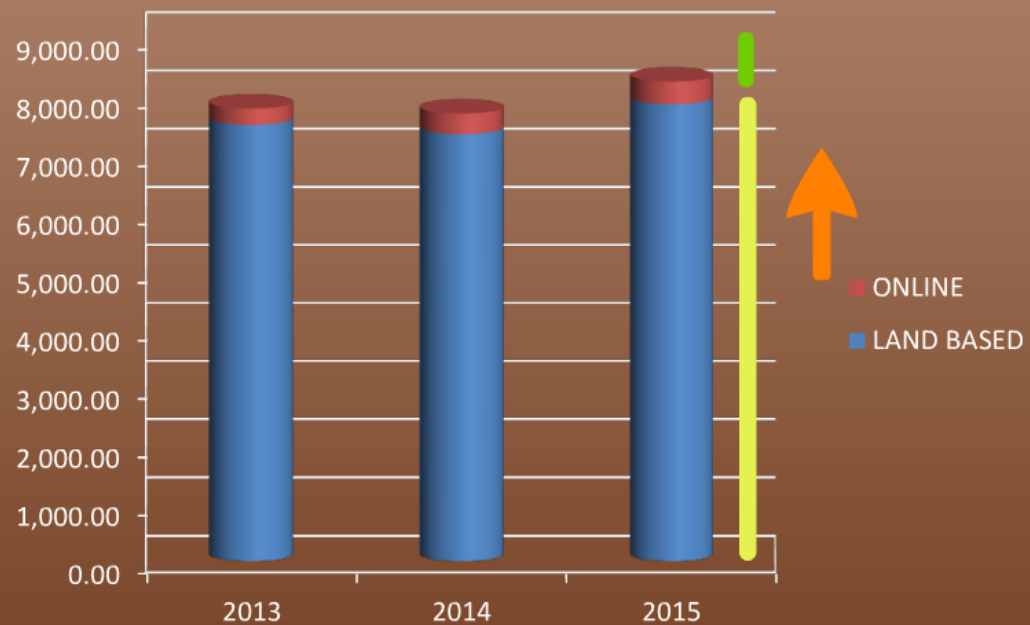
Source: DGOJ's Annual Reports

Online-offline evolution. All gambling products

Turnover



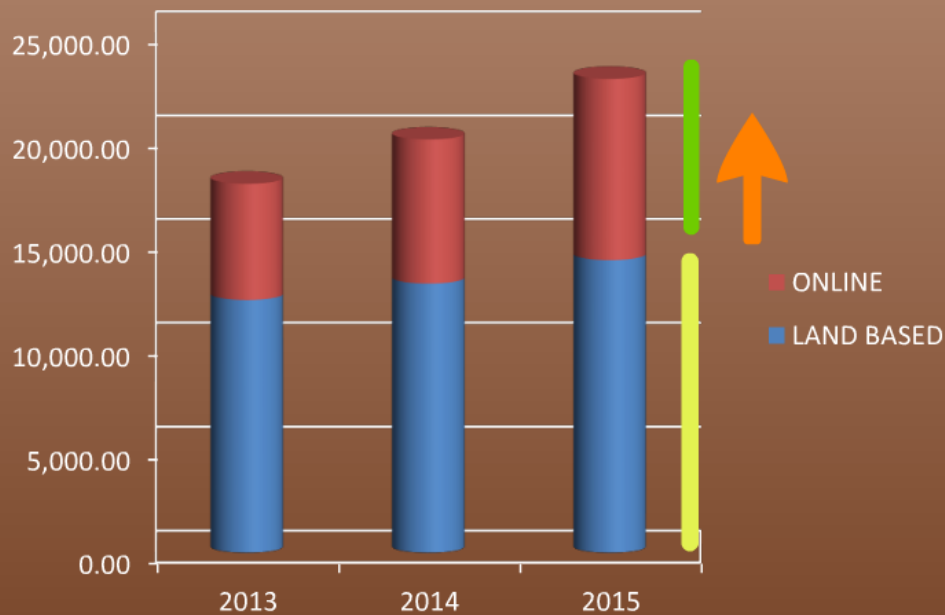
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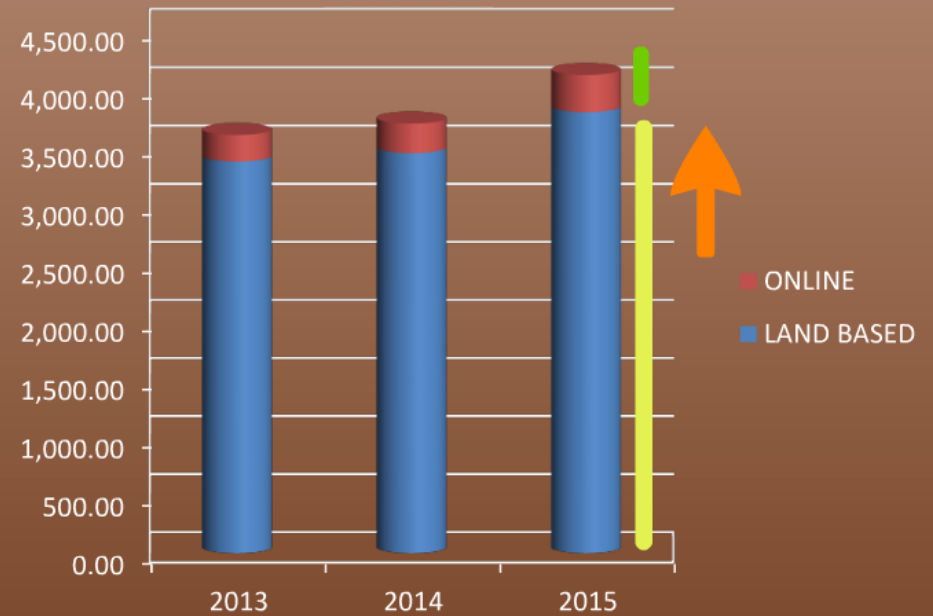
Source: DGOJ's Annual Reports

Online-offline evolution. All gambling products excluding statewide lotteries

Turnover

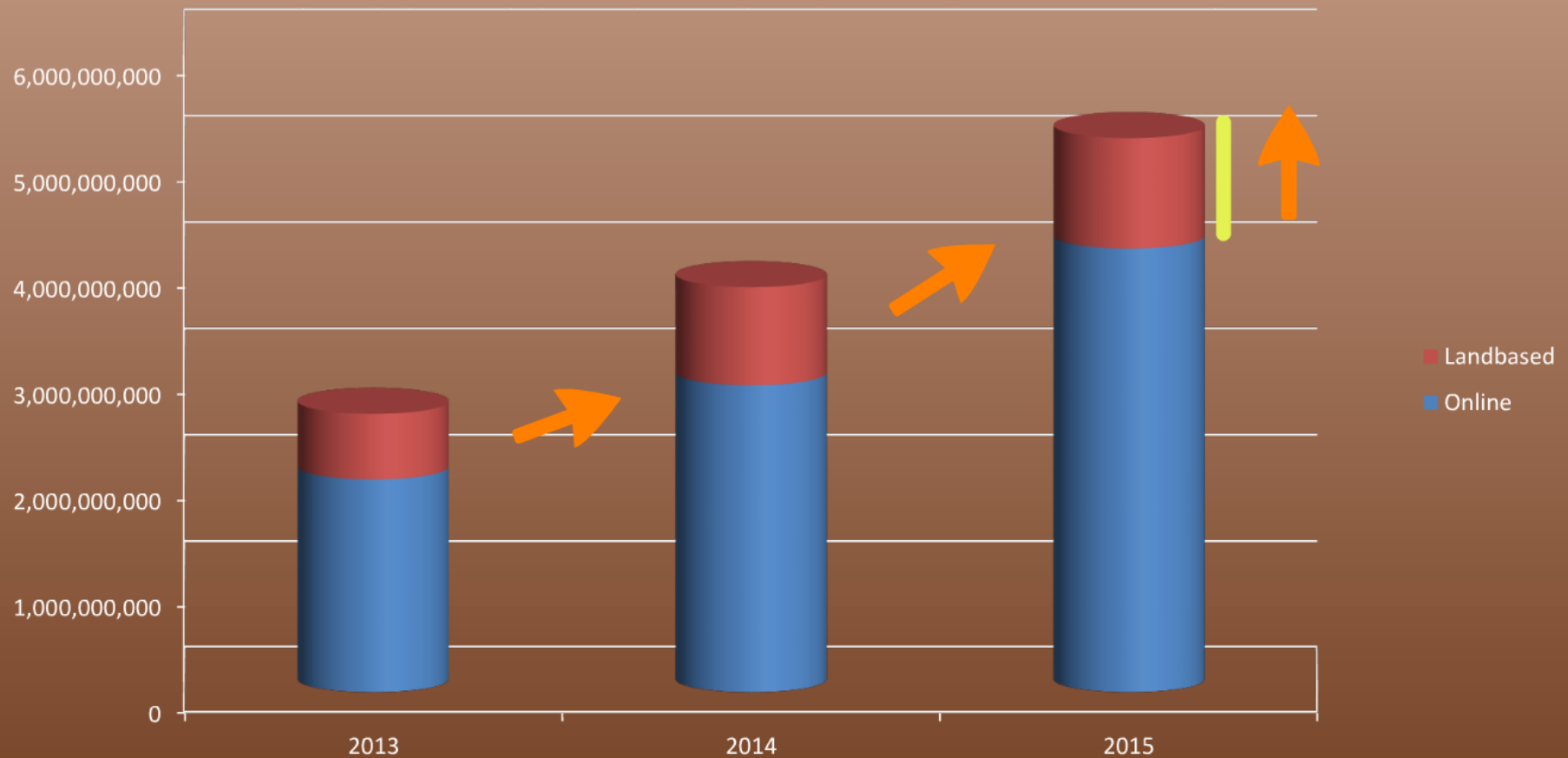


GGR



Source: DGOJ's Annual Reports

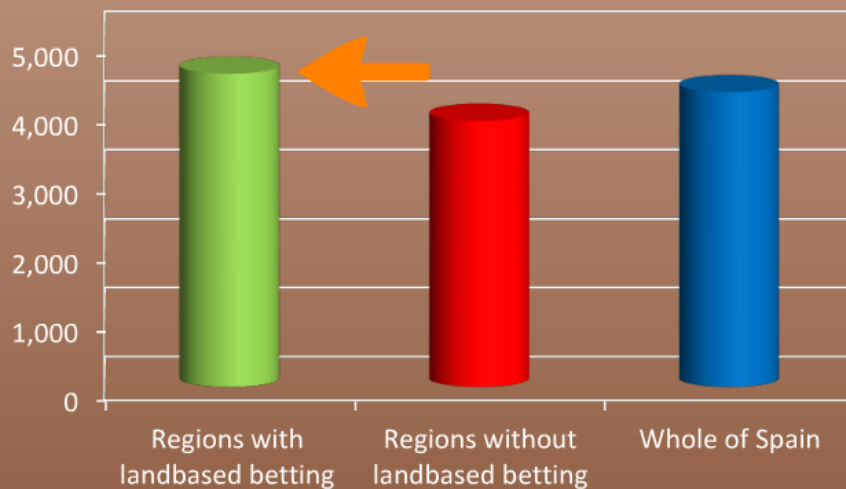
Online-offline evolution. Betting (fixed-odds and exchange)



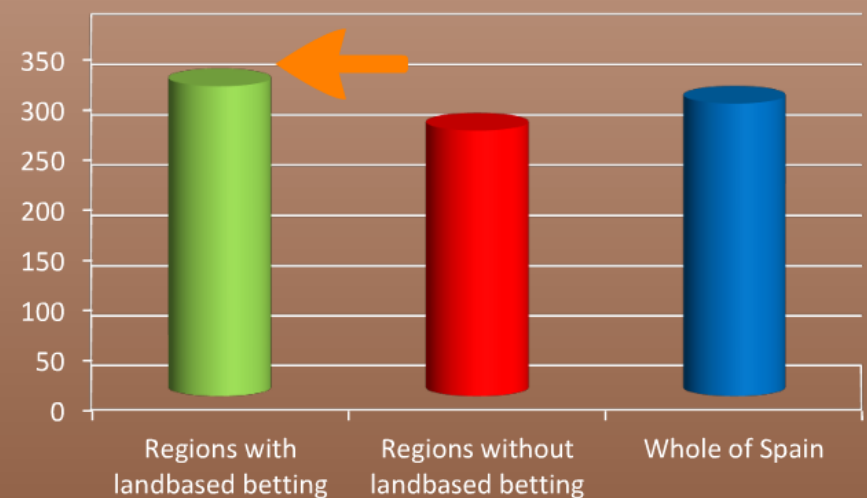
Source: DGOJ's and Fundación Codere's Annual Reports

Online-offline evolution in regions with/without landbased betting. (2015)

Online betting. Average participation per online player (Eur). 2015



Online gambling. Average spend per online player (Eur). 2015



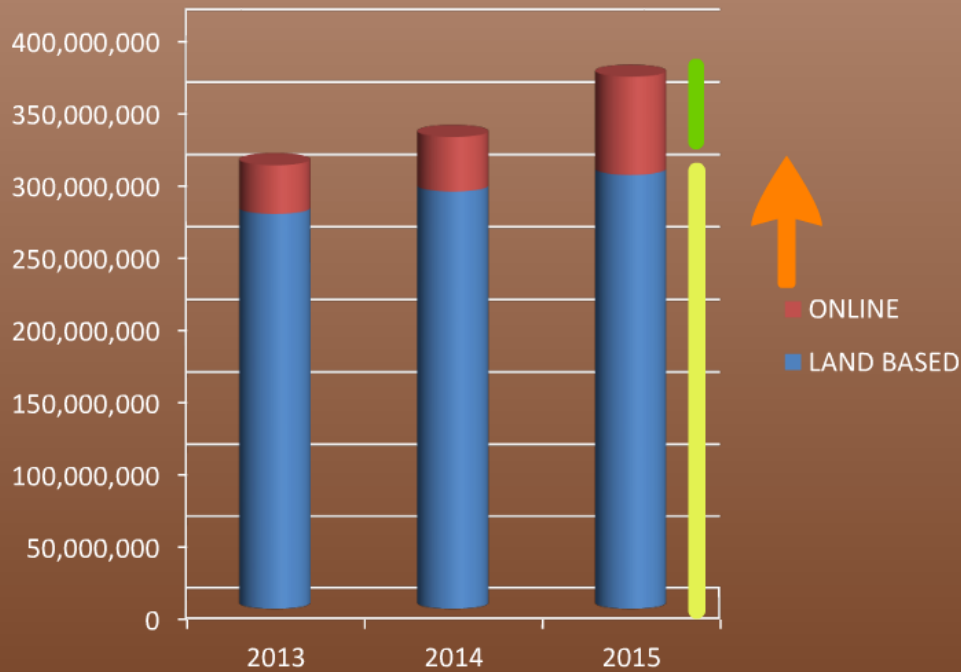
Online betting. Average participation/inhabitant age 18-70 (Eur). 2015



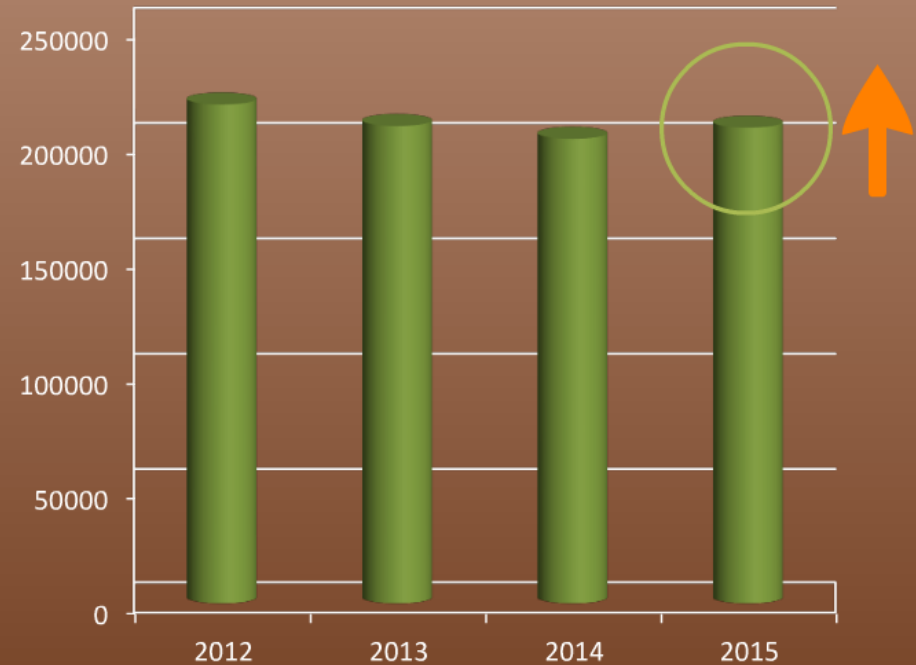
Source: DGOJ's ICS data

Online-offline evolution. Slot-Casino games (excluding poker-bingo)

GGR (online-offline casinos)



Number of installed B-type (bar) slot machines



Source: DGOJ's and Fundación Codere's Annual Reports

Even in difficulting regulatory environments, there is a strong tendency to maximise opportunities

3. ADAPTATIONS TO CONVERGENCE

Market sentiment

1/3 of current online licence holders engaging in crossover strategies

Vertical integration and strategic partnerships

Positive online "Spillovers"

Objectives

2- channel consumption

24/7 experience

Single brand and loyalty

Increasing player in-store spend

Lower CPA

Tools

In-store online user registration

Deposit and withdrawal system (OTC and cash-log terminals)

Cross-over discounts, bonuses and promotions

Hardships

(Regulatory)

Full single-wallet

Multi-channel game integration

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so what?

THANKS FOR YOUR ATTENTION!



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