



**SPECTRUM**  
**GAMING GROUP**®

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# **Internet Gaming in the USA:**

*Finding pathway to success*

# Land-based gaming: potential missed opportunity

- Failure to understand elements of land-based gaming
- European operators do not get it
- Online vs. off-line

# Most likely path

- Historically, gaming has been a states-rights issue. Nevada was first and proved that it could be operated responsibly and profitably. Other states followed suit and adopted, legalized, and regulated gaming over time
- Online will likely follow the same path: State by state rollout
- Poker, lottery will be the pathway to other forms of Internet gaming

# Best path

- Online gaming should be authorized, developed to benefit land-based operators
- If online gaming is considered simply as a revenue stream, it will be a lost opportunity

# Land-based operators

- Politically connected, albeit less-so than lotteries
- Trusted operators with existing regulatory relationships and compliance infrastructure
- Major employers, purchasers of goods and services
- Possess ability to leverage online gaming to cultivate land-based customers
- Access to capital, ability to do deals. The larger the land-based presence, the more likely to succeed
- Dependent on size of in-state population

# Land-based suppliers

- Also politically connected with regulatory relationships and competency
- Control content and IP that will prove to be valuable
- Existing relationship with land-based operators
- Can provide goods and services to multiple customers in multiple states
- Potential to utilize “server-based” infrastructure and applications for online operations
- Will be critical in helping operators integrate with existing loyalty/rewards programs

# Why lotteries?

- Politically connected. Legislative offspring, with leadership appointed through political process
- Significant contributors to state budgets, targeted at highly popular social programs
- Existing online systems and local infrastructures
- Companies like GTECH have been investing heavily in internet systems and content, which they operate in international markets

# Lotteries

- Potential competitors
- Potential allies

# Land-based operators: natural beneficiaries, catalysts

- Proven marketing skills, databases
- Desirable assets
- Proven to advance public policy on numerous fronts:
  - Employment
  - Capital investment
  - Tourism promotion
  - Purchases of goods and services

# The unknown future

- Gaming's various elements will converge in unexpected, unprecedented ways:
  - Commercial and Indian gaming
  - Lotteries and land-based
  - Pari-mutuel
  - Suppliers, operators
  - New players
- New, unanticipated forms of gaming will emerge

# STEIW

(Spectrum Theorem on Embrace of Internet Wagering)

- Brick-and-mortar gaming industry will abandon rejection and ultimately accept, adopt and embrace Internet gaming
- Industry will develop new business models that harness the Internet as chief marketing tool to identify, cultivate and reward customers
- Land-based casinos, armed with brands and an array of licenses, will alter face of Internet gaming, and render nearly all past and present revenue projections as obsolete

## Key STEIW thesis:

- Relationship between brick-and-mortar casinos and Internet gaming travels along a continuum from complete rejection to complete embrace.
- At present, we are abandoning rejection, moving toward acceptance.
- Path toward embrace will accelerate quickly.

# Past is prologue

- Radio vs. baseball
- TV vs. Hollywood

# Common thread

- Technology did not alter the social aspects of spectator sports or movie theaters.
- Technology will not alter social aspects of visiting brick-and-mortar casinos
- Non-technology example: beer