



Blurred lines: Social Gaming and new trends in gaming and betting

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The Death of Social Gaming?

EA: Social Games Aren't Dying, But Consumers 'Won't Pay for Crap'

Zynga Stock Drops After Social Game Maker Lowers Forecast

Social and Mobile gaming continuing decline

Are social games on Facebook really dying out?

Call it. Social gaming is Dead.

The Return of Sports Betting to the US



- ▶ 1992: *Professional and Amateur Sports Protection Act* ("**PASPA**") **prohibits** bets directly or indirectly based on sporting events in which amateurs or professionals participate.
- ▶ 2017: PASPA brought before the US Supreme Court in case *Murphy vs. NCAA*.
- ▶ 14 May 2018: **US Supreme Court declares PASPA unconstitutional (6:3)**.
- ▶ PASPA contradicts the "*anti-commandeering*" principle.
- ▶ States can regulate and license sports betting: "*The legalization of sports gambling requires an important policy choice, but the choice is not ours to make.*"

Multi-Million Dollar Market for Sports Betting

- ▶ Post-PASPA market for sports betting in **Delaware, Mississippi, New Jersey, New York** and **Pennsylvania** estimated to be **USD 770 millions** of GGR.

- ▶ **Uniform framework** on a **federal level**?
 - GAME Act and Sports Gaming Opportunity Act, **but**:
 - Wire Act (US DoJ: applies only to sports betting)
 - UIGEA (Exception for online poker, online casino and online lotteries)

Fantasy Sports

USA: sports betting vs. fantasy sports

- ▶ **Unlawful Internet Gaming Enforcement Act (2006)**
- ▶ **Carve out for Fantasy Sports**
 - **Prizes** established and made known to the participants in **advance**.
 - Value of **prizes not determined by** the **number of participants** or **amount of fees**
 - All winning outcomes reflect the **participants' relative knowledge and skill**
 - Outcome is determined predominantly by **accumulated statistical results** of the **performance of individuals** [...] in **multiple real-world sporting** or other events
 - Outcome is **not based** on the score or performance of any **single real-world team or individual athlete**

Fantasy Sports – how does it work?

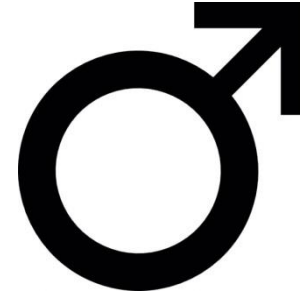
- ▶ Players take on the role of a **manager** and choose **real athletes** for their team.
- ▶ **Fantasy teams** compete against each other in fantasy competitions.
- ▶ **Scoring system** according to actual performance of athletes in the real world events.
- ▶ **And the winner is...** whose fantasy team receives the **most points** at the end of a season, competition, tournament or a game day.

Fantasy Sports – who is playing?

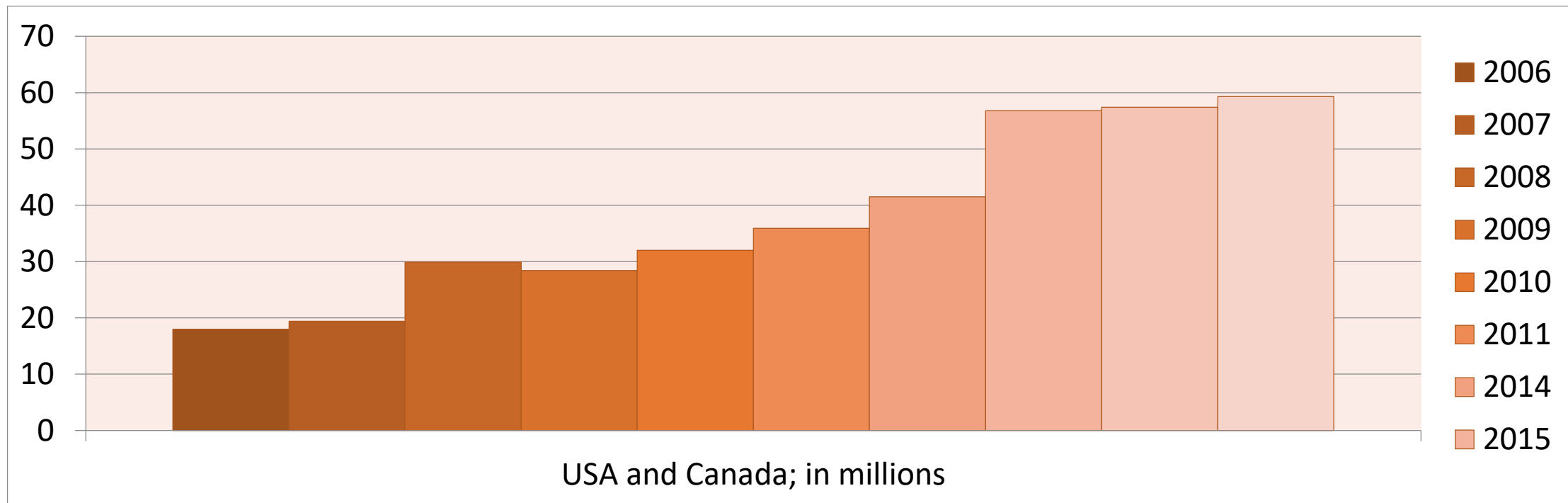
- ▶ 71% male
- ▶ Average age: 32
- ▶ Average annual expenses (18+): USD 653

- ▶ 18% of total population in the US
- ▶ 19% of total population in Canada

- ▶ Household income > USD 75.000: 53%
- ▶ Full-time employment: 67%
- ▶ College degree (or higher): 50%



Number of Players



Consolidation?

- ▶ Merger talks between **FanDuel and DraftKings** ended due to competition law.
- ▶ Following SCOTUS PASPA ruling, **Paddy Power Betfair bid for FanDuel.**
- ▶ Focus on the **prospective US sports betting market.**



And the law says...

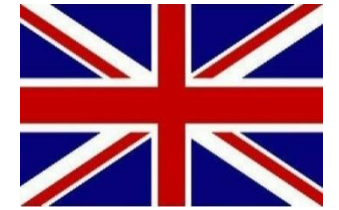


Austria: Gambling, Betting or Game of Skill?



- ▶ **Aleatory element?** ("*exclusively or predominantly*")
- ▶ **Bet** pursuant to section 1270 of the Austrian Civil Code: "*If a certain price is agreed between two parties, for the person whose assertion corresponds to the success of an event of which the outcome is unknown to both parties: a bet is placed.*" ("*Wenn über ein beyden Theilen noch unbekanntes Ereigniß ein bestimmter Preis zwischen ihnen für denjenigen, dessen Behauptung der Erfolg entspricht, verabredet wird: so entsteht eine Wette.*")
- ▶ **Totalizer?**
- ▶ **Tax:** 20% VAT or 2% (on stakes) betting duty according to Austrian Fees and Duties Act.

UK: Pool Betting



- ▶ **UK Gambling Act 2005** (Part I, Section 12)
- ▶ **Pool betting:** the prize/part of the prize
 - determined by **reference to the total amount of** paid or agreed **stakes**
 - **divided** among the winners
 - shall or may be something other than money



Malta: Controlled Skill Games

- ▶ Skill Games Regulations 2017 (based on the Lotteries and Other Games Act)
 - Played for **money** or **monetary value**
 - By means of **distance communication**
 - Results depend exclusively or predominantly on the player's **skill**
 - **Economic activity** (no sports event)

- ▶ **Skill:** knowledge, dexterity, strength, speed, accuracy, reaction time, coordination, and, or competence in other physical or mental feats acquired, developed or learnt through practice, experience or study

Social Gaming

ISGA definition of social games

- ▶ Typically **online** or on **mobile** devices
- ▶ **Social element** – playing with or directly against friends
- ▶ **Quick and easy**
- ▶ **Free to play**
- ▶ Player can **spend money** but can never win money: **no cash out**

ISGA

Definition of social games

▶ **UK Gambling Commission**

- free or paid to enter
- no cash prize
- social element can be absent

▶ **Alternative definition**

- Games accessed via an established social network account or via app designed for enabling social interaction
- requiring player's permission for use of "social graph"
- with "freemium" access
- and symbolic rewards

Freemium

- ▶ free "**basic features**"
- ▶ "**premium content**" or enhanced playing features cost **real money**

The typical player of Social Games is...

- ▶ female...
- ▶ 40 years old...
- ▶ US-American...
- ▶ spends less than a few cents a day...
- ▶ in an hour of gameplay...

So, who really cares?

% of All
Players

% of Paying
Players

% of
Revenues

ARPU
p.m.

Player
Segment



USD 1-5

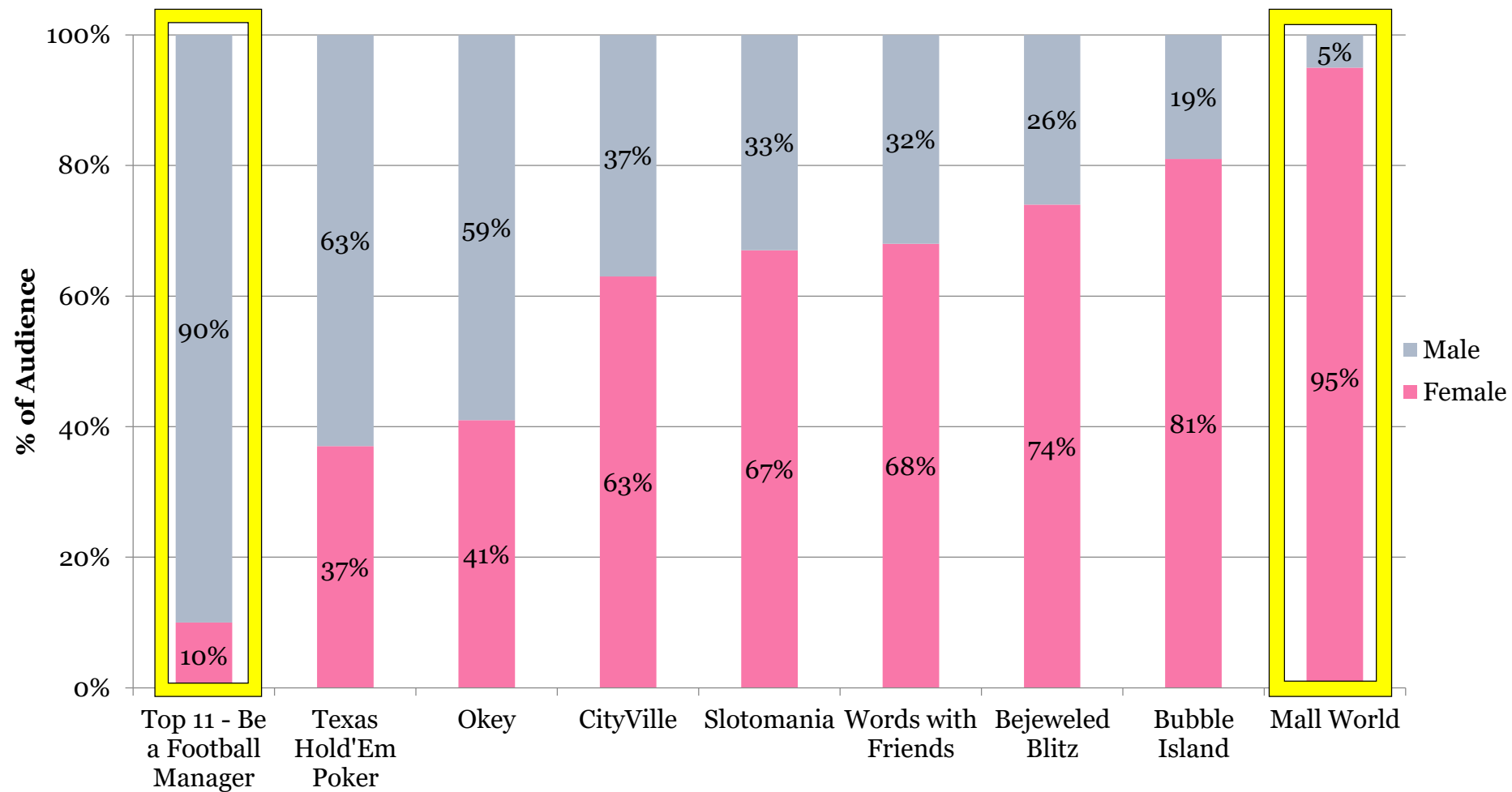
Others

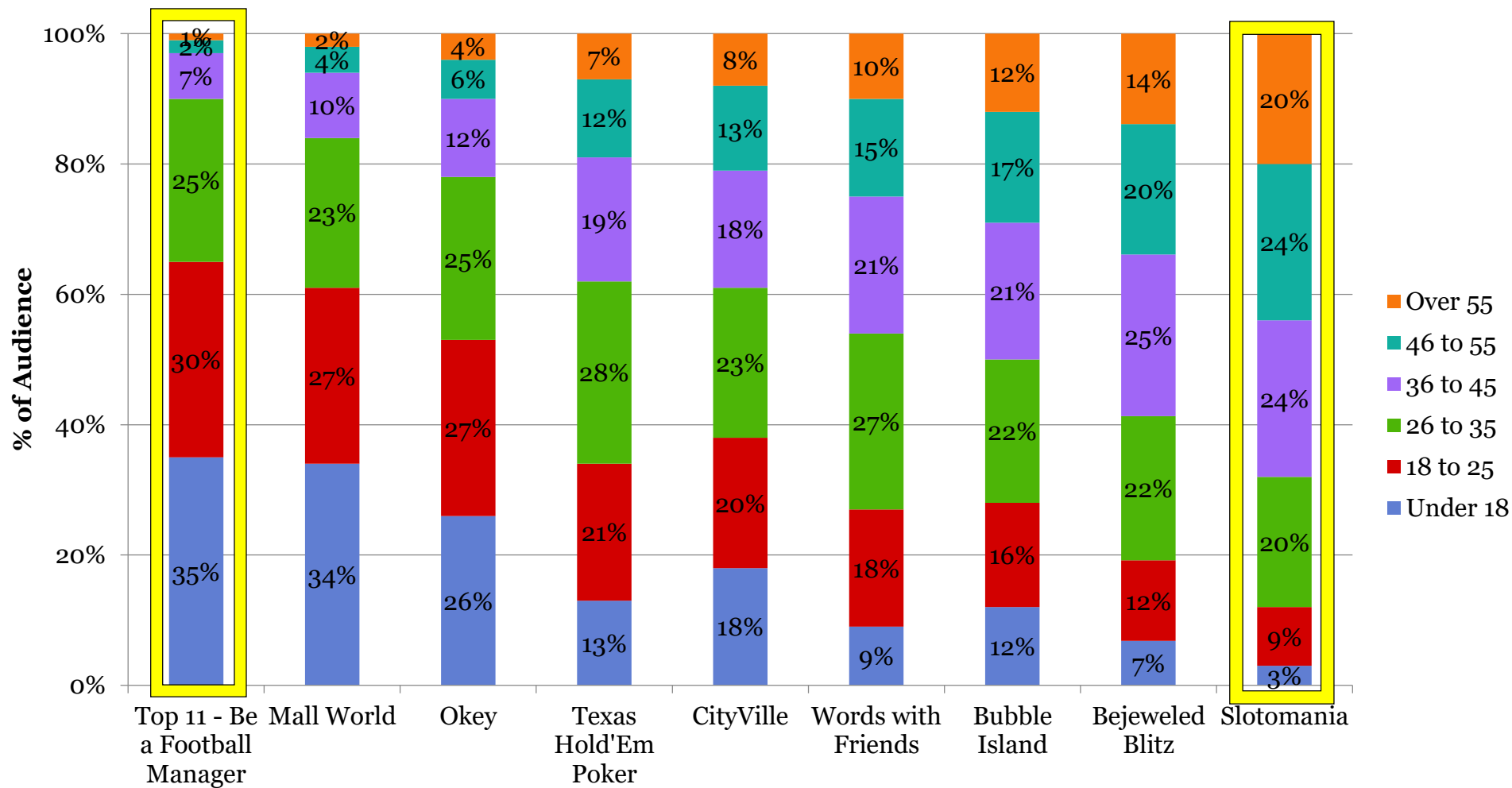
USD 5-10

Moderates

> USD 25

Intense





Convergence?

- ▶ 2012: Bingo Friendly
- ▶ Real money gambling accessed via social networks
- ▶ Free-to-play as funnel to real money product

- ▶ Bingo Friendly shut down in June 2014
- ▶ Magic888 shut down in August 2014
- ▶ Zynga Slots shut down on 30 April 2015

New and reverse convergence

New convergence

- ▶ "Socializing" real-money products and platforms
- ▶ Social triggers: tournaments, leaderboards, awards, chats, "likes"

Reverse convergence

- ▶ Taking real money players to play social (casino)
- ▶ Social entertainment product

Zynga – revenues

mUSD	2012	2013	2014	2015	2016	2017
revenues	1281.27	873.27	690.41	764.72	741.42	861.39
revenue development		- 32 %	- 21%	+11 %	- 3 %	+16 %



King.com – revenues

mUSD	2012	2013	2014	2015	2016	2017
revenues	164.41	1884.3	2260.24	1999.49	1586	1998
revenue development		+1046 %	+20%	- 11,5 %	-21 %	+26 %



And the law says...

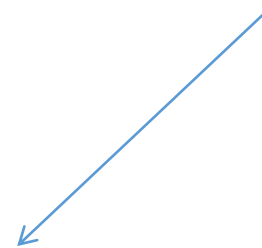


Is it gambling?

Consideration



ENTERTAINMENT



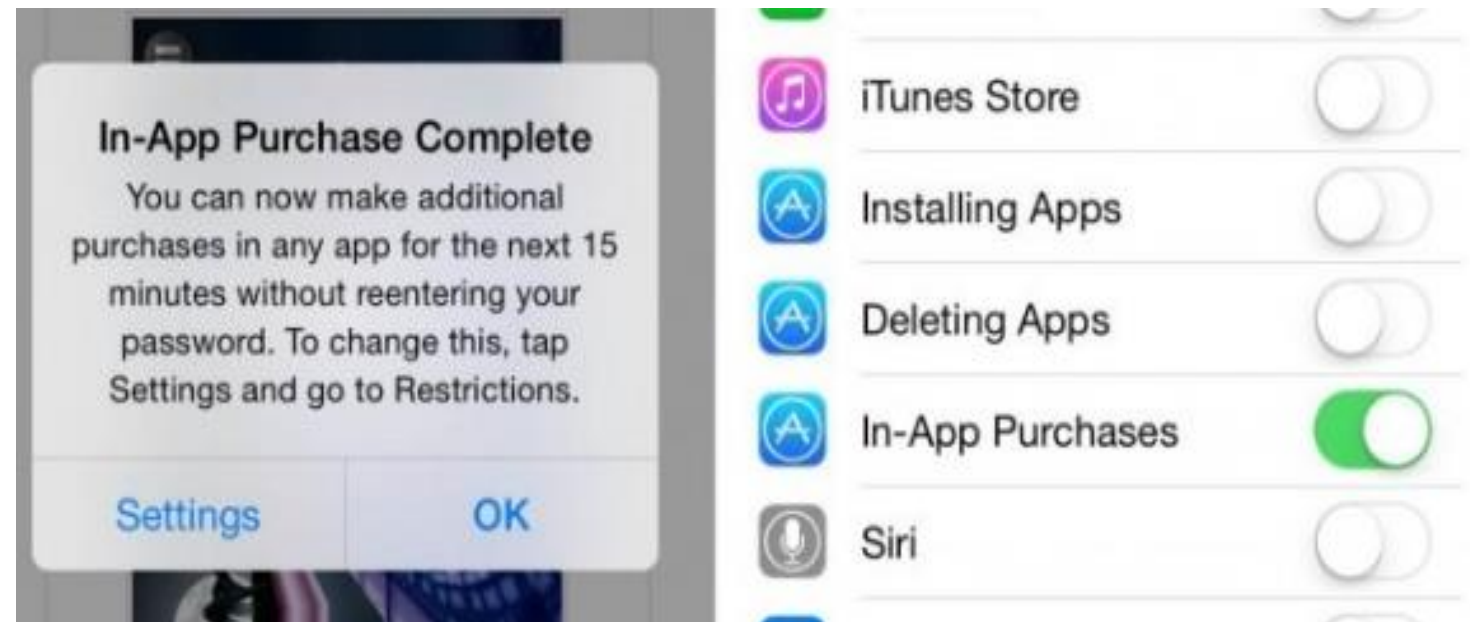
No payout

Subject to gambling law?

Country / Criteria	Element of Chance	Consideration*	Prize*	Entrepren. Activity	Public Offer
Austria	✓	✓	X	✓	n.a.
France	✓	✓	X	n.a.	n.a.
Germany	✓	✓	X	n.a.	✓
Italy	✓	✓	X	n.a.	n.a.
Spain	✓	✓	X	n.a.	n.a.
Great Britain	✓	n.a.	X	n.a.	n.a.
Malta	✓	✓	X	n.a.	n.a.

Grooming?

- ▶ Introduction to gambling through similar triggers?
- ▶ Chasing losses?
- ▶ Consumer Protection: transparent information, information requirements, withdrawal



Principles for online and in-app games

- ▶ UK Office of Fair Trading
 - **Clear and accurate information**, amongst others about costs associated with games
 - Require that **commercial intent** and promotion must be **distinguished from gameplay**
 - **Prohibit the "false impression"** some games give about whether payments are required
 - **Prohibit aggressive practices** and others which could exploit children's inexperience, vulnerability or credulity
 - Require the **explicit authorisation of payments**

E-Sports

E-Sports

- ▶ Competing players of **computer games**
- ▶ **Genres:** Real Time Strategy, Fighting, First-Person-Shooter, Multiplayer-Online Battle Arena
- ▶ **Entry fee** and **prize money** in international events
- ▶ **Monetization**
 - Bets on E-Sports
 - E-Sports platforms for (casual) players
 - Fantasy E-Sports
 - Tournaments and Live-Events

Annual prize money worth over

82 MILLION EUR

DOTA 2 tournament "The International" prize money

21 MILLION EUR

US Open 2017: EUR 42.6 million

Event	2012	2017	Growth in %
NBA Finale	18,5 Mio.	20 Mio.	8%
NHL Finale	8 Mio.	9,5 Mio.	19%
Champions League Finale	299 Mio.	400 Mio.	33%
League of Legends WM Finale	8,2 Mio.	52 Mio.	632%

And the law says...



Lootboxes

Lootboxes

- ▶ **Loot**
- ▶ Acquisition through **unlocking, finding** and **purchasing**
- ▶ Content: various **virtual goods** with different value (Social Behaviour Monitoring, RNG)
- ▶ Purchasing possible via **in-game currency** or **real money**

Grooming?

- ▶ Introduction to gambling through similar triggers?
- ▶ Chasing losses?
- ▶ Youth protection: Age rating of games (PEGI), legal capacity
- ▶ Consumer Protection: transparent information, information requirements, withdrawal



And the law says...



Netherlands

- ▶ Review by the Dutch gambling authority (*Kansspelautoriteit*)
- ▶ **4 out of 10 examined games violate applicable law** (FIFA 18, Rocket League, DOTA 2, PlayerUnknown's Battlegrounds)
- ▶ Lootboxes contain **items with real market value**
- ▶ Potential for **resale** (fungibility)

Belgium



- ▶ Review by the Belgian Gaming Commission (April 2018 Report on FIFA 18, Counter Strike: Global Offensive, Overwatch, Star Wars Battlefront II)
- ▶ Lootboxes **qualify as gambling** and are subject to Belgian gambling law
- ▶ **Recommendation**
 - Specific license for gambling elements in computer games
 - Prohibition of the sale of computer games that contain lootboxes to minors
 - Age verification with the purchase of codes/giftcards for computer games
 - Transparency- and information regulations for game developers, "wager" limits

...what next!?

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