

# Social Casino Gaming: Opportunities for 2013 and beyond

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**In-depth analysis addressing  
the trends for future growth,  
market opportunities and the  
convergence with real money  
online gaming**

**By Tom Sapsted**



**With Expert Insight from:**



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## INTRODUCTION

In the last two years the social casino gaming space has exploded. IGT's \$500 mln purchase of Double Down, Zynga's partnership with Bwin, and Caesars acquisition of Playtika and Buffalo Studios marked the beginning of a new era in the gambling industry. What has become increasingly clear: social casino gaming is the newest and strongest prospect for growth in both de-regulated and regulated markets.

The social gambling industry, worth \$1.7bln today, is forecast grow to \$2.5 bln by 2015 [Morgan Stanley]. Other reports suggest 800m people engage in some form of online social gaming every month [SuperData Research].

Some other basic statistics that only serve to highlight the potential:

- Over \$1 bln has already been spent by gambling companies in the social gaming space and revenue generated is already in the hundreds of millions [Morgan Stanley]
- There is a total of 35.4MM monthly social casino players in the United States alone [SuperData Research], an estimated 170 mln players worldwide [Morgan Stanley]
- Since the purchase of Double Down, IGT's interactive gaming contributed about 7 percent of overall revenue in 2012, up from 2 percent in 2011 ( a growth of 300% in online growth)

The US social casino gaming market is serving to be one of the most lucrative for the leading land based casino operators and traditional video games developers. In 2012, SuperData research stated it generated \$659.8 mln in revenues, this figure has continued to grow in the last six months.

The recent legalization of real money gaming in both Nevada and New Jersey has only served to increase interest in social casino gaming. These games will be act as the ideal launch pad for real money gaming, and early presence online for the biggest casinos will mean they have staked their claims on the real money market early. European operators are looking at this possibility too.

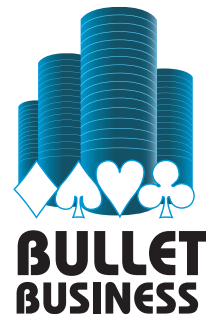
So with this in mind *Bullet Business* and *Video Games Intelligence*, in the run up to the Social Casino Gaming Summit (19-20 June, Las Vegas) has brought together three industry thought leaders who have been hugely successful in producing social casino games that have attracted millions of players, not only in America but across the world.

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You will get exclusive insight from Rich Roberts, CEO of Slingo, Vicenç Martí, CEO at Akamon Entertainment and Josh Yguado, President at SGN (Social Gaming Network)

They will address some of the issues that remain key across the social gaming space:

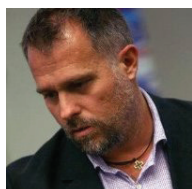
- The major opportunities in social casino gaming
- How the industry is likely to evolve in the coming years
- What an increasingly crowded social casino gaming space means and to stand out amongst the crowd
- How will games developers and land based casinos benefit from the convergence of social and real money gaming

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## VICENÇ MARTÍ, CEO, AKAMON ENTERTAINMENT

Vicenç Martí is CEO of Akamon Entertainment, the online social gaming company specializing in traditional casino-based games operating in the south of Europe and Latin America.

Mr. Martí is an expert in the specifics of the gaming industry, after being Managing Director at Cirsia Gaming Corporation. As Chief Marketing Officer at Spanish low-cost airline Vueling, he succeeded in turning the start-up into a cool and reputable million-euro brand. As CEO at fashion label Custo Barcelona, he had direct responsibility over finance, marketing, sales, operations and product functions.

He graduated in communications from Saint Louis University, and earned an MBA from IESE Business School, University of Navarra, completed with an Executive program at Stanford University Graduate School of Business. He prides himself on his excellent communication skills in four languages: English, French, Spanish and Catalan. He understands Portuguese and Italian, too.

### *In your view, why is social casino gaming such a massive opportunity?*

Social casino games, as has been reported recently, is at least a \$1.5 billion industry today and is expected to grow to \$2.5 billion in less than three years. Perhaps lesser known is that Akamon focuses exclusively on Southern Europe and Latam, a current \$500 million today and growing faster than the rest of the world. Brazil, just to mention one of the top markets for Akamon, is crazy about games in general and specifically about social casino games.

Taking the user's point of view into account, I would say that social casino gaming mixes the pleasure of playing popular games just for fun (not expecting a money reward for it) and the look for social interactions and gamification among players. Social casino gaming connects the competitiveness with the fun and the social part in the experience for every player.

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Looking at the industry, social casino gaming offers a lot of opportunities to online portals and media looking to diversify their business with new revenue streams, and to engage its users via new content with a strong social component that make them come back.

*With the social casino space becoming increasingly crowded, how do you ensure you stand out?*

Well, as mentioned, we have decided since founding the company, to have a very specific geographic focus, which invariably gives us deep knowledge of our markets as well as being platform agnostic (we do Facebook, mobile, but also - less common social casino games on the web). We also have a very unique strategy of distribution, locking in partnerships in every market to ensure a wide reach of our products.

This geographical focus allows us to have a local approach to a global audience. When we enter a new market, we localize the offer -by including new local games to our portfolio. We also look for the best partners to distribute our products and customer services through adding local payment systems and local customer support. This, together with Akamon's shared liquidity community is one of the key elements that improve the social experience of our games, as every single user can interact with any other player regardless of the platform they choose. Having been around for less than two years, solved one of the issues that is an endless debate in the industry: true, genuine synchronous shared liquidity among users, platforms, and languages.

*You have been an ever growing presence across Spain and in the Latin American market, why is this new market important and what pitfalls have you encountered?*

It is important for two reasons: first, nobody of relevance is there besides Akamon offering traditional and casino games, we are the only social casino company of any significance focusing on Latam and Southern Europe . We saw, very simply, that all great companies in the social casino space were fighting for the same users (basically US, UK, Australia), and we decided to go elsewhere.

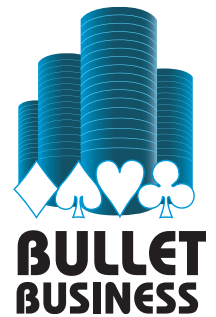
Obviously, we did not pick a place completely alien to us - say Indonesia- but we picked instead an area - Southern Europe and Latam - which we knew well and where some of the issues we face, such as difficulties with payments systems, would be seen by our competitors as much more problematic than they actually are.

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Also, by choosing these geographical areas, we benefit from a shared cultural basis (specifically in traditional games) that makes it easier for us to adapt games to the local needs without a giant effort, just by adding some specific features and by changing part of the rules.

Regarding the importance of our target markets, specifically in Latin America, their growing role in the global economy speaks for itself. Brazil, one of the top growing markets worldwide, has seen money spent on online games growing an estimated 32% year-on-year.

*Do you see any opportunities for convergence of real money online gaming and social casino gaming? If so how do you see land based casino operators and online gaming operators benefitting?*

The party is just starting. Everybody is scrambling to find the right dancing partner and looking to capitalise on what is effectively a great demand of a new generation of savvy mobile users that are interested in playing casino and bingo games not necessarily for the money. I believe social casino gaming companies such as Akamon need to keep their cool and understand that we bring tremendous value to an industry (real money online gambling) which basically spent the last four years involved in legal and regulatory discussion and basically stopped innovating and caring for the user.

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## **RICH ROBERTS, CEO, SLINGO**

Rich is CEO of Slingo, Inc., a company that develops and licenses the intellectual property for the Slingo® brand of games. As a digital interactive entertainment company and thought-leader in the gambling and games industries, Slingo Inc. develops, publishes and licenses world-wide for use with: free online game sites, social games, lottery tickets, casino slot machines, casino table games, a television game show, interactive television, mobile phone games, and most digital interactive mediums. Over three billion games of the original Slingo game has been played to date and the Slingo brand has generated well over \$1 billion in consumer spend.

*In your view, why is social casino gaming such a massive opportunity?*

Casino games have been a popular category on game platforms for many years. The opportunity for casino games on social and mobile networks is that it allows developers and publishers to bring their engaging game play to an audience of hundreds of millions of people that could never be reached before. The larger market size creates the revenue model that enables greater investment and innovation to further develop new content and expand the overall market. The most important element of growth for the industry is the ability to continually develop creative new ideas that keep players engaged and ultimately grows the market. We have seen the lack of innovation hurt game markets many times before where the industry took the customer for granted and delivered the same content many times over. Social casino games stand out as there is still a lot of innovation that has not been tapped that should define the growth model.

*With the social casino space increasingly crowded, how do you ensure you stand out?*

In the video and gambling game industries, brands and game mechanics have been the standards in by which developers/publishers stand out in the market and reach a mass audience. Slingo was the first social game introduced in the late 90's and the first to transition to gambling in the early 2000's where the

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brand established a following of tens of millions of players. As the markets expanded to include mobile and social, the successful history of the Slingo brand has translated to tens of millions of new players worldwide. To keep the engagement of the players and continuously grow the Slingo brand, Slingo has kept the brand fresh by developing unique game play and establishing relationships with great partners who have helped us expand further. Slingo's success in social games has been well documented the past 15 years, including best-selling casual download games; the top casino game on iOS; top played games in real money casinos, and games on many other platforms that have achieved success. Slingo has also been a leading brand in lottery scratch tickets and in bingo halls, and that is unique in the game industry where our success is both online and in physical products. We have achieved such success by building around the core game mechanic and its familiarity for the player, and then integrating the individual design features that maximize the distinct advantages of that particular platform. The customer does not want to play the exact same game on every platform or device. And by delivering unique game play that was backstopped by a familiar and popular premise, we have had the longevity that very few brands have had in the video game and gambling markets.

*Slingo famously partnered with Zynga for mutual benefit. Why was this such a success for you and Zynga alike?*

Like all successful relationships, both brought a proven value to the partnership. Slingo's success as the first and most-played social game and its unique play mechanic, fit perfectly with Zynga, which has the largest social distribution network. It ultimately created a great opportunity for both companies and we have been very happy with the results.

*Do you see any opportunities for convergence of real money online gaming and social casino gaming? If so how do you see land based casino operators and online gaming operators benefitting?*

What I see in the marketplace, as we all see, is a rapidly growing social casino market along with potential of the large iGaming market in the US. The discussion around convergence is based upon the broad view of both markets which have game content that looks very similar and by some accounts, plays similar. But when you dive deeper into each market, the development of the games is much different and the expectations of the players also differ greatly. Video game content is built on level design and achievement for the players, while real money content is built upon math

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models and non-achievement for the players. What is common is that they both have to deliver fun and excitement to keep the players engaged. The opportunities for land-based operators and iGaming operators are in bringing the brands and proven real-money game play that will keep customers engaged. Successful brands in gambling – including Slingo, Monopoly and Wheel of Fortune – not only set the standard for real-money engagement, they continue to be the top draws over the past decade plus in the casinos. Another important criteria for success for iGaming operators is in partnerships with real-money developers, like High5games, who is the leading game developer in the casinos. Their gambling content has had proven success that translates to iGaming that current social casino games have not proven. With much of the focus on social game companies going to iGaming with varying predictions of success High5games already has the proven real money success and the customer engagement that will translate to iGaming immediately. They have also shown, like Slingo, that they can do very well with their social casino games.

In the US, with state bills being passed recently such as in New Jersey where Slingo is based, the convergence is around the land-based operators who have the iGaming licenses. They will be in position to bring the successful games in their casinos to their iGaming platform. They will rely on their partners to create new and unique content that brings offline and online together. The social casino game market is an opportunity but it is unknown as to how the social casino games can be repositioned to real-money games and what success they will have. Time will tell if there is an actual convergence or the creation of a marketing model to acquire more players for the iGaming platform. With over 12 years of experience of going from social to real money Slingo is in a unique position to comment and on the fact that there was no overnight convergence from social when real money games were developed. It was about learning a completely different market and game design that had very little in common with the social market. The hurdles around game development and applying the core elements of the game to the real money market were extensive.

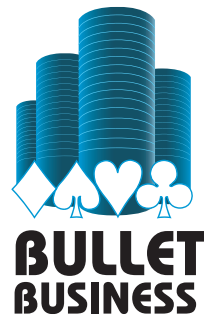
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# Online Bingo in 2012: Navigating New Challenges and Emerging Opportunities

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## **JOSH YGUADO, PRESIDENT AT SGN (SOCIAL GAMING NETWORK)**

As President of Game Development and Operations at SGN, a leading cross platform game developer and distributor, Josh Yguado is responsible for development, marketing, and operations for all games. He also leads mergers and acquisitions and ran the acquisitions of SGN, MindJolt and HallPass Media.

Yguado is a co-founder of SGN, previously in charge of game development and responsible for successful cross-platform titles including Panda Jam, Jewels of the Amazon, and Bingo Blingo. He joined SGN from Fox where he was Vice President of Business Development and worked on the acquisition of MySpace and the launch of Hulu. Yguado previously held strategic planning and corporate development positions at MTV/ Nickelodeon and Univision. He has an MBA from Harvard Business School and graduated with honors from Harvard University.

### *Why are social casino games such a massive opportunity?*

For many people around the world, many wonderful memories include times playing games with friends. Frank Sinatra and the "Rat Pack" are an iconic group of friends who played casino games together. Although mobile and social games were for a long time thought of as a solitary act, social games have brought games back to their roots - playing real-time with friends. We've seen that trend build momentum over the past few years as social games have become a multi-billion dollar business. We expect social casino games to follow that trend.

### *With the social casino games space increasingly crowded-how do you make yourself stand out?*

At SGN, we stand out in two ways.

First, the social component of "social casino games" cannot be overemphasized. We believe that deep social features will differentiate the winners from the losers. At SGN, we live and breathe social – our CEO, Chris DeWolfe founded MySpace and social has always been part of our DNA. We are looking forward to releasing

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our next generation of social casino games in 2013 and believe our creative re-imagining of what “social” means within games will set a new standard in the industry.

Second, casino games are one of the least innovative game genres and have been focused primarily on several very well defined genres for centuries. We believe that the gaming market will be revolutionized over the next two years with a re-imagining of what a casino game can be. Much of our success at SGN is based on creative gameplay models - we are continuing to apply that innovative approach to the social casino space.

*As a games developer, how do you see the social casino industry unfolding in the coming years?*

Social is key to success, but the depth of content and wagering experience held by the traditional gaming leaders should not be undervalued. We believe that the future leaders in the space will need to master both content and social. There will always be a market for both virtual and real money gaming – certain people want one or the other. We expect to see more partnerships between traditional casino players and social game developers over the next year as the leaders in the space continue to strive to serve both populations.

*Do you see any opportunities for convergence of real money online gaming and social casino gaming? If so how can games developers benefit?*

The convergence of real money online gaming and social casino gaming is already creating new opportunities for game developers. For the past two years the social gaming space has grown at an incredible pace with the proliferation of mobile devices and new outlets for social gaming - the addition of real money gaming as a new revenue stream will only add fuel to the fire and continue to accelerate that growth.

However, there will always be a market for both virtual and real-money gaming - future leaders in the space must provide both. There are real benefits to being able to re-use IP on multiple platforms and to be able to serve both real money and virtual gamers with the same great content.

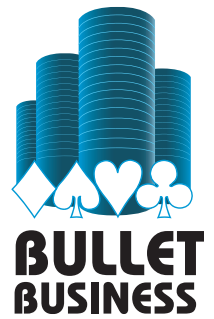
Another opportunity is the potential to bridge mobile/social gaming with brick and mortar casinos – the idea that a player could win \$50 online to spend in their favorite casino.

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## CONCLUSION

It is clear that social casino gaming already and will continue to mean big money. The possibilities of convergence with real money gaming, may prove to be the decisive factor in the growth of this market, especially considering recent legal changes.

Yet questions remain and more depth needs adding. What further opportunities for growth will there be in the next 5 years? How can you tap into the social casino market and ensure a ROI? How can game developers and casinos work together for mutual benefit? What does the convergence between online gaming mean for your operations? Who will win the race for the social casino gaming player? How do you build a business ready for real money gambling? What does the changing regulatory landscape mean?

For this very reason *Video Games Intelligence* and *Bullet Business* have joined forces to give you the insight you need. We will bring a unique focus and audience together from across the gambling and video games space to help you create and monetize a social casino gaming product to engage your players.

Book your place today at the Social Casino Gaming Summit (19-20 June, Las Vegas) to meet Rich, Josh and Vicenç alongside the other leading games developers and land based casino operators.

## Social Casino Gaming Summit (19-20 June, Las Vegas)

All three of the industry pioneers speaking in this report will be taking part in the Social Casino Gaming Summit in Las Vegas on 19-20 June.

They will be joined by over 25 expert speakers, including Caesars, Foxwoods, Riviera Casino, Big Fish Games, GSN, Paddy Power and many more. Over 150 C-level execs will meet to build partnerships to power the new era of social casino gaming. This is the only place to develop your social gambling strategy, build new revenue streams, prepare for the legalization of gambling and meet the leading casino operators and games developers.

For more information and opportunities to reserve your place at this landmark event, visit: [www.bulletbusiness.com/social](http://www.bulletbusiness.com/social)

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