Clarion Gaming’s Ampersand Survey Results

About the Survey

This bellwether report was conducted between 30 October and 29 November 2018 with Clarion Gaming’s Ampersand Group to gauge the level of optimism/pessimism in the industry and to identify some overarching industry trends emerging in the sector. 93 responses were received and this report summaries the survey results.

Ampersand is an 800-plus strong group of industry experts and advisers who have joined to help drive Clarion’s event and content strategy and set up as a networking opportunity for the sector.
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Executive Summary

• **Online gaming is anticipated as the key growth area** and makes up a bigger proportion of the market than land-based. 3 in 4 respondents are optimistic about their organisation’s prospects over the next 12 months.

• **Expansion into new markets is the most important trend/development** for respondents’ businesses. The US market, online/mobile gaming and sports betting (mainly in the US) are expected to be the key growth areas. US sports betting performs less well in the quantitative results as for some regions/respondents it isn’t a relevant market. When prompted specifically about growth regions, Africa also performs well.

• **The biggest opportunity for respondents is regulation**, but alongside Government and illegal/irresponsible operators, regulation is also seen as the biggest threat.

• **Artificial Intelligence is overwhelmingly the key technology** as the choice to invest in, while there is a belief that more expenditure on innovation, marketing and sales/business development roles would drive company growth.
**Respondent profile summary**

29% online delivery \((-6\% pts)\)
15% land-based delivery \((-3\% pts)\)
56% both \((+9\% pts)\)

**NB:** Figures in brackets relate to period on period change. \((-\) = no change

### Gaming Type

<table>
<thead>
<tr>
<th>Type</th>
<th>%</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casino</td>
<td>41%</td>
<td>(-)</td>
</tr>
<tr>
<td>Sports Betting</td>
<td>25%</td>
<td>(-)</td>
</tr>
<tr>
<td>Tribal</td>
<td>4%</td>
<td>(+3% pts)</td>
</tr>
<tr>
<td>Bingo</td>
<td>3%</td>
<td>(-)</td>
</tr>
<tr>
<td>Lottery</td>
<td>3%</td>
<td>(-4% pts)</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>(+3% pts)</td>
</tr>
</tbody>
</table>

Combined top 5 (represents 76\% of sample (not inc. other))

### Organisation Type

<table>
<thead>
<tr>
<th>Type</th>
<th>%</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operator</td>
<td>33%</td>
<td>(-2% pts)</td>
</tr>
<tr>
<td>Supplier/vendor</td>
<td>23%</td>
<td>(-1% pt)</td>
</tr>
<tr>
<td>Consultancy</td>
<td>19%</td>
<td>(+3% pts)</td>
</tr>
<tr>
<td>Regulator</td>
<td>8%</td>
<td>(+3% pts)</td>
</tr>
<tr>
<td>Law Firm</td>
<td>5%</td>
<td>(-)</td>
</tr>
</tbody>
</table>

Combined top 5 (represents 89\% of sample). 94\% if including media/association

### Job Title

<table>
<thead>
<tr>
<th>Title</th>
<th>%</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-level / Partner / MD</td>
<td>43%</td>
<td>(+7% pts)</td>
</tr>
<tr>
<td>President / VP / Director</td>
<td>25%</td>
<td>(-)</td>
</tr>
<tr>
<td>Head / Manager</td>
<td>20%</td>
<td>(-8% pts)</td>
</tr>
<tr>
<td>Non-managerial</td>
<td>2%</td>
<td>(-2% pts)</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>(+4% pts)</td>
</tr>
</tbody>
</table>

Top 5 (please note significant drop in period on period %s overall)

### Region

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>60%</td>
<td>(-23% pts)</td>
</tr>
<tr>
<td>North America</td>
<td>30%</td>
<td>(+8% pts)</td>
</tr>
<tr>
<td>Africa</td>
<td>14%</td>
<td>(+3% pts)</td>
</tr>
<tr>
<td>Asia</td>
<td>10%</td>
<td>(-4% pts)</td>
</tr>
<tr>
<td>Australia</td>
<td>7%</td>
<td>(-4% pts)</td>
</tr>
</tbody>
</table>
Online is anticipated to grow fairly significantly; land-based expected to marginally decline (no significant change since Wave 1 – February 2018)

Q. Do you think that the following industry sectors will grow, remain the same, or decline over the next 12 months? (Base: total respondents for each wave)

- **Online** (n: 91)
  - Mean out of 5: 4.3 (-0.1)
  - Increase significantly: 44%
  - Increase slightly: 24%
  - Remain the same: 33%
- **Land-based** (n: 91)
  - Mean out of 5: 2.8 (-0.3)
  - Decrease significantly: 8%
  - Decrease slightly: 3%
  - Remain the same: 9%
  - Increase significantly: 44%
  - Increase slightly: 24%

Mean out of 5

- **Online**: 4.3 (-0.1)
- **Land-based**: 2.8 (-0.3)
Almost three quarters are ‘optimistic’ about their organisation’s prospects in next 12 months (no significant change since Wave 1 – February 2018)

Q. And more specifically, how optimistic or pessimistic do you feel about the prospects of your organisation in the coming 12 months? (Base: total respondents for each wave)

- Phase 1 (n: 150)
  - Very pessimistic: 2%
  - Quite pessimistic: 3%
  - Neutral (neither pessimistic nor optimistic): 45%
  - Quite optimistic: 20%
  - Very optimistic: 29%

- Phase 2 (n: 93)
  - Very pessimistic: 4%
  - Quite pessimistic: 5%
  - Neutral (neither pessimistic nor optimistic): 52%
  - Quite optimistic: 17%
  - Very optimistic: 23%

Mean out of 5
3.8 (-0.2)

‘OPTIMISTIC’ – 74%
(when taking into account rounding)
Q. What are the biggest opportunities in the gaming industry and why?
(Base: total respondents – 93)

Three big opportunities – Mobile/online gaming, sports betting and the US market

- **US Market**
  - Size of market: "Huge market opening"
  - Strong growth potential: "immense potential still untapped"

- **Sports betting (US)**
  - Many comments here related to the US, where legislation changes have opened up a huge new market in sports betting: "The next big thing"

- **Mobile/online gaming**
  - Ease of access: "It’s easy"
  - Strong growth potential: "We’ve seen a sharp increase..."
Q. What are the biggest opportunities in the gaming industry and why? (Base: total respondents – 93)

**Secondary opportunities – new markets, esports and technology**

- **New markets**
  - Africa: “Internet penetration/mobile”
  - Asia: “new emerging market”

- **Esports**
  - New opportunity: “This is the future”
  - Audience size/age profile: “Opportunity to engage millennials”

- **Technology**
  - Opportunity for start ups: “Established firms have legacy issues”
  - New products – (e.g. AI/personalised tech/esports)
Q. And what are the biggest threats to the gaming industry and why? (Base: total respondents – 93)

A number of threats, but the overwhelming one in the eyes of respondents is overregulation

- Regulators introduce severe limitations
- Advertising controls
- (over) Regulation (inc advertising)
- Slows down the industry “holds everyone back”
- Fines “as Operators take more risks, the fines will get bigger”
- Too much regulation & slow legalisation
Secondary threats – The economy; a lack of innovation, and taxation

Q. And what are the biggest threats to the gaming industry and why?
(Base: total respondents – 93)

- Economic climate
  - Pressure on disposable income
    - “No money, no fun”
  - Brexit a potential concern
    - “Uncertainty”
- Lack of innovation
  - Not enough new products and services
- Taxation
  - Overtaxed “impact on margins”
    - “Market Killer”
  - Encourages black markets (and their own problems)
Expansion into new markets continues to be the ‘most important’ trend/development for businesses

Q. How important are the following industry trends and developments for your business? (Base: respondents with an opinion of each (n: 88-91))

<table>
<thead>
<tr>
<th>Trend/Development</th>
<th>Mean Score Out of 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion into new markets</td>
<td>4.3</td>
</tr>
<tr>
<td>Industry consolidation</td>
<td>3.8</td>
</tr>
<tr>
<td>Negative perceptions of the industry</td>
<td>3.8</td>
</tr>
<tr>
<td>AML</td>
<td>3.7</td>
</tr>
<tr>
<td>Offline / Online convergence</td>
<td>3.7</td>
</tr>
<tr>
<td>Innovation in consumer protection</td>
<td>3.7</td>
</tr>
<tr>
<td>Advertising compliance</td>
<td>3.6</td>
</tr>
<tr>
<td>AI / Machine-learning</td>
<td>3.5</td>
</tr>
<tr>
<td>US sports betting</td>
<td>3.4</td>
</tr>
<tr>
<td>Video gaming / Gambling convergence</td>
<td>3.4</td>
</tr>
<tr>
<td>Diversity of workforce</td>
<td>3.4</td>
</tr>
<tr>
<td>GDPR</td>
<td>3.3</td>
</tr>
<tr>
<td>Skill-based gaming</td>
<td>3.2</td>
</tr>
<tr>
<td>Growing restrictions in affiliate marketing</td>
<td>3.0</td>
</tr>
<tr>
<td>eSports</td>
<td>3.0</td>
</tr>
<tr>
<td>Virtual reality</td>
<td>2.8</td>
</tr>
<tr>
<td>Integrated resorts</td>
<td>2.7</td>
</tr>
<tr>
<td>Cryptocurrency / Blockchain</td>
<td>2.6</td>
</tr>
<tr>
<td>Brexit</td>
<td>2.5</td>
</tr>
<tr>
<td>Secondary Lottery</td>
<td>2.5</td>
</tr>
<tr>
<td>ICOs</td>
<td>2.3</td>
</tr>
</tbody>
</table>

But very high (4.2) for US region
Q. How important are the following industry trends and developments for your business?
(Base: respondents with an opinion of each (n: 88-91))

US sports betting and diversity are more important, GDPR and ICOs less so (vs. Wave 1 – February 2018)

Increase partly due to more North American respondents in the sample
Africa and then USA continue to be regarded as the ‘exciting’ potential new expansion targets.

Q. What new market (geographically) excites you as a potential new expansion target? (Base: total respondents – 93)

- USA: 8%
- Africa: 18%
- Europe
- Germany
- Spain
- India
- Latin America
- Asia
- Brazil
- Japan
Innovation, marketing and sales/business development roles wanted to drive growth

Q. If you could create a new senior role within your organisation to drive the growth of your business, what would that role be? (Base: total respondents – 93)
Q. Are there any specific organisations or types of company that have had a positive impact on your business – or might do in future?
(Base: total respondents – 93)

Regulators the core organisation positively impacting businesses (but can be negative too)

HAVE POSITIVELY IMPACTED

- Regulators
- Ampersand/Clarion
- US federal court
- Advisory networks

MIGHT POSITIVELY IMPACT IN FUTURE

- Game providers
- Payment services provider
- Regulators

But there is less consensus...

“It is very hard to say at this time as our industry has become more divisive than ever”
Q. Are there any specific organisations or types of company that have had a negative impact on your business – or might do in future? (Base: total respondents – 93)

**HAVE NEGATIVELY IMPACTED**
- Regulators / the Gambling Commission
- Illegal / irresponsible operators
- Government
- Various individual companies

**MIGHT NEGATIVELY IMPACT IN FUTURE**
- Government
- Regulators
- Various individual companies
- The press
- Technology and tech giants
Bet365 and MGM are the gaming companies that others aspire to; Apple and Amazon in terms of non-gaming companies.

Q. What company within and outside of the gaming sector do you aspire to? (Base: total respondents – 93)

GAMING SECTOR
- MGM GRAND
- Bet365

NON-GAMING SECTOR
- Amazon
- Apple
- Uber
- Google
- IBM
- Netflix

CORE COMPANIES
- MGM GRAND
- Bet365
- Amazon
- Apple

OTHER COMPANIES
- Bet365
- MGM GRAND

No other company was mentioned more than once, showing MGM and (particularly) Bet365’s dominance in terms of respondents’ aspirations.
Q. If you had $500,000 to invest in a new technology, what would that technology be? (Base: total respondents – 93)

<table>
<thead>
<tr>
<th>Product / Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARTIFICIAL INTELLIGENCE</td>
</tr>
<tr>
<td>CRM</td>
</tr>
<tr>
<td>MACHINE LEARNING</td>
</tr>
<tr>
<td>MOBILE APPS</td>
</tr>
<tr>
<td>ONLINE GAMING (E.G. CASINO, BINGO)</td>
</tr>
<tr>
<td>SKILLS-BASED GAMES</td>
</tr>
<tr>
<td>SPORTS BETTING PRODUCT / PLATFORM</td>
</tr>
<tr>
<td>VIRTUAL/AUGMENTED REALITY</td>
</tr>
<tr>
<td>SOFTWARE</td>
</tr>
</tbody>
</table>
Approximately two thirds are involved with either casino or sports betting gaming.

Q. Type of gaming predominantly involved with.
(Base: total respondents – 93) NB. Displaying options selected by >1%

Casino: 41%
Sports Betting: 25%
Other: 10%
Tribal: 4%
Street: 3%
Social Games: 3%
Lottery: 3%
Bingo: 3%
Skill Games: 2%
Fantasy Sports: 2%
Coin Op / Amusement: 2%
Poker: 1%
56% work for an operator or supplier/vendor, while 85% have an online presence.

Q. Organisation type.
(Base: total respondents – 93) NB. Displaying options selected by >1%
- Operator: 33%
- Supplier / Vendor: 23%
- Consultancy: 19%
- Regulator: 8%
- Media / Association: 5%
- Law Firm: 5%
- Other: 4%
- Financial Institution: 1%
- Affiliate: 1%

Q. Delivery channels.
(Base: total respondents – 150)
- Online: 29%
- Land-based: 15%
- Both: 56%
Respondents were a senior audience – over 40% were C-suite

Q. Job title.
(Base: respondents where available – 93)

MOST COMMON JOB TITLE

- **43%** C-level / Partner / MD
- **25%** President / VP / Director
- **20%** Head / Manager
- **2%** Non-managerial
- **10%** Other
Europe is the core region that participants are involved with for work

Q. Region. (Base: respondents where available – 93) NB. Displaying options selected by >1%

- **Europe**: 60%
- **North America**: 30%
- **Africa**: 14%
- **Asia**: 10%
- **Australia**: 7%
- **Central & South America**: 3%
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Thank You

A huge thanks goes to all Ampersand members for their continued support and engagement. We look forward to working with you again on these surveys and seeing you at our Ampersand Live events and receptions.