



U.S. Indicts Poker Website Operators and Creates Opportunity for Tribal Gaming

by Ehren Richardson

Civil and criminal actions recently levied by the United States Justice Department on offshore poker website operators *PokerStars.com*, *FullTiltPoker.com*, *AbsolutePoker.com* send a clear message to other betting website owners accepting bets from U.S. residents that they run a high risk of being prosecuted. Eleven executives, including the founders of the three largest sites, were charged with bank fraud, money laundering, and violating anti-Internet gaming laws. The FBI immediately closed all three sites after the indictment. The government is trying to recover approximately \$3 billion from these companies. Many sites claim that poker is not illegal because it is a game of skill, therefore, it is not gambling. They will probably hold onto this position as they are prosecuted.

What could bring several, if not all, of the illegal offshore Internet gaming websites down is the legal threat to U.S. and international banking institutions, who in some cases are unknowingly facilitating financial transactions between customer and betting website. The federal indictment also accuses some banks of accepting bribes from online sites to process their transactions. This should be an alarm for any U.S. correspondent banks considering involvement in this illicit business.

This is good news for tribal gaming because it means that large brands like *PokerStars.com* will likely not be able to compete in the U.S. market. Wynn Resort's canceling of their partnership with *PokerStars* and the Fertita Group's break up with *FullTiltPoker* are evidence to this. However the urgency for tribal gaming operations to develop online gaming strategies could not be greater. There are 15 million people playing online poker for real money in the U.S. (according to *Poker Players Alliance*) generating billions in revenue. With the closure of these popular poker websites many millions of U.S. poker players are without service. Several of these players make their living from playing online poker. This is a never-seen-before opportunity for legitimate casino operators in the U.S. to offer play-for-fun poker systems until legislation is in place. This will also draw more demand to live games since many online players will no longer be able to play in their usual online game. The players could move to other online sites but will feel more risk after seeing the three largest sites closed.

Launching online games not only allows the tribal gaming operators to take advantage of the vacuum left by giant poker websites like *pokerstars.com*, but it provides them with an opportunity to drive new business to brick-and-mortar properties and build casino club membership. The integration between the existing casino's player tracking system and the online casino player tracking system leave the possibility for multiple ways to market to the player. Such as playing a certain amount online and receiving promotions to come visit the brick and mortar

casino. Also, the brick-and-mortar casino could offer online gaming promotions to patrons who do not play online. This could generate more revenue from the player if the casino can entice them to play online and at the brick-and-mortar facilities.

When online gaming is legalized (no more if it is legalized) in the United States, a significant opportunity will exist in the cross-pollinations of tribal casinos and online gaming. With over 420 tribal gaming facilities across the United States, the opportunity for attracting new customers is endless if the casino is properly prepared for the transformation.

Many gaming executives believe that deploying and supporting an online gaming system is strictly a cost center with no real means of recapturing those costs. Other gaming executives are evaluating Internet-based gaming systems as an extension of their marketing efforts by incorporating them with social media, virtual coupons, special incentives and their existing players club programs.

As many casinos are already implementing with mobile applications, online gaming applications can be used to generate new club members, drive more foot traffic to brick-and-mortar properties and create sponsorship advertising revenue opportunities. In addition, the large gaming machine suppliers and other player tracking services are introducing the ability to tie 3rd party game systems into their CRM (customer relationship management) solutions to provide end-to-end metrics from online play-for-fun to real money play at the property.

Play-for-fun online gaming systems can be provided on a SaaS (software as a service) model much more cost effectively than a fully deployed solution. Further cost savings can be realized by forming groups of casinos to a single licensing agreement and assuming customer service responsibilities.

There have already been several RFPs for online gaming systems by tribes and there are already several tribes and commercial casinos in contract stage with these online gaming suppliers. Expect to see several announcements by tribal and commercial casinos introducing play-for-fun, online gaming as part of their social media marketing strategy this year.

Tribal gaming leaders have a unique window of opportunity in the wake of actions by the United States Department of Justice to engage the millions of online gamblers who have no place to turn now except to visit a brick-and-mortar casino. Engage them with what they already know and love (online poker/casino games) and you will ultimately drive more business to your properties. ♣

Ehren Richardson is an Internet Gaming Consultant for Joseph Eve. He can be reached by calling (406) 727-1798 or email ehren.richardson@josepheve.com.