

# Rise of the Machines

Why the industry's focus has shifted from the front-end to the back office.

**Global Betting and Gaming Consultants' (GBGC)** latest report outlines that the global interactive gambling market rose by 12 percent in 2010, reaching \$29.32 billion in GGY. With projections that the market will grow another 14 percent in 2011, it's hardly surprising that in this immense industry, the focus to-date has, rightfully, been dominated by front-end products and any content that would drive traffic and revenues.

Yet, content is simply the tip of the iceberg; the bit that is visible above the waterline. The unseen bulk of any gaming operation is formed of back-ends: RNGs, operations, reporting, games and player management. Recently, these back-ends have been claiming their own space and validity. Back in 2005/6, companies such as Boss Media tried to sell their back-end as a standalone product. This showed immense foresight, but was far before its time.

## Why is the back-end is suddenly king?

In recent years, operators have moved definitively from a single to a multi-supplier environment, which often resulted in a sub-optimum amalgamation of back-ends from different companies. Initially, companies attempted, with varying different degrees of success, to create an in-house 'umbrella' system. Now, in an era where fast customer service, centralised marketing and KYC are paramount, the back-end becomes increasingly important and optimum solutions are being sought.

In addition, the ongoing consolidation, M&A activity, and even partnerships formed for licensing purposes to access the opening European markets, are building a need for a technological simplicity that underlies the fragmented and convoluted landscape.

## New markets for back-ends as products

Alongside the existing operator market, there are emerging business groups which collectively add to the growing importance of the back-end.

- Many small/medium games producers, whose content has typically resided on third-party platforms, have now amassed a large suite and are looking to make the move from being games-

only producers to suppliers dealing direct with operators. As games specialists, they are looking externally for the supporting structure.

- Emerging gambling sectors, such as mobile gambling, which has an estimated value of \$48 billion by 2015 according to Juniper Research, bring a whole raft of new producers that are specialists at games development, but require a back-end from which to deploy and launch their product.
- US land-based games companies and companies offering branded games are creating their own front-ends in order to protect the quality and IP as they move into the online space and are looking for back-ends to support their front-end expertise.

## Available options

Now that back-ends are a legitimate and valuable standalone product, there are four options open to operators:

1. Some have built their own centralised system which houses all of their suppliers (Virgin Games being the latest example). This route places huge a demand on resources, but the operator is left with a system that is built exactly to spec. For many though, a cost/benefit analysis leads to the realisation that sacrificing a fee or revenue share to a specialist third-party is often a more cost-efficient and effective way forward.

2. Large 'traditional' platforms, such as OpenBet, offer the operator masses of multi-supplier sportsbetting and gaming content which resides on a comprehensive back-end; however, the revenue share and any build/development charges are high and not all content suppliers are represented. As such, though it has great value, it is not a viable solution for all operators or games suppliers/developers.

3. The large games suppliers have all migrated from producing software that was integrated into operators' proprietary or third-party back-ends, to offering their content via their own platforms. IGT was the first mover with its Remote Gaming System, and others followed. Even Microgaming, notoriously independent of all others, has launched Quickfire. While the platforms have deployment advantages for both operators and suppliers, the ultimate value lies in the suppliers integrating each

others' products so as to provide a comprehensive front and back-end service.

4. The final alternatives are the smaller, independent, back-end specialists, such as Omega Gaming. They are supplier/game producer agnostic and more than any other third-party solution are speedily customisable to the point where the operator can potentially get close to something that was custom built in-house to an exacting specification

## Rise of the new independents?

As specialists, these smaller, independent specialists are increasingly able to carve a solid niche for themselves, meeting a demand in the marketplace that alternatives simply cannot. As such, it is likely that we will see a subtle shift in the market to such back-end suppliers, where historically there hasn't been such a strong requirement.

- By focussing their business entirely on sophisticated back-end features they have years of specialised experience and advanced features that an operator's in-house development team may struggle to achieve. And while customisation can easily be managed, another key advantage is the 'collective intelligence' of the clients.

- In comparison to the OpenBet and Finsoft type offerings, these companies have the potential to be faster, proactive and will have less commercial expenditure or the kind of development obstacles that are hindering some content suppliers' integration.

- Unlike the gaming suppliers - IGT, GTECH, Quickfire, etc - the independents are not acting in direct competition so are actually willing and able to integrate multiple large suppliers with smaller games producers.

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