

# Project Casino Online

*This is an edited extract of a document prepared for a client interested in starting an online casino. You may find it useful. If I can help more please don't hesitate to contact me at [david@w5h.com](mailto:david@w5h.com).*

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# 1. Online casino overview

Setting up an online casino entails several key tasks. Without turning this into a health warning, here are a few things we need to consider before we start :

1. **The Software** - the platform itself is a complex and involved system, capable of handling a large number of concurrent live players with absolute security and speed. Choosing the right platform which connects to the right games providers, payment processors, KYC and AML bureaus and marketing tools is essential.
2. **The Team** - Depending on the amount of work handled internally and the amount handed off to subcontractors our team can be anything from 4 to 40 (as explained below). Specialists in marketing, game choice and profiling, player management and regulatory are the core team.
3. **The Legalities** - Online casinos are very heavily regulated in most jurisdictions around the world. Whilst it is relatively easy to set up an online brand, one quickly falls foul of the heavily regulated advertising platforms and payment processing providers unless you can show the credibility of a recognized license (or licenses). Choosing the licensing location of the casino is vital for maximum marketing opportunity and minimum tax exposure.
4. **The corporate structure** - Equally, the structure of the operating company, the nationality of the ultimate beneficial owner (UBO) and location of any physical offices can make a huge difference for aspects including but not limited to banking and licensing. Americans, thanks to FATCA (Foreign Account Tax Compliance Act), have a lot of trouble opening bank accounts in most countries so choosing the corporate structure, directors and nominal ownership is key.
5. **Banking and Payment Processing** - Many banks worldwide will no longer accept business from any kind of gaming operations. Finding a

bank who will do so can be very difficult, to the degree that there are many consultants who do nothing but find suitable banking for clients. Payment processors are equally cautious, and also require very active KYC (Know your customer) and AML (anti-money-laundering) checks to be rigorously enforced for all players.

6. **Marketing systems** - There are a lot of online casinos all competing for the same players, and whilst there are a lot of players out there, we need to know exactly who we are targeting to gain maximum returns on our investment. Social media platforms like Facebook and Instagram or online advertising portals like Google AdWords will carefully vet any advertisers before allowing them to place ads in any specific country.

All of this can sound daunting, but it's really a question of knowing what we want to do, being aware of the potential pitfalls and designing our structure to work properly with the minimum of cost and overhead. This caution and process extends into all areas of the project, for example most game and platform providers will not provide their products to an operator who does not have a license and credentials which they find acceptable.

We have been working in this environment for many years and have a good working knowledge of these steps. We also have a very strong reputation with suppliers and regulators around the world. I am personally licensed with the UK and Maltese gaming boards. Personal vetting and licensing of key staff is something which has to be completed before a company can even apply for an operator's license.

There are many consultants who will set up an online casino for you, our company will also advise on and help build the licensing, corporate structures and business relationships you will need to succeed. We have done this process from start to finish multiple times and have a great track record of complete "build and launch".

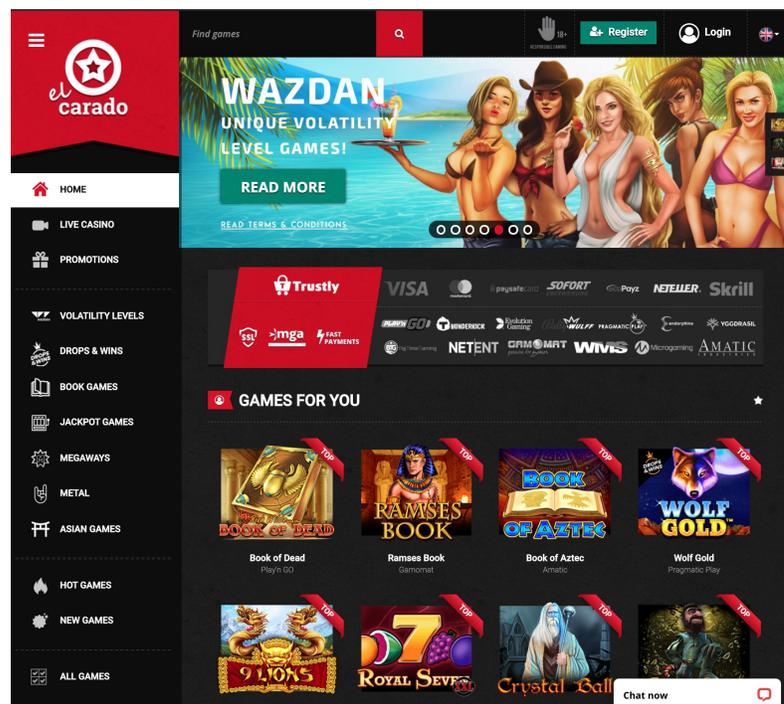
## 2. Components

### Platform

The platform is the core to the online casino. It consists of several key components:

1. **Player Management** - Recording and managing all player data, guiding players through sign-up, account management and help-desk interface
2. **The Dashboard** - The operator's interface to the casino systems, allowing us to monitor play, profitability of individual players, games or promotions, change the web interface, add or delete games and so on.

3. **The Gaming Engine** - the games themselves (slots, table games or live dealer) will usually come from a different supplier to the platform, so we need a strong and flexible interface allowing us to integrate the best choice of games (players will want to see their favorites) and control/analyze each one.



4. **Accounting** - an online casino, even more than a physical one, is a numbers-driven business. Turnover is high and margins are low so accurate and timely reporting and control are vital. Analyzing profitability across games, players groups, regions and ad campaigns is an ongoing business which needs good tools.
  
5. **Bonus Management** - Casinos on the web have traditionally offered bonuses to new and existing players to attract and retain them. These bonuses are well-understood and frequently manipulated by savvy players and good control and flexibility is vital.
  
6. **Marketing Interactions** - Attracting new customers can be very expensive (over \$120 per player usually) so tuning our marketing spend is vital. Linking player activity to the campaign of the sales affiliate who originated him is a core function of the platform.

Once we have the client, retaining him for long enough to make a profit from him is key. There are many complex tools that help to monitor and interact with the client ( for example Optimove - <https://www.optimove.com/> - is a tool which allocates players to 'tracks' such as 'registered', "deposited", "active", "high-value", "inactive" or "lapsed" to allow a different individualised messaging and bonusing package to be sent to a player at each stage of his journey.) Making sure that these tools can plug into and work with our chosen platform is key.

7. **Affiliate Management** - Many casinos use sales affiliates to recruit clients. These affiliates are specialists in social media marketing and SEO (Search Engine Optimization) who do nothing but recruit new players. The affiliates send us players but never know their identities (for obvious reasons!). They are therefore very nervous about us reporting back to them and paying them the correct fees. They will generally only work with brands they know and platforms they trust to report accurately. Income Access (<https://incomeaccess.com/technology/affiliatesoftware/>) or EveryMatrix

(<https://everymatrix.com/partnermatrix/affiliate-system/>) are examples of tools that plug into the casino platform and act as independent auditors to ensure accurate affiliate payments.

8. **The Web Interface** - The bit the player sees - obviously the speed and usability of the site is vital in a world where players have a (proven) average patience threshold of less than 10 seconds. Making sure each player sees his favorite games and new games that match his likes is essential, so being able to manage the site effectively is again a core requirement.

## Games

Games on a casino can be sourced from various suppliers, most of whom provide the same titles to many different casinos. Just as with a physical Las Vegas casino, if you haven't got the title a player is used to playing (or even worse, he can't easily find it on the site) he will walk (or click) on to the next casino.



Games vary in cost according to their popularity and complexity (generally from 10-18% of net gaming revenue (NGR) ). Once a supplier (or game aggregator) is connected to the platform adding new games from their catalog is quick and easy, and games only cost money when players play on them and lose to us, so a good range of prime games and 'stocking fillers' is essential.

Games generally fall into the category of:

### 1. Slot games

The most numerous game category, slots will generally pay out between 94% and 96% to the player. The key differences to us are play styles (simple games, games with bonus levels etc.), suppliers and prices.

Suppliers differ in the number of bonus or free spins they will allow us to give away per dollar spent.



Some games are jackpot games, which means a player can win a large payout if an in-game accumulator drops. Usually the game provider will retain an amount per play to cover this but sometimes the liability falls in part or whole to the operator. Whilst we want a big winner (there is no better advertising) we need to be ready for the hit to the bank account.

## 2. Table games

All of the standard casino table games can be bought online, either as automated games like this roulette game from Play'n Go or as live dealer (see below).

Table games have thinner margins but tend to attract bigger stakes, so different bonusing is required.

Players tend to feel they are more “in control” of a table game given the perceived skill required but as with all games in the casino, the margins will all win out in the end, making risk of a big win nothing but a cash-flow issue.



## 3. Live Dealer games



A live dealer game involves the player much more personally by offering interaction with a real dealer or croupier. Players can choose their game and their dealer and can interact with the dealer via text messages during play. The dealer will have some

information about the player and can welcome back frequent players as well as answer their chat messages in real time.

Live dealer is more expensive for the casino but is very strong in retaining players and encouraging longer play and repeat visits.

## Licensing

The licensing landscape has changed drastically over the last few years since the UK redefined their gaming licenses to cover all gambling activity undertaken by players in the UK, regardless of the location of the casino operation. This move to ‘point of consumption’ as opposed to “point of origin” licensing, which allows a government regulator to collect tax on all play by their citizens has opened the door to many other countries copying the tactic. Consequently, many licenses which a few years ago were classed as “white list” are now of limited value.

These point of consumption licenses are generally enforced by a ban on advertising and payment processing in the country which is rigorously enforced by the relevant Gambling Commission.

There are certain licenses which are generally well regarded for general use, specifically for ‘grey’ markets, i.e. those without any specific limitations on non-resident casinos selling or advertising in-country. Currently Malta is the most popular of these, with a good reputation among players and suppliers and a decent tax and legislative regime.



Certain countries (UK, Spain etc.) require a local license in addition to the home license for business. We can acquire these licenses depending on the markets we feel justify the effort and cost.

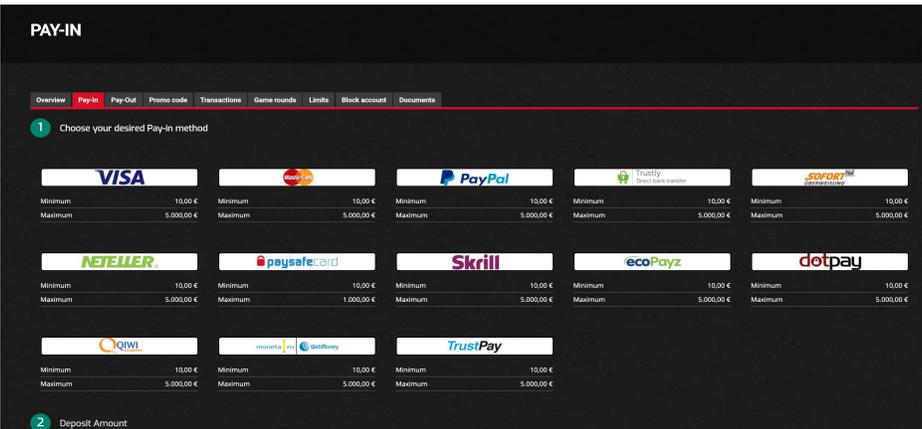
## Banking

Acquiring a corporate account for an online casino operator is one of the hardest steps in setting up any new operation. Most banks will not accept gaming clients (and most will not accept US clients either). Even in Antigua finding a bank with good international payment facilities willing to service us

may be difficult. We have had success in the past in Malta, Cyprus and Luxembourg and will be able to find a bank if the company is correctly formed and presented.

## Payment Processing

Surprisingly, credit card processing services are currently easier to organise than corporate banking facilities and the key here is to give the player as much choice as possible:



Different countries seem to favor different processors, but the number we can add is not limited.

## KYC/AML

As lobby groups around the world push to prevent under-age or excessive and out-of-control gambling the licensing authorities are putting the responsibility for compliance (Know Your Customer and Anti-Money Laundering) firmly onto the shoulders of the casino operator. By carefully limiting access on the website until we have taken a players credentials and checked players with a reputable third-party rating agency we can have this under control.

## Marketing

The two major roles of marketing are RECRUITMENT and RETENTION. We need to attract a player to our site and then keep him there long enough to make a profit. We handle this using various tools:

**Social Media and web advertising** - Our primary in-house recruitment tool. As our players are already on the Internet, marketing to them through websites, Google search ads and social media platforms is the most effective way to get their attention. As with all aspects of the operation, analysis of data is key, so initially we would run several campaigns using different target audiences, locations and messages to find out who our prime audience is. Targeting and refining this group and our communication with them is the Black Art of casino marketing.

**Direct marketing** - Once we have an audience profile we can recruit and retain them by including email, telephone calls, text and WhatsApp messaging to keep them informed of current and upcoming promotions, big winners and competitions.

**Affiliates** - Historically online casinos and sportsbooks came out of the retail (on-ground) business, and whilst these companies invested in the software and systems they took some time to change their 'shopkeeper' mentality to be able to optimize the world of the web. To fill this gap many young internet-savvy marketing guys started acting as affiliates - sending traffic to sites in exchange for a fixed fee or a percentage of the players loss. These companies (several of which are now publicly quoted on the major exchanges) are now a fact of life for all operators. Buying good clients from affiliates is a quick way to create an initial audience whilst we test-market and build our own advertising strategy.

**SEO** - Search Engine Optimization. Tuning the web presence of our site and social media channels is vital to ensure we stand out from the crowd. Whilst Advertising and SEO are both put under the heading of Marketing they are very different skills requiring specialist knowledge.

**Bonusing** - Since the early days of online gaming, bonuses have been used to attract players to a site. Generally, these take the form of a bonus amount, often matching the cash deposit that triggers them. To ensure that the player does not simply withdraw this extra cash the site will put a play restriction on the bonus and linked deposit requiring that it is turned over as stakes a number of times (generally anything from 30 to 70 times). This can cause frustration and misunderstandings if not handled well, so a specialist is ideally part of the team. Bonuses are almost universal and a very important part of the casino operation.

## Player Management

Once we have our customer, we must work hard to keep him. Player turnover is very high in the online casino industry and anything which lowers our attrition rate can make a big positive difference to our profitability.

**Retention marketing** - Players clubs, frequent targeted messaging, congratulations on a win and a special bonus after a losing streak are some of the standard strategies. In the rare case of an online casino brand-linked to a physical property we immediately have a range of new retention options over our competitors - earning points towards a visit, links to live tournaments, competition prizes of holidays to the site can all make a huge difference. In the only previous site we have run with this advantage we even had a live webcam of the harbor where the offices were located - it became one of the most visited pages and best locations for promotional ads and links.

**Customer Service** - If I trust an online site enough to send them money, I need constant reassurance that they are accessible. On-site chat is the preferred way of communicating questions about play, cash in/out or bonus queries. Keeping this service live for as many hours a day as possible is very important. Again, a good platform provider can help us by incorporating this

into their service package with our own operators backing them up with more complex (or high-roller) cases.

The screenshot shows the 'GAME ROUNDS' section of a casino interface. The interface includes a navigation menu on the left, a search bar at the top, and a table of game rounds. The table has the following data:

Game #	Time	Game	Balance (begin/end)	Bet	Win
3965544185	2020-06-10 12:58:14	European Blackjack MH	30,50 € / 31,50 €	1,00 €	2,00 €
3965543484	2020-06-10 12:57:59	European Blackjack MH	29,50 € / 30,50 €	1,00 €	2,00 €
3965542908	2020-06-10 12:57:47	European Blackjack MH	30,50 € / 29,50 €	1,00 €	0,00 €
3965542156	2020-06-10 12:57:31	European Blackjack MH	31,50 € / 30,50 €	1,00 €	0,00 €
3965541739	2020-06-10 12:57:23	European Blackjack MH	30,00 € / 31,50 €	1,00 €	2,50 €

At the bottom of the table, it shows 'Total: 1,50 € (RTP: 130,00 %)' and a 'Chat now' button.

Our site must offer high-quality reporting to players. This screen allows them to drill down to see each individual spin, hand or roll they have played on any game. This quality of service can solve most problems before they start.

**Bonusing** - as stated above, getting our bonus strategy right is vital. We need to offer bonuses which are easy to understand, look generous and work efficiently. We can use these to boost play at quiet times (“Double-points Tuesdays”), to bring back players who have lapsed or moved away (“Matched doubles” to match any other sites bonus) or to encourage players to try new games or play types. Our bonus manager is going to be one of our key hires.

### 3. The Start-up Process

Everything we are going to do to set up the casino has been done before - our task is to do it efficiently, economically and better than the competition.

For each component described above in the setting up of the casino we can choose between doing it ourselves or buying in the service from an existing supplier. Almost any aspect of the process can be bought in, the pros and cons of each approach being:

Do it ourselves:

#### PROs

- Complete control of the process, we get exactly what we want
- No shared margins, we pay only for what we need at cost price

#### CONs

- Time to build
- Finding the right team
- A large fixed cost to maintain an infrastructure before we have the business to support it

Buy it in:

#### PROs

- Quick to do
- Proven systems we can see working before we buy
- A ready-made support team
- Revenue share pricing can be efficient at small quantities

#### CONs

- Limited to the way the system works

- Can get expensive as we get bigger

The simple answer and our recommendation here would be to start off with as many readymade components from trusted suppliers as possible. These can include:

- The Platform
- Licensing
- Customer support
- Payment processing
- Links to game suppliers

Leaving us to concentrate on our key two R's - recruitment and retention.

Once we are established, we can apply for our own licenses in specific markets we want to attack. We can then slowly bring other services such as the call center in-house and over time decide whether to build or buy bigger-scale items ourselves. The platform software, for example - we can pay anything from \$100k to \$10+million for a platform, but the one which would work best for us when we have hundreds of thousands of clients may be an unmanageable overhead when we are just starting out.

When we meet and discuss the project in more detail, I can give you specific recommendations as to the types of supplier we need for each component. In general terms I would suggest:

### 1. Set-up Phase

Getting up and running for a sensible investment is key to success. I would try to spend as much of my available budget on marketing as possible, using turn-key solutions for the platform and support systems wherever possible. We should make our site as personal as possible, using the branding guidelines you have for it's physical twin to tie the two together.

Launch marketing would be a mixture of multi-strand testing of different messages and ad platforms plus a core audience acquired from affiliates to help us build our turnover and make the site look busy and attractive.

Initial team would be small - a casino manager, marketing manager, client manager and ops manager. I would act as strategic director and client liaison.

## 2. Scaling up

As we start to acquire some size, we can expand our marketing efforts and start to reinforce our brand in the market. Using promotions linked to our physical twin and emphasizing the “come knock on our door” message that most online competitors desperately lack we can make ourselves appear much more ‘present’ and trust-worthy than the competition. Opportunities to visit the island (physically or just virtually) will really help our customer loyalty.

We can also expand our in-house services, add new languages to the site and market into new territories. All of this increases efficiency and value-for-money from the site, but can only take place when we can show the efficiency of scale needed to support running our own components.

Our staff would grow along with the level of business. As an indication we have just arranged the sale of a casino we built for another US client which employed 55 staff to maintain a turnover of \$25million per month. This included around 20 people specifically running a sportsbook which can be a much more labor-intensive (but very profitable) business.

## 3. Ongoing operation

We would manage the operation of the casino completely, following your strategic directions. We will take care of platform and component design and activation, marketing, operations and daily process and provide you with real-time reporting on the running of the site and the business. We can provide licensed and accredited managers and board-level staff in Malta, UK and

Antigua and cover any aspect of the operation leaving you free to oversee the business as you see fit.

## 4. Costings

Until we tie down more detail, any costings or projections I can give you are going to be indicative rather than specific, but I will start with what we do know about the market.

### The Knowns

Average cost of player acquisition, player lifetime periods and values are fairly average across the industry. Player returns on slot games and table games are fixed - any slot title will have published payouts and table games work on fixed rules.

As always, the keys here are recruitment and retention - we need to acquire our players at the best possible price and keep them for the longest time we can. Affecting these metrics by a few percentage points can affect our profitability markedly.

### The Unknowns

Which markets we go into, which demographic group pick up on our product and message the best, how we then get to them specifically at the best price? How long will players stay with us and how do we maximize our marketing advantages?

Given the ever-changing regulatory environment we need to be light on our feet and able to change our direction quickly to take advantage of new opportunities (for example, a few years ago we built a branded casino called "Bet on Brazil" when the soccer World Cup was played in Brazil and the BBC in the UK started using pundit Alan Brazil as their commentator. As an old

friend I managed to get his image all over our site and advertising materials for the 12 months leading up to the competition, giving us huge market credibility and SEO value).

## Risk Management

Although the games we offer all have a guaranteed payout (by software or statistics) we can sometimes find ourselves paying out large prizes without adequate funds in the turnover account. We therefore need to hold (and show) a reserve for large winners. In the event of a large win we would encourage the player to keep playing and ensure we have limits on daily withdrawal (normal in the industry) to try to mitigate the cash-flow but showing adequate reserves is usually part of any licensing process.

## 5. Conclusion

As a team we have many years of experience in the online gaming industry. We have worked in the specific areas that you are considering and have a proven track record. We have also made many of the mistakes and gone down many of the blind alleys that we can now help new businesses avoid. Our service is personalized and specific. We will build a team to support your casino first and foremost but provide them with the economy of scale and breadth of knowledge that they could not expect on their own.

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