



Navigating a storm of uncertainty

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Operators and suppliers face a massive challenge in preparing for the opening of Germany's regulated betting and gaming market from July 2021. However those that invest wisely in this preparation stand to gain the most from the long-awaited opening, writes Greentube chief executive Thomas Graf.

When Germany's 16 states finally moved to unify the country's fragmented and arguably ambiguous online

casino laws, many were quick to assume that the market would present a gold rush.

Looking at the [fine print](#), however, the prospects are less hopeful. Included in the regulations are restrictions around maximum stakes, set at €1 per spin. Average spin durations are set at five seconds. Major jackpots are banned outright.

All these measures present suppliers with the huge challenge of completely re-wiring games to meet the market's unique requirements. The viability of the market has been thrown into further doubt by [recent upheaval around licensing](#), adding yet more uncertainty to preparatory efforts.

Yet, Germany's online sector still promises incredible opportunity, and to make a strong start when it opens for business in July 2021, the industry has to put in the groundwork.

When defining strategies to enter a new market, conducting thorough analysis and building deep understanding of the laws and regulations, both from a B2B and B2C perspective, is the number one priority.

In Germany's case, however, where the lack of an active regulatory body at this stage can make it difficult to clarify how restrictions should be interpreted, the challenges are amplified.

leveraging our vast land-based experience in the European AWP market where bet limits, price limits, hour/loss limitations are common.

For B2C operations, however, the road is simpler. There are parallels with the UK too, where we act as a technology partner to help land-based teams establish an online brand. Yet, ongoing uncertainty over licensing and "cross-vertical" restrictions have triggered pain points, presenting difficulties around cross-conversion and the status of existing online casinos.

The issue of a potential progressive taxation also poses many questions currently, as no one knows where they will land on the scale. For land-based businesses, this can go as high as 90 percent – a level which if replicated in the online sector will prove even more testing considering the added complication of legal businesses versus the unregulated market.

Shuffling the pack

Despite the regulatory challenges, however, as Europe's second biggest market, Germany presents big potential in terms of player volumes and revenue. Experience in the UK and Switzerland tells us that interactive versions of popular retail titles will immediately rank well in the online environment, particularly classic slots such as Book of Ra and traditional Fruit Games.

In land-based venues, local players typically take comfort in familiarity with machines and their content. Titles which are already known and preferred in arcades and on casino floors are therefore expected to resonate well with new online audiences, building an inherent level of trust in the companies that provide them.

The online uptake will largely depend on the attractiveness of the games from a player's perspective after all of the regulations have been implemented. The German market is at present very diverse in terms of content - the issue is that it is not currently regulated.

Enactment of the new legal framework will mean a re-shuffling in the market, as the currently unregulated offerings will also need to be recreated in order to comply. The interesting question is whether the "legal" offering that will come as a result of the new regulation will be restricted due to licensing issues. There is a strong chance that some will not be able to afford to continue supplying the market as a result of the high costs, entrance barriers, taxes and research and development requirements.

The prediction is that only a few of the larger companies will survive the market shift, but that leaves the future of the current illegal market and its offerings uncertain. Diversification, therefore, will likely come with players now being able to play land-based titles online.

The incremental revenues are, therefore, primarily derived from new, first-time players rather than existing players increasing their spend during the lockdown – and the behaviour of the former is quite conservative. These customers demonstrated a hesitancy to dip their toes in this new way of gaming and it is taking time to build their trust.

The main question is whether the sudden increase in player volumes will be maintainable or not, and the standing of the industry's main players after this "Covid-only effect". We believe that retail numbers will not return to the same level as before the outbreak until sometime in 2021, as players trialling online offerings during this period will be converted for the long-term.

Given that it is not clear how fast the land-based segment will reopen again - and to what extent - we are also not yet able to gauge how players will feel about returning to the land-based venues. Online, therefore will still offer a convenient alternative.

In that regard, land-based operators and suppliers can also see this period as an opportunity to develop, strengthen and expand the online offering in their ecosystem. The importance of a strong online product has been brought sharply into focus in the wake of the pandemic, and cross-promotion between online and land-based, within the parameters of responsible gaming, has served as a lifeline for many brick and mortar operators.

Strong SEO is another important factor to help grow online during this time and help people find the content both on the social and real-money gaming platforms.

Hopefully, by the time the Germany's regulated online sector goes live next year, the industry and the world will have returned to normality and the lingering uncertainties around the legislation resolved.

Now is the time for the industry to ramp-up preparations and ensure that their offering is both compliant with the market's tough restrictions, whilst also offering the best possible experience to new online audiences. Germany's strong land-based heritage will no doubt help to bring loyal players online, and we expect great things from the promising sector.

Greentube's chief operating officer Georg Gubo will be discussing the Germany's online gaming market, and its long road to regulation alongside leading gambling lawyers Wulf Hambach of Hambach & Hambach, and Rolf Karpenstein of Blume Ritscher Nguyen Rega in next week's iGB webinar, Germany and its new regulatory regime – market opening or market closing? To find out more about this session, and to register to attend, [click here](#).