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U.S. Gaming Industry Looking To Fit Esports In Among Slots, Table Games

Nevada, New Jersey look to increase esports betting

Gaming industry doesn't know esports well enough

Nevada to create Esports Technical Advisory Committee

Esports and casinos appear to be a perfect match, but as the gaming industry seeks to attract a new generation of customers who play video games, wagering on these events remains in its early stages.

“We think esports is the next big thing,” said Robert Heller, president and CEO of Spectrum Gaming Capital. “Every casino company I talk with is interested in it and it’s just how to fit it all together. This is happening.”

Heller, who participated in a panel discussion last week at the East Coast Gaming Congress at Harrah’s Resort in Atlantic City, said the key to this business will be the blending of sports betting, internet gaming and esports.

So far, states have adopted divergent approaches to wagering on esports.

Esports betting is expressly allowed in Arizona, Colorado, Tennessee, Virginia and a half-dozen other markets.

But it is not permitted in Indiana, Iowa or Pennsylvania and remains restricted in Nevada and New Jersey.

Nevada currently handles esports betting by requiring sportsbooks to submit an application for each event that is reviewed and subject to approval by the Nevada Gaming Control Board (NGCB).

The next step would be for esports to be considered a sport that would allow wagers to be

placed without event-specific approval.

Michael Lawton, senior economic analyst with the NGCB, said there are no proposed changes before the NGCB or Nevada Gaming Commission (NGC) that would change the structure for esports wagering at this time.

But Lawton told VIXIO Gambling Compliance that the control board will be appointing the members of the Esports Technical Advisory Committee on Wednesday in accordance with a new law enacted by state lawmakers earlier this year.

Senate Bill 165, authored by current NGC commissioner and former Republican Senator Ben Kieckhefer, creates a committee of esports industry professionals to recommend best practices to the NGCB for maintaining the integrity of esports competitions and betting.

“The whitelisting of esports events may be something that the committee considers as it meets over the next year,” Lawton said.

Louis Rogacki, deputy director of the New Jersey Division of Gaming Enforcement (DGE), said prior to 2018 there were esports events held in New Jersey but there was no wagering.

“Then comes along the Sports Wagering Act and the legislature includes esports as an authorized event, except there was a catch as there always is; if there was one participant in the event under 18, we could not authorize it,” Rogacki said.

“About two years ago, we approved a League of Legends tournament and we only had wagering on the finals,” Rogacki added. “Why was that? Because there was a participant on the team in the semi-finals that was 17.”

Rogacki told attendees he was watching the tournament on his phone and hoping the 17-year-old would get beat so New Jersey operators could offer wagering.

“Long story short, the 17-year-old’s team lost, and we were able to approve just the finals,” he said.

Fast forward to this summer when the New Jersey legislature passed Assembly Bill 637 to amend the law to say if most participants are 18 and over regulators can authorize wagering on the event.

The bill, which is sitting on Democratic Governor Phil Murphy’s desk, also expands the definition of sporting events to include domestic esports contests.

Esports Natural Evolution Into Gaming

Those regulatory issues in three of the largest U.S. sports-betting markets of New Jersey, Nevada and Pennsylvania have not slowed down conversations about how casino operators can effectively capture a new clientele by offering wagering on esports.

“The amount of effort that goes into research ... and understanding millennials and Gen-Z generations, from what I see the casino industry knows them very well,” said Ari Fox, co-chief executive of Gameacon.

The problem is younger players do not know casinos well enough, Fox said.

“The key to earning them as a customer is earning their trust,” he said. “In earning their trust, how we can tell them this is a safe space for you? This is your space; not where your parents and grandparents go. This space is for you.”

Grant Johnson, CEO of Esports Entertainment Group that is preparing to launch an esports betting platform in New Jersey, advised the gaming industry to try to attract this demographic not to just build arenas; “build something interactive for them.”

“That’s what is missing,” Johnson said. “Sixty to 70 percent of a casino floor is dedicated to slot machines. To get that demographic, you’ve got to get the product they want to play on and that’s esports.”

In a post-conference research note, Barry Jonas, a gaming analyst with Truist Securities, said although esports has been mentioned as a natural evolution in gaming for some time now, it appears to be closer to implementation than previously thought.

“No operators are way out front on this trend, though some future mergers and acquisitions is bound to bring esports into focus,” Jonas said, noting how Entain in August acquired esports wagering provider Unikrn.

“Thought of generally as games for teens, the average age of an esports gamer is 35 years old — an age demographic that operators have noted are more interested in casinos and gambling than ever,” Jonas added.

Jurisdictions

United States

New Jersey

Nevada

Sectors

Esports

Sports Betting