

BRINGING POKER OUT OF THE DARK

The South Point vision for iGaming 2.0.

Eyebrows were raised when South Point Hotel laid the first claim for an Online Poker Operator's license in Nevada at the end of last year. While not the biggest, or the most famous name in town, South Point has held onto its first-mover-advantage and fully expects to be the first site to launch in the second half of 2012. Keeping ahead of the chasing pack of industry giants such as Bally, IGT, Caesars and MGM to claim this historic first will be a significant achievement for South Point and its veteran CEO, Michael Gaughan.

The poker forums reflect mixed feelings to the news of South Point's impending launch, with impatience for *any* kind of legal online cash poker again being met with concerns with regards to the quality of the software and the liquidity available. So, can South Point really pull this off?

We asked the man responsible for building and operating the casino's new interactive division, local Las Vegas tech entrepreneur, **Lawrence Vaughan**.

There are only 2.7 million people in Nevada; is the opportunity to compete with a dozen or more other online poker operators really worth it?

Absolutely. Vegas has been the definer of a lot of trends in the US over the last 60 years and I think, in the case of online gambling, it will again. Being a part of that at the beginning means being a major player in something that is bound to become very significant. When you ask yourself the question, "Will online gambling eventually become a normal way to play in the next decade?" the answer has to be "Yes, of course. It is inevitable". Nevada and Michael

Gaughan have a tremendous history of knowing how to evolve and how to do it right. I think the coming of online poker to Nevada is just another example of this happening.

The regulatory standards that operators and suppliers face in Nevada seem a significant barrier to entry, some even say a barrier to innovation to make it harder for outside expertise to get a foothold in the state. What is your take on that?

The Nevada Gaming Control Board seems to want to set a really good standard and lay a credible foundation for the launch of online gambling in the US. We are going to be the first in the nation here, and I think it totally makes sense to ensure that things are done properly. When I first read the Standards documentation, I also found it intimidating. However, having worked through it in detail I can tell you that the requirements in there show a great deal of thought on the part of the Board. It does make sense and I think they have done it the right way – giving us the scope to be successful whilst ensuring that the right checks and balances are included.

What about issues such as payments? We understand that the banks will be reluctant to allow their customers to deposit with their credit and debit cards to online gambling sites – even if they are licensed?

It's true that there are challenges, but we think that we have found a way to ensure a good customer experience whilst making sure that all the compliance conditions are met. We have put a lot of effort into thinking through the operational and logistical issues to give us the greatest chance of success with our launch.

You made the decision to build your cash poker platform from scratch when many of your competitors are opting to partner with or buy European operators and platforms with proven track records. What was your reasoning behind that?

We looked at over 16 potential platforms when we were formulating our strategy. However, we felt that it just made more sense to build something new. Most European poker platforms were designed over a decade ago, and the market, the regulations and the technology have all moved on. When we considered the challenge of retro-fitting a second or third-hand platform to pass Nevada's technical standards, it seemed expensive, time-consuming and pointless.

Have you employed any expertise from the online gambling world as you built your platform?

No. We made a conscious decision to make a break from the past and start afresh. We wanted to focus on the market *now*, not just be a re-tread of an old product. We have been working on this non-stop for a year now and I think people are going to be surprised when they see it. We have incorporated features that are genuinely innovative and reflect an evolution of online poker.

Isn't it a risk to build a cash poker system from the ground-up with no proven online poker expertise on the team?

Yes, of course, however, Michael (Gaughan) and South Point has never been afraid of the risk of being an innovator. It is important to make clear, though, that while we are not running away from it, we don't underestimate the risk involved. So, we are also putting in a

lot of commitment, a lot of work and a lot of the insights we have about our customers to help us be prepared. We are utterly focused on creating something that is different, that is innovative and that will, I think, reflect a vision for poker which is about the future – not the past.

Are you worried about Nevada having too many sharks and not enough fish to create a viable poker ecosystem?

We think that our launch will attract a lot of new players too. It won't just be sharks playing. There is a lot of analysis that will be running in the background to the game play to ensure that players are given a good experience – whether they are sharks or fish. The pro players will gravitate towards those areas where they feel comfortable, and the

newbie/casual player will be able to play in areas suited to them.

Will rakeback have a place in this new world of online poker in the US?

Rakeback will be there, but it will be used in the way it needs to be used.

Is social a big part of your new technology and/or marketing strategy?

I don't think you can build a modern business these days without being very aware of it. Social media is an inherent part of online gaming, however, we are not trying to compete with the likes of Facebook Poker. Our experience will be different and we are making a clean break from the past. There has been too much negativity around online poker in the last few years. People want to

be excited about the return of online poker to the US; they want to be able to talk openly about playing, without feeling that they are doing something wrong. This is all about bringing poker out of the dark; making it legitimate and raising the tone and changing perceptions about playing poker online.

Innovation and beating the big boys at their own game is what **Michael Gaughan** has become known for over his long career in the industry. Inducted into the Gaming Hall of Fame in 2009, Gaughan's previous projects before the 80,000 square foot, 2,000 room South Point Casino include the building of the Barbary Coast on the Strip and the introduction and operation of the slots that contribute to Vegas' McCarran Airport's unique characteristic.

The Global Business of Poker (4th Edition)

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Much has changed within online poker over the last few years. That's why iGaming Business have produced a brand new 4th edition of The Global Business of Poker. This new report offers you a comprehensive overview of the key markets and includes forecasts up to 2015. If you are in the business of online poker you cannot afford to miss out on this essential business intelligence.

This valuable report will allow you to develop and execute a successful online poker experience and give you the key data and analysis to allow you to easily identify and exploit new opportunities. The Global Business of Poker gives you in-depth analysis on the factors affecting growth in the industry; including the Smartphone revolution and it's affect on poker offerings and how social gaming is now part of the online poker mix. You will find a range of intelligence to inform and shape your business strategy.

The 4th edition is unrivalled in the breadth and depth of case studies of the major online poker sites and networks. You will be able to clearly see who the winners and losers are in this sector, which business models are the most successful, how companies are increasing revenue and the most effective marketing strategies. The Global Business of Poker will allow you to learn from the experience of others and avoid some of the pitfalls along the way.

Summary of content

Growth of online Poker - Regional Overviews and demographics - Major Poker Properties - Online Poker Market - Mobile Poker Market - Poker and Social Media - Poker and TV- Commercial Models in Online Poker - Marketing, Sponsorship and Poker Prize Funds - Regulation - Outlook and Forecasts

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