

FOCUS ON...

# GERMANY

Germany is a leading online gaming nation but with question marks over its regulatory system, **InsidePoker Business** looks at the prospects for poker in Europe's largest economy

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## FACT BITES

■ The German Interstate Gambling Treaty came into force in January 2008 banning all forms of online gaming and betting in the 16 federal states of Germany

Germany has long been an active market for online gaming and betting operators, where the most recognisable names in the business have competed against one another for a slice of the gaming euros of Europe's largest economy. A country of 82 million citizens, high broadband penetration and good levels of technological infrastructure has not escaped operators' attentions. Whether one thinks of the obvious 'Germanic' operators such as bwin, Bet-at-home, Interwetten or new(ish) major kid on the block BetClic, who through French holding company Mangas Gaming acquired Bet-at-home in March 2009 for around €38m, the country has been targeted by online betting and gaming companies for some time now.

## GAMING LEADER

For poker, sports, casino and even skill games, Germany is at the forefront of online gaming. Naturally, poker is one of the key verticals in which operators are vying against each other to make an impact and once again we find the major players in that space.

PokerStars, Full Tilt Poker, PartyPoker and Everest Poker all compete to reach and recruit German players. PokerStars leads the field with something to spare, in player numbers and presence offline thanks to its European Poker Tour (EPT), even if security questions have now been raised about such events in the wake of the robbery at EPT Berlin in March this year.

The German regulatory situation is as interesting as it is paradoxical, for such a major modern European state. The Interstate Gambling Treaty came into force in January 2008 banning all forms of online gaming and betting in the 16 federal states and has been the topic of much debate. However, whether one looks at bwin, which operates on the basis of a licence obtained from the former East Germany in the early 1990s, or Full Tilt Poker, which, in common with poker or sports betting

firms, operates in Germany without any licence at all, what is clear is that operators, whether they are licensed in Malta, the Channel Islands, Gibraltar or the Isle of Man, are working pretty much openly in the country.

And this is likely to continue for the foreseeable future, or at least until there is a new regulatory framework that enables the German gaming authorities to licence operators in a similar way to France or Italy. And such a new framework is penciled in for the start of 2012, with the state of Schleswig-Holstein having already declared that it has decided to withdraw from the Interstate Gambling Treaty and is preparing the relevant legislation in time for 2012.

## TILTING AT WINDMILLS

For Wulf Hambach, founder and partner of the Munich-based law firm Hambach & Hambach, 2010 will see the Interstate Gambling Treaty reevaluated. As ever, money talks and as operators generate significant revenues from the market, any tax revenues that could be going to the state are making their way offshore to operators' bottom lines.

'The German online gaming market is operating every day, while Germany is the only European state, with Greece, to attempt to have a total block on its citizens



■ Full Tilt, like other poker and sports betting firms, operates in Germany's grey market



accessing online gaming sites. And even Greece has decided to assess opening its own market to competition,' Hambach explains.

And while operators keep on offering their gaming products to German players and generating more untaxed returns, the most active states when it comes to online gaming prohibition are North Rhine-Westphalia, Bavaria, Munich – the economic heartbeat of Germany and home to many of its gaming monopolies – and the state of Baden Württemberg.

'It's like Don Quixote against the windmills,' Hambach says, 'There are thousands of sites out there. It isn't possible to control them and at the moment there are definitely no taxes coming in for the authorities; and that will be the killer argument when the topic of regulation is discussed in Germany.'

The likes of Oddset and other state-licensed operators are now coming round to the idea of regulating the sector, but in such an environment only they would be allowed to offer online gaming products to German citizens. Such a scenario will never wash and private operators will go to the European Commission (EC) to launch further infringement proceedings against Germany with the EC sending the German authorities reasoned opinions against it, as has already happened following the introduction of the Interstate Gambling Treaty in 2008.

“There are thousands of sites out there. It isn't possible to control them and at the moment there are no taxes coming in for the authorities”

## GERMANY FACTS

- Main operators: PartyPoker, Everest Poker, Bwin, PokerStars, Full Tilt Poker
- Total internet gambling: worth €753m, of which €141m was onshore in 2008.
- Offshore split: 35% sports, 33% casino, 28% poker, 4% other.
- Lotteries: totalled €4.9bn gross win in 2008, of which €3.8bn was state lotteries and just over €150m was Oddset for sports betting.

Data Source H2 Gambling Capital



■ PokerStars pro and tennis icon, Boris Becker is a focus of the firm's marketing drive in Germany

■ Major players bwin and PartyGaming announced plans to merge in late July



■ EPT Berlin remains one of the most popular stops on the tour despite the shocking armed robbery in March



■ Manfred Bodner co-founded bwin with Norbert Teufelberger



■ PartyGaming's Jim Ryan and bwin's Teufelberger will be joint chief executives following the merger of the two companies

## TV IN GERMANY



Michael Lampel is chief executive of Gaming Partner, a company specialising in country manager services based in Germany. His clients include Poker Heaven, InterPoker and InterCasino. He provides a round-up of the media activities of the different operators in the German TV landscape:

We have several TV stations that broadcast poker shows, tournaments and cash games.

**The Poker Channel Europe** (part of the Gaming Media Group, which also owns Poker Heaven, Casino Joy and Bingo Joy). Available through cable networks and runs content about a large number of poker operators.

**Sport1** (formerly DSF). TV shows include those related to the WSOP, *Poker After Dark* (Full Tilt Poker), *Shooting Stars* (World Poker Tour) and many others. Sport 1 is Germany's largest sport broadcaster and has a strong web presence with one to two hours of poker presented online every day.

**Pro 7** Stefan Raab, a songwriter, entertainer and producer responsible for the European Song Contest winner in 2010, presents the *PokerStars.de Nacht* and is a well-known presenter

**DMAX TV** Broadcasts weekly shows on poker coupled with live event coverage online and video archives from *Hochgepokert* presented by the German poker pro Benjamin Kang. [www.hochgepokert.tv](http://www.hochgepokert.tv)

Real money adverts are banned and any adverts for educational or .de can appear on the large private TV stations such RTL or Sat1, but the state-held TV stations (ARD, ZDF) will not run them because of their internal policies and national legislation. The same applies in other German-speaking countries such as Austria. German-speaking Switzerland however, is not big enough as a market for operators to target.

Online poker rooms and other gaming sites like World of Warcraft are buying advertising slots on TV, while some casinos broadcast live real money casino programmes on niche broadcasters (all based outside Germany and broadcasting through satellite TV). The German government cannot block these as the TV Without Frontiers EU directive allows content producers to broadcast into Member States as long as they are legal in the European jurisdiction they produce their content in.

Non real money gaming is allowed on all TV stations but the state-owned TV stations (ARD, ZDF) accept no gaming advertising due to internal policies.



### STARTING LOW

Another important point in relation to state-licensed operators is that low-stake games of up to €0.50 are not considered gambling under German law. Broadcasters have been producing this content for TV for the past 10 years and internet gaming sites are doing the same online and have been moving on to the TV platform in the past two years.

For the major poker sites with substantial market share in Germany: PartyPoker, PokerStars, Everest Poker and Full Tilt Poker, the way they address their client base is key as

they are officially unable to advertise or offer real money poker to visitors. They all present themselves as educational poker sites where visitors can learn to play the game for free. The leap from the .de sites to go and play on the .com sites is an easy one for any user to make.

PokerStars, with former tennis champion Boris Becker as its figurehead for the German market, even comes complete with an advertisement/sponsorship slot for the low cost supermarket chain Lidl, while Everest Poker redirects users to its .net site to encourage them to learn the game before hopefully playing on their .com site.

### AWAITING REGULATION

The other major player, of course, is the newly-merged 'super-operator', bwin-PartyGaming. The union of the two biggest companies in the business caused a wave of happiness throughout the markets and among shareholders, but just as important were some of the comments Manfred Bodner, bwin co-chief executive who will be a non-executive director of the new entity, made during the press conference announcing the deal. 'The timing for possible regulation of the online gaming market in Germany is January 2012, but the political signs are rather positive at the moment,' said Bodner, 'probably as positive as they have ever been.'

PokerStars or Full Tilt Poker will likely not worry about PartyGaming being in partnership with the biggest online sports betting brand in Germany such is their lead in liquidity over PartyPoker. But both businesses are huge in Germany and show just how big a regulated German market could be. Bwin derives 25% to 30% of its overall revenues from that market, while for Party, the German market generated revenues of \$81.9m of its \$446.2m in 2009, more than any other market, the UK included (in second with \$68.9m), for the London-listed operator. Considering the fact that operators advertise only .net or educational sites, such figures provide an idea of just how substantial the German market is.

And with Barney Frank's Internet Gambling Regulation, Consumer Protection and Enforcement Act throwing up the tantalising option of a licence in the US, the German market will continue to be a source of major attention and competition is sure to become even more intense for all those major operators.

“The political signs are probably as positive as they have ever been”

€9.4bn  
Total gross win value of the German regulated gambling market (betting, gaming and lotteries) in 2008

## TV ADVERTISING IN GERMANY

### CURRENT TV STATIONS WITH POKER / CASINO SPOTS

- Pro7 (Stefan Raab includes online qualifiers, VIPs and pros)
- Das Vierte (ads usually during poker shows or poker broadcasts of US poker sessions)
- DSF (German Sports TV – has 1-2 hours of Poker, Everest Poker, per day during the whole year)
- Eurosport (4 hours of poker per week)
- DMAX (Poker shows like “The Pokerbus”)
- Pokerchannel Europe, part of Gaming Media Group, which operates Poker Heaven and Casinojoy. The group also broadcasts casino and horse betting through satellite and cable networks

### ADS PER DAY (ESTIMATE)

- 20
- 30
- 120
- 20
- 30
- 300

### CUSTOMERS

- PokerStars, Full Tilt Poker
- PokerStars, Everest Poker, Full Tilt Poker, Titan Poker
- PokerStars, Full Tilt Poker, Betsson, Bwin, PartyPoker
- PokerStars, Full Tilt Poker, Betsson
- PokerStars, Full Tilt Poker, Everest Poker, Betsson
- Poker Heaven, PokerStars, Full Tilt Poker and other smaller poker rooms.