



National Gambling Board  
South Africa

a member of **the dti** group

# RESEARCH BULLETIN



ISSUE 8, MAY 2020

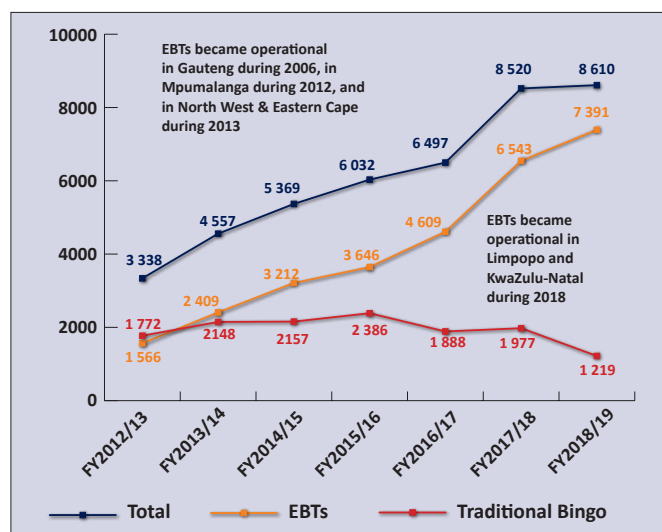
## IMPACT OF EBTs ON THE TRADITIONAL BINGO, LPM AND CASINO SECTORS WITHIN THE REGULATED GAMBLING INDUSTRY OF SOUTH AFRICA

Over the past few years, there has been a shift in the bingo industry from traditional bingo to Electronic Bingo Terminals (EBTs). EBTs are currently predominantly found in bingo halls, however, as a result of the growth in the number of EBTs and bingo outlets, the casino industry regards EBTs as a threat. More specifically, the decrease in traditional bingo and even casino revenue is being attributed, to the rising popularity of EBTs. A trend analysis shows that there are more EBTs than traditional bingo positions with a huge potential for further roll-out of EBTs and offering of bingo to gamblers. There is a growing concern over the potential impact of current and future roll-out of EBTs on other regulated modes of gambling as it is unknown at this stage.

This concern has been prompted by not only trends, but also through towards the further roll-out of EBTs without proper regulation – as the current regulatory framework does not make provision for EBTs and no distinction is made between traditional bingo and EBTs. The NGB subsequently commissioned an in-depth research study to determine the current and estimated future impact of EBTs on specifically the casino, traditional bingo and LPM sectors.

Of the nine provinces in South Africa, bingo has been rolled out in six provinces namely Gauteng, Mpumalanga, Limpopo, North West, Eastern Cape and KwaZulu-Natal. The bingo operators that are operational in South Africa are Galaxy Bingo in Gauteng, KwaZulu-Natal, Mpumalanga, Limpopo, North West and Eastern Cape; Goldrush in Gauteng, KwaZulu-Natal, Limpopo, North West and Eastern Cape; Great Bingo in KwaZulu-Natal and Mpumalanga, Vegas Bingo in Limpopo and North West, Viva Bingo in Mpumalanga, and Boss Gaming in Eastern Cape. Overall, more EBTs (7 391) were operational than traditional bingo positions or seats (1 219) as at 31 March 2019.

**Figure 1: Increase in the number of operational traditional bingo positions versus operational EBTs from FY2012/13 to FY2018/19**



Source: *Gambling Sector Performance South Africa, National Gambling Board, 2019*

The study investigated how the bingo industry is regulated in the various provinces and which licensing conditions exist, so as to ascertain whether the introduction of EBTs has changed the bingo industry and whether this has had any impact on the other regulated modes of gambling.

Gambling was introduced to the different provinces as a way to achieve and enhance economic growth and development through the stimulation of different sectors (e.g. tourism, retail, short-stay accommodation, restaurants and theatres). One major objective has been the creation of sustainable employment opportunities in order to uplift, advance and economically empower historically disadvantaged communities. However, there is a growing concern regarding the inconsistency of defining and regulating bingo (and more specifically EBTs) within the various provinces. An outline of provincial legislation, licensing requirements and assessment criteria undertaken in the study found that there are significant inconsistencies amongst the various provinces when it comes to the licensing of Bingo and specifically EBTs and a definite disconnect in terms of reporting.

Various Provincial Licensing Authorities (PLAs) were interviewed and it was found that existing casino licenses allow for EBTs to be installed and operated at a casino site.

*The National Gambling Board is committed to proper, fair and effective regulation of the industry*

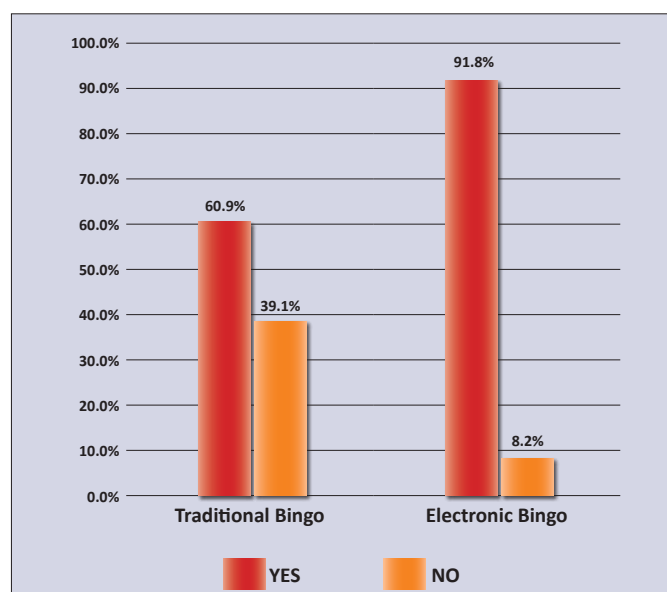




When issuing licenses, PLAs do not make a distinction between traditional vs EBT seats, but rather bingo seats in general. The number of EBT seats specifically are thus not being limited. Some PLAs indicated that they restrict the issuing of licenses in certain geographical locations in an effort to “protect” other forms of gambling, especially casinos – based on the potential impact in terms of revenue, employment, etc. It was indicated by some informants that EBTs have the greatest impact, if any, on the casino industry – as it is easily accessible and lucrative and thus more similar to casinos slot machines than LPMs. Key informants recommended that national norms and standards be issued to deal with the total number of bingo licenses to be rolled out in each province, the provincial allocation of licenses and the total number of seats/gaming positions per license as with the casino industry.

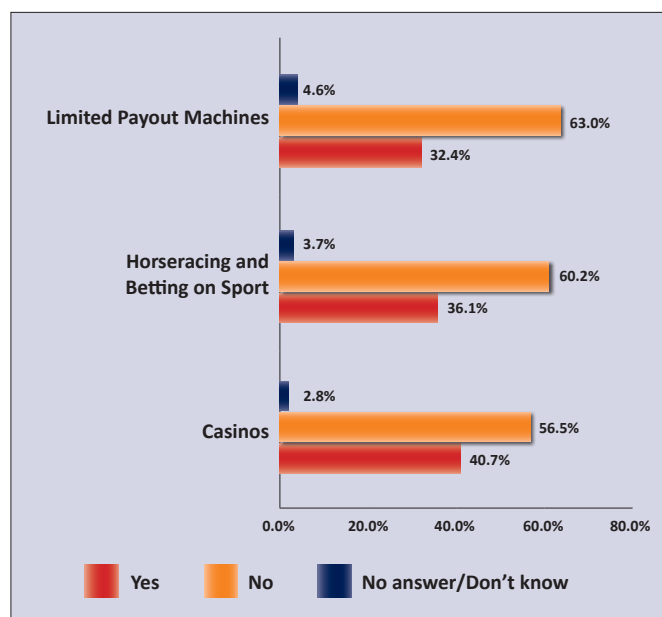
From a punter perspective, respondents were asked whether they were aware of the different types of bingo that can be played. The majority of respondents were aware of both types of bingo, with 60.9% of respondents indicating that they know of traditional bingo and 91.8% of respondents indicating that they are aware of EBTs. Respondents were therefore more aware of EBTs than of traditional bingo.

**Figure 2: Are you aware of these different modes of playing bingo at a bingo hall?**



Regarding whether bingo is similar or different to other modes of gambling, respondents felt that playing bingo is more similar to LPMs, than it is to casinos. When probed as to the most important factor when choosing a gambling venue, it was found that the punter has to make an intuitive risk calculation when choosing a gambling mode and gambling venue. Punters' decisions in this regard seem to be contextual to the prevailing macro-economic environment and other economic factors such as the receding economic growth, rising household debt trends and rising joblessness.

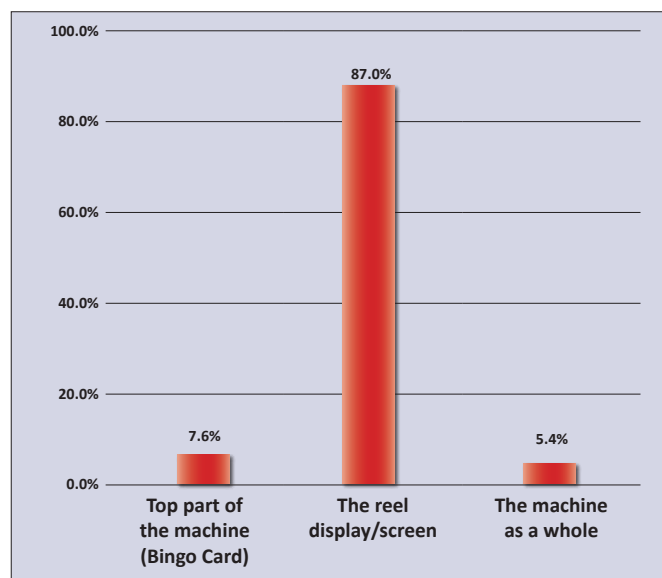
**Figure 3: Is bingo different from other modes of gambling?**



Even though the majority of punters were aware of the “bingo card” on the machine, only 7.6% of respondents indicated that they actually focus on that part of the machine, while 87.0% indicated that they focus on the reel display/screen part of the machine which is the part similar to slot machines.

Punters therefore generally preferred EBTs to traditional bingo. This trend is in line with consumer behaviour and generational trends, whereby consumers shift towards more modernised products.

**Figure 4: Part of the machine being focused on when playing EBTs**

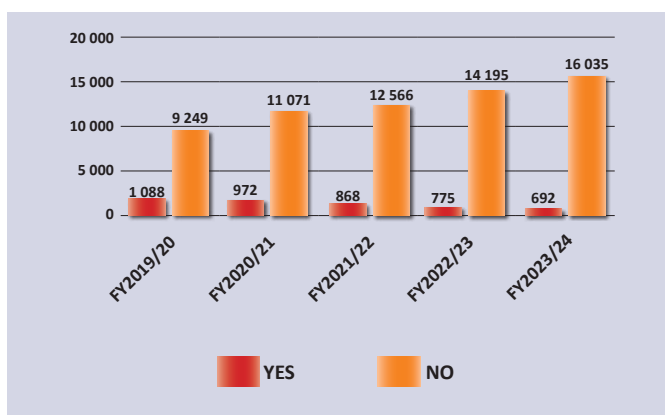


*Did you know that gambling is a game of chance?  
Sometimes you win, sometimes you don't.*



From a quantitative point of view, the hypothesis contemplated by the NGB was that the reduction in casino revenue is in all likelihood attributable to the increase in EBT gambling. The future projected growth in the number of Traditional Bingo and EBT seats based on historical growth was estimated and it is anticipated that the traditional bingo operational positions will continue its downward trajectory and shrink by a further 37% to 692 operational positions in FY2023/24; while EBT operational positions are expected to increase significantly to approximately 16 035 operational positions in 2023/24, with growth rates decreasing systematically as the market reaches maturity.

**Figure 5: Future projected growth in Traditional Bingo and EBT operational positions, FY2019/20 – FY2023/24**



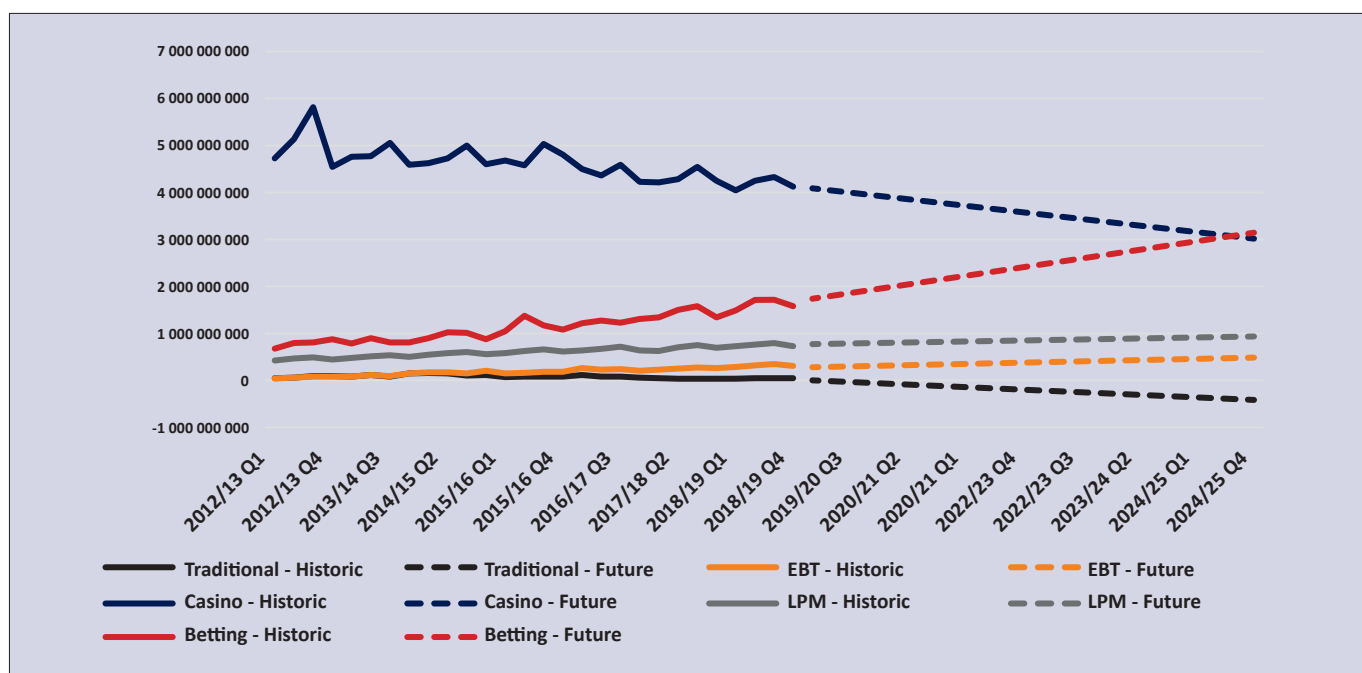
From a Gross Gambling Revenue point of view, it is estimated that the electronic bingo terminal sector will grow to an estimated R2.42 billion in FY2023/24.

**Figure 6: Future GGR generation by Traditional Bingo and EBTs, FY2019/20 – FY2023/24**



Regression modelling of each gambling mode was conducted. All gambling modes, save for traditional bingo and casino gambling, recorded positive growth trajectories over the period analysed.

**Figure 7: Regression Modelling per Gambling Mode between 2018/19 and 2024/25**



Both traditional bingo and casino gambling recorded a fairly consistent long-term contraction trend. The negative growth observed in traditional bingo gambling is particularly pronounced especially since 2014/15 Quarter 1 – a distinct watershed can be observed at this particular point in time, and from that point onwards traditional bingo gambling shrunk from R156.6 million in the fourth quarter of 2014/15 to R41.1 million in the fourth quarter of 2018/19 – an almost four-fold reduction in size. The loss observed for casino gambling is also negative but less pronounced – from a best quarter of R5.8 billion in the third quarter of 2012/13 shrinking to R4.1 billion by the fourth quarter of 2018/19 – a loss of some 29%.

Over the corresponding period EBTs grew seven-fold from R41.9 million to R311.5 million, LPMs almost doubled from R422.8 million to R730.3 million, and betting doubled from R675 million to R1.5 billion. The correlation between rapidly increasing EBT revenue and concomitant rapidly decreasing traditional bingo revenue points to substitution behaviour – i.e. the consumer systematically substituting a dated mode of bingo gambling with a modernised mode of bingo gambling. However, the internal structure of revenue changed over this period. Proportionally larger contributions (i.e. net gains) were generated by EBTs, LPMs and betting, whereas net losses were recorded by the casino and traditional bingo gambling modes.

From the consumer survey it is evident that as economic conditions deteriorate, consumers tend to shift gambling behaviour from larger and perceived high-risk amounts and modes to a higher frequency of gambling by virtue of smaller amounts on what is perceived to be lower stakes gambling modes. This would explain the rapid advances in gambling revenue recorded at EBTs in relations to the sustained deterioration of real gambling revenue at casinos. Although the former is not necessarily directly responsible for the latter, the correlation between the two datasets suggests that structural changes in consumer behaviour fuel this trend.

Some of the key findings and lessons from an international perspective, reveal that confusion exists amongst the gambling industry stakeholders as to what constitutes bingo, especially given the new and digitised formats of the game. In the UK, the Gambling Commission developed advice notes in an effort to clear up the confusion and to assist bingo operators to avoid creating or offering products that are considered to be casino games, lotteries or fixed odds betting. In Canada, there are growing concerns from industry stakeholders that the introduction of electronic forms of bingo (having the same features as slot machines) can increase the incidence of problem gaming, and therefore increased efforts need to be put in place to regulate these machines.

Brazil experimented with various systems for allocating regulatory licensing measures and authorities while bingo

was legal. The bingo industry however turned out to be an unsustainable due to the lack of systematic attention to regulatory objectives and processes which were also unable to instil public confidence in the resilience of the bingo market against corruption and criminality and as such it became illegal. The consensus amongst different countries when it comes to bingo is that bingo is moving towards a more digital era, as seen in the clear shift from traditional to more modernised forms of bingo (online/EBTs).

As such, a recommendation put forward is for national norms and standards to be issued to address total number of bingo licenses to be rolled-out in each province, the provincial allocation of licenses and the total number of seats / gaming positions per license. These are required to successfully regulate bingo (and EBTs) in the context of casinos and LPMs. Similar to the cap placed on casino development it might be useful to consider the development of a per-capita parameter for bingo licenses per province, given the rapid and sustained growth experienced in this segment, due to EBTs. It is furthermore recommended that a similar per-capita parameter for bingo seats (whether traditional or EBTs) are considered per bingo license. The case studies support this by proving that proper regulation of EBTs and other forms of bingo is required to ensure that bingo halls are not used as vehicles to offer higher stake and prize gaming machines, or even for illegal activities such as money laundering.

In view of the preceding analyses, it would be useful to consider the future long-term growth prospects of the gambling industry as a whole, and the various sub-segments individually – and more specifically the spatial manifestation of growth. It might prove both useful and necessary to develop an instrument(s) to guide this future growth process. In formulating these interventions careful consideration should be afforded to inter and intra-sectoral impacts, socio-economic impacts and spatial (geographic) impacts as well as real estate impacts. Based on the increasing popularity of EBTs, changing punter preferences, demographic shifts, and macro-economic considerations, there seems to be a case to be made for change management, as opposed to rigid protectionism.

Developing a Guideline Policy that would set out parameters to guide the locality/positioning of future gambling modes in terms of influence-spheres (i.e. catchment size), demographic (including market segmentation) parameters and locational guidelines. The policy should be flexible and revisited on a regular basis in response to market trends. The Guideline Policy will ultimately act as a Growth Management Tool – the rationale being that the performance of high-growth sectors can be optimised by sensibly guiding future growth and development – as opposed to an uncontrolled proliferation of facilities which may lead to destructive business practices.