

Emerging Asian markets to lead sales growth

By

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Macau is likely to remain the largest market in Asia for electronic table games (ETGs) for the foreseeable future due to its sheer size, though growth is slowing and emerging markets such as Vietnam and the Philippines are likely lead further expansion.

The sector has flourished in Macau, where a table cap imposed nearly six years ago limited the increase in table games at just three percent. ETGs allowed a great many more players at a baccarat table, with fewer staff required.

“Macau, and to a lesser extent Singapore, are the dominant markets in terms of the number of ETGs in operation,” said Grant Govertsen, Union Gaming’s managing director and head of Asia equity research. “It is no coincidence that both of these markets have very high labour costs, which therefore incentivize casino operators to look for alternative solutions.

“That being said, Macau is nearing the end of its development pipeline, and as such we expect only modest growth in ETGs from here forward. Singapore is stable, and now that Genting has wrapped up its renovated casino project in Malaysia, there is little to expect in terms of ETG growth there too.”

Post-2019 growth is expected with new properties in locations such as Incheon and Jeju in South Korea, Manila in the Philippines and the Russian port of Vladivostok, 50km east of the Chinese border.

In its latest ETG report, published in May last year, Union Gaming predicted a modest rise of 1,000 ETGs across the region to a total of 15,000 by the end of 2018. Japan, South Korea and Vietnam are expected to provide Asia’s greenfield casino growth, helping to offset a slowdown in other territories.

Vietnam has proved to be a particularly lucrative market for Interblock.

“Vietnam is the emerging and hot gaming market, like Macau was in 2005, with gaming licences and properties being granted and built non-stop,” Interblock’s vice-president of Asia, Michael Hu, said. “Interblock has been enjoying dominance... with 2,500 units installed in Vietnam over the past 10 years.”

Across Asia as a whole, Hu expects ETGs to occupy as much as 30 percent of the casino floor space in the future, given labour cost considerations and the popularity of the games.

“Stadium multi-game and multi-play offerings are becoming extremely popular,” Hu added. “ETG games that are implemented on traditional slot platforms will become another game-changer.”

There are two primary types of ETG – stadium and standalone, which are either fully automated or provide a live dealer. The stadium games can have as many as 200 seats, while a standalone ETG seats between five and 10 players.

There appears to be particular momentum behind ‘live’ products, with technological advances offering more life-like interactions with the dealer.

As a guide, the DICJ reported that live multi-game products generated \$250 million in gross gaming revenue in Macau in the first nine months of this year –

up from \$224 million over the corresponding period in 2017.

“In terms of market trends, we observe that Asian players may feel more comfortable when betting on a real live dealer distributing cards instead of betting on random results-generated machines,” said Leo Chan, chief financial officer and company secretary at Paradise Entertainment, whose LT Game unit dominates in Macau.

“As the... sole supplier of live multi-game (LMG) machines in Macau, and the biggest ETG supplier in Macau in terms of number of seats, we still see LMGs as the most influential ETG product in Asia at least in the near to medium term.”

From a distributor’s perspective, Herman Ng, CEO and executive director of Asia Pioneer Entertainment Holdings, believes the recent popularity of standalone ETGs in Macau could achieve cut-through in markets like the Philippines and Vietnam.

“Fully automatic multi-table game stadium products are emerging products in Macau and Singapore and this trend is hitting Southeast Asian markets as well,” he said, before adding that his company plans to explore standalone and stadium ETG opportunities in Japan.

“Southeast Asian markets have space for increasing [the number of] ETG machines. Roulette machines were the only famous table games in these two markets for years.”

LT Game's dominance in Macau translates into more than a third of the ETG market across Asia, according to the most recent figures available, whilst Aruze, Interblock, Scientific Games and Alfastreet had market shares in the low double digits.

However, the outlook is likely to change considerably in the coming years due to new market entrants as the continent shifts away from one-stop-shop solutions to a multi-vendor approach.

According to Ng, this will not only lead to more competitive pricing.

"Competition improves innovation and product quality," he said. "This means fewer technical issues and a more stable machine performance – a key factor in making a brand successful."

Further down the road Japan is expected to be a promising market. With high labour costs and casino space restricted to just 3 percent of the total IR size, ETGs could serve as an efficient revenue-generator, especially with the population's appetite for mechanical games such as pachinko.