The perfect storm is hitting the gaming industry right now. The Department of Justice (DoJ) is turning its anti-money laundering focus to the gaming industry, and the Financial Crimes Enforcement Network (FinCEN) is taking more aggressive stances against casino operators. At exactly the same time, the use of “big data” to capture customer habits is becoming more prevalent. Illegal hacking and stealing of sensitive data and customer data are becoming more frequent, and online gaming is competing for gambling market share. At no time in the industry’s history have so many competing pressures been brought to bear. Are you prepared? Do you have a plan? Where are you in the electronic evolution? Will you be using big data to your competitive advantage, or do you see this as a big problem with no end in sight?

The top gaming companies are seeing this as an opportunity to bring the disparate elements of their revenue streams into a single coherent data-centric model. They appreciate the challenges of data security and the need to collect more customer data in order to satisfy the regulators and DoJ. With the announcement of the U.S. Department of Treasury’s forthcoming regulations in terms of “know your customer,” the relevance of granular-level details on customers will increase accordingly. However, they also see this as a huge opportunity to create knowledge around their customers that will enhance experiences and generate revenue. But how? The answer is the exploitation of big data.

Background: why should you care?

As domestic and international regulators continue their focus around the new and emerging risks within the anti-money laundering (AML) space, companies across a number of industries are working to understand the potential impacts of money-laundering activity within their organization. Broadly defined, money laundering is the process by which the source or existence of currency improperly obtained is made to appear legitimate. According to EY’s 2014 Global Forensic Data Analytics Survey, one in five companies over $100 million in sales over a dozen industries indicate that AML is a “major” concern in their organization.

Similar to the financial services sector, the gaming industry is particularly susceptible to money-laundering risks given the nature and frequency of financial transactions and the current regulatory environment. Today’s big risks in the gaming industry require big data thinking when it comes to mitigating AML, financial crime and other fraud risk areas.
What is big data? And why is this the answer?

According to Gartner Research, big data involves high-volume, high-velocity and high-variety information assets that demand cost-effective, innovative forms of information processing for enhanced insight and decision making.¹

Some casino companies are turning to big data to collect the AML data they need to satisfy the regulators. This comes at a cost, but a cost that can have equal benefits if exploited correctly.

What is it, why is it important, and how can the need to collect it be turned into a competitive advantage?

1. How are you currently approaching big data initiatives?

Companies today are spinning their wheels trying to derive value from the mountains of data available to them today. In many organizations, the use of big data needs to be reverse-engineered. Instead of data driving the decision-making process, companies should begin by hypothesizing about the decisions they need to reach and then use data and analytics to prove or disprove the hypothesis.

We challenge our clients to start over — rewire — and instead begin by asking themselves which business decisions they need to make more efficiently and effectively, and only then determine which data sources might help answer those questions. Big data platforms and in-memory computing help bring each of the data sources together into a unique architecture that allows data scientists to transform data into insight. This new technology, coupled with innovative analytic skill-sets, provides companies within the gaming industry the ability to better understand their customers’ expectations, frustrations and demands faster than ever before, which can create a significant competitive advantage for those willing to invest in big data initiatives.

2. How do companies get started?

Companies should manage analytics investments as discrete assets, capturing data for its own sake and spending millions of dollars on programs that do not provide adequate ROI. It’s not about the volume of data you capture, but how you use that data to address specific business challenges or to gain specific insights. There is viable data scattered across the enterprise, but too often companies are not managing it strategically to get answers to the questions that are most critical to their day-to-day operations.

Big data, customer relationship building’s best friend

Big data involves massive volumes of data that record every customer interaction across multiple devices (consoles, online, mobile, in room, at table). The information can not only be used for regulatory and financial purposes but can also play a significant role in driving increased customer engagement, revenue and new monetization models for gaming companies, as well as provide rapid feedback to product development or gaming design to continuously improve customer experiences.

The complete casino environment is about every facet of the guest experience: gaming, F&B, room, entertainment, interaction and after-visit experience. Improving these experiences has moved from being an art into a science. Big data is the tool that the experience scientists are using to analyze the guest experience, quantify respectability and profitability, and deliver individually tailored excellence to their guests.

Analytics is being used to increase engagement by driving the correct balance between guest involvement, guest income and guest satisfaction. Experience designers can monitor and analyze the guest’s satisfaction, profit and retention.

Casino companies are using CRM and big data with real-time analytics to drive increased engagement and retention and provide real-time “offers” as they profile the guests based on their behavior and profitability.

A few leading casino companies have used analytics as a competitive differentiator to capture and leverage data across the entire customer life cycle to understand and drive increased engagement.

The capturing of this data is not only a necessity under the regulations but a differentiator. By collecting this data in order to “know your customer,” you can turn this knowledge into revenue and profit. The leading gaming companies are asking the following questions: What does the customer want, at any given time? Can I market that? How do I turn that into revenue? How can I “push” that into the customer’s in-box and stimulate demand? How can I leverage data analytics to create individualized customer profiles and then aggregate these together for competitive advantage? What knowledge do I gain by knowing my customer? What behaviors trigger profitable revenue and which do not, and how do I leverage that?

All these questions can be answered by big data. Big data is becoming the “go to” solution for the sophisticated gaming companies that wish to steal a march on their competitors by offering their customers what they want, when they want it, and do so profitably.

But there are a number of challenges to be overcome: privacy, data security and consistency of data collection are just some.

Privacy and data security

As with any revenue-generating, data-collecting opportunity, security oftentimes is overlooked until something bad happens or a new regulation is passed. In today’s day and age, where every other headline has to do with a data breach or controversy around behavioral monitoring, companies need to be mindful of and proactive about data security and privacy at the forefront of any big data initiative.

As mentioned earlier, companies are often plagued with the challenge of data scatter or data sprawl. Big data and analytics platforms make it easy to tap into those data sources regardless of where they are hosted and aggregate them into powerful business-driving components. But how are you protecting your customer’s privacy? What are you collecting, and how is it linked together? Are those source data stores protected? Who has access? The guest experience outlined above allows gaming companies, in effect, to monitor all aspects of their customers’ behavior. And depending on where your customer base is located, this could come with stiff fines and penalties if not managed correctly.

Privacy and information security laws are not all equal globally. In 2012, a number of countries, including Canada, Brazil, China, Australia, Singapore, US and those across Europe, strengthened their stance on privacy and data security by introducing new, independent laws that could vastly complicate global gaming companies and other industries dependent on behavioral-focused big data initiatives. These laws are expected to be passed in 2014. Altogether, the potential impact of new regulations — such as breach notification or the European Commission’s push to overhaul the data protection framework — could.

Having a privacy and security strategy in place early on will be essential in the success of any big data initiative and help preserve the trust your customer has with your brand.

Addressing consistency in the collection and processing of data and the role of compliance and internal audit

Are you leveraging internal audit to help you identify blind spots and turn risk into results? Both functions are a valuable resource to help you manage risk as your data management process continues to evolve. They can help you ask and address the following questions:

- Do you know where your customer data is stored and who has access to it?
- Are you adequately safeguarding customer data and managing reputational and compliance risks?
- Do you have a sound strategy to listen to your customers through data collection and respond in a timely manner to enhance customer experience and drive customer retention/revenue growth?
- Are you getting the anticipated return on investment with costs associated with your big data initiative(s)?

Participants at the 35th International Conference of Data Protection and Privacy Commissioners adopted eight new declarations and resolutions that delved deeper into the issues raised the year before. Four resolutions focused on technology challenges (appication, profiling, digital education and webtracking), two addressed better coordination among jurisdictions (enforcement coordination and international law), and one urged greater transparency on what data organizations are collecting and why (openness).

So what should you do next?
Organizations obviously require a complete and comprehensive plan that collects and securely stores the necessary data while meeting the needs of regulators and DoJ. But what about the exploitation of the captured data — how can you turn this into a competitive advantage? The next steps are to determine what data to collect and how to use it, then how to collect it and finally how to store it. Data analytic tools can then be utilized to mine the data and take tangible management actions to improve the customer experience or target new/existing customers for advantage.

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