



Gaming Risks

2016

KPMG
presents our
view of the top
risk by value
driver faced by
corporates in
the Gaming
sector

South Africa

September 2016

2016 Risks for Gaming

Emergence of fast evolving digital technologies, increased regulatory pressure and global economic uncertainty are key factors in the current risks landscape. KPMG Risk Consulting assists clients to develop robust risk mitigation methods by interpreting the underlying drivers of global risks.



Strategy

Increased competition due to technological innovations, limited shelf space and investments in R&D and marketing.

Threat from the growing free-to-play business model deployed by few companies across mobile and console platforms attracting new and existing gamers.

Failure to develop attractive sequels to recent high revenue generating franchises could increase customer defection and decrease profitability.

Shift towards digital consumption (through mobile and online gaming) could adversely affect the market for interactive entertainment software and console platforms.

Delay in the announcement and release of an expected game may have a negative impact on future revenues.



Growth

Failure to sustain or grow the number of customers could have a negative impact on business and financial results.



Profitability and liquidity

Adverse movements in interest rates and exchange rates.

Threat of piracy and unauthorized copying of products, affecting future profitability.

Weak global economic conditions may affect the patron's disposable income and willingness to purchase products and hence reduce consumer spending.

Financial risks relating to credit risk, liquidity and refinancing risks.



People

Attracting and retaining skilled professionals and dependence on senior management for the company's vision and mission.



Compliance

Evolving regulatory landscape with introduction of anti-money laundering rules, increasing scrutiny, tighter policies and increasing tax rates are adding to costs for casino operators.

Reduced footfall of customers due to recent developments like smoking bans, advertising restrictions, increased gaming taxes and VAT leading to customers choosing other entertainment options.

Stringent laws and regulations pertaining to consumer protection, protection of consumers' personal data and the protection of minors.

Loss of existing casino licenses due to regulatory and labor legislation revamping followed by increasing cost of compliance.

Security risks from casino/hotel robberies, fraud by casino employees and players who use card counting and other cheating techniques.



Reputation and Ethics

Prevalence of fraud, theft, betting scams.



Health, Safety and Environment

Increasingly rigorous environmental, health and safety laws and regulations by government



Operational Excellence

Interruption of partnerships with third parties (suppliers, subcontractors and strategic partners) could hamper the supply chain and production lines.

Operational risk resulting from inadequate or failed internal processes or systems impacting the operations of the business.

Operational risks due to fixed cost nature of the casino business and casino/hotel capacity constraints during peak seasons.



Technology

Cybersecurity risks from criminals targeting virtual gaming operations and casino payment systems using distributed denial-of-service (DDoS) attacks, malwares and phishing campaigns.

Threat from new age companies investing in emerging technologies like virtual reality headsets, augmented reality and 3D simulation could have a negative impact on traditional companies.

High dependency on servers and internet bandwidth to operate games with digital delivery platforms.

Legend

Emerging Risk

Existing Risk

Retiring Risk

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