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Will online gambling help or hurt Atlantic City?

Casinos will win with new gambling revenue. New Jersey will win with new tax revenue. Consumers will win with a new entertainment option that they can play from the comfort of a coffee shop or their own sofa.

Everybody, it seems is guaranteed to win. Except Atlantic City itself.

New Jersey is rolling out legalized Internet gambling, betting that it will help casinos fend off fierce competition from neighboring states, bolster the state's tax revenue and be a powerful economic engine once again.

It is a chance, casinos say, for New Jersey to remain on the cutting edge of the gambling industry by taking advantage of technology that businesses from banks to retailers rolled out long ago.

Looming over the transition, however, is whether casino customers will find Internet gaming so appealing that they decide to skip the lengthy drive to Atlantic City and simply stay home, leaving the city no better off than it was before.

That scenario, while possible, isn't likely, one expert said, particularly if casinos can convince occasional gamblers who find them online to visit their properties.

"The extent to which this behavior online will translate to people saying, 'I like playing at XYZ's website, I have so many points for meals and drinks,' it can be a positive," said Patrali Chatterjee, associate professor of marketing at Montclair State University, who has studied the potential effect of Internet gambling. "That's the big challenge that casinos face: to what extent can they make the transition from bricks-and-mortar to online seamless?"

In February, New Jersey Gov. Chris Christie signed a bill legalizing Internet gambling, allowing New Jersey residents 21 and older to play casino games online. Gamblers first would need to visit a casino to register. And only casinos with licenses in New Jersey — those that already have properties here — could offer online gambling.

The state published proposed regulations for Internet gambling June 3; the public has 60 days to comment. It could be in place by the end of this year or early 2014, experts said.

New Jersey is one of three states, joining Nevada, Delaware and Louisiana, that have enacted Internet gambling laws in recent months.

It was only seven years ago that Congress banned the use of credit cards for illegal Internet gambling. But the Justice Department in 2011 ruled that the law applied only to sports betting, opening a lucrative door.

Internet gambling generated as much as \$6 billion a year through 1,700 illegal offshore websites, according to the American Gaming Association, a trade group.

New Jersey's elected officials have high hopes. The state plans to tax casinos 15% on online gambling revenue, compared with 8% on gambling revenue at the casinos.

Christie anticipates casino tax revenue in fiscal 2014 will be \$435.8 million, up 85% from fiscal 2013, when the tax revenue from brick-and-mortar casinos was \$238.9 million.

The rosy outlook assumes online gambling will supplement rather than chip away casinos' existing customer base. Yet for every movie theater that still manages to fill seats despite Netflix, there is a retailer such as Tower Records or Borders that can't compete with Apple or Amazon, leaving a strip center with an empty tenant.

"It will certainly increase the value of the licenses and assets of casinos in Atlantic City," said Christopher Jones, an analyst who follows the gaming industry for Telsey Advisory Group in New York. "Sort of the unknown — and most people don't seem too worried about this — is, how much does it cannibalize their existing operations?"

For casinos, movie theaters may be a better comparison than bookstores. Chatterjee said some retailers are merely the channels consumers use to buy the end products, while casinos are considered, at least by some Atlantic City visitors, to be the end products themselves.

Online gaming could pay off for the casino properties and, by extension, Atlantic City if it becomes a new outlet for casinos to reach new customers. Casinos in turn could offer promotions for hotel rooms, restaurants and entertainment. And a new audience could decide to visit, Chatterjee said.

"There's a lot of people that believe that the development of online gaming is going to be the end of bricks-and-mortar gambling," said Jeremy Aguero, principal analyst for Applied Analysis, a consulting firm in Las Vegas. "Fair enough."

"I guess we'll have to see how it plays out," he said. "But I think what both sides agree is that it's coming, one way or another. We're either going to figure out how to take advantage of that, or we're going to be left behind."

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