

Crisis in French casino sector could affect about 5% of gambling venues

Jean-François Cot, secretary general of the employers' association of Casinos de France, told Le Figaro that the crisis through which the sector is presently going could deeply affect about ten of them, that is about 5% of the casinos.

"It is clear that the drop in GGR won't recover any soon. And we all know that in the other countries, it took several years to revert to a slightly comparable turnover," he specified on Wednesday 13 August. We fear that some casinos will be unable to overcome this difficulty. There are probably more than a dozen casinos which are in jeopardy today. Some of them will inevitably be knocked down".

The secretary general of Casinos de France (who namely represents the Barrière, Joa, Tranchant and Emeraude groups) is thus sounding the alarm after 18% drop in GGR was registered in June, followed by a 19% drop in July. Since the beginning of 2008, Cot mentioned a global GGR decline of 13 to 14%.

The factors responsible for this downturn have been largely put forward. There has been an obvious decline in the players' purchasing power. Now, when players come to casinos, they stay for a shorter period and spend less. The introduction of low denominations, which allow customers to buy game time, does not necessarily allow them to raise their stake when they want to swap machines. In a small casino, 20% of the GGR would be achieved by about twenty players. If some of them are dissatisfied, this will thus have an immediate impact.

Smoking is an important factor as well since, according to

some casino directors, 60% of the players are smokers. The fact that some players were displeased regarding video-poker machines, where there were many smokers, is an obvious sign of the impact caused by the introduction of the smoking ban. We can assume that the smoking ban is responsible for between half and three-quarters of the losses in GGR. "Smokers still want to smoke and will thus probably stay at home to smoke and gamble on the Internet", noted Cot.

Indeed, land-based casinos never did anything to prohibit online gambling websites, whether these were dedicated to casinos or poker, even if the French groups were preparing their own virtual casinos at the same time. Moreover, it is true that the few repressive measures taken by the successive governments were focused on horse racing and football betting, in order to preserve the sports lottery operated by French company La Française des Jeux. Yet, these virtual casinos have been real competitors since a long time.

Websites displaying illicit advertising for casinos or poker have thus been able to thrive peacefully. An act of impunity which is all the more carried out today when we are going towards liberalization. Land-based casinos end up facing an already well structured and powerful virtual market. Even though liberalization in France won't take place before the end of 2009-beginning of 2010, the French actors find themselves stuck between triumphant competition and a regulation forbidding them to operate online gambling sites.

The type of clients visiting land-based and virtual casinos is not the same, at least for slot machines. For poker, the public is actually much more similar. Very often, players even adopt an opposite approach, wanting to swap from the virtual casino to play exciting Texas Hold'em Poker on a real land-casino table.

However, it can be noticed that the casinos which bought new slot machines and modernized their premises were able to

“limit the damage” and even make a slight progress. Certainly, this compels to consequent investments, which should moreover have been achieved when the growth rate was at two-digits. But, clearly, they are profitable.

However that may be, the fear expressed by the profession, even when it falls within the framework of negotiations to bring into effect the decree dated May 2007, reflects a worrying reality.