

**THE COIN-OPERATED GAMING AND
AMUSEMENT MACHINE INDUSTRY
ECONOMIC SITUATION 2019, DEVELOPMENT
2020 AND PERSPECTIVES 2021**



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1. MANAGEMENT SUMMARY

The coin-operated gaming and amusement machine industry with its Amusement-Machines with Prizes (AWPs) is part of the gambling market, which has been subject to major changes in the age of digitization. The German federal states implemented the Interstate Treaty on Gambling (GlüStV 2012), which came into force in 2012, in order to be able to cut the range of amusement arcades, primarily with a minimum distance requirement and a ban of multiple-concessions. The transition period for existing amusement arcades essentially expired for the most part on July 1, 2017, and the measures taken by the federal states have had the expected effects.

But the federal states saw no need to regulate the rapidly expanding online gambling that is prohibited in Germany. With the 3rd Amendment to the Interstate Treaty on Gambling (GlüÄndStV), which came into force on January 1, 2020, only sports betting was regulated. The extensive offer on the Internet will only be regulated with the Interstate Treaty on the New Regulation of Gaming (GlüStV 2021 (E)), which is to come into force on July 1, 2021. This will take into account the protection of players and minors with qualitative specifications; quantitative limits are not intended.

Commercial gaming will remain subject to strict quantitative restrictions. The GlüStV 2021 (E) only provides an opening clause for the prohibition of multiple-concessions, which allows a temporary exception for up to three concessions for arcades in a building or a building complex, provided that they meet additional quality requirements, such as the protection of players and minors ensured by certification. This is viewed positively by the industry, as it meets their endeavours to ensure proper play. Nevertheless, the comprehensive and quantitative regulation of commercial gaming remains in force instead of going

over to qualitative regulation as for online gambling. In mid-2021, when the GlüStV 2012 expires and transition periods no longer apply, the number of concessions for amusement arcades will decrease by around 60% compared to 2017.

At the federal level, the 6th Amendment of the Gaming Ordinance (SpielV), which came into force on November 11, 2014, required the most extensive change since the founding of the Federal Republic of Germany. When the transition period expired on November 11, 2018, a comprehensive and nationwide conversion of the AWPs became necessary. Furthermore, on November 11, 2019, the number of AWPs set up in the catering trade had to be reduced from three to two. The adjustments required by the 6th Amendment of the SpielV will be completed on February 10, 2021. Then, only technically secured AWPs will be on the market that prevent multiple gaming devices from being played at the same time.

In 2018, the federal and state legislation - contrary to the trend on the gaming market - caused a decline in sales with AWPs of more than 3%. However, the machine-related changes did not fully take effect until 2019 leading to a drop of 12%. At the beginning of 2020 there were signs of stabilization at the low level for amusement arcades, while sales in the catering sector continued to decline due to the dismantling of the third devices. The lockdown as a result of the Covid-19 pandemic also had a sudden impact on this industry. Business gradually resumed after the roughly two-month closure. The situation in the catering sector is particularly difficult, not only because of the dismantling of the third AWP. There was also a delay in opening bars and pubs, and a number of businesses went bankrupt. Overall, a decline in sales of 50% for 2020 must be expected for the operators, taking into account the latest lockdown for November. Due to the

legally required reduction in capacity, no recovery is expected for 2021.

2. 2006: A LEGAL FRAMEWORK PROMOTING THE CHANNELING OF THE GAMBLING INSTINCT.

With the AWP, the coin-operated gaming and amusement machine industry offers its customers a game of “small money”. Due to the German Trade, Commerce and Industry Regulation Act (Gewerbeordnung, GewO) and the SpielV, which strictly limits stakes, winning and loss opportunities, entertainment is at the center of the game. In contrast to fun games, which do not have the necessary approval from the German National Metrology Institute (Physikalisch Technische Bundesanstalt, PTB), there is no risk of the player suffering inappropriately high losses in a short period of time (§ 33e, para. 1, Sentence 1 GewO). In Germany, gambling is generally prohibited in accordance with § 284 of the German Criminal Code (Strafgesetzbuch, StGB), but is subject to a permit reservation by the federal states. Other amusement machines in the industry include touch-screen devices, video-game machines, driving simulators, pin-ball machines and Internet terminals. Sport-game machines, such as billiards, darts, table football and air hockey complete the offer. In the multimedia age, jukeboxes hardly play a role any more.

Commercial gambling had to struggle with technically outdated framework conditions up to the year 2006, even the municipal income from amusement taxes fell despite rising tax rates. Legislators recognized the situation and with the 6th Amendment of the SpielV, which came into force on January 1, 2006, made a paradigm shift that opened up the possibility of gaming to compete on an equal footing with state gambling and gambling on the Internet. In addition to the changed legal framework, product innovations and new business models were also responsible for the dynamic expansion and which were aimed at

a stronger integration of amusement arcades in facilities of the leisure industry next to cinemas, cafes, bowling centres etc. The image of the industry changed. New customer groups could be addressed. Women were increasingly attracted to commercial gaming, which was previously a male domain. The competitiveness of the industry was strengthened and at the same time a channeling of the natural gambling instinct towards a legal range of games was achieved.

The paradigm shift made it possible to implement fundamental innovations based on technical progress in electronics and digitization. While stakes and opportunities to win and lose remained strictly limited, a large number of games with different processes and plots were developed. These new AWP offer 20 or more video-based, often three-dimensional animated games, so called multi-gamers, from which the player can choose one. Feature games with different themes and game plans, which pay out money if the game has been successfully finished, are part of the offered range.

The attractiveness of multi-gamers as well as gaming options on desktop computers or on game consoles at home have led to a partial substitution, especially of amusement machines without prizes, which have lost ground both technologically and in terms of innovations. The AWP product area became the predominant offer of operators with a share of around 86% of the number of devices installed in 2019. In the meantime, 99% of net gaming revenues (NGR) is generated with AWP.¹ After falling since the middle of the last decade, the number of amusement machines without

¹ NGR = cash payments incl. innkeepers' share, without VAT.

cash has more or less stabilized at the current level (Table 1).

Internet terminals, which were primarily intended to address new customers who had not previously frequented the arcades when they were launched in 2007, were replaced as part of the tightening

regulation on commercial gaming by the GlüStV 2012, which came into force on July 1, 2012. Uncertainties about their legal operation have largely led to a dismantling of the terminals. In some countries – in connection with the state-specific gaming regulations – these terminals were explicitly banned.

Table 1: Amusement machines with and without prizes and sport-game machines

Type of machine	2015	2016	2017	2018	2019			
	Installed machines ^{a), b)}						Revenues ^{c)}	
	1000 units				in % ^{d)}		Mill. €	in% ^{d)}
Amusement machines without prizes	25.0	20.0	18.0	17.0	16.5	6.4		
Pinball machines	2.2	2.2	2.2	2.2	2.2	0.9		
Internet terminals	10.0	5.0	3.0	2.0	1.5	0.6	50	1.0
Score games etc. ^{e)}	2.4	2.4	2.4	2.4	2.4	0.9		
Video games	10.4	10.4	10.4	10.4	10.4	4.0		
Sport-game machines ^{f)}	19.7	19.7	19.7	19.7	19.7	7.7		
Amusement machines with prizes	267.0	264.0	255.0	245.0	220.0	85.9	4,950	99.0
Total	311.7	303.7	292.7	281.7	256.2	100	5,000	100.0

a) The estimated number of all machines as of 31 December is based on surveys of the VDAI for the entire market and on other available empirical studies: AWP: AkS, extrapolation on total stock in Germany and estimation of recent developments based on own estimations and company survey, other products: IFH, company survey; - b) The figures include machines of VDAI members and non-members, run by operators; - c) Operators' NGR from amusement machines with and without prizes and sport-game machines = cash payments incl. Innkeepers' share, without VAT; - d) of total; - e) Touch-screen machines, juke boxes and other amusement machines; - f) Billiard, dart, table soccer, skittle alleys, bowling, air hockey etc.

Source: Federal Statistical Office; VDAI; Arbeitskreis gegen Spielsucht e.V. (AKS); IFH Institute for Commercial Research; own calculations.

3. 2012: INCREASINGLY RESTRICTIVE REGULATION CAUSES A SHRINKAGE OF COMMERCIAL GAMBLING.

Commercial gaming is an economic activity governed by federal law. As part of the federalism reform, regulatory authority over the amusement arcades was assigned to the federal states. The states took advantage of the new competence with the GlüStV, which came into force in 2012, and regulated gaming by means of quantitative restrictions (e.g. mandatory minimum distances, the ban of multi-

concessions). the Federal Administrative Court (BVerwG) with its judgments of December 16, 2016 and the Federal Constitutional Court (BVerfG) with its decision of March 7, 2017 confirmed the legality of the GlüStV, nevertheless, the constitutionally granted fundamental rights of the operators was to be guaranteed (Keyword: best possible use of a location's potential). The transitional period for the application of

the provisions also for existing amusement arcades expired for the most part on July 1, 2017. Within half a year, the number of AWP installed fell by around 4%, which corresponds to 10,000 devices.

For some time, the number of AWP set up in the catering industry had been reduced due to structural change in this market segment. Over the past decade, the trend has been reversed. New, attractive locations at traffic hubs, rest stops, train stations, airports, etc. have been opened up for commercial gambling. Up to three AWP could be set up by November 10, 2019. According to the applicable § 3 para. 1 SpielV, only two AWP per location in the catering industry have been permitted since then. Accordingly, an AWP had to be dismantled at 20% of the locations at which the capacity had been fully utilized. Around 10,000 AWP were removed from the total of around 87,000 devices. At the same time, the disinvestment continues in amusement arcades. A reduction of 15,000 AWP is likely. All in all, as of December 31, 2019, a stock of 220,000 AWP can be assumed, which corresponds to a decrease of 10%.

The expiry of the transition period in § 20 para. 2 SpielV in accordance with the 6th Amendment of the SpielV on November 11, 2018 required a comprehensive, nationwide conversion of AWP. It was by far the largest machine-specific change in the history of the German coin-operated and amusement machine industry.² Since then, SpielV has been setting much tighter limits with regard to the opportunities for winnings and losses as well as the regulation of gaming pauses. The stake for the minimum playing time is still a maximum of € 0.20 and the winnings amount to a maximum of € 2.00 (Section 13 No. 2 SpielV). In the course of an hour, according to § 13 No. 5 SpielV, no more than € 400 (previously € 500) winnings minus the stakes are to be possible. The sum of

the losses in the course of an hour may not exceed € 60 (previously € 80) in accordance with § 13 No. 4 SpielV. In a long-term perspective, according to § 12 para. 2 No. 1 SpielV, no higher amount than € 20 (previously € 33) per hour may remain as the content of the till. The five-minute game break (§ 13 No. 6 SpielV) required after one hour of play has been tightened - in contrast to the SpielV valid until then - by a ban on games, trial and demonstration games that are free of winnings and other animations within the break to "cool down the player".

The following rules of the SpielV have proven to be particularly serious and reduce the attractiveness of the AWP for players: The newly introduced game interruption after three hours of gaming operation (idle state of at least 5 minutes), during which the money stores are emptied and all display elements of AWP are reset to the predefined initial values (zero position of the device, § 13 No. 6a SpielV), leads to a forced abandonment of the game regardless of the game situation. In addition, every money bet per five seconds of play may only be triggered directly by the player himself (prohibition of the "automatic button", § 13 No. 7 S. 3 and 4 SpielV) in order to prevent the simultaneous use of several AWP, and to induce players to make a conscious decision before wagering money.³

The cumbersome handling of the new AWP as well as the machine-bound, concurrent means of identification met with little acceptance by the players. Information, explanations and instructions for customers in the operation of the new AWP became necessary. Extensive and costly training courses for the staff were carried out well into 2019. In 2018, sales "only" fell by 3%, as the new AWP were not put into operation on a larger scale until the fourth

² Jörg Bewersdorff; Neues aus der Automatenwirtschaft, in: Zeitschrift für Wett- und Glücksspielrecht (ZfWG) 2018, 5/18, p. 357. http://www.bewersdorff-online.de/zfwg/Bewersdorff_Neues%20von%20der%20Automatenindustrie_zfwg-05-2018.pdf (October 2, 2020)

³ For AWP with a type approval from February 10, 2016, there is an additional regulation that the device can only be activated with a machine-bound, concurrent means of identification. The transition period for the implementation of this regulation at AWP – the design of which was approved by PTB before November 10, 2014 – ended on November 11, 2018.

quarter. In 2019, sales shrank by an additional 12% (Table 2).

Table 2: Revenues of the coin-operated gaming and amusement machine industry

Sector level	2015	2016	2017	2018	2019		
	Mill. €					in%	
Total	6,180	6,540	6,690	6,640	5,850	100.0	
Upstream-sector total ^{a)}	830	860	840	960	850	14.5	
<i>Manufacturing output ^{b)}</i>	580	550	400	1,100	350		
Operators, downstream ^{c), d)}	net	5,350	5,680	5,850	5,680	5,000	85.5
	gross	6,365	6,760	6,960	6,760	5,960	
Amusement machines with prizes	6,300	6,700	6,900	6,700	5,900		
Other amusement machines, sport-game machines	65	60	60	60	60		

a) Turnover of manufacturers, wholesalers and other industry-specific service providers with operators (sales of AWP or game packages, other amusement machines and sport-game machines via purchase, rental and leasing as well as financing, consulting and other services). b) Manufacturing costs for AWP, other amusement machines and sport-game machines on the basis of the production reports to the Federal Statistical Office, taking into account the positions not disclosed due to confidentiality. c) Revenues of operators from amusement machines with and without prizes and sport-game machines = cash content including economic portion, net: excluding VAT, gross: with VAT d) 2015-2018 based on operators' advance notifications for VAT payments as reported by the Federal Statistical Office, 2019 estimation based on amusement tax statistics and on company data.

Source: Federal Statistical Office; VDAI; IFH Institute for Commercial Research; own calculations.

4. CHANGES IN THE VERTICALLY STRUCTURED INDUSTRY

In addition to the operators, the coin-operated and amusement machine industry also includes the manufacturers of AWP, sport-game machines and amusement machines without prizes, as well as wholesalers. In total, the companies in the sector generated sales of €5,850 million in 2019, 85.5% of which came from the operators. (Table 2)

This three-way division has been subject to a change forced by manufacturers since 2006. They have expanded direct sales and scaled back the sale of their products in favour of rental and leasing. Wholesaling, traditionally the link between

manufacturers and operators, has changed. These firms, previously primarily active in the field of goods distribution, mostly provide services, develop business models and marketing concepts, design amusement arcades, develop financing plans, etc. The functions of manufacturing companies and wholesalers can no longer be clearly separated. They are reported together as the upstream sector in the industry's value chain, whereas the operators form the downstream sector.

The statistical basis of the industrial activities are the manufacturing costs, which are reported by the producers to the

Federal Statistical Office under the item “games with coins or tokens”. The manufacturing costs as a measure of production are written in italics in Table 2, which mainly serves to show the development of sales. The relationship between sales and production of amusement machines with

and without prizes and sport-game machines has largely dissolved since the middle of the last decade due to the changed business policies. The manufacturers of AWP, by far the most important product group, now sell around 85% of their products via rental and leasing⁴.

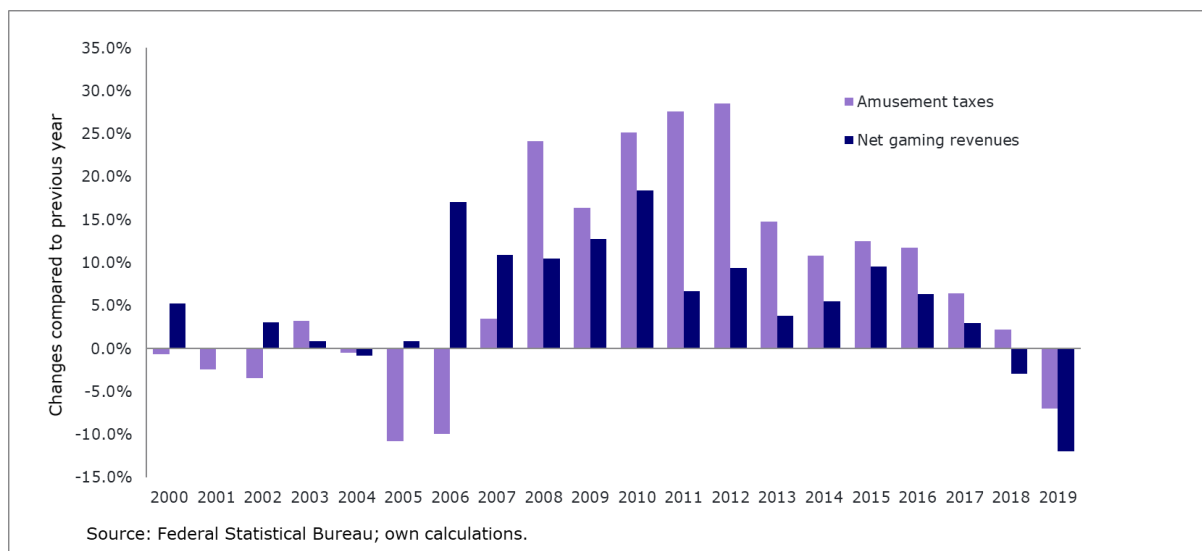
5. 2014: A LEGAL FRAMEWORK THAT HINDERS THE CHANNELING OF THE GAMBLING INSTINCT.

An up-to-date adaptation of the general conditions for commercial gaming from 2006 onwards, which has already been described, led to a dynamic development in the amusement machine industry. By 2017, it expanded at an average annual rate of 9.4%. With around 70,000 employees, it developed into an important payer of taxes and duties over these years. This was primarily due to the amusement tax, which rose disproportionately at an average annual rate of 13.8%. In addition to the increase in the AWP’s attractiveness at the time, the (successive) use of the real-life standard for tax assessment and

drastic increases in the amusement tax rates in numerous municipalities were responsible for this.⁵

Figure 1 visualizes the phases of the industry over time, the stagnation up to 2005 and the dynamism in the years up to 2017. The growth rates of the amusement tax in the years 2008, 2011 to 2013, which are two to three times as high as the growth of the NGR which has been declining since 2018, the amusement tax only since 2019.⁶ A comparison of the rates of change shows that even in this difficult phase, the tax rates have continued to rise

Figure 1: Development of net gaming revenues and municipal amusement taxes



⁴ The increase in industrial production in 2018 compared to the previous year is exaggerated due to a change in the number of companies, subject to mandatory reporting. However, excluding this effect, the production value doubled in a year-on-year comparison. This underlines the tremendous efforts made by manufacturers to implement the requirements of Technical Guideline (Technische Richtlinie) 5.0 into new products and bring them to market in time, at the end of the transition period.

⁵ For a detailed analysis of the change of the taxation system for AWP see: Hans-Günther Vieweg; Wirtschaftsentwicklung Unterhaltungsautomaten 2009 und Ausblick 2010, Munich; January 2010, pp. 36ff.

⁶ The years up to 2014 were characterized by a change in the basis for collecting the amusement tax to the real-life standard, which was taken as an occasion for significant increases in the tax burden.

until the end. The municipalities are trying to at least partially compensate for the spending shortfalls caused by declining NGR. In 2018, entertainment tax income reached its highest level at € 1,072 million, and € 75 million less was received in 2019.

For the operators the economic situation has worsened since 2018. Here, on the one hand, the ban on multiple-concessions is responsible, which hinders an economically viable operation. Secondly, the 6th Amendment of the SpielV has made the AWP's less attractive compared to other offers on the gambling market. The cumber-

Table 3: Operators' Revenues and Tax

Indicator	2016	2017	2018	2019
	Mill. €			
Gross revenues ^{a)}	6,760	6,960	6,760	5,960
Net revenues ^{b)}	5,680	5,850	5,680	5,000
	in % of net revenue ^{d)}			
VAT charged	15.8	15.8	15.8	15.8
Amusement taxes ^{c)}	14.6	15.1	15.8	16.7
Commercial taxes ^{d)}	1.7	1.7	1.6	1.5
Tax burden	32.1	32.6	33.2	34.0

a) Income of the operators with amusement machines with and without prizes and sport-game machines = cash register contents including innkeepers' share, VAT, amusement tax etc.; - b) excluding VAT; - c) Federal Statistical Office; - d) Based on the tax base published by the Federal Statistical Office for 2015, extrapolated for the following years with the earnings situation of operators up to 2018 as collected by the IFH Institute for Commercial Research, estimated for 2019.

Source: Federal Statistical Office; VDAI; IFH Institute for Commercial Research; own calculations.

In Table 3, the burden on the mostly medium-sized operators is determined before deduction of corporate income taxes⁷ and the taxes and duties of employees as a percentage of the GGR.⁸ The sum of the tariff burdens on the operators due to VAT, commercial taxes and amusement tax increased significantly from 32.1% to 34.0% between 2016 and 2019. The tax authorities received a total of € 2,030 million in 2019.

some handling of the devices, the stricter rules on the payment of stakes, but also the additional gaming pause (idle state after three hours of gaming) are obstacles that (rightly) do not exist for online gambling, which will be regulated in the future. The amusement machine industry is again in a phase of insufficient competitiveness compared to other segments of the gaming market.

⁷ The Federal Statistical Office shows a strong increase in the tax base for commercial taxes of operators for 2015 compared to 2014. Accordingly, a higher burden is calculated for the following years than in the report of the previous year. See: Hans-Günther Vieweg; The amusement machine industry in downturn – contrary to the trend in the gaming and gaming market, in: *ifo Schnelldienst* 17/2019, Munich, September 2019, p. 54. https://www.ifo.de/DocDL/sd-2019-17-2019-09-12_7.pdf (2020/10/01)

⁸ GGR = cash payments incl. innkeepers' share, VAT included.

6. 2020: THE COVID-19 PANDEMIC EXACERBATES THE LEGALLY DRIVEN DOWNTURN IN THE AMUSEMENT MACHINE INDUSTRY.

In last year's industry report – taking into account the onerous regulations of the GlüStV and the 6th Amendment of the SpielV – after a double-digit minus in 2019, we also assumed a decline in sales for 2020.⁹ Until March 2020, the business of the operators developed as expected. In the catering trade, due to the need to dismantle the third AWP, the decline was more pronounced than with amusement arcades. The lockdown imposed in mid-March ended all business activity for a period of around two months. In a static analysis, the period corresponds to a minus of 17% of the annual capacity. In some states, the general closure of shops was also ended very late, the last in Mecklenburg-Western Pomerania on June 15, 2020.

The reopening in the catering trade was even more sluggish. Restaurants were able to keep themselves afloat with delivery services but hesitated to open up the staff-intensive in-house catering because they could only partially utilize their capacities due to the distance rules. Pubs and bars that were unable to provide delivery services were harder hit. Due to their limited space and often the lack of seating, they have difficulty complying with hygiene regulations, especially at the bar, which is usually the centre of communication and consumption. Accordingly, business with AWP started slowly and remained weak until the third quarter of 2020.

At the amusement arcades, the development progressed somewhat better. The

space required by the SpielV for setting up AWP as well as the distances to be observed between AWP (§ 3 para. 2 SpielV) enable the development of convincing hygiene concepts. As in all industries, separate entry and exit routes are to be defined, devices to be disinfected after use, and names and contact details of the guests to be documented and kept for a month. Nevertheless, the guests came back gradually. The reasons are diverse and cannot be quantified in detail. The elderly and customers with health risks waited longer and some have not yet reappeared. Others reverted to the Internet during the lockdown and may not return in full. Another explanation lies in the necessary documentation of personal data, as experience shows that there are guests who refuse to reveal their names.

The extrapolation of the sales of the operators for the current year is fraught with uncertainties. The estimation is based on the following assumptions: There is no second, comprehensive lockdown and the flare-up of Covid-19 infections can be limited to hotspots. From autumn onwards, the normalization of the sales trend will at least be slowed down due to locally necessary restrictions to contain the virus. In this case, the increase in business activity will steadily grow to a level of 90% (amusement arcades) and 80% (catering) until year-end compared to the previous year. In this case, a drop in sales of around 40% in 2020 compared on average to the previous year is expected.¹⁰

⁹ Vieweg (2019), p. 56.

¹⁰ This forecast has been based on calculations in September 2020. Taking into account the latest Lockdown in November 2020 a breakdown by 50% is to be expected.

7. 2021: THE STATE TREATY ON THE NEW REGULATION OF THE GAMING SYSTEM – A RAY OF HOPE?

For more than ten years, gambling on the Internet has enjoyed growing popularity, although it was and, for the most part, still is banned in Germany. The federal states found it increasingly difficult to find a solution that was compliant with European law. It was not until January 1, 2020, when the 3rd GlüÄndStV came into force, that sports betting was regulated and legalized, except for live betting. The offer of online casinos is comparable to commercial gaming, but which has not yet been regulated in any way and is still available to the player in an uncontrolled manner. Its attractiveness has manifested itself in high growth rates in recent years. It can be assumed that it has also benefited from the reduction in capacity in commercial gaming and that players have migrated. The development during the Covid-19 pandemic in the course of 2020 with the lockdown of amusement arcades has given online casinos a further boost.

The GlüStV 2021 (E), which is to come into force on July 1, 2021, primarily serves to regulate the online casino offer. The focus is on the reliability and performance of the provider, the transparency and security of the gambling offered as well as ensuring measures to guarantee public safety and order, IT and data security. A social concept including the measures to ensure the exclusion of minors and banned players must be submitted (§ 6 GlüStV 2021 (E)). There are no detailed rules for the design of games to limit stakes, winnings and losses as in commercial gaming, so that assets cannot be shifted in a short time. Special player protection regulations for games of chance on the Internet are, for example, an obligation to set up provider-related game accounts, record deposits and withdrawals, self-limitation of cross-provider monthly payments to usually € 1,000, information obligations of the provider, guarantee of IT security concepts, compliance with data protection and

the obligation to prevent parallel play through so-called activation files (§§ 6a – 6j GlüStV 2021 (E)). The providers are obliged to set up an algorithm-based, automated gambling addiction early detection system based on scientific principles and to attach a button wherever participation is possible (§ 6i para. 1, 3 GlüStV 2021 (E)). There are no quantitative restrictions on the offer.

The regulations of GlüStV 2012 restricting the offer of commercial gaming by mandatory minimum distance requirements between amusement arcades as well as the ban of multiple-concessions were taken over in § 25 para. 1, 2 GlüStV 2021 (E). These provisions require a further noteworthy reduction of AWP already installed in the market. Mention should also be made here of the extension of minimum distance requirements between arcades in some state-specific arcade regulations to include an obligation to maintain a minimum distance between arcades and facilities for children and young people. There is still and will remain a regulatory disadvantage here compared to competition from the Internet. To make matters worse, the external design of amusement arcades may not advertise gaming or the games offered in the arcade (§ 26 para. 1 GlüStV 2021 (E)), which would be important for addressing a predominantly local group of customers. With a view to fair competition, this retention of the special restriction for commercial gaming stands in contradiction to § 5 GlüStV 2021 (E), which opens up the advertising market for legal games of chance in a practical manner, on the Internet, sports stadiums and on jerseys and the like.

The legalization of the Internet offer going beyond sports betting will further increase the competitive pressure on commercial gaming. In addition, the uncertainty about the economic future of the industry is

increasing as the time for the expiry of the GlüStV 2012 and its transitional regulations for existing arcades is approaching. A not insignificant number of the amusement arcades currently in operation do not meet the requirements of § 25 para. 1, 2 GlüStV 2012. Their operation is based on a lack of selection decisions by the municipalities to shut down arcades, tolerances or hardship regulations linked to the duration of the GlüStV 2012. With its expiry on June 30, 2021, these amusement arcades must be closed.

§ 29 (4) GlüStV 2021 (E) contains an exemption so that the federal states can provide in their implementation provisions that for up to three amusement arcades in a single building or building complex already existing on January 1, 2020, a temporary permit at the joint request of the operators can be granted. Deviating from Section 25 para. 2 GlüStV 2021 (E) these arcades may operate in spite of the ban of multiple-concessions. It is currently becoming apparent that only a few federal states intend to make use of this option, for example Bavaria, North Rhine-Westphalia, Rhineland-Palatinate and Saxony-Anhalt.

If the minimum distance requirement (§ 25 para. 1 GlüStV 2021 (E)) is strictly implemented, the number of locations will decrease by a third compared to July 1, 2017. In connection with the ban on multiple-concessions, their number will decrease by around 60% of the base year in 2021. Such a massive reduction in capacity will limit the market potential of commercial gaming to a level that can only generate sales that are in the order of magnitude of 2020, when the pandemic and a double lockdown, as well as a hesitant recovery in business, is expected to cause a sales decline of 50% compared to 2019. The contribution that commercial gaming can make to channeling people's natural instinct to gamble towards a legal offer in accordance with § 1 GlüStV 2021 (E) continues to decline.

For the first time, GlüStV 2021 (E) contains qualitative elements for regulating

commercial gaming. The possibility, in deviation from § 25 para. 2 GlüStV 2021 (E), to issue a temporary permit in § 29 para. 4 GlüStV 2021 (E) stipulates as cumulative prerequisites that at least all amusement arcades are certified by an accredited testing organization and the certification is repeated at regular intervals – at least every two years. In addition, the operators must have a certificate of competence that they have acquired on the basis of instruction followed by an exam. In addition, the personnel in the arcades must be specially trained.

These qualitative prerequisites are welcomed by the industry, as they meet their efforts to further develop youth and player protection and to continuously improve the quality of the offer in this regard. These regulations could also be understood as a first step towards regulating commercial gaming in the future using qualitative criteria, as is the case in other market segments, and not with the currently rigid quantitative requirements.

With the GlüStV 2021 (E), the supply of AWP's in the market remains strictly below its market potential, which has led and will continue to lead to undesirable evasive movements that run counter to the objectives in § 1 GlüStV 2021 (E). In view of this development, one can in no way speak of a regulation that is coherent across all forms of gaming and that adequately guarantees fair competition between legal gaming providers.

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WHO WE ARE

The IFH KÖLN (Institute for Retail Research) is a renowned market research and consulting company in the retail environment. As a proven industry insider, the IFH KÖLN provides support in successfully shaping the future of retail, establishing modern business models and offering security in business decisions.

On the basis of sound market research, market trends, customer behavior and competitive development are continuously analyzed and shared with the industry as a knowledge transfer. Based on this, management consulting supports the development, implementation and control of sales and retail concepts. Associated project implementations take place in close cooperation with renowned agencies and service providers.

With its subsidiary brand ECC KÖLN, IFH KÖLN has been active in e-commerce since 1999 and is dedicated to the transfer of community and know-how for digitalization in the retail sector. Our networking platform ECC CLUB as well as well-known event formats such as the ECC FORUM are known throughout Germany today.

The promotion association IFH FÖRDERER registered association secures the dialogue between science & practice. Applied commercial research is guaranteed after scientific yardsticks.

Our primary goal is to make our customers from industry, wholesale, retail trade, service as well as public institutions fit for the future and more successful.

Our industry competence and practical orientation, our own large community of ECC CLUB and IFH FÖRDERER and our scientific roots at the University of Cologne as well as 90 years of history oblige us to a valuable knowledge transfer, empirically based consulting and a modern understanding of service.



IFH KÖLN
Erfolgreich im Handeln