

## **Skins Game: Current Impasse Also An Opportunity To Get Online Casino Legislation Right**

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*This op-ed is meant to point out a potential issue with respect to online casino legislation and offer input on how the industry can cohesively drive “model” online casino legislation in new states. This will help focus on ensuring brand flexibility for operators, resulting in expanded consumer options, and maximized taxable revenue to the state. It is possible that industry stakeholders may have other views and decide to take different strategic paths in future iCasino legislation (e.g., untethered model, blocking entry of certain competitors in the space, etc.)*

### **Summary Points:**

- What is a “skin”? For all intents and purposes, in regulated U.S. online gambling, this is a branded platform (e.g., FanDuel Sportsbook, DraftKings Sportsbook, Caesars Palace Online Casino, etc.)
- “Skins” have proven to be a useful concept in the expansion of legalized online gambling; in particular, by protecting existing bricks & mortar gaming licensees through tethering online access, while giving new companies the opportunity to join the market; resulting in expanded consumer options and healthy competition between operators.
- The ability for operators to offer multiple brands is of more importance for online casino than it is for online sports wagering. Based on evidence in the market, it is highly likely that most online operators will offer multiple brands in future states that legalize online casino wagering. Several operators are doing this currently in a mix of states (NJ, PA, WV).
- If online casino legislation in future states follows the pattern set by recently enacted sports wagering legislation, online casino operators may not have the ability to offer multiple brands under one license. Subsequently, if an online casino operator is required to obtain multiple licenses to offer multiple brands, in turn, this could negatively impact the number of operators who enter the market (*assuming the number of operators/access points is capped in law*). This is currently an issue in Michigan where each online casino operator is capped at one brand for their licensed online casino operation.
- The industry, including operators, trade organizations such as the iDevelopment and Economic Association ([iDEA](#)), and educational organizations such as the National Council of Legislators from Gaming States ([NCLGS](#)), should use the recent slowdown in online casino legalization to build a unified stance and to begin educating legislators and other stakeholders regarding the importance of enabling brand flexibility under future online casino legislative efforts. More specifically, the ability to offer multiple online casino brands under one license. I encourage the groups to lead these discussions ahead of legislative sessions beginning in 2025.

## **What is a “skin”?**

While the intent of the word has stayed generally consistent throughout countries with regulated online gambling, the way it has played out in the U.S. has varied a bit, particularly to the benefit of existing gaming licensees, and to consumers through enhanced optionality.

It’s important to start with the basics... For all intents and purposes, a skin is essentially a branded platform – BetMGM, Caesars, DraftKings, Fanatics, FanDuel, ESPN Bet, Golden Nugget, etc. The term, and concept, originated well before New Jersey legalized online casino in 2013. Online operators in more mature markets, like Australia and Europe, have utilized different gaming brands to appeal to various subsets of customers for years. As a result, by increasing brand loyalty this helps convert more players over from the illegal market, and ultimately maximizes taxable revenue to the jurisdiction. When thinking about this in the broader picture, this is no different than other regulated industries where parent corporations offer different brands and products to appeal to different customers and their customers’ wants and needs – PepsiCo offers Zero (Diet), Cherry, Vanilla, regular, etc. Suntory Global Spirits offers Jim Beam, Maker’s Mark, Knob Creek, along with multiple international scotch and whiskey brands.

It’s also important touch on what a skin has become known as in the United States. While the general intent is the same (*a branded platform*), the term has been used to ensure existing physical gaming asset operators have been somewhat protected. This allows legacy retail brick and mortar operations to maximize their opportunity for online expansion and gives non-endemic brands the chance to operate, all while limiting how many operators there are. This is commonly carried out in law by tethering online access to the existing brick and mortar licensees.

In most states, the existing brick and mortar operators (i.e., casinos and horse tracks) have the ability to offer up to “x” branded platforms, or contract with entities to operate these online platforms on their behalf. As stated previously, this has turned into a great opportunity for expanding consumer options, making sure companies aren’t left out of a market, and rewarding existing brick and mortar gaming licensees for their long-term commitments in the state prior to the legalization of sports wagering and/or online casino. In general, this structure has proven fruitful, notably for online sports wagering/online casino in many states allowing DraftKings, FanDuel, and many existing international operators to enter various states. It also allowed brick and mortar operators (Boyd, Caesars, MGM, PENN, et al) to partner with online brands for tethered access, while launching their own in-house brand.

As each state has passed its respective sports wagering and/or online casino statute, this number of online branded platforms has varied, and it has often been driven by the number of brick and mortar licensees (and/or pro sports teams) that exist when the law is passed. As such, a common number of branded platforms for online wagering granted to the physical gaming licensees has been up to 3 (e.g., IA sports wagering, IN sports wagering, NJ sports wagering, PA, sports wagering, WV sports wagering and online casino), but in some states it’s been as few as 1 (e.g., CO sports wagering, IL sports wagering, MI sports wagering and online casino), in other states it’s up to 2 (e.g., AR sports wagering, MA sports wagering), it’s 5 for NJ online casino, and it’s unlimited for PA online casino.

## **Taking a closer look at the language in a few states with legalized online casino:**

As you will notice below, with the exception of Pennsylvania, states have limited the number of brands that can be offered. I use this as a base understanding to conclude that the industry has a possible issue in the future if states considering online casino legalization follow this structure. Connecticut, Delaware and Rhode Island are purposely omitted from this section as each of these states have other nuances (Tribal Compacts, Lottery considerations).

#### Michigan Legislation ([HB 4311](#))

*An internet gaming operator may offer internet gaming under a maximum of **2 separate brands, 1 for each of interactive poker and other casino style games.** This subsection does not prohibit an interactive gaming operator from using fewer than 2 brands or from using a single brand to offer any combination of interactive poker or other casino style games. (emphasis added)*

#### New Jersey

The number of iCasino skins does not exist in legislation or rules, and instead is policy. Per a [letter from the Attorney General's Office in January, 2015](#), "originally, each permit holder was only permitted one platform provider to facilitate the completion of all the required licensing and technical reviews by the November launch date. However, once the launch was completed and the operations were running smoothly, the Division decided to permit multiple platforms for each permit holder **with a limitation of five "skins" or brands per permit.**" (emphasis added)

#### Pennsylvania Legislation ([HB 271](#))

*"Interactive Gaming Skin or Skins." **The Portal or Portals** to an Interactive Gaming Platform or Interactive Gaming Website through which authorized Interactive Games are made available by an Interactive Gaming Certificate Holder or Interactive Gaming Operator to registered players this Commonwealth or registered players in any other state or jurisdiction which has entered into an interactive gaming reciprocal agreement. (emphasis added)*

#### [Pennsylvania Regulations](#)

##### *§ 817a.3. Interactive gaming skins.*

(g) Nothing in this section is intended to prohibit interactive gaming certificate holders from entering into interactive gaming operation agreements with multiple licensed interactive gaming operators to offer interactive games the Board has authorized the interactive gaming certificate holder to conduct.

*The PGCB separately shared a directive with interactive gaming permit holders confirming there is no cap on the number of skins that can be offered.*

#### [West Virginia Regulations](#)

##### *§ 179-10-20 Limitations on licensed i-Gaming operators*

*Each interactive gaming operator, at its discretion, may provide **no more than three individually branded online i-Gaming websites** and accompanying mobile applications.*

*Any individually branded i-Gaming website or mobile application provided by an MSP [Management Services Provider] must on its webpage and mobile splash screen conspicuously bear the name of the i-Gaming operator with whom it is affiliated. (emphasis added)*

**Summary:** If states with legalized online sports wagering decide to utilize similar wording or licensing structures for future online casino legislation, it could pose a problem for existing (and new) online casino operators. If there are not enough access points under the state's online casino law, it could force some operators to obtain multiple access points to offer their entire brand portfolio (e.g., DraftKings requiring three separate licenses to offer DraftKings, Golden Nugget, and Jackpocket online casinos).

In a state like Illinois where only one online sports wagering offering (brand) is available for each casino or horse track, a similar approach to online casino could possibly keep new operators out of the market if there aren't enough access points to get in. In a state like West Virginia where each casino/racino can have up to three branded platforms, a company like DraftKings will require three separate licenses if they wish to offer DraftKings, Golden Nugget, and Jackpocket online casino applications.

**Recommendations for future states considering online casino legislation:**

Appreciating that each state will have its own nuances when contemplating online casino legislation (e.g., the number of operator licenses available, the number of entities they can partner with to operate on their behalf, if online access will be tethered, the license names for operators and contracted entities operating on their behalf, etc.), I recommend a few key points for consideration to ensure maximum brand flexibility for operators: (1) Grant each existing gaming licensee the ability to offer up to three interactive gaming platforms; (2) Allow the existing gaming licensee to partner with another licensed entity or entities to operate the interactive gaming platform(s) on their behalf; and (3) Allow the entity contracted with the existing gaming licensee the ability to operate the platform under more than one brand.

By utilizing the language below (or similar variation of such), states will be able to dictate how many operators are permitted, while granting these operators flexibility pertaining to branding.

**Recommended language (*emphasis added*):**

**1. In the section that gives casino/racino licensees the ability to have multiple platforms:**

Each interactive gaming operator licensee [e.g., casino/racetrack licensee], at its discretion, may contract with no more than three interactive gaming management services providers to provide or operate interactive gaming platforms on their behalf. ***Each interactive gaming platform may be offered under multiple brands used by the interactive gaming operator or internet gaming management services provider.***

**2. Language defining “internet gaming management services provider”:**

An entity that contracts with an internet gaming operator licensee and that may operate an interactive platform on behalf of, or in partnership with, an interactive gaming operator licensee.

**3. Language defining “interactive gaming platform”:**

Means an integrated system of hardware, software, applications, including mobile applications, and servers through which an internet gaming operator, or interactive gaming management services provider, operates, conducts, or offers approved interactive games. ***The interactive gaming operator licensee, or its contracted internet gaming management services provider, may offer the platform under multiple brands they use to conduct interactive gaming.***

### Why is it of particular importance with respect to online casino legalization?

While branding has been important to online sports wagering, almost all industry stakeholders will agree that it's more important to have multiple brands for online casino than it is for sports wagering. This is further supported through the following analysis:

- **BetMGM** offers online casino (including poker) under multiple brands: BetMGM, partypoker, partycasino, Borgata online, and Wheel of Fortune. Using Borgata as an example, which is MGM's physical casino in NJ, but offered online in both New Jersey and Pennsylvania as Borgata online, I surmise that BetMGM/MGM believes there is good reason to have an online casino brand to match the local brick and mortar brand, and I expect other large brick and mortar casino operators to follow suit.
- **Boyd/FanDuel**, while not apples-to-apples with the entities above due to the nature of their deal (stemming from [their 2018 deal](#), Boyd is a strategic partner and a 5% equity owner of FanDuel Group, providing FanDuel with market access in multiple states), both entities would benefit from having brand flexibility. While Boyd utilizes "Stardust" for its social and online casinos, they have various "locally" branded casinos within their land-based portfolio (Amelia Belle in Louisiana, Belterra in Indiana and Ohio, Valley Forge in Pennsylvania). For FanDuel, they also have PokerStars and certainly could acquire another brand (Daily Fantasy Sports, sweepstakes, lottery courier, etc.) in the foreseeable future. Of course, in any state where FanDuel Casino and Stardust Casino co-exist, they will be separate platforms, separate operators, with patron accounts established on separate Player Account Management systems, meaning Boyd will need at least two access points tethered to their casino under any applicable online casino statute to satisfy both Boyd and FanDuel.
- **Caesars** currently has an online casino product inside their Caesars sportsbook in states where permitted. They also have a standalone app in those same states, Caesars Palace Online Casino. In tandem with their Feb 20<sup>th</sup> Earnings call, [it was announced](#) that Caesars will be obtaining a second online casino skin in the state of Michigan via its acquisition of WynnBet's licenses and *"Caesars intends to transition the WynnBET iCasino operations in Michigan later this year to one of the flagship gaming brands within the Caesars portfolio."* Additionally, during the [Feb 20<sup>th</sup> earnings call](#), executives from Caesars cited having two online casino brands is no different than having multiple properties on the Strip – a consumer may stay at one casino, but *"... they're going to visit multiple properties just because they want a different feel."*
- **DraftKings** acquired the popular online casino brand, Golden Nugget in 2022, and has kept the brand operational for online casino in Michigan, New Jersey and West Virginia. Recently, DraftKings [completed the acquisition of Jackpocket](#), a popular lottery courier service. I anticipate DraftKings would desire to have the ability to offer multiple brands to appeal to a wider customer base. When a state legalizes online casino, it will be much easier to convert a DraftKings online sportsbook player over to a DraftKings online casino within the same app, and it will be much easier to convert a Jackpocket lottery player over to a Jackpocket online casino in the same app (assuming state lottery and gaming bodies approve). It is too early to tell if DK takes the approach with the latter, but I assume they'd at least appreciate the opportunity to do so.

- **PENN** is currently using the “Hollywood Casino” brand in Michigan, New Jersey, Pennsylvania and West Virginia for U.S. online casino (*a user must have the ESPN Bet app to access Hollywood Casino currently, but PENN will have a standalone online casino application by Q1 '25*). On PENN’s ‘24 Q1 Earnings call, CEO Jay Snowden had the following to say, *“When you’re talking about activating your land-based casino database and they’re sitting at a Hollywood property, but they have to download ESPN BET in order to play the online casino, the messaging gets a little bit cluttered or confusing.”* PENN may find in the future that it bodes well to have the ability to offer an even more “local” brand in addition to Hollywood. For example, PENN has acquired many brick and mortar assets over the years (various “Ameristar” branded properties via the Pinnacle acquisition, the “Jackpot” brand in Mississippi, “L’Auberge” brand in Louisiana, Plainridge Park & Casino in Massachusetts, etc.). PENN also offers Penn Play Social Casino (Penn Play is the loyalty brand used now across PENN retail properties and online); one would have to imagine the cross-sell from a Penn Play social casino player would be much easier to Penn Play real money online casino when a state legalizes it (versus Hollywood Casino).
- **Online Casino Sweepstakes Companies:** Chumba Casino, Fortune Coins, Pulsz, etc., may all decide to enter the online casino space with the databases they’ve built ahead of legalization. For these companies, ensuring there are enough access points is important for any future online casino legislation considerations. It’s also possible that existing online casino operators decide to purchase one of these sweepstakes brands and I envision any such operator would want the opportunity to offer the acquired brand in the future for real-money purposes.
- **Social Casino Companies:** Many of the existing brick and mortar casino operators have offered social casino platforms for years, partially, in an effort to build a database of social online casino players in hopes that more states will legalize real money online casino. Any such company would likely want to have the ability to offer a real-money offering under that same social casino brand, rather than trying to convert that social casino player to another brand they are unfamiliar with.

### **Timing is Key:**

While the industry has been frustrated by the slowdown in the pace of online casino legalization the last few years, I offer another perspective; *it has not been the worst thing...* With an uptick in recent merger and acquisition activity in the online sportsbook/casino space, along with the recent growth in adjacent verticals (i.e. Daily Fantasy Sports, online lottery, and online sweepstakes), there is more of a need to revisit the general structure of online casino legislation to ensure enough operators can enter the state. Further, and equally as important, that operators have the flexibility in the brands they offer. Now, more than ever, is a good time for industry stakeholders to agree on general language in any future states contemplating online casino legislation and to begin educating legislators on the importance of brand flexibility.

- Of the 38 states (plus D.C. and Puerto Rico) that have legalized sports wagering, only eight (CT, DE, MI, NJ, NV, PA, RI and WV) have legalized online casino. **With the exception of Michigan, online casino branding limitations set forth by law have not become an issue for current operators. With 40+ states not having online casino legislation passed, now is the time to ensure branding limitations do not become an issue in other states in the future.** *Note, NV has only authorized online poker and would require regulation changes to allow other casino games.*
- The National Conference of Lawmakers from Gaming States (NCLGS) [announced a partnership with the U.K. Gambling Commission](#) to form “model online casino legislation” by its summer meeting in Pennsylvania. **This would be a great opportunity to ensure brand flexibility is included.**
- Illinois ([SB 1656](#)) Maryland ([SB 603](#) & [HB 1319](#)), New York ([AB 9198](#)) and Wyoming ([HB 120](#)) introduced online casino bills this year. Although Illinois still technically has a chance to pass something this year, it’s unexpected. Maryland, New York and Wyoming have adjourned for the year without passing the above referenced bills. **It is important to note that none of the introduced versions in Illinois, Maryland or Wyoming would have explicitly permitted an online operator to utilize multiple online casino brands under a single license. New York’s bill specifically restricts each interactive gaming licensee to offer no more than one individually branded skin.**



## **Benefits:**

Last, but certainly not least, below is a non-exhaustive list of the benefits of having the ability to offer multiple branded platforms under a single license.

### ***For Operators/Platform Providers:***

- **Capped, or limited number of platform providers/management services providers** (e.g., 3) allowed to partner with a land-based Licensee to offer online casino on the land-based Licensee's behalf.
- **One license fee** as multiple brands may be offered by each platform provider/operator
- **Flexibility** without any issues being able to offer distinct apps/websites for a sportsbook + iCasino product & standalone online casino product.
- **Seamless access between brands and minimizing bonus abuse (e.g., multiple registration offers)**. I assume all operators (BetMGM, Caesars Interactive, DraftKings, FanDuel, Penn Interactive, etc.) offering multiple online casino brands will desire to limit patrons to one account to access multiple brands. This will reduce customer acquisition costs and bonus abuse. Additionally, patrons will appreciate only having to register once to seamlessly access multiple platforms offered by a single operator.
- **Omnichannel efforts**. Flexibility for operators to offer a branded app targeting their land-based/market entry partner (if they so choose to), or any other brand they'd like to offer in the future (e.g., Borgata, Ameristar, Penn Play). This could also help reduce cannibalization concerns from legalizing online casino generally.
- **Spurs merger and acquisition activity** from existing operators, due to a limited concern on the ability to offer multiple brands under one operator/platform provider license.
- **Easy conversion** from other existing offerings to real-money online casino, when legislation is enacted (e.g., Stardust Social and Stardust real-money apps, Jackpocket online lottery app, sweepstakes casinos, etc.).
- **As an extension of easy conversion, reducing player acquisition costs**. Many operators are building databases of players who live in states without legalized online casino under different brands (e.g., social casinos). Having the ability to offer real-money online casino under the same brand will provide a seamless experience for users (versus having to spend additional money to convert that user to a different unfamiliar brand).
- **Holistic Player View**. Assuming operators only allow one account per patron across all branded platforms they offer, this will maximize the lifetime value of the customer and provide operators with a holistic view of all gaming activity to target promotions and offers.

### ***For the State/Regulators:***

- **More Taxable Revenue**. More branding, and a more targeted/tailored user experience, will result in more online players and registrations. More online players will result in more operator revenue, which means more taxable revenue to the state.
- **Reporting Flexibility**. Reports can be broken out by platform operator, or by brand.
- **Unified Patron Activity**. Assuming operators only allow one account per patron across all branded platforms, pulling consolidated player information is easier.

- **Keeps the number operators capped** provides an ample, but not a saturated market, while allowing each operator to make the most of their offering (e.g., multiple brands that speak to different subsets of customers).