

The local gambling disrupter taking it global

MAY 27, 2016 [Robert Gottliebsen](#)



One by one we are seeing old, highly profitable industries being fundamentally changed by the so-called ‘disrupters’ who base their business on new technology.

Newspaper classified advertisements were probably the first to be hit followed by yellow pages. Now Uber is slicing market share from regulated taxis and the high-cost branch distribution model of Flight Centre is showing cracks.

But one industry that is not often linked to disruption is gambling.

Yet, go back a decade, and Tabcorp and Tattersalls dominated much of the industry in Australia. But the electronic gaming companies have now probably halved the market share of the incumbents in areas where they compete.

Both have moved into electronic gaming and it’s a significant part of their business but they have a multitude of rivals. Contributing to the market share loss is the management diversion that came with the Victorian government’s decision to cancel poker machine licenses which resulted in long court cases.

One of the companies that played a role in that market share loss was Emerchants.

The Emerchants card company had built its business on cards that enabled the spending of corporate executives to be contained and for money to go to the ‘pay-day-loan’ business which is dominated by Cash Converters.

But, using that base technology, Emerchants also devised a card system that enabled winning punters to receive their money more quickly. The winning gamblers could spend their winnings celebrating or go back in and have another punt.

The Emerchants system took off but, foolishly, the incumbents stayed with the old systems and they were savaged.

Emerchants reckoned that they had a global advantage and so bought European card companies that had the same base technology and then took their Australian technology into the UK and European gaming sector.

Their biggest coup was signing up bet365, which is one of the world's leading online bookmakers with around 20 million customers worldwide.

Suddenly, Emerchants were a global player serving the international gaming industry. They are now duplicating their European strategy in the US — buying a company in the card business with similar base technology.

At this stage, online gaming as we know it in Australia is not allowed in the US but the Canadian market is open. But the American acquisition comes with a unique bonus — it has a technology that enables frequent flyer and other reward points to be spent quickly.

Emerchants plans to use that technology in its European and Australian operations where it will market to the likes of airlines and retailers offering to increase the ability of their customers to use their rewards points, thereby lifting the value of the points.

One of the sad things about the Australian Stock Exchange lists is that there are not many middle-ranking service companies that have succeeded at setting up global operations.

CSL is the standout but CSL is now a giant. Blackmores is another company that has succeeded on the world stage.

It's perhaps ironic that gambling has emerged as an area where we have a technology advantage. Just as CSL skyrocketed when it went overseas, so Emerchants shares have risen strongly in the last year.

<http://www.theaustralian.com.au/business/opinion/robert-gottliebsen/the-local-gambling-disrupters-taking-it-global/news-story/ae651064fd92344f18aa5fa0e45e55ca?mementype=anonymous>