

INTERVIEW: CHRIS GROVE, CATENA MEDIA

The co-founder of the Catena Media US affiliate portfolio, which includes sites such as PlayNJ.com and PlayUSA.com, talks about how the company got ahead of the affiliate game in the United States and how it is planning for a further opening up of the market

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**iGaming Business North America:
How did you first become involved
in the affiliate business?**

Chris Grove: I started off as an online poker customer around 2002. At that point, there was still only a small pool of affiliate sites, and the opportunity was pretty obvious, so I started balancing playing with work on the acquisition side. Over time, more and more of my focus and energy ended up going toward the affiliate side. Part of that was probably the games getting tougher, and part of it was probably the appeal of a semi-passive income. Unlike affiliate work, when you play poker you only have the chance to make money when you're playing.

How is your overall business structured — where are you based, how many portals do you own, where are your offices?

We don't actually have a central location. I'm based in Las Vegas, but the rest of our team is spread out across the United States. Right now our portfolio spans about 30 active sites and another dozen or so that are in development, plus a long list of domains that we plan to develop when certain markets or products open up in the United States. Our best-known properties are probably PlayNJ.com, OnlinePokerReport.com and LegalSportsReport.com.

How many employees do you have and what are their main areas of expertise (eg content, SEO)?

We employ about a dozen people. The majority of our team works on content, either as content creators or editors — with some wearing both hats. Our focus, and strength, has always been on producing content that's highly relevant to the audiences we serve, and the makeup of our team reflects that.

The structure of your deal with Catena is complex, with a high proportion dependent on the earn-out — why is this? Does this reflect the uncertainty of the pace and scale of regulation in the US?

I'd say that's a fair assessment. The US has been a complex and at times frustrating market. No new state has regulated since New Jersey in 2013. So with that amount of inherent uncertainty, I think it made sense for both sides to split the risk. Of course, we believe that New Jersey won't be the last state to regulate, or else we never would have moved away from the international market in the first place.

How does the agreement work on a day-to-day basis — does Catena leave you to get on with it?

Catena has been a great partner. Our business was already well-established at the time of acquisition, and we have a lengthy earn-out period, so we continue to run much as we did prior to the acquisition, with the main difference being that we now have access to a deep well of resources and expertise on Catena's side that we didn't have access to prior to the acquisition.

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How did you attain such a strong position in New Jersey? What factors proved decisive in your becoming the only affiliate driving substantial traffic on a regulated basis there?

Some of it was timing, and some of it was

strategy. We believed in the New Jersey market from day one (in fact, quite a bit before day one). Other affiliates looked at the unregulated market in the US and decided that was more valuable. We had a strong feeling that regulators would force affiliates to choose, and so we made our choice before being forced to. Some of it comes down to the strength of our content. Sites such as OnlinePokerReport.com were providing a level of depth and analysis that was uncommon for affiliate-driven sites at the time. And certainly some of it comes down to luck, as it always does.

Is affiliate licensing effective and do you expect it to happen in other states because NJ has done it?

I believe that affiliate licensing will be the standard in the US moving forward. There's simply too much liability on the operator end if you're dealing with an unrestricted pool of affiliate partners. Frankly, it seems like you'll see a similar trend in the UK and other major European markets — if not licensing per se, then certainly more restrictive policies on the part of operators regarding what kind of affiliate partners they're willing to work with and under what terms.

What model and revenue shares do you work off and how does this compare to Europe?

The models in the US are quite close to the models in Europe. The one big difference is that you see a gap in terms of the level of licensure involved when

you start talking about revenue share versus CPA. That's a function of the fact that land-based regulations in the US often draw a regulatory bright line at revenue sharing — once you're taking part in that stream, you have a far higher exposure in terms of licensing and similar oversight functions.

In Europe, affiliates and operators still seem to struggle when it comes to negotiating commercial terms and finding synergies. Is this also the case in NJ? If so, what can operators and affiliates do differently or better to make these partnerships work better for both parties?

I don't find it to be the case in New Jersey the way that I've seen it play out in the European market. But again, in New Jersey you're looking at a smaller operator pool and a smaller affiliate pool, so the dynamic is a little different. Generally, I don't think that affiliates and operators have to be inherently in opposition, but sometimes broader market forces create that opposition (in other words, a market with a low barrier to operator entry is always going to create a problematic pricing pressure that puts the agenda of established operators in conflict with the agenda of many affiliates, especially smaller, independent shops).

What is your strategy for other states opening up? How are you preparing for this?

The same way we prepared for New Jersey: by starting early. We have had active sites in states such as California and Pennsylvania for several years. We have sites focused on a half-dozen other states already live, and we have sites in development for another half-dozen.

Do you use third-party agencies for any of your digital marketing/acquisition activity and, if so, which types?

Not really. We prefer to handle things in-house where possible. If we have an opportunity that we think is compelling our general approach is to try to find a way to make that opportunity a permanent role within our company, instead of outsourcing it.

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What proportion of your traffic is now coming from mobile rather than desktop, and what challenges is this presenting?

I'd say we are split around 60/40 in favor of mobile. The big challenge is just making sure your site and content present properly on mobile. That can be difficult, because we all still work on desktops, so we're not always working in the mindset of a mobile user. Mobile tracking is also a bit more of a challenge than desktop-based tracking, although we believe that gap is closing.

Other than the state-by-state model enforced by the glacial pace of regulation, what are the biggest challenges or obstacles facing your business and the wider iGaming affiliate sector in the US at the moment?

That's really the big one, to be honest. If the market stays the size that it is,

I think that both operators and affiliates will face significant issues.

How do you see the affiliate landscape changing if New Jersey is successful in its Supreme Court sports betting case?

It's an interesting question. I believe we'll see a bit more interest from affiliates in the New Jersey market. But, ultimately, they'll still have to give up the unregulated market

to enter New Jersey, and that remains a choice most aren't willing to make. Otherwise, I think you'll see a meaningful expansion of the market — both directly from the addition of sports, and indirectly via increased consumer awareness of regulated online casino and poker products in the state. But you'll also see the entrance of major media properties that represent significant competition. ESPN and other sites may not come in as affiliates in the traditional sense (paid advertising is more in their wheelhouse) but they will garner a big share of organic search traffic and user flow regardless.

Are there any other verticals you see as presenting potential for US affiliates in the near future?

Sports betting is probably at the top of the list. Daily fantasy sports remains a viable opportunity, but something of a niche. Online lottery could become a viable vertical in the future, but that's likely to be years, as opposed to months, down the road.