



**iGAMING
BUSINESS**

The Global Business of Online Casinos

Outlook, Forecasts and Analysis

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With many general gaming operators revealing that cross-selling of their gaming products between customers drives growth, operators are expected to continue adding new games and products to their portfolios that players can play in their site windows.

6. Reaching Non-Traditional Online Gamers

Traditional offerings from online gaming operators tend to target male clients between the ages of 20 and 45 years, often not covering the potential needs of other target groups such as women, older people, or people simply not used to, or wary of, online transactions.

Games need to appeal to all levels of gamers and/or more people at a time or to niche demographics that have not previously been exposed to games. Some people literally want to log on for 10 minutes for a low stakes fun game without the pressure involved in a game of poker for example. Others meanwhile want to spend hours engrossed in a game or play it over several days.

7. Holding Onto to Existing Players

Casino customers generate the highest yield of any product but they also have the shortest lifetime, being bonus-driven and inclined to switch sites frequently.

Although liquidity is less essential to a successful online casino operator than say a poker one, it is still extremely important that online casino operators use all of the tools at their disposal to retain customers and maintain their interest in playing games after they have succeeded in attracting them in the first place. Evidence suggests however that many operators focus more on acquisition than retention even though one great new game can make a customer switch to a competitor.

Marketing initiatives such as reactivation bonuses and campaigns, the introduction of new distribution channels and broadening the product base through the addition of new products and features can help to keep players interested in a specific site and mitigate the impact of player attrition on activity levels and therefore on revenue.

Employees of any gaming company need to understand the differences between the games on offer and be able to respond accordingly in order to build a relationship of trust.

Converting free-money players to paying customers is always challenging and strong customer service may be an influencing factor in a player's decision to upgrade.

8. More Innovation/Production of New Games and Formats

Games are becoming more interactive and increasingly realistic. Similarly, computers are becoming more sophisticated and able to handle larger downloads.

Industry consensus is that the casinos that will survive will provide a wider variety of games, some being familiar to casino players and some that are not. Given the internet's viral nature, something new will always come along. However, as well as looking for

the next 'killer app', familiar games such as roulette will always make for suitable online casino games because they are played by thousands of people around the world and are easy to get to grips with – characteristics that tend to be common among the most popular online games.

Game themes need to move with the times, as well as being appropriate for different times of the year. Branded games have become a big deal for online casino players. Players enjoy playing slots with comic book hero themes, and great movie themes. Those online casinos that offer popular branded games are likely to keep their old players, and encourage new players to sign up with them. Branded games are certainly one of the exciting current trends that exist at online casinos but the concept still needs to be managed to enable operators to stand out from the crowd.

Some current trends in the innovation area of online casinos include:

- **Live Dealers:** Whereas the first live dealer casino games were essentially of two sorts, live blackjack and live roulette (the latter being particularly easy to offer, as the limit of patrons allowed at the table can be fairly high), the industry portfolio has been expanded to now include live-dealer versions of Texas hold 'em, baccarat, three-card poker, red dog poker, and sic bo.
- **Virtual Reality/3D Casinos:** Whilst virtual reality casino gaming is not strictly 3D per se as it does not fully create the illusion of depth perception, casinos are soon expected to embrace the technology that has been the 'come-back kid' of recent times.

9. More Localisation

Localisation of products is becoming the main way that operators create a point of difference between themselves and reach new customers.

Each country also has its own culture, and therefore, its own set of unique player demographics. Understanding customer behaviours and having the ability to effectively profile customers are key elements of success.

10. Better Security

Online fraud, hacking and security continue to be heightened concerns in 2010. Online casinos therefore that can handle all the difficulties presented by the new global gaming space will have huge advantages when delivering the product to players. In 2010, cybercrime will be tackled using a combination of technologies, pattern analysis and close collaboration with international law enforcement agencies.

11. Increased Use of Social Networking

Casino operators will increasingly use social networking sites and applications as part of their marketing programmes to reach their customers and attract new ones. They will also launch more social-based games aimed at building communities, making use of the ability to display data about users and their friends and allow them to share experiences.

12. Continued Roll Out of Mobile Casino

Convergence will continue to be a hot topic in the casino market with more operators offering cross platform single-wallet opportunities to play.

The popularity of smartphones such as the iPhone has led many online casinos to put a lot more focus in their mobile gaming software and this trend will gather momentum as penetration of such handsets increases.

13. Increasing Use of Television and Sponsorship

According to recent figures from the Nielsen market research company, 43% of all European TV viewers between 15 and 35 years of age simultaneously watch TV and surf the web on their PC or mobile terminal. This is an incentive for content producers to do some rethinking, in order to bring new formats from a platform to every conceivable type of terminal.

Blackjack and roulette have been the main casino games to achieve television exposure, finding a home in the US and Europe on various channels including CBS, Sky and ITV.

The presence of casino on television is still in its infancy compared with poker but may take off in markets where poker is popular on the small screen such as Eastern Europe.

Online gaming companies are expected to continue their sponsorships of mainstream sports, especially at a time when more traditional sponsors have been curtailing their own spend. Standalone casino operators are expected to engage in more sponsorships over the next year or so, initially supporting self-funded or third party land-based and online casino tournaments and events before stepping up to mainstream sponsorships of sports properties.

Forecasts for Online Casino

As with any market forecasts, and particularly so with the gaming sector, forecasts have to assume that no major regulatory change in relation to online gaming will take place in the industry other than those already outlined in this report as potentially happening.

Assuming a status quo on regulation in markets where online gaming is effectively illegal (such as China and Japan), growth in online casino gross gaming yield is expected to relate to general growth in broadband penetration in those markets and targeting of players in those markets by operators that disregard laws.

If however, markets where online gaming is banned were to reverse their laws and make the activity legal or licensed, growth from those markets would be expected to be achieved faster.

Forecasts of this nature are also dependent on steady growth in the broadband market globally which could be stymied by several factors such as regulations, investment in infrastructure and pricing of services.

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By the end of 2009, the online casino market was worth just over \$4bn globally. It will rise to \$4.7bn by the end of 2010, to \$5.8bn by the end of 2012 and to over \$7.1bn by the end of 2014 in terms of gross gaming yield, which is an increase of nearly 79% from 2009.

Online Casino Gross Gaming Yield for Major Markets, 2009-14 (\$000s)

000s	2009	2010	2011	2012	2013	2014
Total	4,013,183	4,723,400	5,174,550	5,813,779	6,499,039	7,179,523

Source: ZagZig Media

Terms Used in This Report

Gaming Terms

● **Advergames** – These are games that are built around a brand or product. The primary distinction of an advergame from other types of ad-supported games, is that with an advergame the full experience is built to embody the brand or messaging for the supported product. Advergames can range in size and complexity from very small web-based games, to full-scale console experiences. Typically advergames are funded by brands as a marketing activity and there is rarely any direct revenue targets associated with the final product. Many smaller advergames are repurposed from previous games and game engines, whilst larger experiences are often custom built to meet the campaign requirements. Branding within the game may be very small and almost unnoticeable, or it may dominate the visuals of the full experience.

The success of an advergame is typically measured in terms of the number of users (reach), the number of plays (frequency), and the length of time played (engagement). These games are almost always available for free, and may be distributed on brand websites, gaming portals, or custom websites created for the campaign. The biggest advergames, are a part of an larger media campaign that will often cross multiple media platforms, including TV, radio, outdoor media and more. In these campaigns the advergame may be the cornerstone used to drive the messaging, or it may be one piece that helps to reach a particular audience.

● **Casual Games** – A casual game is a video game or online game targeted at or used by a mass audience of casual gamers. Casual games can have any type of gameplay and fit in any genre. They are typically distinguished by their simple rules and lack of commitment required in contrast to more complex hardcore games. They require no long-term time commitment or special skills to play, and there are comparatively low production and distribution costs for the producer. Casual games typically are played on a personal computer online in web browsers, although they now are starting to become popular on game consoles, too.

● **Massively multiplayer online game (MMOG)** – This is an online video game that is capable of supporting hundreds or thousands of players simultaneously. MMOGs tend to be played on PCs but are gaining in popularity on consoles and mobile platforms.

- **Virtual reality** – This is a technology that allows a user to interact with a computer-simulated environment, whether that environment is a simulation of the real world or an imaginary world. Most current virtual reality environments are primarily visual experiences, displayed either on a computer screen or through special or stereoscopic displays, but some simulations include additional sensory information, such as sound through speakers or headphones.

Key Performance Indicators And Operating Terms

- **Active customers** – unique customers operating an online gaming account in the period stated (usually three months).
- **Bonuses** – online casinos generally offer three types of bonuses to entice in new players: new player signup bonuses, no deposit bonuses and 'reload' bonuses.
- **Cash back offer** – a cash back offer is where an operator offers free money to a customer usually as a sign up bonus, matching deposits pound for pound. Some players target cash back sites in order to exploit such offers and have no longevity, deposit once and go (if allowed).
- **Chargeback** – where a customer or the credit card issuing bank or any other third party payment solution provider effects a reversal of charges in relation to a credit card or third party purchase transaction.
- **Churn** – where a player terminates their gaming account and switches to a competitor.
- **Cost per acquisition (CPA)** – total of all online and offline spend and expenses divided by the aggregate of the number of real money sign-ups.
- **CRM** – (customer relationship management) - consists of the processes a company uses to track and organise its contacts with its current and prospective customers. CRM software is used to support these processes; information about customers and customer interactions can be entered, stored and accessed by employees in different company departments. Typical CRM goals are to improve services provided to customers, and to use customer contact information for targeted marketing.
- **Liquidity** – refers to the volume of active players that online gaming platforms need to be able to offer them a wide variety of games. Sufficient liquidity ensures that players logging on will not have to wait long to join the game of their choice or to find a player of similar skill.
- **Monthly active player days** – the sum of the number of days active players have played during the period.
- **Pay-out** – any money or merchandise paid to a winner who wins a game.

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- **Play through requirements** – many gaming sites place restrictions on withdrawing money and/or winnings. Generally, play through requirements will state that players have to wager a certain amount before they can cash out.
- **Rake** – scaled commission fee charged by operators for each tournament game, i.e. a percentage taken from the pot after each game.
- **Real money sign-up** – a new player who has registered and deposited funds into an account with the operator.
- **Skins** – most gaming networks are owned by one operator and have ‘front end’ owners within the operation, colloquially known as ‘skins’.
- **Unique active player** – a player who has contributed a fee and/or placed a wager in the period.
- **Yield per unique active player** – comprises net gaming revenue (net of customer bonuses and other fair value adjustments to revenues) divided by the number of unique active players in the period.

Financial Terms

- **EBITDA** – earnings before interest, tax, depreciation, amortisation and exceptional items.
- **Gross revenue** – This equals gross win (see below), plus other forms of revenue such as food/drink at land-based gaming operations.
- **Gross gaming sales** – relates to the total value of ticket/book sales for games, otherwise known as the ‘handle’.
- **Gross win** – refers to the amount lost by the customer/the amount won by the poker operator over a defined period. As a high proportion of the total amount paid by customers as stakes is returned to them (and never becomes the online casino operator’s money as such) the amount of gross win is an important measure of how much an online casino earns before taxes, salaries and other expenses such as commission to affiliates are paid. Gross win is the equivalent of ‘sales’ not ‘profit’. In online casino, gross win can equal gross revenue if there are no other income streams other than gaming.
- **Gross gaming margin/yield** – defined as the aggregate of all stakes made and any gross win, minus the amount of prizes and winnings.
- **Gross profits** – Gross win less taxes and levies, discounted wagers and direct supplier costs etc.

- **Net revenue** – Gross win less fair value adjustments (e.g. free bets and promotional bonuses), VAT and associate income.
- **Stakes** – The amount of money gambled by the customer, also known as wagers and bets.

About The Report

This report examines the main issues surrounding the growing online casino industry including game and market overviews; areas of opportunity; factors affecting growth in the industry; marketing strategies of online casino companies, regulatory issues and demographics of players.

It provides case studies of the major online casino software companies and operators analyses them to determine their business models and revenue streams as well as who the winners and losers will be.

The report is aimed at professionals within the sports and gaming industries such as technology companies, bookmakers, games producers, affiliates, broadcasters, telecoms companies, lawyers, consultants and investors.

If you would like to order this report please contact Reports@iGamingBusiness.com or call +44(0)207 954 3489.

Executive Summary

Introduction

Online casinos were among the first online gaming sites to appear on the internet when they launched in the mid-1990s thanks to the pioneering efforts of software companies such as Microgaming and CryptoLogic (see Case Studies, Chapter 11). Online poker followed in 1998 and by 2004 the online gaming market was estimated as having revenues of approximately \$8bn.

During the course of the past decade, the online casino market has grown out of all recognition, maintaining its position as the leading online gaming genre. At the time of writing, there were 774 online casinos listed by Casino City Online (a site that tracks gaming sites), comprising 33% of the market for online games in terms of numbers of sites, compared with 34% two years previously. Poker makes up 22% of the market (28%: 2008) followed by sportsbooks at 18% (18%: 2008) and bingo at 16% (14%: 2008).

Each online casino operator is looking to participate in a sector becoming more socially acceptable, benefiting from a liberalised regulatory structure in some markets, and enjoying very substantial growth across many key demographics including those that have been hard to reach through other types of gaming or betting such as women.

Over recent years, the online casino companies have embraced the capabilities of the internet, whether in terms of techniques for attracting new players, developing highly liquid playing networks, or delivering ever more feature-rich games and enhanced player experience.

Numbers of Online Casinos Compared With Other Game Types, June 2008 Compared With June 2010

Game Type	2010	2010	2008	2008
	Number	%	Number	%
Casino	774	33	688	34
Poker	517	22	526	28
Sportsbooks	425	18	375	18
Bingo	376	16	295	14
Lotteries	88	4	46	2
Other	52	2	20	1
Skill Games	49	2	45	2
Mahjong & Rummy	17	1	5	0
Betting exchanges	16	1	20	1
Backgammon	12	1	15	1
Total	2,326	100	2,035	100

Source: ZagZig Media Analysis of Casino City Online data

Current Market Position

The online gaming market has now matured into a substantial global industry that has consolidated in the last two years, with Gibraltar-based PartyGaming buying bingo provider Cashcade for \$155m in July 2009 for example. In September 2009, Austrian online bookmaker Bwin said it would buy Italy's Gioco Digitale for up to €50m cash and 2.3m Bwin shares to boost its presence in that newly opened market. Gaming software company Playtech bought bingo software supplier Virtue Fusion at the end of 2009.

In January 2010, Bwin was said to have started talks with PartyGaming about a possible merger that would create a company with a market value of more than \$4bn.

Industry Structure

The online casino gaming industry is characterised by networks, software companies and standalone operators that are exclusively casino gaming-oriented or have added casino games to a portfolio of existing games and/or sportsbooks.

The market has started to more clearly segment into player facing 'business to customer (B2C)' and 'business to business (B2B)' sectors. Some operators, such as 888 and PartyGaming offer both propositions.

Newer entrants include entertainment brands such as Virgin and SEGA, land-based casinos such as Harrah's and state lottery providers, for example in the UK and Serbia.

According to industry insiders, online casinos cost an average of \$1.5m in startup costs but need very few employees compared with their land-based counterparts to keep them operational. Conversely, a traditional bricks and mortar establishment can cost \$300m to set up and requires a lot of personnel. Simply put, setting up an online casino and running it is much more economical than starting a land-based enterprise.

Online Casino Game Types

The innovations inspired by the Pac-Man craze in the 1970s (see Chapter 9) led to the development of more sophisticated video gaming and ultimately online casino gaming. Online casinos now represent a multi-billion dollar industry, with thousands of sophisticated, interactive, story-filled video slot machines among the many types of gaming directly descended from Pac-Man. Even a Pac-Man slot is available to European players as a mobile application.

Some products offered by online casinos still closely replicate traditional land-based casino formats such as roulette and blackjack. Others such as poker and slots/arcade formats have developed a large range of variants and constantly innovate. Increasingly sophisticated bonus rounds now incorporate video clips, sometimes from popular Hollywood movies, which broadens their entertainment appeal. The move also reflects the increasing development of online gaming as a mainstream entertainment format. Virtual racing is also increasing in prevalence on online casino sites.

This report takes a closer look at the following main types of casino game:

- Card-based casino games – baccarat and blackjack (Chapter 5)
- Dice-based casino games – craps (Chapter 6)
- Wheel-based casino games – roulette (Chapter 7)
- Slot-based games – slots and progressive slots (Chapter 8)
- Video-based casino games – video poker (Chapter 9)
- Virtual reality-based games – virtual horseracing and greyhound racing (Chapter 10).

How Online Casino Gaming Works

In addition to portals and affiliate offerings, there are three main types of online casino sites servicing players:

- 1. Free casino games sites.** Free casino games are offered by a small number of specialist sites (such as 777.com and Freecasinogames.com) or as an option on pay-to-play sites. Game play is free and prizes are usually given as points or as small denomination cash prizes. The operator's business model for this type of site where it is standalone tends to be built on banner advertising sales and/or sales of data. Often these sites are used to drive players to pay-to-play sites. Many software providers for example introduce pop up messages during the game play asking players whether they want to convert to real money wagering. One of the dangers of a free-playing online casino site however is that it can create potential customers for other sites, not just its own operations. Converting free players to paying players remains a challenge for the online gaming industry.
- 2. Game sites with casino or casino variants.** These websites offer a range of casual games, of which casino games are often included. These sites include Pogo, Gamesville and the Flipside Network. Many of these sites offer ad-supported free-to-play browser-based games while offering optional paid subscriptions that provide a variety of benefits including access to more games or an enhanced experience compared with free-to-play, such as unlimited playtime.

Pogo.co.uk Screengrab



3. Pay-to-play casino. These sites represent the bulk of the online casino industry and are typically offered by state-owned companies, land-based casino and betting brands, standalone dotcoms and/or entertainment brands that have entered the gaming space. The business model for this type of site is discussed in Chapter 2.

Customer Acquisition and Retention

Online casino games are the type of online games most capable of reaching the broadest audience; firstly because they are leisure gaming par excellence, and secondly because they are easy to learn and play.

In order to become successful, an online casino operator needs to attract paying customers through making its site user-friendly, by offering an attractive portfolio of games and engaging with its target audience via promotional offers using the various marketing tools at its disposal. Once it has attracted these customers, it must then turn its attention to retaining them and prevent them churning to other sites.

Operators that are consumer-facing typically have a strong marketing-led business model seeking to attract players to their website and to encourage loyalty from their active players. These tend to be brands that offer a mix of casino gaming, poker, sportsbook, skill games and bingo and often have a well-known land-based brand (for example Ladbrokes and William Hill; see Case Study for the latter in Chapter 11).

The speed to market of new games provides the opportunity to capitalise on trends and target offerings to interest and excite customers. And by getting players to play more than one type of game on a site, online gaming operators can increase spending and average yield per player.

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For many online casino players, entertainment is more important than income generation and therefore they need to be kept interested by new and up-to-date games plus have a wide variety of games to suit the different skills of their players.

Experience has shown that games with a short playing time such as slots have generated the most money for online casino providers. A short game length means a greater number of plays per unit of time.

Furthermore, in the case of slots, players are predominantly women. Given these players lead busy lives, and many of them are mothers with even less free time, they enjoy games that can be played in short 10 to 15 minute bites, or even less. They also prefer socialising when gaming preferred to men, and are more likely to therefore demand chatrooms or chat functions.

Regulation

In most countries, the regulation of gaming is based on whether the predominance for the outcome of the game lies in skill or chance. Regulations relating to gaming vary from country to country and even by territory to territory in some countries, so an operator looking at entering a new market or even acquiring players from other markets will need to seek appropriate legal advice.

Building operations that comply with new regulations in multiple countries requires a minimum investment of about \$1.4bn, said Norbert Teufelberger, co-chief executive officer of Vienna-based Bwin.

In the US, the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) has had its greatest effect is on the casual and/or new player. Whilst it is relatively easy for established players to negotiate the maze of financing options and get money into an online account, 'newbies' have almost no idea where to start. And with the implied threat of regulators looking over their shoulder, many have simply chosen not to take the plunge - which, of course, is exactly what the US Congress intended. Efforts to license online gaming federally in that market, despite promising developments, could take time, and efforts could instead move faster at a state level.

In Europe, as shown in Chapter 4, the regulatory landscape is a mixed bag of draconian regimes and liberalisation, which adds a further layer of complexity to operators considering a new market entry. Although French regulators had started granting online gambling licences to foreign companies at the time of writing, ending a ban, the new laws excluded online casino. Denmark may start offering licences, and Italy has been opening its market in stages. Germany's prohibition faces a challenge at Europe's highest court.

The sheer number of European Commission proceedings pending shows that legal uncertainty still reigns in the region, and that court proceedings are not necessarily an effective solution. Many industry insiders believe it is necessary to create a modern legal framework for online gaming under which both state and private operators can

be given access to the market under strict regulations and independent controls. Only thus will it be possible to eliminate the black market and ensure effective protection for consumers.

The key questions for a new casino entrant to consider when entering a new market are:

- Do they need a licence and if so, can they get one?
- If not, are they prepared to potentially invite litigation from the particular government or regulator?
- Can they ensure distribution and brand presence?
- Are the new opportunities of a regulated market greater than the increased costs of business that will follow from going the 'official' route?

Outlook and Trends

The overall outlook for online casino is extremely bullish and the industry will continue to grow as an increasing number of people get internet access around the world.

Although some online casino markets are more mature than others, globally, online casino is a market showing huge potential for growth due to its entertainment factor and is predicted to grow in many markets, particularly where the regulatory position is favourable to games of chance.

However, further development in the industry (or in individual online casino markets) could be hindered by factors such as the economic downturn, broadband penetration not happening as fast as predicted, restrictive legislation, payment crackdowns and increased competition from other forms of gaming. These are discussed in Chapter 12.

Industry figures seem to indicate that whilst the online gaming industry might not be recession-proof per se, it appears to be recession-resistant at least. With online casino revenues at PartyGaming up by 25% in the first quarter of 2010, the sector could be forgiven for feeling that the downturn is either ending or has benefited the genre.

Whilst the rate of growth in new player casino sign-ups in any individual territory can be expected to decline over time as a market matures, the impact on overall growth will be mitigated by the opening up of new territories through increased penetration of broadband and the recognition by governments of a need for a proper regulatory framework for online gaming.

Whether individual online casino operators succeed however will come down to their ability to attract and retain paying customers who are increasingly getting younger, or from the growing pool of non-core gaming players.

In terms of future trends for the online casino industry, the following have been identified as potentially the most important or likely to happen:

1. Consolidation

It is unlikely that all of the present dedicated casino sites that were active at the time of writing will survive over the next 12-18 months, particularly those that derive the majority of their revenue from slots where competition is more intense, from the UK where competition is strongest from other gaming genres, or from the US where the regulatory outlook is unclear. If a licensing regime is introduced to the US, either at a national or state level, operators that have continued accepting customers from that market (despite the UIGEA) could find themselves rapidly losing share to the newly 'official' operators.

2. More Non-Traditional Gambling Brands Entering the Market

Large non-gambling brands such as media owners looking to diversify into other markets or to monetise existing online content, may follow the example of Virgin and Sky in the UK and choose to enter the online gaming space through launching their own online casinos or through acquisition as in the example of Liberty Media buying the SkillJam/Worldwinner brands through its takeover of Fun Technologies in the US.

Other types of consumer-facing brands may follow the example of SEGA and find creating their own casino game is an attractive way to reach target audiences.

Licensing deals with major Hollywood studios and related brands were becoming de rigueur in the online casino games marketplace at the time of writing. The trend is expected to continue although operators will have to work harder to: (a) enforce exclusivity over a desirable length of time, and (b) make such games stand out from the crowd if there are too many similar ones available on competing sites.

3. More Land-based Gaming Brands Entering the Market

Online casinos based on land-based casinos and bookmakers are increasing in numbers and are important as they add to the reputation and security of online gaming. Bingo is a market that has already successfully cross-promoted its land-based and online offerings with the latter leading to increased popularity of the former in markets such as the UK.

Leading casino operator Harrah's Entertainment took its online undertaking live in late 2009 under the name of Caesars Online Casino using the brand equity of its brick and mortar operations. It has since launched Caesars Online Bingo and WSOP [World Series of Poker] Online Poker.

4. Targeting Growth Markets

Outside of the US, the UK online gaming market is one of the largest and more mature globally which means that competition between operators is becoming more intense as they fight for share of that particular market. Some industry observers believe however that although the UK online gaming market is no longer a cash cow, it still has potential for growth whereas others believe faster development is more likely to come from markets outside of the UK.

Beyond the UK (and discounting the US for the operators wanting to keep things simple), most of the larger online casino operators spoken to for this report were looking primarily at expanding into Western Europe with the goal after that being to move into Eastern Europe, Latin America and then Asia. William Hill Online now derives around 40% of its revenue from outside the UK, primarily in Western Europe.

Regarding Western Europe, at the time of writing, it seemed that early entry into regulated markets was key to continued growth in what is a hugely competitive arena. This was already top of everyone's agenda and the industry had even started using a new acronym for dealing in the more monopolist-regulated markets - B2G (business to government). For example, PartyGaming has teamed up with national gambling monopolies in France and Denmark as has Paddy Power in the former and Playtech has with RAY in Finland. Markets dominated by state-owned gaming operators are likely to add casino to their offerings in 2010 if they have not done so already.

As the next 12-18 months develop, new entrants to the casino market will be forced to choose between the more tried and tested route of the UK where competition is already intense and global market share of gross gaming yield is set to fall, or a less developed market such as India which by virtue of being unproven carries greater risk. Each market has its own unique regulatory landscape and challenges that need to be carefully addressed.

The following countries and regions are expected to show the most potential for growth in casino markets over the next year or so:

- Italy
- Spain
- Greece
- South Africa
- Canada
- Balkans
- Eastern Europe (although it is fragmented)
- Australia

Markets that show medium-term promise are:

- France
- Asia (especially India and Japan)
- Latin America
- The Middle East

5. More Cross-selling of Products

Offering a combination of single-player games and multiplayer games has a number of advantages for online gaming operators. The likes of PartyGaming, William Hill, 888, Bwin and Ladbrokes benefit from offering their customers such content on their own sites because it helps to extend the length of time people spend with them, enabling them to make more money per minute of each session.

