



# Executive Summary

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## Background

There is a saying in the music industry that “it takes 10 years to be an overnight success”. While it’s not rock and roll, this is very much what has happened with mobile gambling. The vertical has been on the gambling radar since 2003-04 when some suppliers were tentatively developing and testing products with handset manufacturers such as Motorola (who were one of the leaders at the time). The time was not right – devices weren’t ready, customers didn’t understand, development was difficult and operators weren’t willing to devote resource to what was an unviable market.

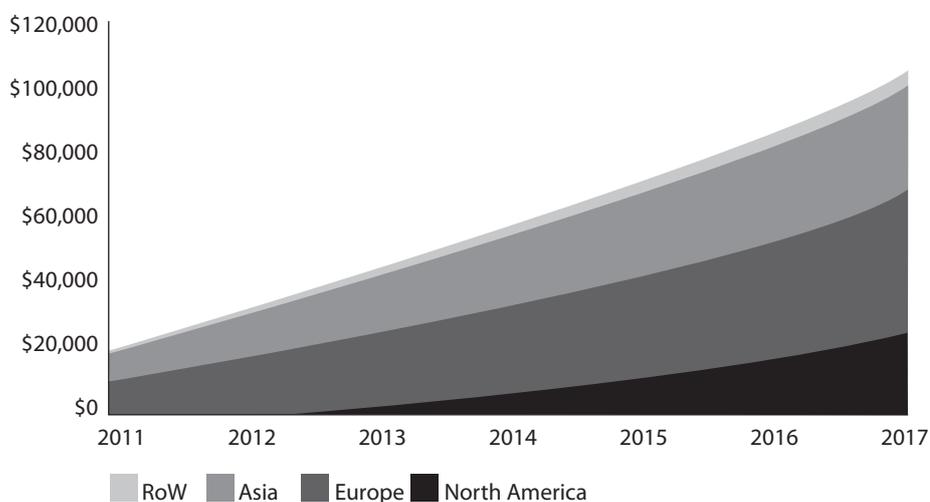
All that changed with the launch of the smartphone, in particular the iPhone, and the World Cup 2010 – which led in just four weeks to a 400% increase in turnover for the operators that had mobile sites live at the time. Since then, we’ve seen the exponential growth of the platform to the point where the leading companies such as Paddy Power and William Hill, for example, are reporting mobile revenues as a percentage of all interactive at 40% and 35% respectively.

Mobile has firmly asserted itself as a key strategic direction for the igaming industry, and having enjoyed growth as the marketplace developed, it’s now time for the industry to aggressively push forward and create, rather than react to, the opportunities the platform affords. Gambling operators are slowly beginning to think “mobile first”, but the reality nowadays is that the digital world revolves around fourscreens: mobile, tablet, laptop and television. Mobiles and tablets are central to this transition, however the “always on” smartphone is not just about a mere portable device, rather it’s an evolutionary leap to the era of ubiquitous computing where users move seamlessly from one device to another, and expect their preferred brands and services to do the same.

## GAMBLING MARKET OVERVIEW

Juniper Research released new projections in early 2013 for the global mobile platform, anticipating that by 2017 mobile turnover will reach \$100 billion.

**Total Wager on Mobile devices (\$m), 2011-2017**



Source: Juniper Research

Research and operator reports have shown that mobile gambling does not cannibalise desktop revenue. Quite the opposite in fact. Mobile works in tandem with desktop and actually increases revenue, something which was most recently reported by Betfair, who saw an increase in average revenue per user (ARPU) and a decrease in churn amongst mobile bettors.

A 2012 study by Foolproof entitled “Going Mobile” found that the unique quality of mobile gambling is that it affords spontaneity, with 48 % of respondents saying they place more “impulse bets” via mobile devices than desktop.

The study also found that active mobile gamblers undertake several key activities

- Look up odds – 44.9%
- Place bets 69.6%
- Play casino games and/or poker – 28%
- Check account – 43%
- Other 0.5%

Sports betting is the early winner in mobile gambling due to suitability of the device, user behaviour, product availability and being less bandwidth hungry than gaming products. Currently 70% of the market is driven by sports betting, in particular in-running or live activity, however casino and gaming products will continue their upward trend that we are already witnessing and by 2017 Juniper Research is predicting that there will have been a complete flip, and it will be the games rather than the sports bets that will drive 70% of the industry.

When it comes to gaming products, slots are a natural fit – both in terms of the screen size and the quick nature of the game. Bingo and poker are rapidly gaining traction, but both bring their own idiosyncrasies to the platform. Chat is a fundamental component of the bingo game – and as such there had been difficulty in optimising the real estate on smartphones, but with the emergence of tablets there has been a hockey stick growth curve in bingo adoption, as the larger screen size has made a massive difference to customer usability.

Mobile poker posed many problems for gambling operators, ranging from connection speeds and disconnects to the length of games being unsuitable for the “snacking” nature of mobile internet use (which is typically between one and eight minutes), but better network quality and the pervasiveness of Wifi, along with innovations in game formats such as Fast Fold and shorter games have enabled this product to grow and claim its share of the mobile action.

### Payments

Despite the hype around mobile payments, there are endless interpretations as to what constitutes a mobile payment. In general the m-payment sector can be broken down as follows:

	P2P	B2C
Proximity	Contactless (phone to phone)	Contactless Mobile as a point of sale (POS)
Remote	Mobile money transfers	Mobile online payments (m-commerce, digital/virtual goods)

Many consider the entire area of payment processing and m-commerce to be the 'holy grail' of mobile gambling, and it is hard to argue against this theory. Along with the issue of spontaneity (which is critical from the customer's perspective), lie the charges associated with each method that the gaming operator must bear. Broadly speaking, there is an inverse correlation between payment processing costs to the operator and convenience to the customer. Premium SMS and Payforit, for instance, allow simple and fast depositing, but can charge the operator prohibitively expensive fees. On the other hand, credit and debit cards offer the lowest fee structures but entering credit card details with Credit Card Verification (CCV), validity date, name and address of card holder, then a 3D Secure redirect to Verified By Visa (VBV) and MasterCard Secure Code (MSC), all for a simple transaction, is very complicated at the customer end.

Another major problem in the marketplace right now is not only consumer confusion but also merchant confusion. The early entrants are addressing the market differently – for example e-wallet providers were initially slow to create mobile-friendly wallets rather than simply shrinking down their existing service to a smaller screen. Google and Visa have deployed wallets that use near-field communications (NFC), but PayPal and mobile operators such as O2 have developed solutions that fall under the cloud wallet category. Amazon has launched its wallet, which is used on the Kindle Fire tablets, Apple products do not currently support NFC, but may in the future, and it would seem that any entity connected with either finance or mobile is making a play in the payments space.

Banks are teaming up with mobile network operators and/or launching their own m-wallets, credit card companies are in the space in various guises and mobile networks all over the world are seeking to claim their share, with the largest mobile payment collaborations being in the UK with Weve, a joint venture between the UK's three largest mobile network operators (MNOs) – EE, Telefonica UK (O2) and Vodafone UK; and the US with ISIS, a joint venture between AT&T, T-Mobile and Verizon Wireless.

There will not be space for all to succeed and as of yet it's not clear who or what will, and more importantly – of those that do succeed; which will be relevant for the gambling industry.

Payments have long been an issue for mobile gambling and in fact today, the majority of account top-ups happen on desktop – this is far from ideal, especially since payments will be critical for the "mobile-only" customer and for ongoing revenue growth in line with the impulsive nature of mobile betting.

Along with the quagmire that is the mobile payments landscape today, lies the device-specific security and fraud issues, both of which necessitate gambling operators implementing additional know-your-customer (KYC) and fraud checks in order to enable their customers to deposit and withdraw with absolute security.

### **Technology, Devices and Operating Systems**

Currently there is a known correlation between Apple owners and gambling customers, especially early adopter in-running sports punters. The situation is not going to stay that way permanently, yet many gambling operators continue to pursue an Apple-centric strategy including market leader Paddy Power. Admittedly, Apple product owners typically consume more mobile internet and apps and have a higher disposable income, however Android is by far the dominant operating system and their global user numbers dwarf iPhone and iPad users.

While Apple is the domain of sports bettors, as gaming products grow in share – in particular bingo

and slots – Android devices will increase in their significance for mobile gambling, so it would serve operators well to keep an eye on the future as they develop their products today.

In addition it is also worth remembering that despite the hype around smartphones, there still are more feature phones in existence, especially in emerging gambling markets in Latin America and Eastern Europe.

Tablets are also getting masses of attention from gambling operators. Globally, they have now overtaken smartphones in the amount of traffic they drive to websites and owners are very active, viewing 70% more pages per visit than compared to a smartphone. However penetration remains very low versus mobile. Interestingly, Apple, despite creating the entire category with the iPad, is no longer the largest tablet platform, according to Q1 estimates from research firm Canalys. The company dropped below 50% share in Q4 2012 and was overtaken by Android for the first time in Q1 2013.

In the phone market, Samsung is the world's largest manufacturer, having recently surpassed Nokia who clung to its leading position for such a long time due to its dominance in the feature phone market.

Development of mobile gambling sites is a moving feast, although realistically there are 25–30 devices which cover most of the target markets of the key operators. But it is an area that needs close monitoring on a market-by-market basis. For example in Sweden, where there is a high propensity for females to engage in online games such as slots, the preferred mobile device amongst this demographic is the 'phablet' such as the Samsung Galaxy Note.

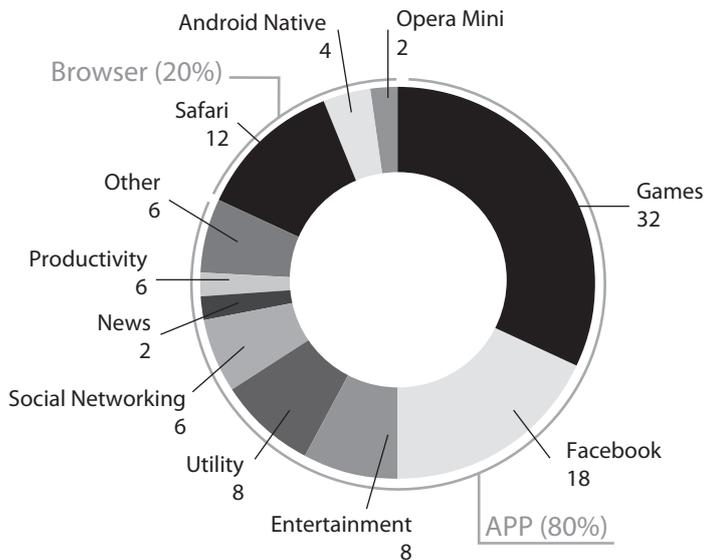
When it comes to the HTML5 versus App debate, after years of debate there now appears to be a general consensus that it's not an "either/or" situation, but that a hybrid between the two is how future development will settle. This does not make it a simple process however, as designing for mobile devices (including tablets) has evolved dramatically. Users now expect fast, immersive mobile experiences (ironically more so than they expect of their desktop devices), and catering to this is increasingly difficult. Responsive design is becoming the de facto standard, and in fact in the latest Google algorithm update, mobile sites that are not created using responsive design techniques will be penalised in their qualification score for search results.

### Trends

By the end of 2013-early 2014 mobile internet access will have overtaken desktop access globally, which is definitely a tipping point of note. More than this however, there are significant trends occurring in the sector, both on and off the devices, all of which may have a profound effect on mobile gambling – providing new opportunities and challenges that don't necessarily exist today.

- Apps are the most popular way for consumers to access the internet and brands on mobile internet, as can be seen from the Flurry research below

### Time Spent on iOS & Android Connected Devices



Source: Flurry Analytics, comScore, NetMarketShare

- Second- and multi-screening are the new normal, with Business Insider research finding that 85% of smartphone users reported second screen-linked behaviour at least once a month, while over 60% reported doing it on a weekly basis, and 39% did so daily.
- 4G, LTE and increasingly ubiquitous Wifi (in homes and in public) will all change the landscape for gambling, especially gaming products.
- In-stadia Wifi rollout has the potential to augment in-running and live betting and provides myriad opportunities for sponsors and user-engagement.
- Growth of the tablets (including the Amazon Kindle Fire, which has made a dramatic impact since launch) and the “third operating system” Windows will mean more fragmentation and diversity for development, while simultaneously increasing the global universe available to be targeted by gambling operators.
- Android will increase in importance for gambling operators and can no longer be treated as being second to Apple.
- The “mobile only” customer is emerging and while they are worth less on an individual basis than somebody who bets on both mobile and desktop, the group is larger in numbers.
- While NFC as a payment mechanism is some way off, it potentially does have a role in promotions and loyalty schemes for online gambling operators, and can be used to great effect in land-based outlets.
- Smart TV is a technology that is currently at the peak of its ‘hype cycle’ and there is a question mark as to whether or not it will provide real opportunities for gambling or if it is a white elephant.

### MARKETING

Marketing is changing. Mobile devices have introduced new technology-based marketing tactics, and operators who don't use all that is available will get left behind by those who do. Alongside these new marketing acquisition and retention tools, going “mobile” also means re-thinking everything else from search engines to TV advertising. The users' mobile home screen is now the domain of the marketer, and with opportunities on every app from email to maps, old strategies, while not obsolete, must be approached with mobile and customer behaviour in mind in order to be effective in today's world.

### Affiliates

Affiliates have been slow to get involved in mobile marketing for a variety of reasons including, among others, poor tracking in the Apple App Store, lesser conversion than on desktop and their own lack of mobile expertise. This is changing now, and while traffic on mobile driven by affiliates is unlikely to reach the dizzy heights of early desktop, this is an area that will grow in the next 12–18 months.

### App marketing

There are now 800,000 Android apps, and 775,000 Apple apps and the concept of App Store Optimisation (ASO) is front and centre of marketers' thinking. Google Play still does not permit gambling apps, but other Android stores such as GetJar do. The algorithm for positioning within any app store is not publicised, much like Google's search formula, but it is known to be based on:

- Volume
- Growth
- Ratings and Reviews
- Install/Uninstall rates
- Usage (Frequency/Returning)

### Display

The mobile push by social networks, in particular Facebook, has increased the real estate available for display marketing. This fact coupled with rich media, which refers to ads that are based on the benefits of HTML5 technology and offer consumers the opportunity to interact with the branded content itself, is driving new and exciting opportunities for mobile-to-mobile advertising. Expandable banners are the most common rich media ad unit, whereby customers tap on a banner and get presented with multiple options and experiences such as interactive mobile pages, videos or a combination of the two.

Real-time bidding is a revolutionary way to buy display space on a one-advert-at-a-time auction basis (based on customer demographics crossed with KPIs set by the advertiser) and is transforming the way mobile advertising is undertaken.

### Email

Up to 30% of email opens now come from mobile, therefore it is imperative to consider this when designing email campaigns. What was successful in the past may not be relevant now. Real estate is smaller, rendering is more difficult and layout is changing (longer, not wider). Calls to action must also be modified, along with the landing pages – especially when it's known that 70% of users will leave a page if it doesn't load within 3–5 seconds.

### Location

Location-based marketing is one of the luxuries of mobile marketing, and can be done in real-time or in retrospect. William Hill and Paddy Power have both run campaigns where they targeted specific devices within a 2–3 mile radius of the stadium in the build-up to a matchday kick-off and again post-match. Possibly more significant however is the fact that mobile operators can see where a person has been as well as where they are in the present. This unlocks myriad opportunities for gambling operators – for example, a user who is known to have been at Lord's Cricket Ground for a test game

can be targeted with a custom message to bet on the Ashes, or somebody who spent time at a land-based casino can be prompted later to try a new slots game.

### Push

Push marketing is a permission-based, app-centric marketing tool that allows the publisher to send a notification to the user's mobile phone screen, regardless of whether the application is open or not. As a result of both its current and potential effectiveness it is the latest darling of the marketing world.

### Search engines – PPC and natural

Mobile search is used by 29% of the European population according to mobiThinking, and the Latitude Group have found that gaming is arguably the most successful sector when it comes to mobile engagement rates for pay-per-click (PPC), with smartphone click volumes in the sector trebling since Q1 2012. In fact, smartphones now account for more than one in three of all gaming paid search clicks. Tablet share, however, remains relatively low, at just over 4% of all click volume.

Also significant is recent conducted by Google in partnership with Nielsen Net Ratings on where people conduct mobile searches and what they do after their search. One of the big themes of the report is speed — of all the conversions that happen as a result of a mobile search, 55% take place in the first hour, which bodes well for gambling.

At the end of 2012 mobile search accounted for 22% of all searches on Google. But the average mobile search takes approximately 30 key presses and 40 seconds to enter. This is why most queries are limited to two–three words when performing a search query on mobile – much less than on desktop. Therefore longer-tail keyword phrases are less effective and valuable and mobile search campaigns need to be conducted separately to desktop.

Google still dominates mobile search, but Bing is slowly growing in share and will continue to do so in line with the growth of Windows phones on which it is the default search engine.

When it comes to PPC, Google's new "Adwords Enhanced Campaigns" is the single most significant change to take place in Adwords in years and has been described by many as a game changer for mobile search:

OUT	IN	ADDED BENEFITS
Tablet targeting	zCombined desktop/tablet bids	Upgraded site links
Smartphone-only keywords	Mobile customised messages	Call and App download tracking
Mobile keyword-level bids	Mobile bid multipliers	Ad extension scheduling
OS targeting	Stackable location and time bid multipliers	Cross-device tracking

### SMS

Text is a major part of how consumers communicate and recent surveys find that 60% of the global population are active texters. It is because of its ubiquitous familiarity that a text strategy is essential to drive traffic – both acquisition and retention – for a mobile gambling operator. In fact, according to research from the Direct Marketing Association in 2012, customers on average prefer to receive promotions by text message rather than mobile web.

### **Social networks**

Over 65% of Facebook users access the site via their mobile. Twitter has long ago become mobile-heavy, and Instagram and Google+ have been driven by mobile use since the outset. This is where customers are when they are using mobile internet – in fact comScore found that more than one in every two minutes on mobile web in the US is spent on Facebook alone.

The networks have spent a lot of effort in creating mobile advertising opportunities (over and above simple banners) and gambling operators should be taking advantage of what is available.

### **Video**

40% of all YouTube video is watched on mobile, and viewing video is one of the most popular activities on tablets. Even without a prevalent 4G network, mobile video advertising grew 1,601%, from £0.8 million in 2011 to £13 million in 2012.

### **Weve**

Weve, which is the collaboration between the three largest UK MNOs (Vodafone, O2 and Everything Everywhere) and uses collective data and analytics for marketing, loyalty and customer relationship purposes to allow the MNOs the ability to sell targeted advertising opportunities – via SMS, display advertising and other innovative formats

### **The US market and mobile**

State by state, the US market is opening up to online gaming regulation, and unlike the European market there will be no “ramp up” of mobile betting. Consumers are ready to adopt this technology from the very start and this will affect both development and marketing within this massive opportunity. It will be imperative to be “mobile ready” from the outset, although the opportunity will be somewhat different as sports betting, which drove mobile adoption in Europe, is not an option in the US, but the “mobilisation” of lotteries is already happening and poker, which was the laggard in mobile gambling in Europe, will be the lead product in the US