WHITEPAPER

Betting on a Mobile Future

This whitepaper is an extract from:

Mobile Gambling
Casinos, Lotteries & Betting 2008-2013
- Fifth Edition -

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Betting on a Mobile Future

Introduction

Online gambling services are now a well established sector of the global gambling market. The first online gambling offering was launched in 1995, and there are now several thousand such sites worldwide. Hence, as with other successful forms of online entertainment, there have been attempts to transfer this success into the mobile environment. However, it is perhaps fair to say that the hurdles (social, cultural, regulatory and technological) faced by mobile gambling are more significant that with any other form of mobile entertainment.

Thus far, 2008 has been an encouraging year for a number of mobile gambling service providers, with many seeing total wager increasing by more than 100% y-o-y. That said, the rollout of such services has been limited to a few key markets, most notably the UK: elsewhere, growth continues to be hampered by the complex national and state legislation which impacts all forms of remote gambling.

Types of Mobile Gambling

In the mobile world, there are broadly four main areas of gambling:

- Casino games
- Skill games with prizes
- Lotteries
- Sports betting
- Betting exchanges

For the purposes of this report, and to ensure compatibility with previous editions, Juniper Research has broken the market down into three categories for forecasting purposes – Casino games, Lotteries and Sports Betting. As with previous editions of Juniper's Mobile Gambling study, no attempt has been made to quantify revenues through betting exchanges.

Casino Style Gambling

Traditional casino style gambling is one of the most glamorous forms of gambling, and almost all games of the traditional casinos translate well into the online or the mobile environment. These games, however, depend upon good graphics and robust high-speed connections, and thus, are expected to gain in popularity with the increasing deployment of 3G networks and advanced handsets.

Lotteries

Lotteries are the most common of all the mainstream gambling ideas in operation. Around 70 percent of the UK adults play the National Lottery on a regular basis, while 97 percent of the UK adults live or work within two miles from a National Lottery terminal. This is a figure that is almost ubiquitous across European countries where lotteries have been in place for a number of years. Lotteries and related games are not viewed by many as gambling, but as harmless fun. This, along with the fact that they are fairly basic in terms of how they work and easy for users to play, makes them ideal candidates for a mass market mobile gambling offering. Even SMS, which can be operated by almost every mobile phone in the world, can be used to let users play lotteries and they are seen as a sure way to get mobile phone users to gamble, albeit softly, on their mobile phones.

Sports Betting

Sports betting is a form of gambling that suits the nature of the mobile platform more than any other type. The option to gamble anywhere and anytime in a nail-biting sports environment becomes very lucrative; and the mobile platform is ideally suited to benefit from this. It allows the occasional gambler to bet 'on the spot', adding to the convenience factor which is an important driver for the use of the mobile as a gambling device.

The Hurdles to Mobile Gambling Deployment and Adoption

While there is clearly a large latent market for mobile gambling services, such services face numerous hurdles, prhaps more than any other mobile entertainment service, before initial deployment, let alone before the challenges involved in encouraging and facilitating mass adoption.

These hurdles are summarised in Table 1.

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Table 1: The Hurdles for Mobile Gambling

Issue	**Why is it a challenge?**
Regulatory Constraints	Most territories do not yet have a specific regulatory framework in place. The existing gambling legislations tend to be outdated, preceding even the advent of the Internet, let alone of mobile content. Some forms of gambling are barred in certain territories; remote gambling is illegal in the US.
Trust	Users must believe that the service is fair and that they will win (sometimes) and are not being ripped off. Robbed of physical immediacy, trust can be harder to establish in the online space, particularly for start-ups who do not necessarily have a presence in the on-land gambling world.
Payment Processing	With mobile, the necessity for the two-way financial transactions markedly complicates the billing processes, which have traditionally been one-way (ie, customers purchasing a ringtone, screensaver, videoclip or whatever): the customer pays his or her money and receives something tangible in response. However, mobile gambling requires a repository for the customer's winnings, and an electronic means of depositing money within that repository. Furthermore, to create stored value account (SVA,) customers require a credit card, or a bank account from which to set up a direct debit. While such facilities are commonplace amongst adults in many Western European countries, in developing nations only a small proportion of adults have bank accounts.
User Interface	• Difficulty in discovering services and content; • Difficulty in accessing services and content; • Difficulty in navigating services and content; and, • Difficulty in utilising multiple applications simultaneously
Data Cost	High cost of browsing and downloading services and content combined with opaque pricing structures continue to act as a disincentive to service adoption
Industry Structure	Operator dominance of value chain can limit opportunities for start-up service providers
Network Coverage	At the present time, even in the developed world, 3G coverage can be patchy in rural areas, while service quality deteriorates significantly within buildings. Thus, the fear is, particularly for customers using the service in a train, that they might move out of service area and that their connection with a game in progress might be lost. Similarly, lack of coverage might also prevent a customer buying a lottery ticket via the mobile.
Acceptance	Mobile gambling faces a dual hurdle of acceptance: acceptance amongst the gambling fraternity, and also acceptance amongst the wider community; eroding the social stigma that gambling per se still has in some quarters.
Age Verification	While an increasing proportion of network operators employ filters and age-verification, some have been less than watertight.

Source: Juniper Research

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The Opportunity for Mobile Gambling

The sheer scale of the opportunity for successful mobile gambling service providers has, for many companies, provided a sufficient incentive to move into the sector. Indeed, backed by the high mobile penetration rates in most countries and rapidly growing penetration in others, entertainment services such as gambling have the potential to penetrate a huge section of the market. The mobile data market is rapidly overcoming the technological constraints of low bit rates by a rising penetration of 2.5G and 3G services.

As the mobile handsets become more complex and the technology makes high bit rates possible, mobile gambling has the potential to become a major generator of mobile data service revenues. Table 2 summarises the key drivers for mobile gambling services.

Table 2: Key Drivers for Mobile Gambling Services

Driver	Why is it an opportunity?
Convenience	The most convincing and inherent advantage of the mobile platform is in the fact that it allows access anywhere and anytime. A mobile user has immediate access to his/her mobile for most part of the day. This opens up a new manner of gambling which has not been possible before – 'on-the-spot' gambling. In the middle of a sports event, mobile gambling can allow the user to bet his money on: who will score the next goal; whether a batsman on 65 will go on to make a century; whether a horse lying third at the half way point of a race will pull up to win etc.
Large Consumer Base	Mobile penetration in most countries is now greater than fixed internet access.
Ideal Target Market	Not only does the number of mobile users present a lucrative opportunity for the gambling service providers, but the near ubiquity of mobile handsets in many markets means that virtually all those in what is considered to be a prime demographic for gambing – 18-35 year old males – will own a mobile handset (and, in a significant minority of cases, two or more phones).
Privacy	Apart from easy availability, online and mobile gambling is advantageous in that it attracts the more casual gambler. Traditional gambling spots, such as casinos, have always had a certain image and can be daunting for the inexperienced gambler. Mobile gambling opens the market for a large number of "amateur" gamblers, who have the option to 'try out their chance' from the privacy of their homes, the local park, bar etc.
Mobile Internet Adoption is Increasing	While ownership of mobile handsets is ubiquitous in the developed world and continue to grow rapidly in emerging markets, usage of mobile content services, and particularly the mobile internet, has been slower to achieve mass adoption. That said, adoption levels are now rising, driven by the implementation of flat-rate data tariffs by a number of operators and 3G networks enabling faster data transmission speeds. Furthermore, a reduction in data charges on a per MB basis have also stimulated growth amongst prepaid users, although there is significant scope for further reductions here.

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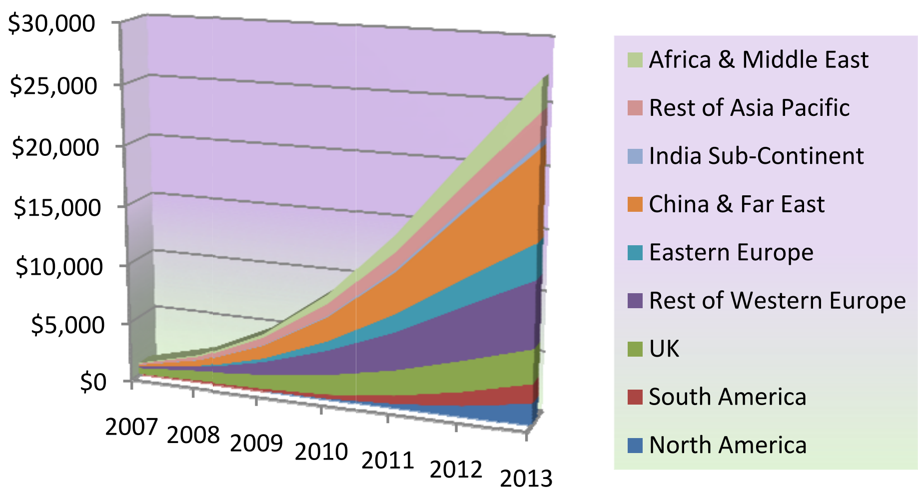
Handset UI s Have Improved Dramatically	The impact of the iPhone has been remarkable. Firstly, the publicity generated by the staggered launch of the 2.5G and 3G versions over the past 12 months has created an unprecendented level of awareness in the fact that consumers can use mobile handsets for services other than calling or texting, with the result that operators and service providers have seen a surge in entertainment service adoption even amongst those customers who do not own iPhones. Secondly, the comparative ease of use of the iPhone's UI when compared to many traditional handsets has prompted a wave of iPhone imitators, complete with touch-screen interface.
Deregulation of Gambling Industry (UK only)	Implementation of Gambling Act 2005 on 1 September, 2007 has been broadly welcomed by the gambling industry, particularly with regard to the relaxation of regulation governing direct to consumer promotion of gambling services.
Operator Attitudes Have Changed	Operators are a lot more open to the idea of mobile gambling services. All UK operators now offer such services on portal, and are actively pushing such services; operators in continental Europe are also considering offering on-portal gambling services

Source: Juniper Research

The Market for Mobile Gambling Services

Pulling together the figures for total wagers from mobile casino, lottery and betting, total gross wager for mobile gambling reached nearly $1 billion worldwide in 2007; strong growth should show this rising to more than $27.5 billion in 2013.

Figure 1: Total Wager ($m) from Mobile Gambling Services. By 9 Key Regions 2007-2013



Source: Juniper Research

Operators are demonstrably much more open to the idea of mobile gambling than they were even 12-18 months ago, both in terms of offering gambling services on-portal and accepting advertising from gambling companies. The greater exposure has definitely helped the service providers, many of whom have seen revenues increase by 100% or more in the past year.

At the present time, the relatively relaxed regulatory regime in the UK has enabled it to become the largest market in terms of gross wager; it accounted for nearly 52% of mobile wagers in 2007. That said, we foresee that this proportion will decrease dramatically in the medium term by 2013 as services are deployed with increasing regularity (and popularity) elsewhere. Taken as a whole, Western Europe will account for the largest share of wagers throughout the forecast period.

While some fixed Internet companies still accept bets from US-based customers, this is not believed to be the case with regards to mobile, and even though we believe that this situation will change in the medium term, we do not expect this to occur until 2010.

The relative proportion of gross win to total wager varies significantly across different forms of gambling: typically no more than 2.5% for some casino services, around 8% on betting, and up to 25% on some lotteries (for lotteries we have assumed gross win at total tickets sales less prize money and contributions to "good causes", however they are so defined under the terms of the lottery licence). Furthermore, there are indications that several governments may reduce the proportion of winnings that must be so allocated, providing a greater incentive for the introduction of lottery-based services. Globally, we envisage the combined gross win for mobile gambling services rising from just under $192 million in 2008 to more than $3.4 billion by 2013.

Order Full Report

Mobile Gambling: Casinos, Lotteries & Betting 2008-2013 (Fifth Edition)

This highly anticipated 5th edition of the mobile gambling report provides the most comprehensive analysis of the mobile gambling environment to date. It segments the market by casinos, lotteries and betting and provides vital analysis of national and international regulations and legislations pertaining to mobile gambling service.

Featuring extensive one to one interviews with senior executives within the mobile gambling industry and profiles of the leading application and service providers, this in-depth report investigates key hurdles such as payment processing, network coverage and age verification and projects the market for 9 key regions including the UK, up until 2013.

Data is presented in easy to understand forecast tables and charts and provides mobile gambling adoption level forecasts, average wager per user, total wager and gross win for both the current market for 2007 and future market up to 2013.

Key questions that the report answers:

- Who are the leading players in the mobile gambling market today?
- What is the current value of the mobile gambling market?
- In which markets are mobile gambling services currently legal?

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- What are the prospects for the mobile gambling services in the US?
- How have operator attitudes towards mobile gambling services changed?
- Which gambling services will generate the highest level of wager, and which the highest level of gross win?
- What are the remaining hurdles to mass adoption of mobile gambling services?
- Which regions will see the highest adoption levels of mobile gambling services?

For more details on this report visit the website www.juniperresearch.com or phone +44(0)1256 830002

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