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Multi-Channel Betting & Gambling 08

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Key Success Factors

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GamBond[®]



- **Mission:** *Global Trust & Confidence*
- **Structure:** Independent, transparent, well-capitalised guarantee company
- **Product:** A financial guarantee of remote gaming gambling establishments
- **Triggers:** Insolvency, loss of license
- **Transparent:** Web-based disclosure
FSA regulated



Gareth Wong



- 2002 Advised Camelot on their interactive strategy
- 2003 Conceived, devised & launched GamRock™ mobile gaming gambling brand & operation(s)
- 2004 Founded GamBond
- 2005 Published the “**mobile gambling** chapter” of “Internet Gambling Report”, covering iTV in 06



- 2005 Founded Gambit
- 2006 Founded **Gaming Money Summit**
- Also Board Advisor to Gaming Gambling and Telecom firms.
- See more on www.GarethWong.com





Remote e-Gaming market

Various 'Classes of jurisdictions':

- Liberal/self-regulation (e.g. Curacao, Antigua, Costa-Rica)
- Well regulated (Gibraltar, Alderney etc.)
- Previously over regulated (e.g. Isle of Man)
- **Up and coming** (e.g. Latvia, Philippines, Cyprus? Japan?, Macau?)

International legal minefield:

- Prohibitions (e.g. **US, HK, France)
- Combinations (e.g. Korea, Australia, Holland)
- Laissez faire (e.g. UK, regulated from Sept07!!)

ALL market Forecast goes out of the windows, since "Unlawful Internet Gambling Enforcement Act" [UIGE] passed in US.

Given tax clarification now, UK will NOT likely be leading the regulations.



Offline gambling market

- Mostly domestic, either monopoly, or few key players
- Seeing some consolidations but limited to a few major cross market players (e.g. Codere, Casino Austria, hurrahs etc.)
- However, mostly limited to their geographic locations & core activities (e.g. Casinos, Sports-betting or lotteries)
- Some uses both on & offline promotions to activate/encourage footfall (limited by regulations)
- However, mostly don't fully optimised their multi-channel offerings (due to various reasons)



Market size(s)



- Worldwide market (EMEA, US, Asia Pacific, Latin America + Canada) is estimated to grow at 7.2% compound annual rate from US\$101Bil in 2006 to US\$144Bil in 2011!
- EMEA alone, Revenue will grow to US\$27.8Bil by 2011, from US\$25.2bil in 2006
- Germany has 2nd largest online gaming market, US\$439m in 2006, UK being the biggest with US\$1.9Bil in 2006
- Online/remote gaming is still a small percentage of the overall gaming world!

Ref: Based on PwC's report on Casino in 2007



Key trends



➤ CONVERGENCE

e.g. UK: Endemol gaming, ITV Play, VirginGames, BingoLotto (just launched)

Challenge: e.g. Premiere's online gaming channel

- Similar products/services (market/product)
- Slightly more innovation
- Channel convergence (shops, TV, mobile, internet)
- If we are honest with ourselves, key success products are those that **NO One can really predict!**



Key Success Factors [KSF]

- Brand
 - Heritage
 - Physical locations/ Balance sheet
- TRUST
- Reach (new customers)
 - CRM on old ones
 - Education (if new products/games format)
 - Distribution (how to reach them!?)
- INERTIA
 - Why change?
 - Habit forming
- **Responsible Gaming [protect the vulnerable]**

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Surely, KSF is KYC.



- I.e. Know Your customers
 - Who they are
 - What they like
 - When they want it
 - What is IT?
 - What are the 'perceived value' in interacting with the brand(s)
 - Through what channel?? Retail
Shops/casino/TV/mobile/internet?
 - What are the price point per transaction, what they expect to be paid out? Money or gifts? Or lifestyle?
- Can develop new/exciting products via different channels
- National lottery, big spent on 'focus groups'



New product examples



- Betfair's application API
- 'Branded' mobile casinos on 'deck' or on the mobile operator's portal
- SMS (non betting), but 'addictive' Reverse Auctions
- Bragsters' bragging/betting online community
- Broadcast TV's Quiz Channel (Based on premium rate Telephone Lines & SMS), e.g. ITV Play channel
- Broadcast TV's on screen betting (e.g. enabled by endemol gaming)
- Live 'roulette' that people can phone in.



Reality?



- Brands
 - Usually too busy with running the ship
 - Why break it when it is perfectly fine? (inertia)
 - 'Best to keep to what we know'
 - Let others break the mould, and we can be the 2nd phase
 - We can have something but not invest much though! (hedging)
- I.E. Limited innovation or new products
- Usually up-start innovate, but rarely they can achieve scale and get 'market changing' results!
- 5 yrs: Likely to be the same brands unless EU services directive rectify Gambling as part of it!



Mobile Reality check [1]

Mobile Technology *has been* & “*will be*” a *Success worldwide!*

For what reason(s):

- **Initial common standards (ETSI/GSM)**
- **Economic/communication boom**
- **Substantial infrastructure investments**
- **Fully (over) regulated, most cases state owned**
- **Usually 1 or 2 dominant player locally (economy of scale for number of customers)**



Mobile Reality check [2]

Mobile content “*could still be*” a Success worldwide, but with challenges!

For what reason(s):

- **Fragmentation of standards (GSM vs CDMA vs China’s CDMA vs. potentially)**
- **Saturations in developing countries (still big growth in developing or tech. Developing countries)**
- **OVER infrastructure investments (3G)**
- **Fragmentation of mobile operators/ Service providers (+ MVNOs) (supermarket!?)**

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Market pressure



Mobile operators are desperate to diversify their revenue streams!

For what reason(s):

- **Saturation (e.g. 110%+ penetration) means squeeze on profit/growth**
- **Users still mainly use mobile for ‘voice’, not as much data/content as expected (hyped MMS, video not taken off yet)**
- **Competing consortia moves into payment failed**
- **Still pretty much a ‘pipe’**
- **Not efficient CRMs from industry incumbents**



Mobile trends



Key trends:

- **Diversifications, incumbent focusing on new 'niches' either by brands or tariffs or bundling**
- **User generated content portals (e.g. SeeMeeTV)**
- **Misuse of premium rate charging (tel. Or mobile)**

Results:

- **MVNOs, tariffs and different data or mobile bundles confuses new customers further**
- **MNO desperately trying to move up the value chain (overtly or not)**
- **Potential confusion & mistrust regarding contents**

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TV Reality check [1]



TV is the 'family medium', therefore 'trusted' until proven otherwise.

Consequently:

- **Generally well regulated worldwide (both on content and advertising)**
- **Separated into 'state owned' or commercial**
- **Perfect to leverage the 'channel' into people's lives (family/individuals).**
- **Becoming more targeted niches (men, business, women channel etc.)**

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TV Reality check [2]



Market Supply Structure

Challenges of TV!

➤ **Access:**

- **Return path for broadcast TV**
- **Not yet achieved scale of interactive TV platform**
- **Not massive mobile (J2ME/SMS) return path launches**

➤ **Monetising:**

- **Typically by advertising**
- **Prize competitions : Premium telephone lines or SMS**

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TV Market pressure



Saturations & Total media fragmentations!

For what reason(s):

- **Too many channels, terrestrial plus satellites & cables**
- **Plus access to various contents (e.g. DVDs, IPTV, & other internet contents)**
- **Advertising shrinkage: Above the line marketing budget shift towards other medium [online, print & other type of marketing (gurella, viral etc.)]**



TV trends



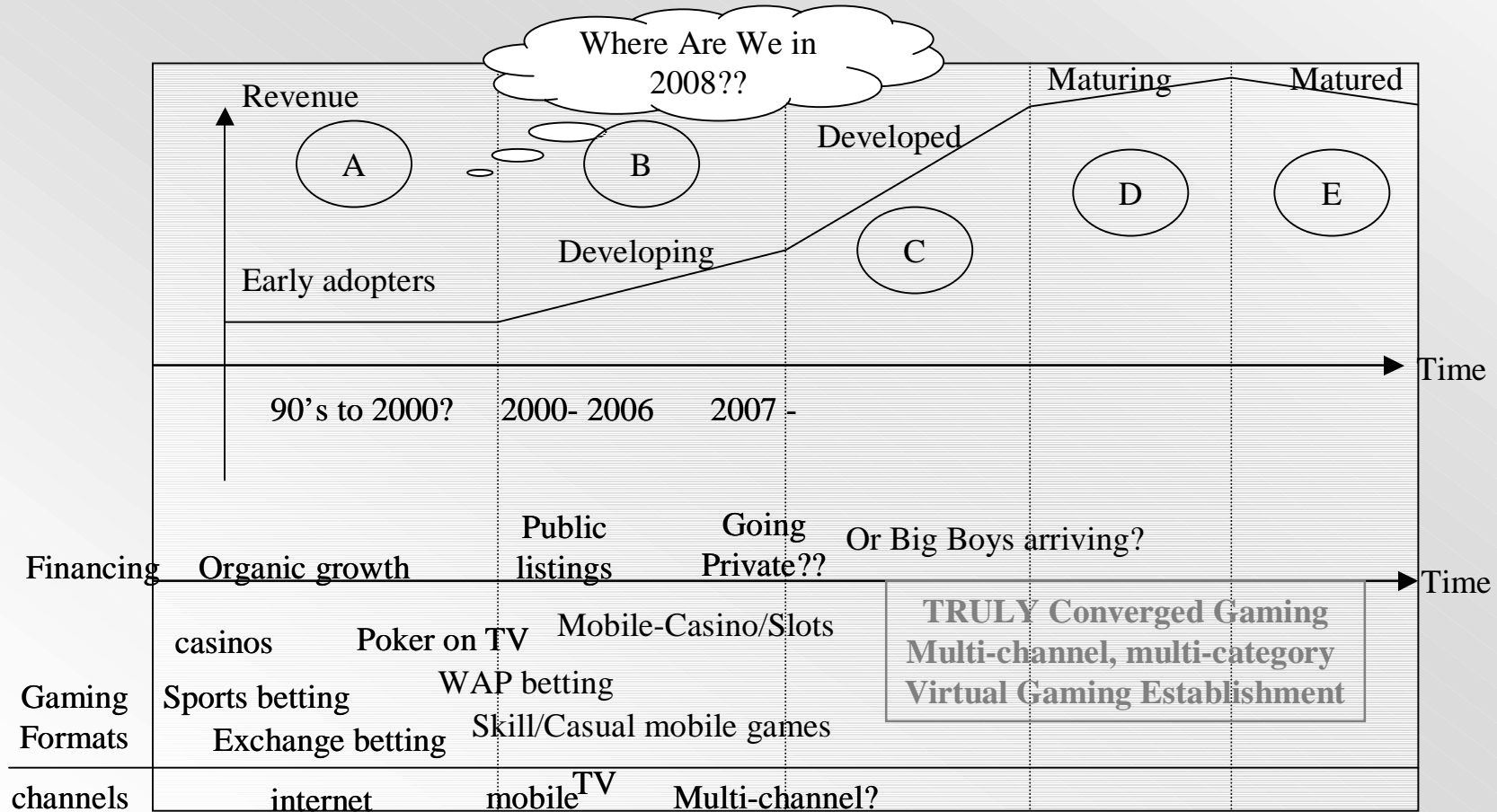
Key trends!

Focus on new & 'fresh' contents:

- **New Formats (entertainment): Wife swaps, Big brother, Deal or no deal, Apprentice, etc.**
- **Dramas (culture forming soap), Sopranos, Desperate housewives, Heros, Dallas,**
- **Cinemas: hollywood, bollywood, national themes**
- **Mini-series/episodes (ad-funded Mobile, IPTV)**
- **Viral contents (drive awareness or viewers)**
- **Community driving traffic (Myspace etc.)**



Multi-channel Gambling Industry LifeCycle



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Regional Challenge, USA/CA

(Results gathered by worldwide expertise in the last two days Mobile Gambling Summit America Oct2006.)

Everyone is adopting, wait & see or damage limitations.

Find & work with WHAT are legal:

- LEGAL way (Horse racing, Casinos, state lotteries etc. ...)
- Skill gaming?! Walt Disney etc. Signed Fun Technologies...
- Q: WHO Makes money!?
- Solving the payment challenge 'anyone'?



Regional Challenge, Asia [2]

Legally: challenge is whether/how/when to enforce the law
(towards consumers, operators or those get caught?)

Consider:

1. Identify key partners
 - a. Identify future trends
 - b. Keep track of key stake holders
2. Find, locate & 'befriend' the lawful licensees (you can take charge if UR the licensee!)
3. Know what 'role' you play (s/w, payment, marketing)
4. Establish viable, legal & scalable business model
5. Situations are games & jurisdiction specific!
- 6. Working with Telecom & TV regulators are key!**

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The Goals/Prizes



➤ **Profit? No. of Customers? Geographical region?**

KEY:

- **Seamless Signup, Pay-in/out & via mobile**
- **Europe, Asia or South America could be the best prize or just a market that is RIPE for...**
- **Devising/Finding the Holy Grail (right products/format/game/ cost vs prizes) for your target market!?**

- **but WHO are in the best position??**

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Common Thread



Multi-channel Gambling: *Key Success Factors*

- ***LONG Game: Has to be legal (Legal fees can't avoid, probably need lobbying & political investments!)***
- Trust/confidence/ Brands
- Gaming formats (for the right channel)
- Easy of use (KYC, deposit, withdraw, Prizes)
- Distribution (Viral promotion, retail, direct mail, partner channels)
- **Focus on changing/ identifying *culture forming habits.***



Trust of Brands



- Mobile & TV is best (only?) way to reach the mass market (when they can't visit the gaming venue!)
- Mass market is brand conscious (loyal!?)
- More trust with D2/T-mobile, Telefonica/ Vodafone/O2/ Orange, or HBO/Canal+/Channel 9 etc. than generic names like 'JackPotMobile' or "jack pot TV" etc.
- ***We now have Virgin Games & Endemol Gaming!***



Gaming format



- So far, mainly product extensions of existing online products
- Need to bear in mind the target audience & what they aim to do whilst mobile or on TV (broadcast or interactive)?
- Appropriate products for channel & target is KEY, (e.g. 'how lo' from million21, racing TV)
- Maximise the use of capability of handset or TV return paths (e.g. new Mobile/TV poker clients)



Ease of use



- Can you signup from mobile or TV directly? (via WAP, SMS or J2ME clients? Or a telephone call?)
- Do all the necessary KYC on mobile or via TV?
- Call-centre call back appropriate?
- Mobile/TV or offline deposit/withdraw possible?
- Self regulations top-up: adopting & developing Best practices, industry code of practice



Distribution



- Acquire new or ‘monetise’ existing user base?
- What is the RoI of the campaign?
- What are the demographic of mobile/TV gamblers?
- How to target them? (online, mobile, flyers, beer mats? Sport-programs?)
- How to ‘deliver’ the content?

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Opportunities



- New Games: Skill & Casual Gaming with community
- Seamless Mobile & TV payments (national & international) for Provider of traffic (portal, mobile search, opt-in databases)
- Creator of traffic: World poker tour on TV!
- Security software (needed to build trust if consumer is aware of any risk)
- True multi-channel gaming (TV, mobile, billboard, online, shops etc.)
- Learn from experiences, ITV-PLAY (PRS) in UK



Where are the opportunities?

- Mobile & TV the best direct personal channel: TRUE
- People are starting to transact on mobile for micro payments (lottery, car parking tickets etc.): True
- Good channel, but is it for Gambling?: jury is still out (or not as we know it!)
- Product extensions going to be successful: Probably NOT!
- Waiting for the right games format/ marketing/educational push: TRUE
- Argue: Success is overdue for iTV & mobile gambling will also be substantial, but **NEED** investment & collaborations!!



Future of multi-channel gaming

- Already successful content that has established following is key, rather than pure-product extensions.
- Leverage geographical opportunities based on your company's strength
- *Driven by Creatives, Brands, & local knowledge.*
- **Key is to KNOW the customers' needs/wants on mobile, iTV & online: *When What How Why?!***
- **+ LEGAL!!**
- **Would be driven** by one channel (e.g. right format on broadcast TV)
- **Critical mass is key: Media play key roles** (e.g. Cultural forming TV/Radio programs)

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Thank you

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**Next Gambit Public events, £50/person, on Bingo, 13th March,
London details & signup at www.TheGambit.info**

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