Mobile Gambling ~ A Good Bet for the Future

This whitepaper is an extract from:

Mobile Gambling
Casinos, Lotteries & Betting
2007-2012

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Mobile Gambling: A Good Bet for the 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, while mobile entertainment per se is an increasingly lucrative market, growth in mobile gambling services has proceeded at a far slower pace than many other services, due primarily to the relative complexity of the regulatory environment and the limitations of many payment processing systems. That said, 2007 has seen strong growth in the adoption of such services, while there are indications that, in the longer term, the prohibition of remote gambling in the US, introduced in September 2006, will be repealed.

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 ES1 overleaf.

Table ES1: 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

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 also the profile of most mobile users is ideally suited for the purpose.
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.
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.

Source: Juniper Research

The Market for Mobile Gambling Services

Taking all kinds of mobile gambling service together, Juniper Research estimates that total wager in mobile gambling will total nearly $1.3bn in 2007, rising to more than $26bn in 2012. Gross wager in 2012 includes more than $3.6bn derived from the North American region, and primarily the US, where we are confident that the existing legislation will be amended or

repealed by 2010 at the latest, and that the increasing availability of location-based applications will enable in-state use of various gambling services.

Figure 1: Total Wager ($m) from Mobile Gambling Services. Regional Forecasts, 2007-2012
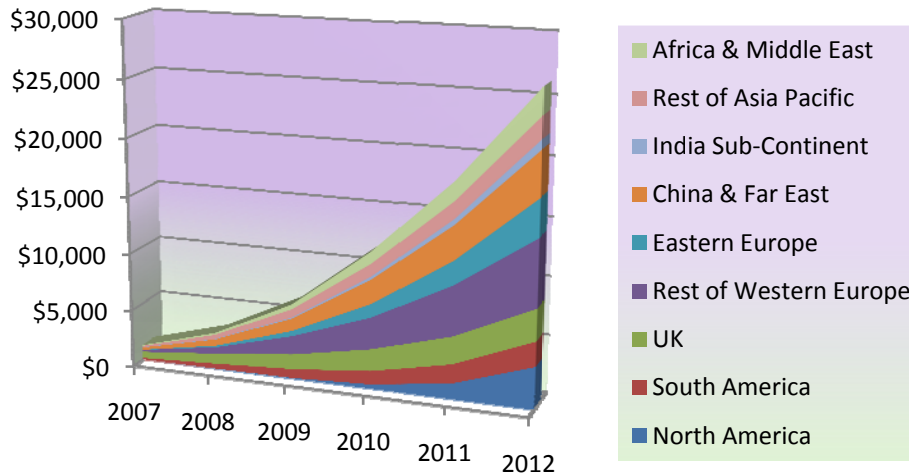
Source: Juniper Research

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; however, we estimate that significant adoption of gambling services elsewhere, notably in both Western and Eastern Europe, will result in substantial levels of gross wager in those countries.

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 over $100m in 2007 to more than $3.2bn by 2012.

Order Full Report

This report is taken from Mobile Gambling: Casinos, Lotteries & Betting - 2007-2012.

The report will discuss recent developments in the market for mobile-delivered casino, lottery and betting services. It will examine the implications of landmark legislation and regulatory decisions (such as implementation of the UK Gambling Act, The US Unlawful Internet Gambling Enforcement Act of 2006 and the EC's examination of national gambling monopolies) and highlight both hurdles to deployment and issues that will arise when services have been commercially deployed. It will provide forecasts on subscriber growth, average monthly wager per service, total wager and gross win, and will also offer a series of strategic recommendations for operators, service providers, vendors and regulators.

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

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Dr Windsor Holden is the Principal Analyst of Juniper Research.

Previously with Analysys, Dr Holden has written extensively on mobile content, emerging telecoms markets and digital TV. Prior to working for Analysys, he authored a number of reports for Juniper Research including the second edition of its much heralded Mobile Entertainment Series. He is also a regular conference speaker and a former Research Fellow of the Institute of Communication Studies, University of Leeds.