

# Mobile Gambling

## 1. Executive Summary

### 1.1 Evolution of the gambling industry

Gambling has been part of human life for centuries. Today, the games may be the same but their presentation and packaging have changed over the years to adapt to cultural trends, as have the channels over which games are played.

The advent of modern technology has enabled gambling operators to target gamblers through different means. In the latter part of the last century, this was through the use of the telephone. Today, the Internet, interactive TV and, most recently, mobile phone and PDAs are being used to conduct gambling activities. These three channels form what is termed 'Remote Gambling' within the industry. Of these channels, mobiles forms the focus of this report.

Mobile gambling is growing in importance as more people gain access to suitable terminals. Gambling site operators are making greater use of that channel as game developers come up with appealing products that include better graphics. The market for mobile gambling has emerged as a result of a mix of factors, including:

- Better terminals;
- Improved communication networks;
- Relaxed legislative attitude; and
- Technology savvy gamblers.

The mobile gambling industry is slowly coming into the open as early technological problems are being overcome and initial trials of mobile gambling sites have confirmed the channel as viable sources of income for gambling site operators such as William Hill and Ladbrokes.

Visiongain recognises that some of the technology still needs improving but believes that mobile gambling offers enormous potential to access new gamblers and represent a significant source of revenue to those companies present in the value-chain.

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## 1.2 Market opportunities

The use of mobile devices will be prominent in a number of geographical markets, offering significant opportunities for growth in the development of gambling software and services. Visiongain has identified the following geographical regions as the most promising:

- Western Europe;
- Asia-Pacific; and
- North America.

We believe that games that offer rapid playtime would be the most popular among gamblers. These include established casino type games such as blackjack and roulette, fix odd games, bingo and lottery. A game that would attract a compulsion to gamble is yet to be developed. Visiongain would look at developers to replicate a game with the same attributes as those present with the 'Crazy Frog' ringtones that would drive gamblers in numbers to a particular gambling site and offering it to punters.

## 1.3 Major Market Trends

### 1.3.1 Significant growth in mobile subscribers

World market growth has been spectacular with penetration rates reaching 100% in some countries. At the end of 2004, the worldwide number of mobile network operators was in the region of 1,000, with an estimated subscriber base of 1.7 billion.

Visiongain believes this subscriber base is set to reach 2.4 billion by 2010. This figure coupled with the end-users base for PDAs, which is forecast at 300.8 million by 2010, means that opportunities for service providers to promote their products and services to travellers is poised to be significant given the trend for an increased use of devices for all kinds of communication activities.

### 1.3.2 Virgin mobile gambling market

The number of online gambling operators stands at just above xx. However, the number of mobile gambling site operators are few in comparison and stands at less than xx. Furthermore, visiongain believes that little marketing of mobile gambling sites will take place

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before Q2 2006. This leaves the way open for companies entering this market to promote their products and services on a large scale. This, coupled with a rise in the number of people owning suitable cellular devices, means that demand for the type of services outlined in this report is bound to be significant.

## 1.4 Legal issues

The current stance on the legality of mobile gambling is still being debated, as is the case with online gambling. The fact that some forms of gambling are acceptable in one country but not in another or that some governments have failed to regulate online gambling or want to ban it altogether have had little effect on the success of the Internet as a gambling channel.

Visiongain believes that similar attempts to block the use of mobiles as a means of gambling is bound to fail. The move by the UK to pass a bill that will regulate remote gambling is building momentum among other countries, particularly in Western Europe, to follow suit. This will make it harder for countries such as the US to try to ban mobile gambling.

## 1.5 Market Opportunities

### 1.5.1 Rich picking looms ahead

Visiongain estimates that the mobile gambling market generated revenue totalling \$xx billion in 2004. This market is forecast to rise at a CAGR of 29.6% and to amount to \$xx billion by 2010.

Visiongain has identified sport/event betting as the most lucrative segment of that market. In 2004, it produced revenue totalling \$xx million and is forecast to generate revenue totalling \$xx billion by 2010, by which time it will account for xx% of total m-gambling revenue. Casino type games are forecast as the second most important source of revenue, totalling \$xx billion by 2010. Low-stake games, such as lottery and bingo, are forecast to amount to \$xx million for the same period.

Visiongain forecasts Europe as the main mobile gambling market, with revenue of \$xx billion in 2010. Asia-Pacific is forecast to be

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second in importance, with revenue of \$xx billion. The North American market is forecast to account for \$xx million, while the rest-of-the world will account for \$xx million.

## 1.6 Conclusions

Detailed conclusions are analysed in the full report.