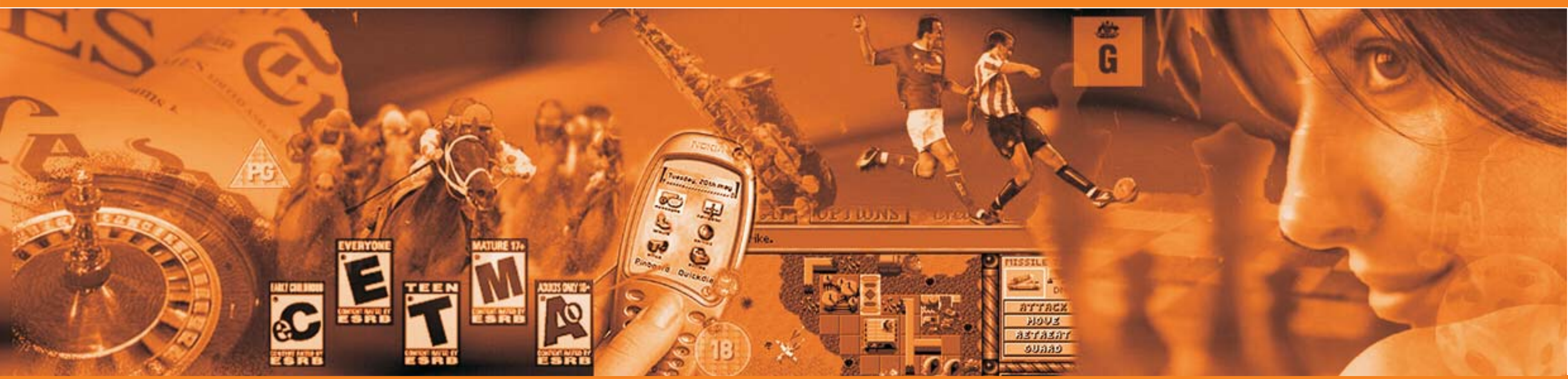
WHITEPAPER

Gambling on Mobile

Second Edition



. . . *information you can do business with*

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Introduction

Gambling has always been a lucrative business, with the UK's Betting Office Licensees Association (BOLA) estimating that global gambling, in all its forms, is worth around about US$1,000bn. The traditional methods of gambling such as casino gaming, betting on sports events and playing lottery games are increasingly being augmented with electronic forms of gambling, most notably using the Internet, where casino services (such as www.888.com) and betting services (such as www.williamhill.co.uk) are already generating substantial revenues. The next progression in this process is to transfer these and similar services to the mobile handset.

However, gambling services via the mobile are a relatively new phenomenon, with their deployment plagued by a plethora of cultural and regulatory hurdles. Nevetheless, some analysts have argued that such services could well be the "killer app" that mobile has been seeking, and that gambling could well become a multi-billion dollar business. In either event there is, we believe, a strong market for adult to mobile services in most regions, and alongside games and infotainment, adult will be one of the leading content types that will drive the initial use of mobile entertainment services.

What Types of Services

The gambling sector, while easy to consider as a whole, is in fact made up of at least three distinct sectors: casino style gambling, lotteries and sports betting. In this report, Juniper Research considers each of these sectors on its own and then pulls these together to provide overall revenue figures for the mobile gambling sector. The report looks in detail at:

Casino Style Gambling



In appearance and user experience, this casino gambling is very much like the current crop of mobile games, with colourful graphics that allow the user to play poker, roulette, craps, and black jack and so on using their mobile handset. This can be simply for fun, or it can incorporate an element of betting against the 'machine' via the service provider.

Lotteries

More than 90 per cent of the population of the UK and United States have at sometime played a lottery (in its traditional paper form) at least once, with in the order of 80 per cent playing regularly. Coupling this huge market for lotteries with the immediacy and penetration of the mobile phone is a logical and lucrative proposition, both for existing lottery operators and alternative providers. Juniper believes that lottery services will explode across all regions of the world within the next five years and will generate vast revenues.

Sports Betting


The final strand of the gambling rope is that of sports betting, whereby the player bets on the outcome of a sporting event such as a football game or a horse race, although it can cover anything that a bookmaker is prepared to take a bet on, such as whether it will snow on Christmas Day in London and so on. This area of gambling has particular interest to those looking to exploit the mobile channel, since it may offer the opportunity not only to allow players to place a bet about the outcome of a particular event, but also to dynamically bet through their handset as to the outcome of particular events within the game itself, such as whether a certain player will score before half time. This is wholly dependent on the technology being available to allow it, but every indication points to the presence of significant numbers of 'always on' GPRS and 3G users by 2007/2008, particularly in the more developed markets to make this happen.

The Market for Casino-Style Gambling Services

Casino gambling services per se are popular, perhaps even surprisingly so. If we include slot machines, around 14% of UK adults currently undertake some form of casino-style gambling; the figure rises to 29% in the US and 36% in Australia. In Japan, Pachinko – a form of pinball - is a national pastime, with an estimated 45m players (41% of the over 15s) playing the game; in Korea, the numbers of casino gamblers is thought to be as high as 50% of all adults.

However, regulatory proscriptions are likely to hinder or prevent the launch of casino-style services in many countries. Accordingly, countries such as China and the US, which have contributed (and will continue to contribute) significantly to the increase in penetration of a number of mobile services, are unlikely to do so (at least in the short and medium term) for casino style services. Furthermore, unlike lotteries, which have mass market appeal, casino style gambling is the preserve of a relatively dedicated few. With that in mind, we believe that the actually percentage of the mobile gamblers who will play casino style games is relatively low, at least initially.

As might be expected, strongest growth will be experienced in the Asia-Pacific market (the Chinese absence notwithstanding), with Japan, Hong Kong, South Korea and Australia all at the forefront of expansion, with India and the Philippines latterly enjoying surges in their user bases as 2.5G services become more prevalent.

The Market for Mobile Lotteries

The sudden proliferation of mobile lotteries has already provoked a surge of interest in countries where such services are operational, and it is not unreasonable to expect the user bases to increase as mobile brands become more established and customer awareness increases, and as interfaces become increasingly user-friendly. However, against this must be set the opposition within certain countries (most notably the US) to the introduction of such services. Nevertheless, Juniper Research envisages that a number of US states will begin to introduce some form of wireless lotteries by H2 2006, leading to a more widespread adoption of the service nationwide by the end of the decade. Overall, growth will be strongest in the Asia-Pacific and European regions, where there is already a significant lottery culture substantial revenues will be derived from early mobile lottery services that are already being rolled out.

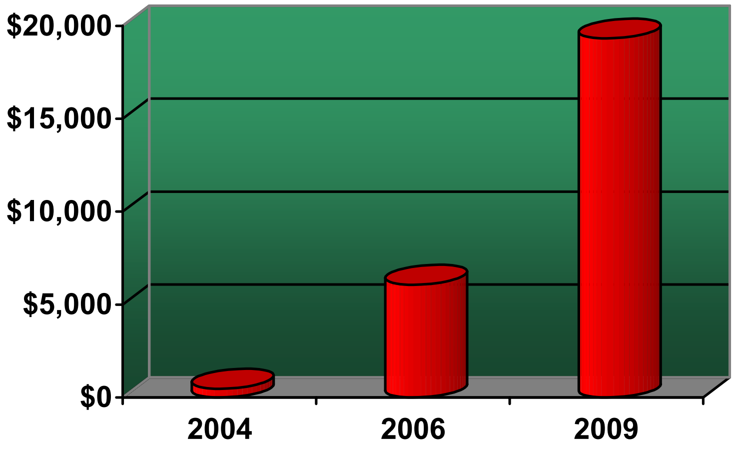
The Market for Mobile Sports Betting Services

The market for mobile sports betting is, potentially, a very large one, extending the traditional "bookies", turf accountants and even the already successful online sports betting market to the mobile world, where immediacy comes in to play to generate many more, albeit often small, sports bets as a sporting event is taking place. But while such services are already available in many European countries (the UK, Germany, Benelux) and large parts of Asia (Japan, South Korea, Hong Kong), they remain prohibited in others (China, the US). However, the rapid proliferation of mobile services in Asia, combined with an increasing tolerance of sports betting (cricket is now the second most popular sport for betting, thanks primarily to Indian gamblers) should see the percentages using these services rise markedly in the medium term. Overall, this means that the number of individuals placing bets via the mobile phones should rise from its current level of around 4.6m to more than 100m by 2009.

The Total Market for Mobile Gambling Services

Juniper Research believes that, regulatory restrictions notwithstanding, the potential for mobile gambling revenues is substantial. We believe that, combined, the three strands of services outlined above will generate revenues of more than US$19.3bn by 2009, or nearly one-third of all mobile entertainment revenues. Indeed, should regulators in countries such as the US and China become more liberal in their attitude towards these services, then revenues could far exceed these estimates. Furthermore, we have deliberately sought to be conservative in our estimates of lottery adoption via mobile. Given the ubiquity of mobile handsets, and the desire of many lottery providers to exploit this, then potentially the resulting sales could be substantially higher.

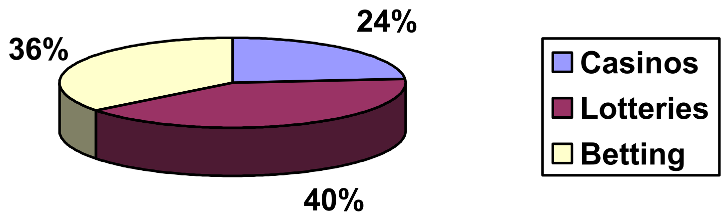
Figure 1: Total Revenues from Mobile Gambling Services (US$m). Forecast 2004-2009



Source: Juniper Research

As it is, we believe lotteries will be the most successful of all forms of mobile gambling services, accounting for around 40% of all mobile gambling revenues (or nearly US$7.9bn) by 2009. Already, mobile lottery services are up and running in a number of countries, and their popularity is expected to mushroom in the medium term.

Figure 2: Total Revenues from Mobile Gambling, 2009 (Casino, Lotteries & Betting) (US$19,320.5m)



Source: Juniper Research

That said, we also have high hopes for both sports betting and casino services, with the former expected to be worth around US$6.9on by 2009 and the latter worth nearly US$4.6 bn.

The market for these services is potentially vast; it is now up to the service providers to seize the opportunity.

Juniper Research Limited

Juniper Research specialise in providing high quality analytical research reports and consultancy services to the telecoms industry. We have particular expertise in the mobile, wireless, broadband and IP-convergence, sectors.

Juniper is independent, unbiased and able to provide reliable assessments of markets, technologies and industry players. Our team is drawn from experienced senior managers with proven track records.

About the Author

Dr Windsor Holden has worked for Juniper Research since November 2003, authoring a number of reports including *Digital Terrestrial Television: Prospects in the Enlarged EU,* the second edition of the *Mobile Entertainment Content* series and the forthcoming *Mobile TV and Video*. He also provides forecasts and analyses on emerging telecoms markets for Business Monitor International (BMI), and has contributed to a number of Informa Group publications, including a recent edition of *Global Mobile Forecasts*. Previously an analyst with Kagan World Media and Espicom Business Intelligence, Dr Holden is also a former Research Fellow of the Institute of Communications Studies, University of Leeds.

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