

2012: YEAR OF THE MOBILE

Joanne Christie looks at the rise of the mobile gaming market and asks if 2012 will finally be the year of the mobile?



According to Chinese astrology, 2012 is the year of the dragon, the only mythical creature in the Chinese Zodiac and apparently the luckiest. According to many in the gambling industry, it will also be the 'year of the mobile'. But unlike Chinese astrology, which heralds the arrival of each animal just once every 12 years, those in the industry seem to have been hyping the 'year of the mobile' for several consecutive years now.

In previous years there has sometimes been about as much evidence to support this optimism as there has of the existence of dragons. But there's been plenty of proof that mobile success is fast moving out of the realm of the

far-fetched into reality. Indeed, the latest batch of results from the large operators who have invested in mobile are telling. For the half-year ending June 2011, Ladbrokes, for example, said that 18% of digital customers had transacted on a mobile device over the past six months, a big boost from the 7% it reported in the same period of 2010. It also reported a 209% increase in mobile revenues.

For the same period, William Hill reported a 600% jump in its mobile revenues. Rank Group said mobile gaming accounted for 5.8% of total revenues in the six months ending June, up from 2.4% in the same period of 2010. It also reported more than 70,000 downloads of newly launched mobile apps from the Mecca Bingo and Blue Square brands in the six months.

Much of the early success of mobile products has been in sportsbook applications, but according to H2 Gambling Capital, which itself launched a new mobile data and consultancy division, H2 Mobile towards the end of 2011, casino is set to take a bigger slice of the pie in future. In 2010, H2 estimated that the value of the global mobile gambling market was €2.22 billion, with gaming (including casino, bingo and poker) accounting for 16.5% of this total. However, it predicted that gaming will make up almost 40% of a market it estimates will be worth €5.4bn by the end of 2015.

MOVE ON UP

Slots is undoubtedly the most favoured category in the mobile casino and games suite, although bingo is becoming more popular and the demand for other games is likely to grow as tablets allow for the creation of better, larger games. The willingness of consumers to gamble on mobile devices has clearly been helped along by the increase in the number of affordable tablet and smartphone devices, says Simon Woolf, head of mobile development at Rank Interactive. 'The availability of smartphones and the fact that they are now affordable and mainstream has brought to life that customers want

“ The figures [for mobile] we've seen recently show things are only going one way and that is up ”

to do more with their mobile phones than make calls and text. These devices are now readily available and the penetration figures that we've seen recently show things are only going one way and that is up,' he says.

Indeed, according to Gartner Research, smartphone sales in the third quarter of 2011 were up 42% from the third quarter of 2010. But the speed of growth in the mobile market can cause problems for operators as the range of devices and software packages available changes so fast. With PCs and Apples, system upgrades may happen every couple of years, but with mobile devices things move much faster, meaning by the time a developer has come up with a good app, it may be obsolete.

AHEAD OF THE GAME

Compounding this issue is the fact that just as Apple and PC users want different things, so do say Android and iPhone users, says Woolf. 'An iPhone customer



knows the experience they want to receive. An Android customer wants a slightly different experience. When you are developing the mobile product you need to cater for the experience that the customer wants. You can't just develop a one-size-fits-all product. You need to think about what customers want and the way that they want to interact with your products.'

For this reason, the growth of the mobile market may prompt a change in the way operators source content and more may start to look outside their existing suppliers. Glenn Elliott, managing director for Gibraltar at Probability, which is both an operator of its own mobile gaming sites and a supplier of games to other operators, says they are already seeing evidence of this. 'We are seeing a growth in the B2B business rather than operators going and developing their own platform. When everybody looks at what it takes to build a really good mobile platform, they realise it could take up to three years,' he says.

Joel Keeble, head of mobile, poker and special projects at H2, says the model developed by Betfair is a good example of one that could help operators stay ahead of the game. 'Betfair has a model whereby they pay a fee to third party developers, essentially they have made an API [application programming interface] available and third party developers are able to make a Betfair front end mobile app and then receive a revenue share. I think it is working well for Betfair, they are doing very well in mobile. But it is only the more progressive companies that are doing this type of thing. The other companies are stuck in the past.'

But there's more to mobile success than simply providing good apps — operators need to ensure that the products surrounding the games, such as payments and fraud services, are also up to scratch. 'Along with the extension into mobile, we see operators increasingly looking for a complete service — not just the handling of payments, but managing customer data and the risks around financial transactions, and ensuring that they



■ The pace at which the mobile market is moving can prove problematic for operators trying to launch relevant, up-to-date apps



■ The rise of the tablet device will increase the demand for quality gaming apps

are not exposed to fraud,' says Neil Erlick, vice-president and head of gaming sales at Optimal Payments.

SECURITY ISSUES

While many customers have got on board with gambling on mobile devices, some still display a reluctance to use them to part with their credit card details, though this is changing, says Woolf. 'A year ago it was very much where the internet was 10 or 15 years ago where people were still reticent about putting in credit card details and that type of thing. But the fact that a lot of people are now using their mobile devices as a primary device for accessing the internet means we are getting over some of those barriers. But there are plenty of customers that are still not there yet.'

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ROELANT PRINS ADYEN



Of course, the recent emergence of new payment platforms from big players like Google and Orange, and the fact that many banks now have mobile apps, is likely to increase consumers' trust in the security of mobile payment systems. But the fact remains that there are additional risks posed by mobile payments, says Roelant Prins, chief commercial officer at payment processing company Adyen.

'One challenge is that 3D Secure (an authentication standard used by Visa and Mastercard that was developed a few years ago to try and counter fraud on the web) isn't available on mobile as those interfaces simply don't work as yet on mobile,' he says.

'There are also more limited data points available on mobile than you have on the web for risk checks. Typically, for a web page transaction, people run 20 or 30 different checks on that transaction before it is



■ With more customers using their mobile devices to gamble, payment processing has to be both simple and secure



processed such as checking the IP address, velocity checks, the device fingerprint and the email address. But on mobile there is less data to run checks on so the quality of the fraud checks are a bit lower.'

For customers, the reality is that if they were hit by mobile fraud it would be an annoyance, rather than a cost. When fraudulent transactions occur, it is usually the vendor that picks up the tab. For gaming operators the risk of chargebacks is high enough to warrant more stringent security. But the problem is that adding authentication layers such as SMS checks and other mobile verification tools can be a turn-off to customers – if vendors make it too hard for people to use mobile payment systems, it detracts from the idea of simplified one-click style mobile payments.

IMPROVING THE PAYMENTS SYSTEM

And while other options, such as SMS billing, might be less risky, they are also far more expensive for gaming companies, says Elliott. 'For the last four years we've had mobile billing using mobile SMS which is a really convenient way of doing things, but the business model is atrocious for vendors such as ourselves. The network operators take a huge chunk of the amount which is then passed back to us via our traffic aggregator and payment aggregator.'

For this reason, Probability has a wide range of other payment methods it encourages customers to use, and it also recently added PayPal to the mix. 'The big move for us now is that we've gone live on PayPal which is not as easy as it might seem. The difficulty wasn't so much from a technology point of view, but from a compliance point of view. They are incredibly thorough, as they

should be. It has been a big project to get that out the door and I think we are going to see a lot of movement away from mobile SMS billing to PayPal,' says Elliott.

Moves like this go some way towards making the mobile experience more seamless, says Keeble, but the payment segment is still lacking. 'As things progress there needs to be better options for setting up payments for use on mobile. Some of the things we might see in the future are things like Facebook becoming a payment platform. People are making do with what there is and really what we are seeing at the moment is people having active online accounts and mobile being an extension of that. So they have already got their details set up through the web browser on their PC so they just access that account through the mobile.'

Prins says the reason many gambling operators, and indeed online vendors are running this kind of two-step online/mobile payment process is to avoid fraud.

YEAR OF THE MOBILE?

'What many are doing is taking the first payment and completing registration on the web, where they have many more data points and where they can use 3D Secure authentication. Then people set up a customer account which they can access on their mobile and gain access to things like one-click payment on the web and also on mobile.'

But Betfair's global marketing manager for casino, arcade and games Sam Brown questions whether this defeats the purpose of having mobile games. 'If players can't move money in, transfer it around between products and withdraw it – all from the handset – then can they say they have a truly 'mobile' product offering? The honest answer is no. So where betting functionality is obviously crucial to the equation, you have to get account management right before you have a truly viable channel for revenue growth.'

It also leads one to wonder whether operators are actually gaining anything by spending money developing mobile applications. If they're simply moving customers from playing online to playing on mobiles, are they really benefiting from having a good mobile offering, particularly as mobile games are widely believed to attract lower spending players than online games?

'Ideally you would like to see incremental benefit from the mobile channel. Some customers will inevitably transfer the majority of their web browsing to a mobile device but it costs money to develop the mobile channel so we hope that by expanding the multi-channel nature of our product offering we will generate incremental usage,' says Woolf.

Of course, there have been plenty of mobile-only operators springing up in recent times, and Elliott says there is evidence to suggest new players are being attracted by mobile devices. 'We did some research about eight months ago that showed that a lot of our customers weren't playing online as well. I think we made the assumption a long time ago that a lot of the customers we were getting were also playing online at home and that wasn't the case, interestingly.'

With tablets falling into the mobile category, it's certainly possible that mobile will increasingly become the channel that attracts customers, as opposed to the channel they migrate to after playing online. Whether or not this is enough to finally bring about the 'year of the mobile' remains to be seen, but the luck of the dragon can only help. ▀

600%
Jump of
William Hill
mobile
revenues in
the last half
of 2011