

### REPORT

The Forum welcomed 120 attendees from 25 countries around the world. The objective of the Annual Forum is to focus on marketing and technology issues but it is also a great opportunity for racing and betting professionals to meet and exchange best practices. This year, participants were asked to complete a feedback form in order to put forward subjects of interest for next edition.

### 1st Session: Emerging Gambling Technologies - iPhone Applications

Ben Pinnick, Managing Director of i-neda Limited, introduces the session by announcing the latest figures of mobile phone sales:

- Mobile phone sales grew 35% in third quarter 2010; 417 million units
- Smartphone Sales increased 96% and accounted for 19.3 percent of overall mobile phone sales

The iPhone is sold in 89 countries. While Apple remains focused on consumers, enterprise adoption of the iPhone and iPad has grown. Gartner forecasts that media tablets (such as the Apple iPad) could reach 54.8 million units in 2011.

Apple has revolutionised the delivery of mobile applications through its App Store, now immensely successful on the iPhone and iPad. How can racing embrace this new technology to create compelling interactive experiences for its customer base?

#### **Building an iPhone Application**

Paul Wood, Commercial Director at Chroma, explains the process of building and deploying applications to the Apple App store.

- 250 000 applications available today – 28% are free
- 50% of users have paid for an application
- 6,5 billion downloads from the Apps Store – to generate \$1 billion in 2010
- Apple takes 50% of all revenues billed

The content is key – the first sport betting application appeared in 2009 and can be described as a fantastic way to combine rich content and features: Video, Games, Web site content, data, digital compass and gyroscope, In-app purchasing...but the content has to be good as the number of App is growing every day.

#### **The Commercial Impact of iPhone Apps**

Simon Brydon, Head of Online and Mobile of Racing UK highlights the commercial realities of owning and operating an iPhone application.

Simon explains how i-Phone and Smartphones could represent a commercial threat to Racing UK but also an opportunity.

In 2010, the first true Bookmaker Apps are approved by Apple – Paddypower claims to be the first with a full App based Sportsbook. For some UK Bookmakers, i-Phone represents 50% of all mobile turnover!

In 2009, Racing UK developed its own Award winning Data Product – “i-Card: The Interactive & Animated Racecard”. In 2010, Racing UK develops that same product for Mobile Consumers and a White Label B2B service.

*Features of Racing UK app:*

- *Free interactive and animated racecard app for UK, Ireland and South Africa Racing,*
- *User-centric design means easy to use for all users regardless of expertise,*
- *More than 15,000 archived race results and growing constantly,*
- *Reading more than 60 parameters of form to predict outcomes for every race,*
- *Racing UK Consumer App: Exclusive deal with William Hill for Fixed Fees and ongoing revenues,*
- *Archive race video available*

### **Future Mobile Applications; what can be developed for Racing?**

Marcus Wareham, CEO, mFuse, gives the insights from a leading developer of sports betting applications on what might be just around the corner for racing.

Marcus describes the increasingly complex landscape where users on the move demand more from a mobile service than the internet. Market opportunity is huge.

An analysis of bets could drive new technologies application.

### **Mobile Technology in the Coming Years**

Mathieu Dubreu, Atos Origin, tries to present a broader view on the mobile technology market, future trends.

Investments in mobile applications and technologies will increase in 2011 as organisations emerge from the recession and ramp up both business-to-employee (B2E) and business-to-consumer (B2C) mobile spending. 10% of revenues are invested in research.

Next to iPhone, Google Android market already counts 100 000 applications.

Tablets are the near future development and Interactive TV could be a development of tomorrow?

## **2nd Session: Profiling and Managing Professional Bettors**

Alexis Murphy, Director, International Betting and Gaming, IJU, introduces the session by defining a professional bettor covering a large variety of people.

Professional bettors on the pari mutuel market - Who are they and what do they mean for our industry? With so much liquidity coming from the professional sector, how can the pari mutuel industry embrace the professional without impacting the retail bettor?

### **Testimony of Big Spenders**

David Edelman, Sol Mutuel, describes the behaviour of an expert player.

There are three distinct types of expert players operating in the industry who are differentiated by the way they determine the value of a horse (similar to stock market analysts):

**Technical** → much like technical analysis in the stock market, technical pros observe changes in the ‘price’ of a horse in order to determine ‘the future’, and assume all information in forming that price is correct.

This can be seen with the following example: in a race of however many starters, one horse’s odds have widened to 4 to 1 while another horse’s odds have shortened to 4 to 1. In simple terms, a technical pro believes this represents that the horse whose odds have shortened has a higher chance of winning than the horse whose odds have widened, even though the same odds are being offered.

**Fundamental** → In the stock market this means someone who looks into all information regarding the share to evaluate the shares value in the future, and a fundamental pro is

similar. They evaluate the entire field and determine, as a consequence of studying form and every aspect affecting the horse, what the chances of each horse of winning the race is.

**Hybrid** → uses both technical analysis and fundamental analysis to determine who will win the race. For example they may have determined the form of the race but then also watched fluctuations in the market and take note of horses coming in or out.

Most expert players combine technical and fundamental trading. Most are regarded as a stimulation of the market.

### **Developing Specific Services for Specific Clients**

Dennis Verrios, Director of Business Development & Strategy, Tote Tasmania - A look at tailoring the Pari Mutuel offer to meet the demands of a professional bettor.

Dennis affirms that the Pari-mutuel models has the capacity to support professional bettors and the view that Amateurs are good for the industry and Professionals are bad is a very outdated and technically incorrect view.

Professionals have:

Disadvantages

- Lower Churn for Amateur - but not substantial (around ½ a bet)
- Reduced Profitability of Amateur - but they will never be profitable (reduced by 9%) – They are looking for ENTERTAINMENT/ EXCITEMENT

Advantages

- More money for Industry = More and Better Quality Races = Excitement and Entertainment + Employment
- Increased memorable wins on medium and Long Shots for Amateurs due to Pros predominantly backing short to medium runners = INCREASE OF CORE GOAL OF ENTERTAINMENT / EXCITEMENT
- Increased tools, data and products helping those who wish to exit Amateur to become better punters – this would not have happened without Pros.

When considering whether to allow professionals into the market, one should remember that they are self-regulating. If too many professionals are in the market they are unable to make a profit and they then withdraw from the market. They cannot flood the market and so there will always be a place for smaller punters.

An example of specific servicing: The BETPRO website was created as a result of demand for a high-end wagering system for pari-mutuel racing product, only available to a select group of customers. It integrates with customers, often complex, wagering strategies. This additional level of personal service offers customer flexibility with new functionality such as the upload of personal ratings, interrogation of rating information against current market information and the placing of bets either manually or automated based on user defined conditions.

### **The Position of a Regulator**

John Sabini, Chairman of the New York Racing and Wagering Board, looks into detail from the position of a regulator in regard to the professional bettor. Big players represents advantages as they increase the size of the pool but at the same time, the Racing Board is careful to keep a balance/tipping point not to lose the credibility and confidence of the majority of players. The regulator prefers to cooperate with the big players but regrets the absence of efficient technical tools to monitor the pools.

### **Can We Draw From the Experience of the Finance Industry?**

Arnaud de Servigny, Managing Director and Head of Economic Research, Investment Strategy & Quantitative Analytics, Barclays Wealth.

How can the finance industry teach us about the risks and rewards of having professional bettors playing into the pari-mutuel pools?

Should be developed:

- ✓ *Increase the volume of information freely available to punters.* (e.g. historical time series, images, etc.). Important that it is free or low cost in order to maximise market transparency
- ✓ *Directly link transaction fees to real costs instead of focusing on rebates.*
- ✓ *Offer flexibility to clients thanks to technology.* Internet is to become the standard platform of the future. Who is going to build the Bloomberg of horse-racing?
- ✓ *The nature of trades should expand,* in particular in the area of simple derivatives (e.g. Contract For Differences - CFD)
- ✓ *Growing business maturity means a need for a distinction between regulator and operator.* The regulator needs to get stronger when various operating initiatives develop.

Must Avoid:

- ✓ *Trades without a credible clearing house:* the financial market experience has helped us to spot OTC transactions as an area of weakness.
- ✓ *Closing rules favouring institutional players:* individual players should be able to see the odds that include the choice of professional players. Close professional wagers before individual ones.
- ✓ *Volumes of professional players that drive individual players out of the business.* (Small players are assumed to be less volatile than *professional* players). Think of a cap mechanism related to transaction fees. Rationale to be articulated.
- ✓ *A decay of the horse wagering industry* as it does not keep abreast with the overall gaming technology.