



**TIPI GROUP**

**A SHIFTING LANDSCAPE**

**THE GAMBLING  
INDUSTRY DURING  
AND AFTER COVID-19**

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# INTRODUCTION

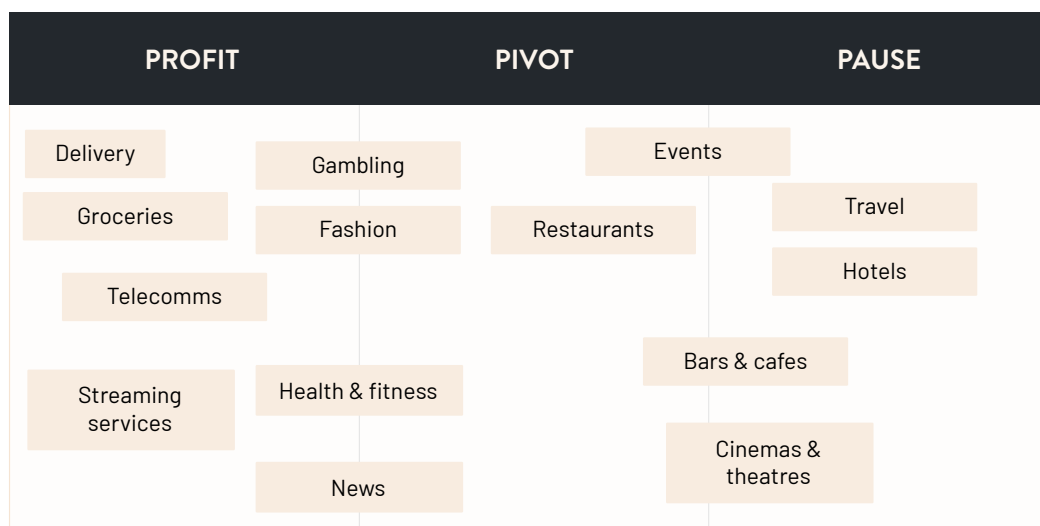
The Coronavirus outbreak has led to global disruption on a scale that has not been seen since the Second World War. Five months into the crisis, there have been over 5 million confirmed cases and half the world's population has at one point been in lockdown. It is hard to predict what the world will look like when it returns to 'normality', but it is certain that some things will never return to how they were pre-Coronavirus.

The crisis has already touched every part of the economy, crippling some sectors and bringing surges of demand to others. We have visualised the impact on industries below, splitting them into intersecting categories:

**Profit** - Dealing with increasing demand (delivery services, supermarkets, entertainment, home health, home cooking)

**Pivot** - Pivoting business proposition to fit the situation (offline retailers, events industry, restaurants)

**Pause** - Pausing until lockdown ends (airlines, holiday retailers, venues)



Gambling companies span the Profit and Pivot zones. Digitally native casino companies for example will need to cope with increased traffic, and potentially increased regulation, but should find the period of lockdown profitable and come out of it with more users than before.

Conversely, companies who get most of their revenue from Sports Book (especially those who rely on bricks-and-mortar betting shops) and those who run physical casinos, will need to pivot quickly into the digital space to offset the huge loss in revenues.

The following document combines survey, search and social listening data with learnings from current clients to provide a picture of what the landscape looks like for Gambling companies, providing:

- Analysis of the current situation
- Short-term trends likely to affect the market
- Long-term predictions for how the gambling landscape will look after Coronavirus
- Actionable advice for gambling brands on dealing with disruption and finding a competitive edge in a shifting landscape

**WHERE ARE WE  
NOW?**

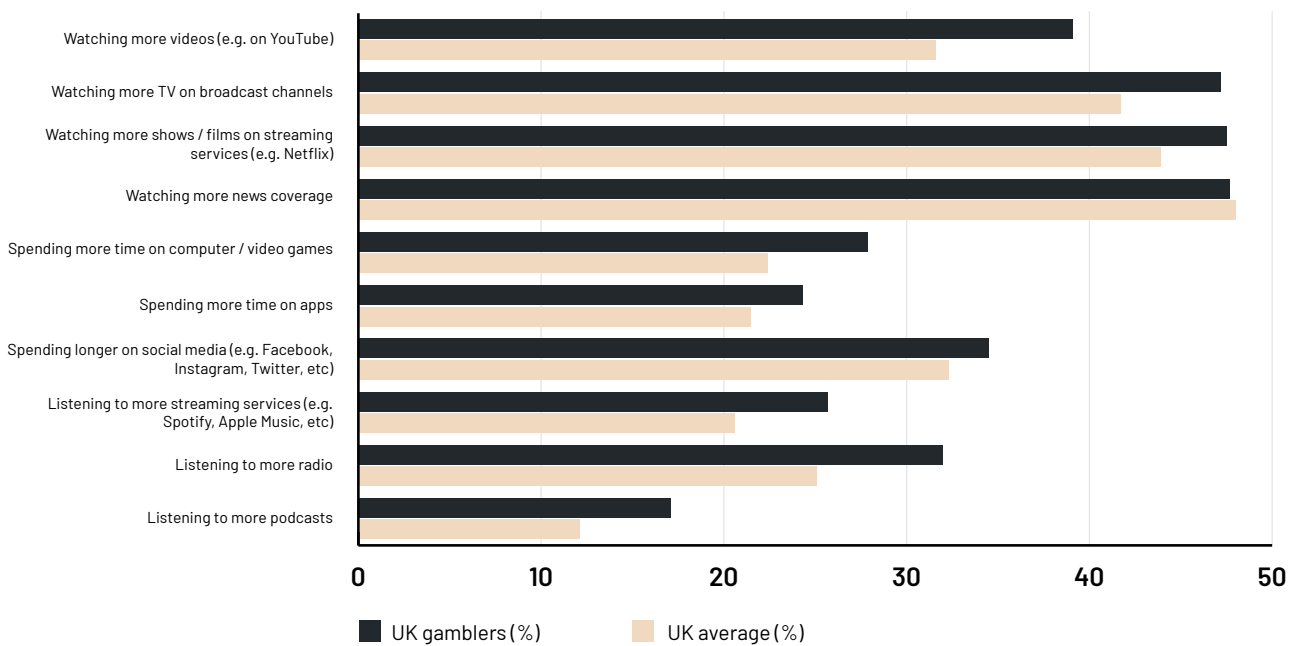
Over the past few years, gambling participation in the UK has been showing steady growth, with the 2019 figures from the Gambling Commission indicating that 47% of the UK population have gambled in the past 4 weeks, up 2% from 2015.<sup>1</sup> A slight drop off in participation amongst older audiences has been more than offset by increased involvement amongst younger age groups. However, the most notable shift over the past few years has not been in demographics, it has been in the way people gamble, namely the rapid growth of online, and specifically app-based gaming.

The COVID-19 pandemic has now presented a new challenge for gambling, with one commentator predicting that revenues for the industry as a whole will be down 60% YoY on a pcm basis due to the lockdown.<sup>2</sup> Of course, the longer the lockdown lasts, the more the industry players relying on live sport and physical locations will suffer. However, despite the obvious losses of revenue across these areas, we believe that this estimate is overly alarmist and grossly underestimates the agility and resilience of the gambling industry.

Gambling is far from doomed. In fact, the pandemic will accelerate the much-needed digital transformation of many gambling companies, allowing them to shed anachronistic business models and tap into growth areas in the market.

For brands with digital offerings, the opportunity for acquisition is unprecedented. The lockdown has caused a media surge, with consumers spending more time engaging with all types of in-home media.

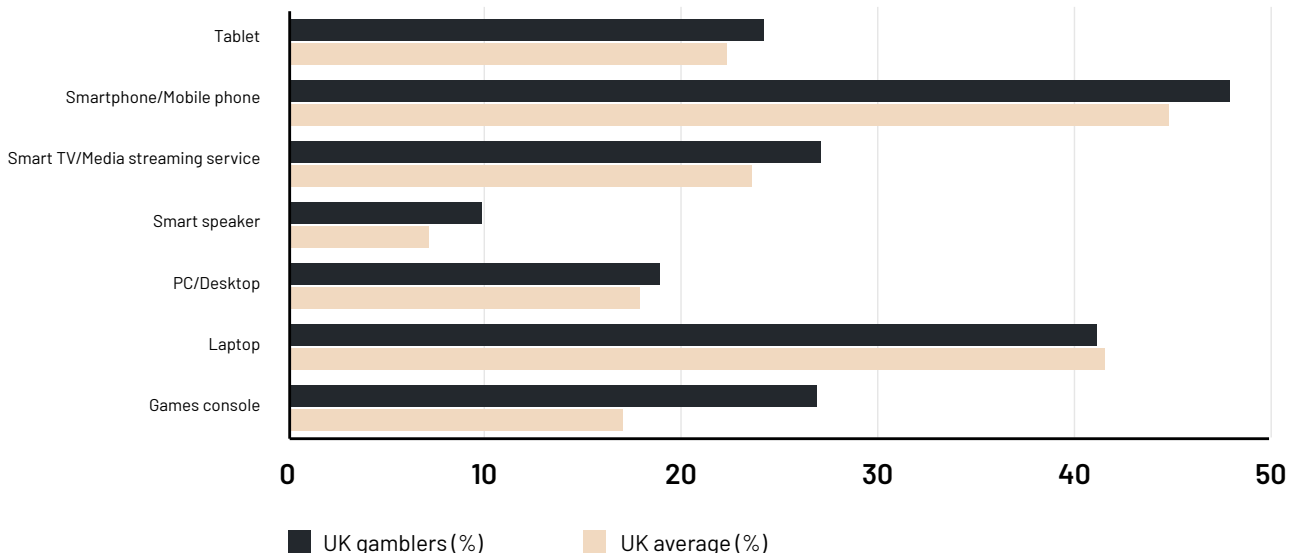
**Which of the following have you been doing at home because of the COVID-19 outbreak?**



GWI, Coronavirus multi-market study, Wave 3, fieldwork conducted April 22-27

There has been a considerable rise in time spent online, with 87% of UK online consumers spending more time connected on devices and the biggest gain being seen on mobile.

**Which device(s) have you been spending more time using since the start of the COVID-19 outbreak?**



*GWI, Coronavirus multi-market study, Wave 3, fieldwork conducted April 22-27*

There is an opportunity for brands to grow their share of voice, leveraging increased media consumption to get in front of larger audiences and more engaged audiences, with the aim of bringing new players into the world of online gambling. With 28% of consumers ‘spending more time on hobbies’ there is a dual opportunity to convert traditionally ‘in-person’ gamblers into ‘online gamblers’ whilst simultaneously bringing non-gamblers into the fold.<sup>3</sup>

With around a quarter of all normal spending either impossible or severely discouraged under lockdown and 67% of gamblers predicting that coronavirus will have a ‘small impact’ or ‘no impact’ on their finances, there is opportunity for many to spend more on indoor hobbies such as online gambling.<sup>4</sup>

However, tempering the opportunity for online gambling brands is the increased scrutiny of the industry by government and regulatory bodies. In the UK, the credit card ban came into effect on the 14th April and the BGC’s self-imposed TV and radio advertising ban began on the 7th May.

Coronavirus has plunged some consumers into a period of vulnerability and financial instability, and now more than ever is the time for the industry to behave responsibly, in order to safeguard its future and the wellbeing of all those who participate in gambling.

**WHAT ARE THE  
SHORT TERM  
EFFECTS?**



We are currently in a period of accelerated change. Lockdown restrictions and consumer behaviours are shifting fast, so brands need to think one step ahead. The following chapter breaks down the short term effects across different areas of the gambling sector.

## SPORT

Cancellation of sports is having a crippling effect on some parts of the gambling industry, with major players Flutter Entertainment reporting that sports betting made up 78% of their total revenue for 2019.<sup>5</sup> With the clear possibility that no professional 'core' sports will happen in the next few months, sports betting companies will need to pivot, and fast.

But where should they turn?

### E-Sports

After years of hype, Esports have finally come of age.

22% of global internet users are now Esports fans, and as of 2019, the industry is worth \$906 million, with expected growth to \$1.65 billion in 2021.<sup>6</sup>

The biggest prize pool in Esports, for The International 2019 DOTA tournament, was \$34 million (up 34% YoY).<sup>7</sup> To put this in perspective, Wimbledon's prize pool in 2019 was \$45 million (up only 12% YoY).

Gaming is an affinity audience for gambling, and although as of 2019 only 6% of UK online gamblers had ever bet on Esports, we believe this an area set for massive growth, which will only be accelerated by this period of 'sportless' lockdown.<sup>8</sup>

The 'People also ask' suggestions from Google show that consumers are currently unsure about the legitimacy of Esports betting:



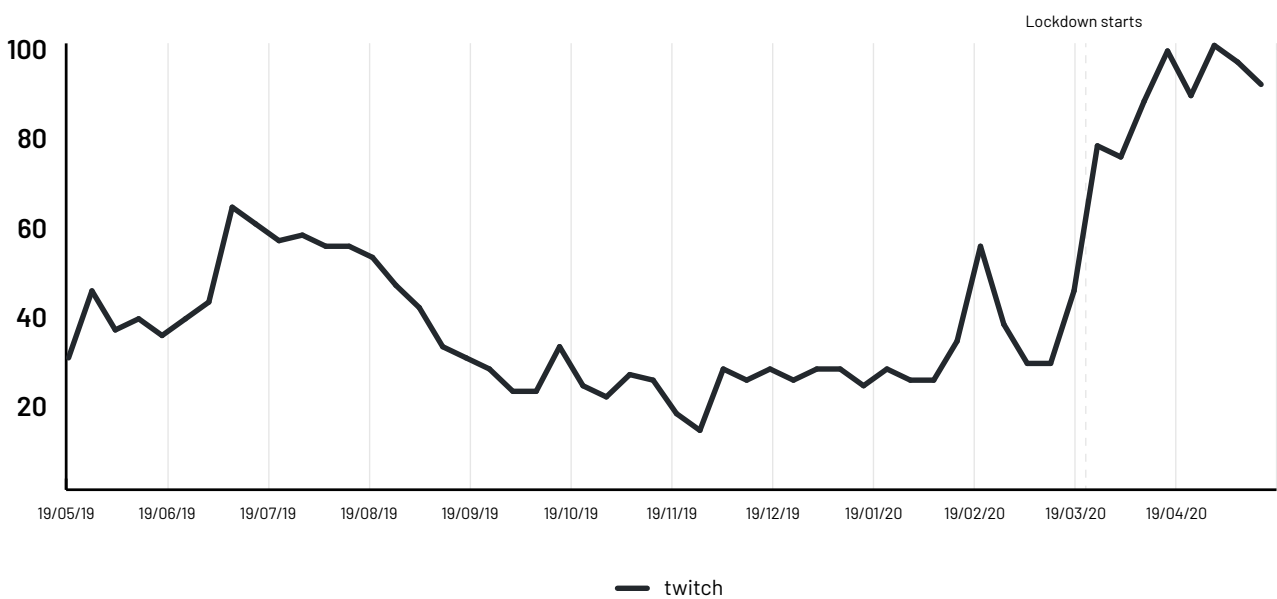
There is a clear opportunity for brands to educate consumers and become leaders in this space.

Esports betting is a relatively new and complex space. It is split into two pillars: cash betting and skins betting. Cash betting needs little introduction, but skins betting is different to anything available in the realm of traditional sports; it involves the staking of virtual items which alter the appearance of a player's avatar or weapon.<sup>9</sup>

Esports betting is ripe for growth, but as it grows it will have to navigate various teething-problems, the greatest of which will be around regulation. Esports currently has no single regulatory body and match-fixing and betting fraud currently abound, with major games CS:GO, League of Legends and Overwatch all suffering from match-fixing scandals in recent years.

To a certain extent, traditional sports' loss over the coming period will be esports' gain, with Pizza Hut's Chief Brand Officer Beverley D'Cruz recently announcing that some of the budget they are pulling away from Euro 2020 will be put into gaming.<sup>10</sup>

Gaming-focused streaming platform Twitch, which has done well out of lockdown and posted a staggering 3 billion hours watched in Q1, is likely to perform a solid platform for brands wanting to cash in on esports.<sup>11</sup>



## Virtual Sports

Believe it or not, Virtual Sports have been around since 1961, but betting on them has never reached mainstream popularity.<sup>12</sup>

One reason for this is a lack of trust. People are less likely to 'believe' the outcome of a virtual match or race. This sentiment is pervasive and is echoed in Google's People Also Ask Panel under a search for 'virtual sports':

**People also ask**

- How do virtual sports work? ▼
- Are Virtual Sports fixed? ▼
- How is virtual football programmed? ▼
- What is virtual soccer? ▼

[Feedback](#)

It is clear that curiosity and distrust are widespread.

However, Virtual Sports have seen a surge in popularity during COVID-19, partly due to the popularity of the Virtual Grand National which had 4.8 million viewers and raised £2.6million for NHS Charities.<sup>13</sup>



*Outsider Potter's Corner wins the 2020 Virtual Grand National by a length*

Major sportsbooks are now offering Virtual Sports betting across horse and greyhound racing, tennis and football. Virtual Sports are being used as a stop-gap for both sportsbooks and gamblers, but it seems unlikely that they will retain popularity once real-world sport returns.

## Alternative Sports

With major sports out of the picture for an unknown amount of time, punters are turning to more obscure leagues and sports.

As the global lockdown situation changes, swathes of punters are trying out different options, with favourites so far being:

- The Belarussian Premier League football (which during lockdown became the most watched league in Europe)
- Tajikistani Basketball
- Taiwanese kick-boxing
- Table tennis - GVC Holdings have reported that it has become their fifth-biggest revenue sport<sup>14</sup>
- Trotting - Swedish bookmaker ATG has reported a 465% increase in revenue for 'trotting' (horse racing with a two-wheeled carriage).<sup>15</sup>
- Russian Fiba 3x3 (3 per side basketball with just one hoop)
- Marble racing - with Jelle's Marble Runs Youtube channel getting over a million views per video for their Marbula One series

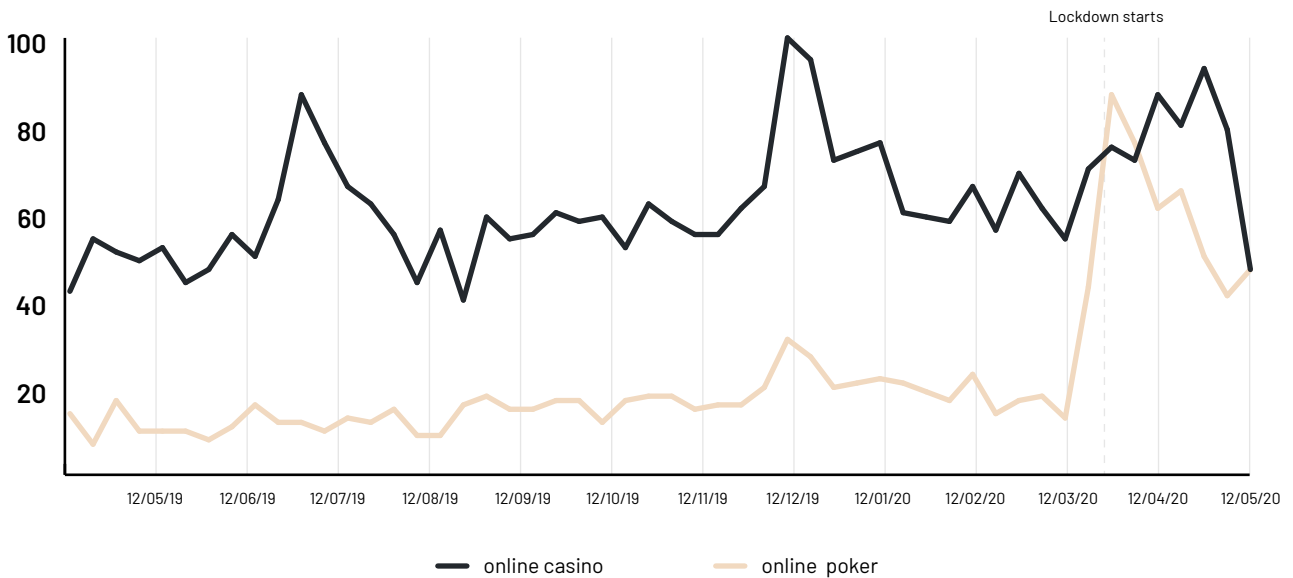
iGamingBusiness are currently publishing a daily 'Where's the Action' list of sports events taking place.

Agility is key for gambling companies who will make short term games by being the first to offer odds on obscure sports or leagues. However, as the remaining sports events become more and more obscure it will be difficult to generate interest for large audiences.

## CASINO

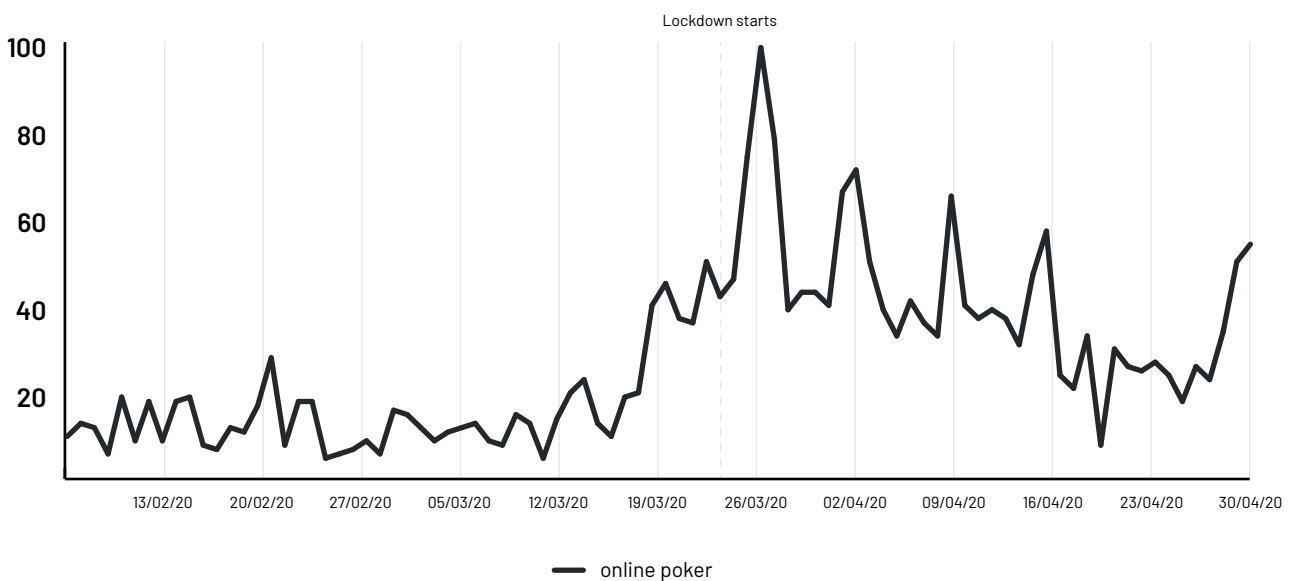
Decreased freedom of movement, increased boredom, less opportunity to spend disposable income, and a growing desire to connect has led to more demand for online casinos.

As a generic term, UK search trends showed steady growth for 'online casino' before its descent to a level below its pre-lockdown volume. 'Online poker' told a different story, with a very sharp spike followed by a sharp drop which levelled out well above the pre-lockdown volume.

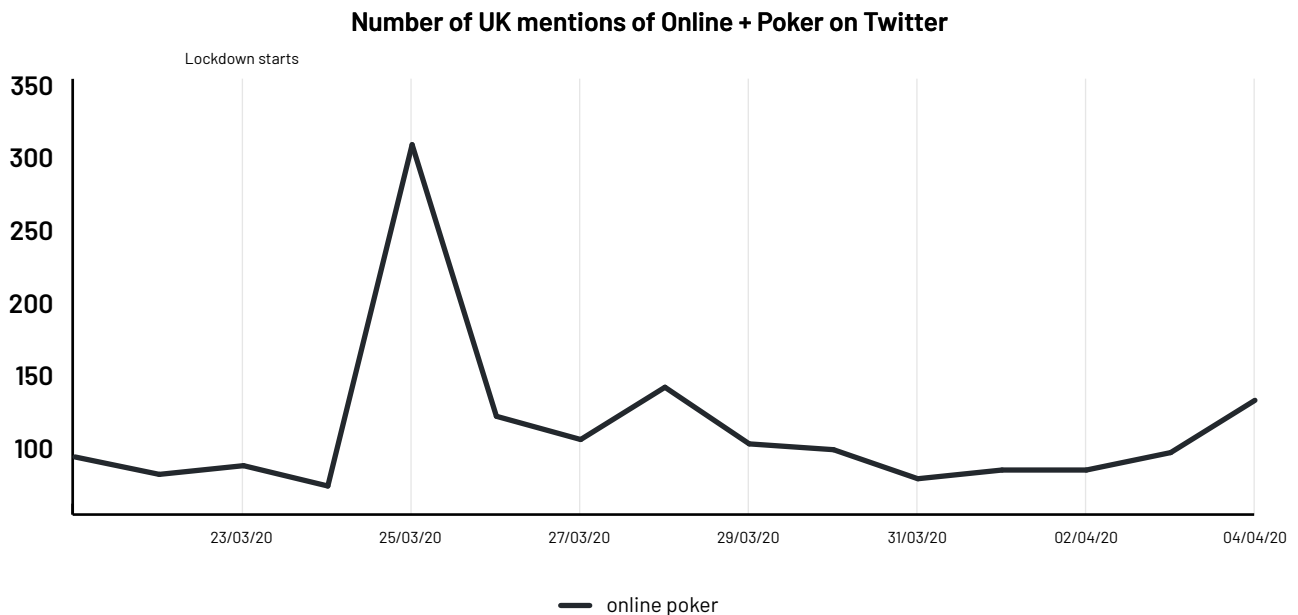


## Online Poker

Since lockdown was put into place, searches for 'online poker' have been surging at weekends as people look for ways to take traditional Friday or Saturday poker nights online.



Social listening reveals that in the two week period from 24th March to 3rd April, 'online + poker' had 1638 mentions online in the UK, up 149% on the previous period.



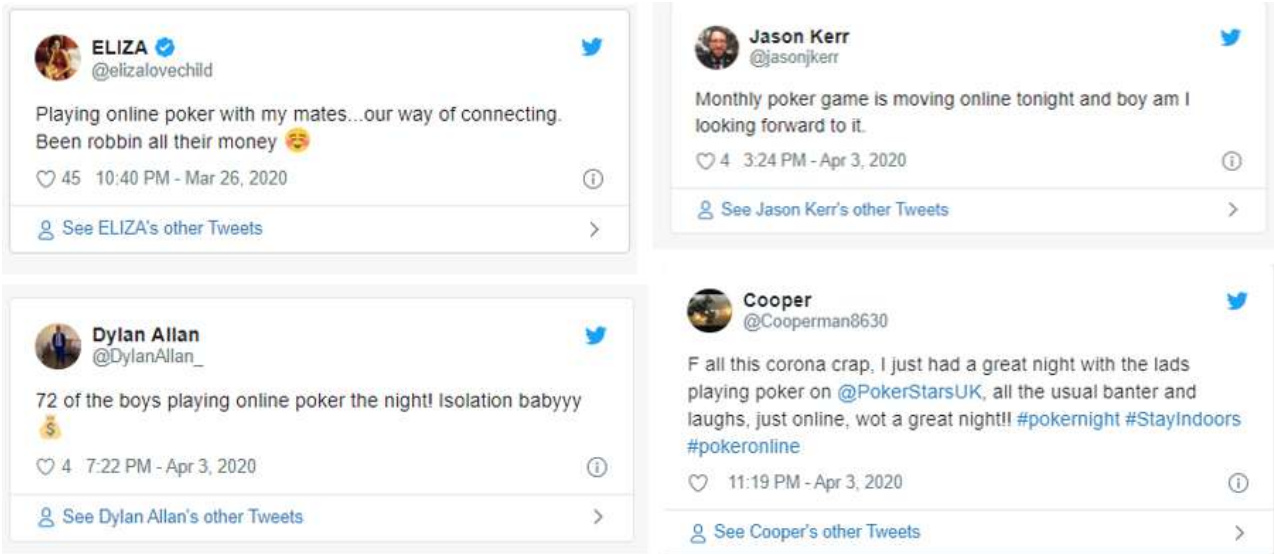
The conversation spikes on the 24th March, the day after lockdown measures were announced.

The types of conversations had around online poker over this period can be split into three key categories: Information, Celebration and Frustration.

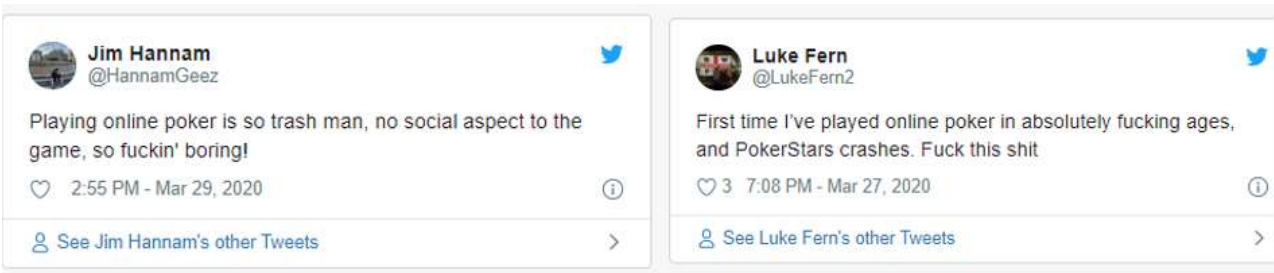
**Information** involves people trying to get advice on which platform they should use:

<p><b>Tom Shanklin</b> <a href="#">@TomShanklin</a></p> <p>Questions or Friday night; Best app to have a private online poker game with mates using real money ?</p> <p>15 8:15 AM - Mar 25, 2020</p> <p>18 people are talking about this</p>	<p><b>Edd</b> <a href="#">@ed_e77</a></p> <p>Anyone know a good poker app. to play online with a few mates?</p> <p>7:39 PM - Mar 29, 2020</p> <p><a href="#">See Edd's other Tweets</a></p>
<p><b>Tom Stroud</b> <a href="#">@StroudTJ</a></p> <p>Anyone know an online poker platform where their servers are actually working? Got eight mates all itching to play.</p> <p>12:10 PM - Mar 29, 2020</p> <p><a href="#">See Tom Stroud's other Tweets</a></p>	<p><b>Dave Downie</b> <a href="#">@daviddownie17</a></p> <p>Need your help, Twitter. I want to set up a one table game of poker online, up to 12 players. Suggestions?</p> <p>7:04 PM - Apr 2, 2020</p> <p><a href="#">See Dave Downie's other Tweets</a></p>

**Celebration** involves people showing their appreciation of the game, particularly as a way of connecting with friends:



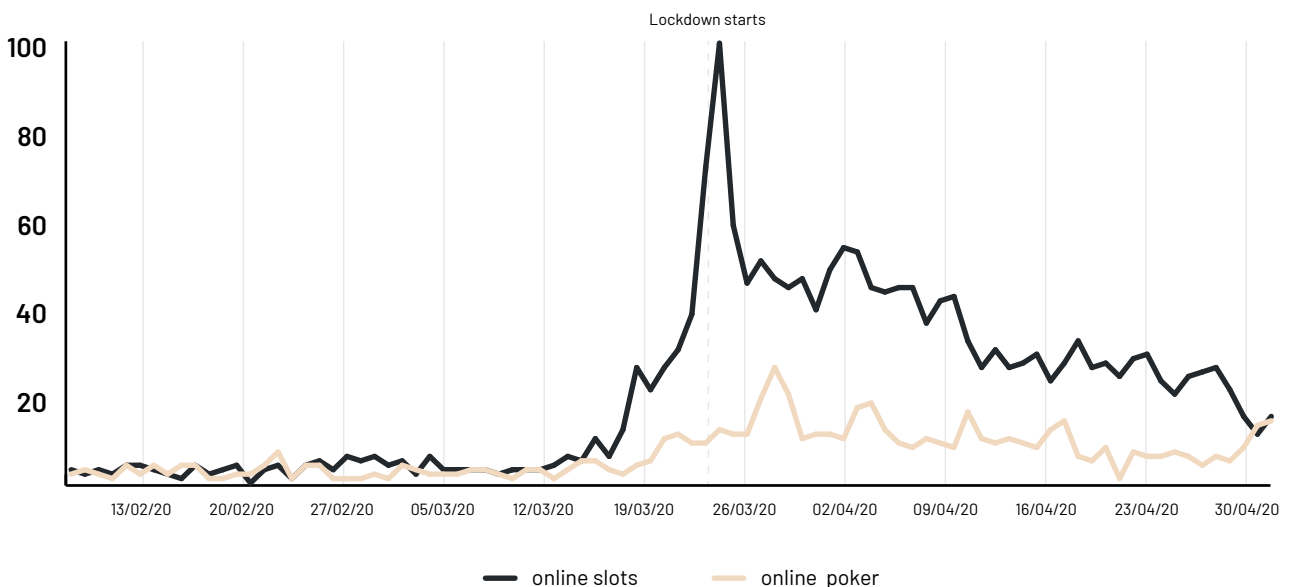
**Frustration** involves the venting of anger at the game:



This social listening suggests that a strong social experience and platform reliability during demand surges are key for online casinos looking to retain new players.

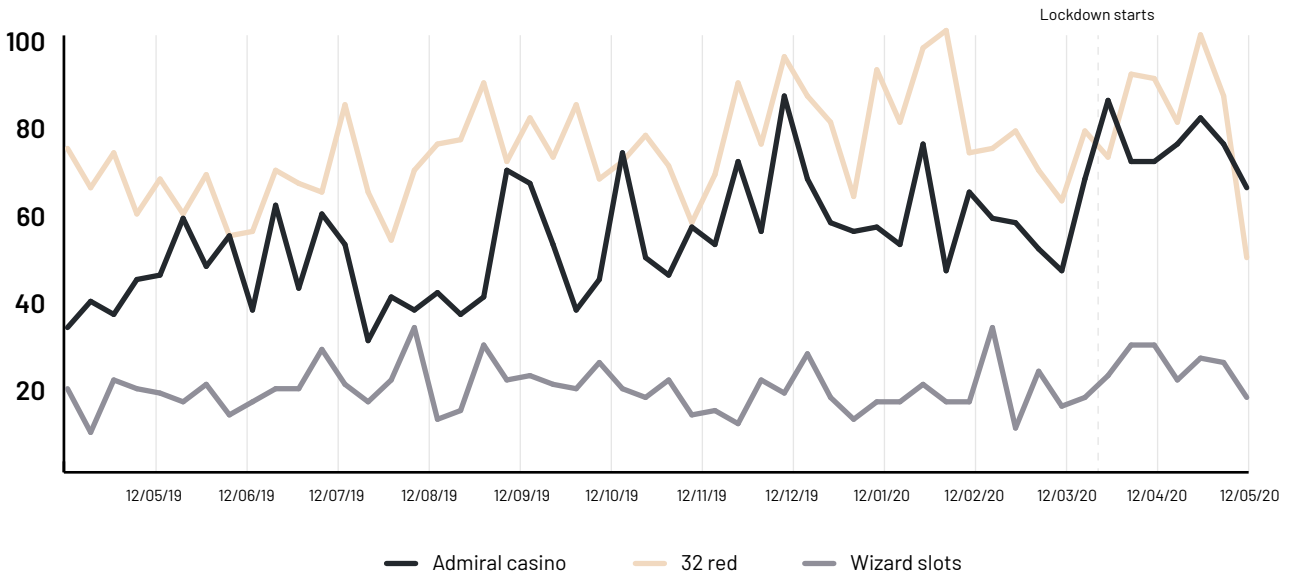
## Online Slots

Search trends suggest that the biggest short term winner out of Coronavirus may be Slots, with 'online slots' peaking with over 3x more searches than 'online poker'.



After the initial surge the search volume has decreased, but it looks to now be flattening out at a considerably higher level than pre-corona. Clearly, as pubs and casinos closed, a lot of people wanted to try online slots.

However, when consumers turned to search, there was no clear brand leader for them to turn to. Online slot brands show a much more gradual increase in search volume, suggesting a lack of brand recall in the category:

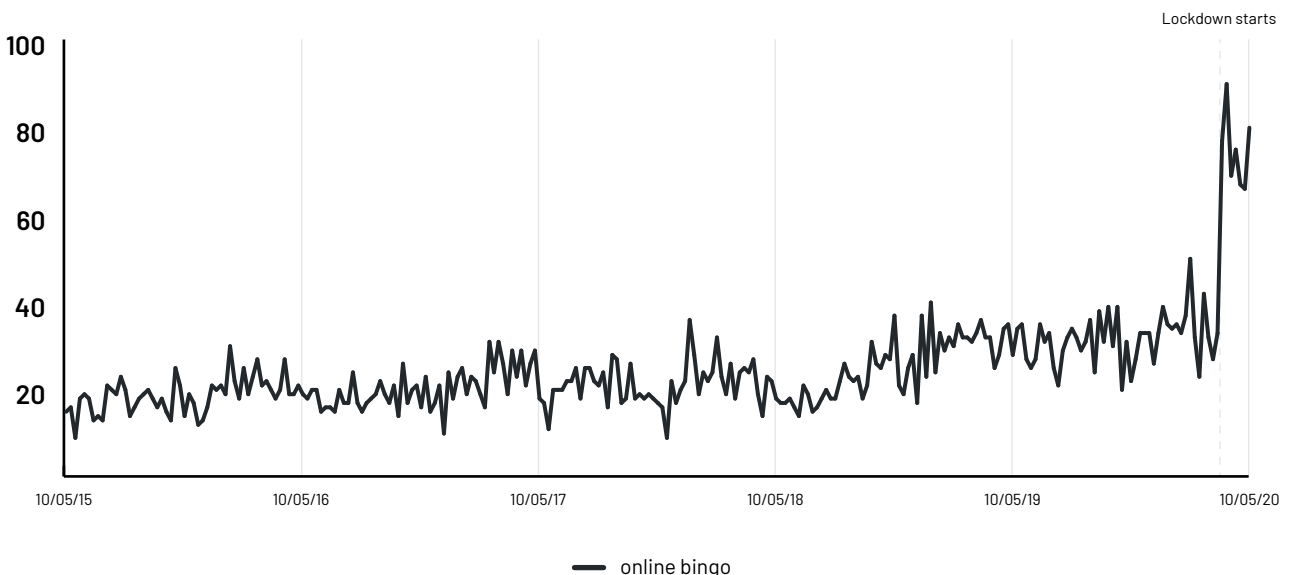


With government officials talking about a ‘new normal’ and pubs and casinos likely to be some of the last businesses to reopen, the shift towards digital slots may well be a trend to set to stay.

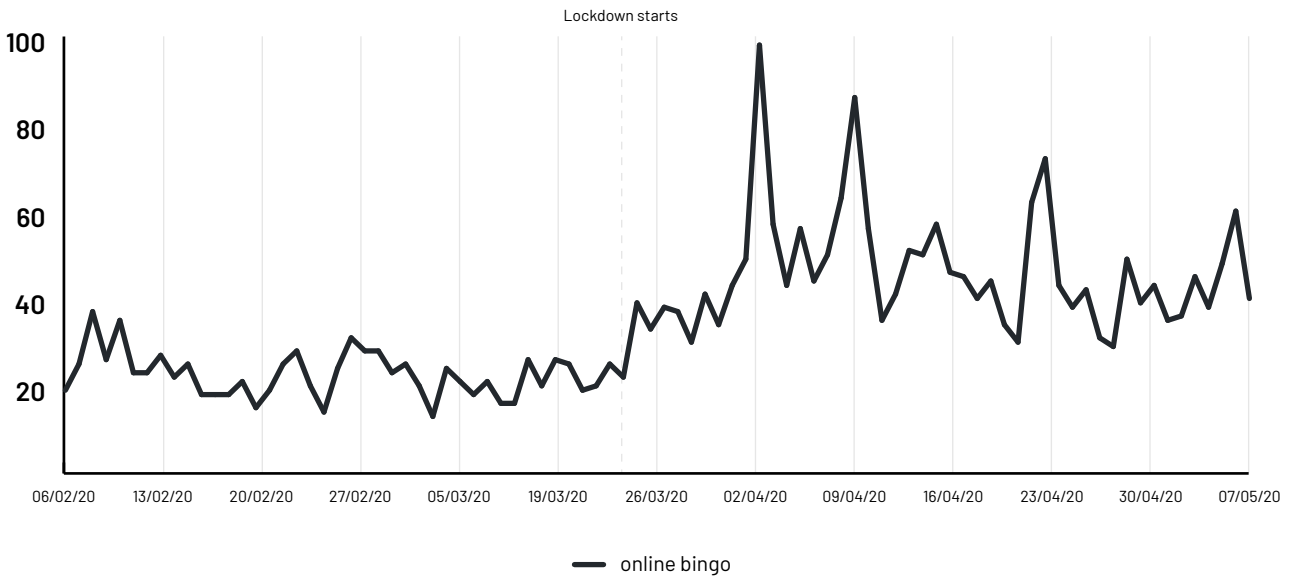
## BINGO

Bingo is the gambling activity which is most likely to be done offline, with 24% of Bingo Players saying they had participated online over the past four weeks, in comparison with 81% saying they had participated in person.<sup>16</sup>

A highly social passtime, popular particularly amongst the older cohort of gamblers, it is perhaps unsurprising that ‘Online Bingo’ has failed to gain much momentum as a search term over the past five years.



However, the recent lockdown has seen it reach new record levels and it has shown strong peaks at weekends since lockdown came into effect:

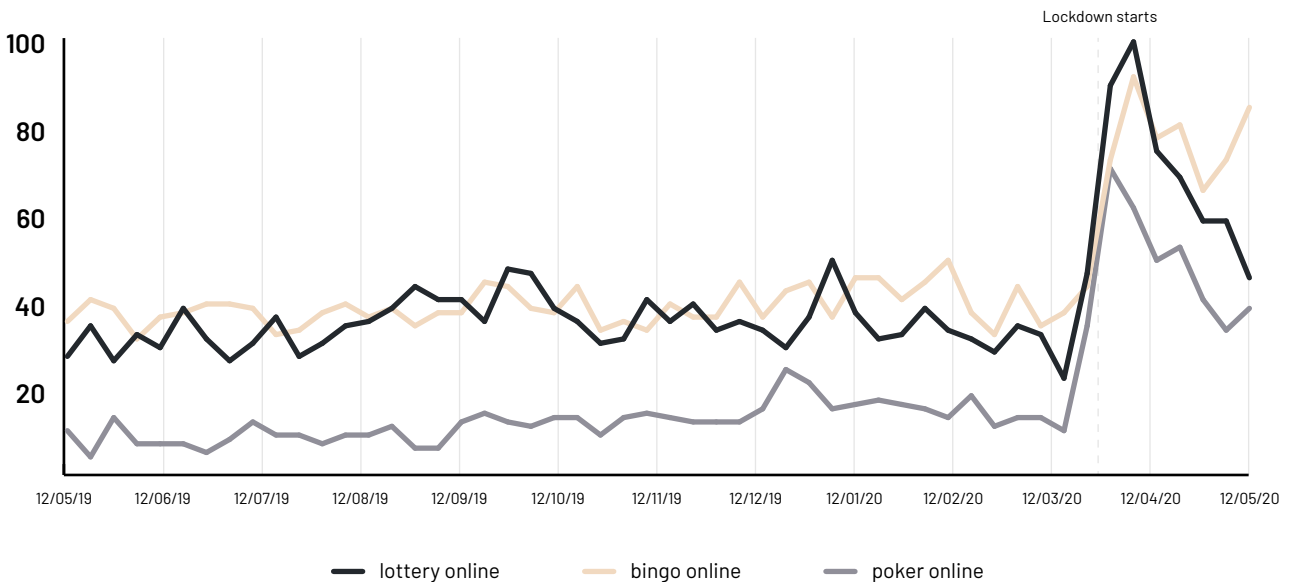


Many bingo players whose physical games have now been cancelled will be turning to digital alternatives, but will what they find online have the same appeal as the experience they are used to? Short-term there will be an increase in traffic and first time deposits, but when the bingo halls reopen retention will become an issue for digital players.

## LOTTERY

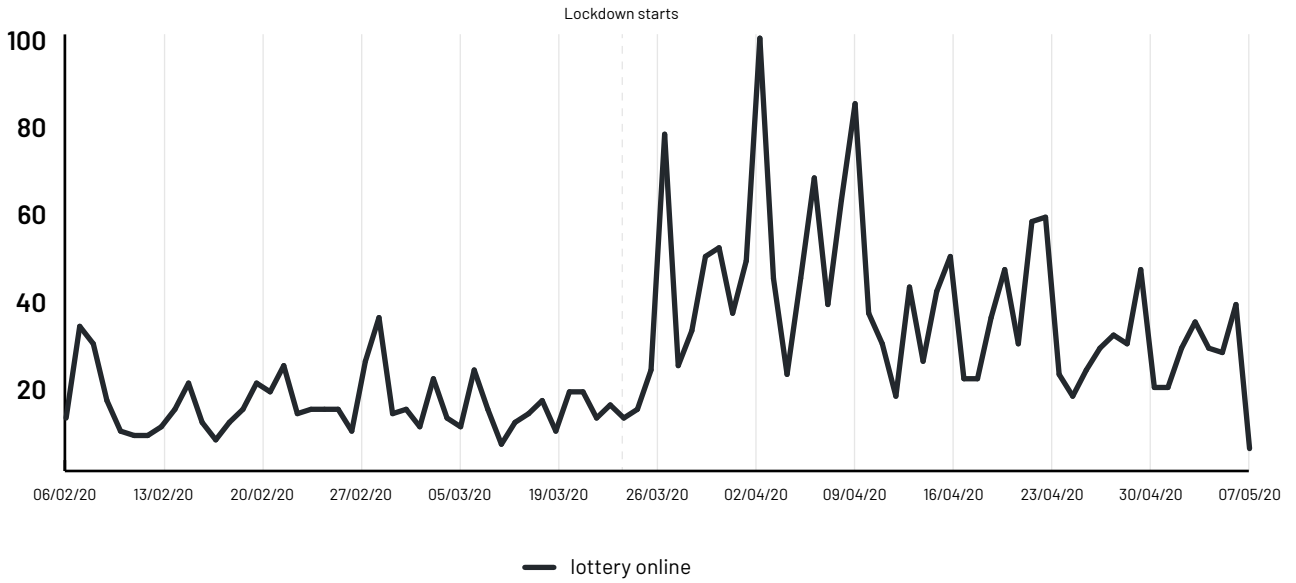
The National Lottery is the most popular gambling activity in the UK, with 30% of the adult population taking part. However, after Bingo, it is the second most likely to be participated in in-person (73%) rather than online (36%).<sup>17</sup>

With a trip to the shop to buy lottery tickets unlikely to be considered an 'essential journey', searches for 'lottery online' rose dramatically at the start of lockdown:





As lockdown has persisted, search interest has spiked in line with major draws.



Short-term, competition has increased online for lottery providers and long-term COVID-19 is likely to change how many people buy their lottery tickets.

**WHAT ARE THE  
LONG-TERM  
IMPLICATIONS?**

In the post-corona era, some parts of the industry will return to a state very similar to how they were before, whereas other parts will emerge from this period of accelerated change and appear almost unrecognisable. For example, sports betting will bounce back stronger than ever in 2021, fuelled in particular by the England football team's bid for glory in the Euros. At the other end of the spectrum, some small casinos and arcades may never return to profitability.

On the whole, we believe that gambling will come out of the crisis as a more agile, more digitally native industry. Businesses that make the best out of the current situation and pivot towards the trends that have been accelerated by the pandemic will emerge as market leaders.

The following section highlights four key longterm trends that should be on every gambling business' radar.

## **BRACING FOR A RECESSION**

At this point, a recession seems inevitable. At TIPi Group we are marketers, not economists, so we will not deign to predict whether this recession will be V-shaped, U-shaped, W-shaped or L-shaped. In many ways, the shape of the recession is irrelevant. Gambling operators need not be too concerned. The results vary slightly by activity type, but the majority of academic studies show that gambling is resilient during times of recession, and is likely to remain stable or even grow in periods of economic hardship.

## **THE DECLINE OF SMALL PHYSICAL LOCATIONS**

Las Vegas will bounce back, as will Macau. In fact we predict that the majority of large casinos will return to profitability. However, the smaller locations, whether they are casinos or arcades, may well not be strong enough to survive this period. The 'Cashino' arcades and their like on highstreets up and down the country are likely to suffer as people remain concerned about social distancing and prefer to game online instead.

## **ESPORTS BETTING FINALLY COMES OF AGE**

The disruption of sport combined with many millenials rediscovering a love of gaming during lockdown will contribute to esports becoming a multi-billion pound business by 2022. As the sport grows and more of its fans become of betting age, a central esports body will emerge to tackle match-fixing and betting fraud, allowing the esports betting market to mature quickly.

## **THE RISE OF THE SILVER SURFER**

Digital adoption amongst the older generation has been accelerated by lockdown as over-70s have been forced to turn to new communication channels in order to stay connected to their friends and families. Longterm, the adoption of technology amongst older groups is likely to contribute to growth in online gambling from those who are not physically able, or do not want to take the risk of visiting locations such as bingo halls.

**HOW SHOULD  
BRANDS REACT?**

## **PLAN A ROUTE TO TAKE ADVANTAGE OF HISTORICALLY CHEAP MEDIA**

Media viewing hours are up and costs are down, not only on traditional ATL channels, but also in the Social and Google ecosystems. While this presents a unique opportunity to grow visibility and brand, to really maximise ROI you need a careful planning system to help you turn on cheap media at exactly the right time to capture demand around events. For something as large as the re-start of the premier league for example, each game presents a huge opportunity to bid on keyword cheaply in advance. Set up media partnership now to maximise awareness and capture new users.

## **FOCUS ON LONG-TERM STRATEGIES**

Now is the perfect opportunity to focus on long-term strategies. Whether it is planning how your brand will look in 2021, or investigating how you will leverage new technologies to reshape your proposition and connect more meaningfully with consumers. It will be important for gambling companies to diversify their revenue streams in order to ensure business security. From a digital marketing perspective, hard hours put into activities such as SEO in the coming months will pay dividends long-term as new SERP formats continue to roll out and setting web pages up correctly now will mean better results.

## **CREATE CONTENT THAT WILL BRING JOY TO CONSUMERS**

Our research shows that gamblers would be happy to see normal advertising from brands during this period, but what they would most appreciate is funny or light-hearted content. People want to escape and they want to laugh. Brands who provide this type of content, as Paddy Power have been doing brilliantly, will harness the media surge effectively and build brand advocacy. Alongside a clear media plan and strong SEO foundations this will ensure that customers looking to get back involved with sports betting in particular will consistently find and prefer your brand.

## **PRESERVE AD-SPEND DURING THE RECESSION TO GROW SHARE OF VOICE AND STEAL MARKET SHARE**

Gambling CMOs need to be making their case to the board now, showing that a recession offers an opportunity to invest in marketing in order to grow their share of voice and steal market share from competitors. The majority of brands will decrease their spend during the coming period, meaning that those who maintain spend, or even increase it, will see a dramatic increase in share of voice.

## Sources

Brandwatch, social listening data, 24th March – 3rd April

Google, Google Trends

Google, People Also Ask

Youtube, [Jelle's Marble Runs](#)

<sup>1</sup> The Gambling Commission, [Gambling participation in 2019: behaviour, awareness and attitudes](#), February 2020

<sup>2</sup> SBC News, [Winning Post Covid-19](#), Ted Menmuir, 30th March 2020

<sup>3,4</sup> Global Web Index, Coronavirus multi-market study Wave 3, fieldwork conducted 22-27 April 2020

<sup>5</sup> Igamingsbusiness.com, [Gambling businesses issue Covid-19 updates](#), 18th March 2020

<sup>6</sup> Global Web Index, The World of Gaming, January 2020

<sup>7</sup> Esportsearnings.com, [Largest Overall Prize Pools in Esports](#)

<sup>8</sup> The Gambling Commission, [Gambling participation in 2019: behaviour, awareness and attitudes](#), February 2020

<sup>9</sup> Legalsportsreport.com, [Esports Betting – Overview Of The Esports Gambling Vertical](#), Updated March 2020

<sup>10</sup> The Drum, [Pizza Hut brand boss: 'Now is not the time to pull back on media spend'](#), Rebecca Stewart, 15th April 2020

<sup>11</sup> Streamlabs.com, [Streamlabs & Stream Hatchet Q1 2020 Live Streaming Industry Report](#), Ethan May, 2nd April 2020

<sup>12</sup> Gamblingites.com, [The Future of Virtual Sports Betting – How Far Can It Go?](#), Adam Haynes, 20th March 2020

<sup>13</sup> The Guardian, [Talking Horses: Virtual Grand National generates £2.6m for NHS](#), Greg Wood, 6th April 2020

<sup>14, 15, 16, 17</sup> The Gambling Commission, [Gambling participation in 2019: behaviour, awareness and attitudes](#), February 2020



## GET IN TOUCH

1-2 Berners Street  
London  
W1T 3LA

+44 (0)20 8102 8500

sayhello@tipigroup.com

**tipigroup.com**

ROAST<sup>TP</sup>

kitty.

[ THE MARKET ]

 Rabbit  
& Pork