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Report 2018

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EGR Intel is published monthly
by Pageant Gaming Media
One London Wall, London,
EC2Y 5EA, United Kingdom

ISSN 1742-2450

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Introduction

Affiliates in 2018

Perhaps now more than ever, online gaming affiliates need to differentiate in terms of product, the service they provide operators, and a variety of other factors. The contributors to this *EGR Affiliates Report* reflect on the potential new business opportunities within egaming affiliation, and the way in which affiliates can add value to retain, and gain, partnerships.

With the recent PASPA repeal, there are now a wealth of opportunities for affiliates already focused on the US market, while European affiliates are also taking a hard look at getting involved in this large and lucrative market as soon as they can.

Elsewhere in the report, consideration is given to how egaming affiliates can prepare themselves to adequately respond to regulatory pressures within the sector.

This report is sure to give our readers a clear idea about the challenges and opportunities for affiliates in 2018.

By Ross Law | *Report editor*

Comment: *Affiliate regulation*



Tom Galanis

◆ Director
◆ TAG Media
Tom Galanis is director of TAG Media, a consultancy focused on effecting change, delivering results and raising standards in the egaming industry. Since its inception, TAG Media has provided products and services to clients including Rank Group, Ladbrokes Coral, Betsson and Playstudios, optimising the way they do business.

Time to cross the streams

Tom Galanis, director of TAG Media, gives his take on how the egaming affiliate sector should be responding to regulatory pressures

The egaming industry is headed for a disaster of biblical proportions. “What do you mean, ‘biblical’?” I hear you shout... What I mean is Old Testament, real wrath of God type stuff. Fire and brim-stone coming down from the skies. Rivers and seas boiling. Forty years of darkness. Earthquakes, vol-canoes. The dead rising from the grave. Human sacrifice, dogs and cats living together... mass hysteria. (yeah, I did just cite *Ghostbusters*).

Take your 1984 self off to an alternative dimension where the bodies of Matt Zarb-Cousin and Derek Webb are inhabited by paranormal spirits ghouling around the corridors of *The Independent* as the Key Master and the Gate Keeper, proclaiming the impending arrival of Gozer the Gozerian.

Well folks, the Traveller has come and we ain't getting as easy a ride as Spengler, Venkman, Stantz and Zeddemore had with the Stay Puft Marshmallow Man. Fresh from their victory over FOBTs, the Campaign for Fairer Gambling is beating the war drum as it marches towards an online gambling industry that lies asleep in camps spread thinly and disparately around the world, completely unaware of the impending slaughter that awaits.

Regular fodder for *The Independent* and *The Guardian*, the Campaign for Fairer Gambling has now infiltrated the columns of the *Financial Times*, eyeing up a far from clandestine stabbing of gambling PLC share prices. Tom Watson MP, the deputy leader of the Labour Party, has once again been pushed to the front of Webb's line and has gained support from former Tory frontbencher, now Lords peer, Lord Chadlington.

Where is the response?

Clive Hawkswood, CEO of the Remote Gambling Association (RGA), and Richard Flint, CEO of Sky Betting & Gaming, sit as the only two regular voices in press coverage. The RGA, for all its merits, is, to my mind, not sufficiently empowered or armed to fend off the attacks and Flint, for all the strong work he is doing to enhance SBG's social responsibility image, cannot take down the Traveller with a lone proton pack.

We do not have the higher ground, but we are not indefensible. From an affiliate perspective, we must do the same and align ourselves with the angle our operator partners take and go beyond that by setting out our own Code of Practice. We need to deliver upon it and ensure those willing to do the same work with us to collectively raise the standards we operate to, in order to protect and add socially responsible value to the customers we market to.

We must not burden ourselves with the comparatively trivial tête-à-têtes we have with operator partners concerning commission calculations or even the closure of affiliate programmes. That is not to say these should be ignored, but I would far rather have the likes of Richard Flint in my corner than against me.

As the largest front door to customers, affiliates have a significant role in delivering responsible gambling and social responsibility messaging. In what is still a young industry, coming together with a united voice at even an operator level is not easy. To do so on an affiliate level is even harder given the global spread of affiliates participating in the UK market.

Neither are impossible though and both must happen and lead to the ongoing cooperative crossing of streams between the working groups of operator and affiliate bodies, or we are on for the biggest inter-dimensional cross rip since the Tunguska blast of 1909. If we do what is required, in the words of the legendary Dr Egon Spengler, there's definitely a VERY SLIM chance we'll survive. ◆

Analysis: *US market*



The US Supreme Court's repeal of PASPA probably left gambling's biggest affiliate firms feeling like they had struck gold, but is that potential treasure easily accessible or buried deep?

By Jake Evans

It is just over four and a half years since regulated egaming first launched in New Jersey. And since November 2013, online casino and poker have generated almost \$840m in GGR to date, according to the Garden State's Division of Gaming Enforcement (DGE). So when the Supreme Court paved the way for individual states to introduce their own legislation on that other key vertical – sports betting – it would be fair to assume that the industry's biggest affiliates collectively punched the air. The jackpot was hit.

Catena Media's CEO at that time was Henrik Persson Ekdahl. As he put it on the day of the ruling: "When we found out the decision went nationwide, we were like, 'wow'. It felt like winning the lottery in many ways." It has now been two months since that watershed moment, and while land-based operators and sportsbook suppliers continue to ink deals at a rapid rate, the monetisation of the US online sports betting

market may prove a trickier nut to crack for gambling affiliates.

Although New Jersey will again take centre stage, this purgatory between the PASPA repeal and each state implementing its own tailored sports betting legislation is likely to be a time of confusion. For affiliates, the present time feels like the pot of gold at the end of the rainbow. They know it's there, but how do they get to it?

Market watch

The size of a fully legalised US sports betting market is still up for debate. The American Gaming Association (AGA) said the illegal market was worth \$150bn in 2016, while analysts Eilers & Krejciek Gaming have calculated a more conservative figure of \$60bn. After the federal ban was overturned, Raketech CEO Michael Holmberg told *EGR Marketing*: "We have seen some impressive predictions from analysts that the market value could grow to \$6bn in five years' time and we will hopefully witness something even bigger than the poker boom in the mid-2000s."

Other gambling execs are less optimistic, including XLMedia's Ory Weihs. Admittedly, the super affiliate is in a slightly different situation to most prospective US affiliates as its tried-and-tested affiliate model is already up and running in the country, with 20% of its stateside business being in financial verticals and cyber security. "XL has a plan for making money in the US when there is money to be made there," says Weihs. "From this point to putting out bullish revenue forecasts, we are still not there, and I don't really anticipate any real change in addressable markets in the next year or two. I think in the next three to five years we will have some kind of market that might be interesting, but definitely not the size of the European market."

"In five to 10 years it might be a lot more interesting, but that is quite a long way to go. There are still so many question marks around it as to which states will open when, the tax rates, the products, whether there will be shared liquidity and whether foreign operators will be able to use their brands at all. What will be required from affiliates? I'm very hopeful but we're not moving any forecasts or anything like that," he adds.

With retail sports betting already up and

running in New Jersey at racetrack Monmouth Park, Catena Media's Ekdahl believes the transition to online and mobile betting will happen quickly once operators understand the full potential of the market. This inevitable digital transition will obviously provide even more opportunities for sports betting affiliates, but with each state deliberating over its own online legislation, this too could prove to be a waiting game. "I think the online transition will happen very quickly, particularly for the online casino groups that are already up and running in some of these states," Ekdahl says. "They can begin online sports betting with no problems because they understand the potential market size."

Financial forecasts

Catena has been extremely vocal regarding its ambitious EBITDA target of €100m by 2020, and that figure shows no sign of dipping under the strategic leadership of the firm's newly appointed CEO Per Hellberg. When asked if the legalisation of US sports betting could potentially accelerate or alter Catena's EBITDA forecast, Ekdahl was reluctant to make a concrete prediction, which reinforces the uncertainty that currently surrounds America's embryonic sports betting market.

"We don't know if the growth will be explosive, and there will be added costs for sure," says Ekdahl. "I want to see it go live before we make any financial adjustments as nobody knows what is going to happen. New Jersey is bigger than Sweden in terms of population. Everybody knows that sports betting has always been huge in the US in the grey and black markets, but now you can actually start to market the product, so it will be so interesting to see how big the market can become."

Better Collective is one affiliate willing to invest in the US in spite of the uncertainty. The Danish business unveiled its first US sports betting affiliate portal, US-bookies.com, just two days after the Supreme Court's decision. The new site will reportedly serve the US horseracing community, which was dwindling significantly before PASPA's repeal.

It will include bookmaker reviews of operators that go live in the US over the coming weeks and months, as well as educational content for

Americans new to horserace betting. The information portal will expand beyond horseracing in the future and a highlight of the offering is an interactive map of the country breaking down gambling legislation in every state.

Better Collective CEO Jesper Søgaard says the site is just the beginning of a much wider plan to target the US market but he expects little or no impact on revenues in the short term, with the website's primary purpose to serve as a presence stateside. "My hope is that Better Collective will establish a stronger presence in the US to help give the proper tools to new punters navigating the egaming space for the first time," says Søgaard. "In the short term, it is not going to have a big impact on revenues, but we are seeing a big new market which will undoubtedly become interesting in the long term."

"It might still be years before we see a big substantial market in the US in terms of sports betting"

Jesper Søgaard | Better Collective

"It might still be years before we see a big substantial market in the US in terms of sports betting," he adds. "We want to invest now to establish a presence and have a product there, but we don't expect a lot of revenue to be coming in this year, for instance. It could take 10 years before we see the real potential of the US market, but you have to have patience, and starting the work today means that we will be ready for that."

With New Jersey being the trailblazer, the likes of Connecticut, Illinois, Pennsylvania and Rhode Island will spend the near future poring over their own proposed gambling regulations. This legislation is also likely to impose limits on affiliates, with no guarantee of similar procedures that makes gambling affiliation so lucrative in Europe's regulated markets.

Affiliates may well require licences from each state's gaming regulators, just as Catena does in New Jersey, and will probably have to cease promotion of profitable sites that are illegally offering online gambling to US residents. Will they be prepared to do that? Like most questions posed of the US's newly liberalised sports betting industry, we must wait to find out the answer. ♦



Itai Zak

◆ CEO

◆ GoWild Gaming

Itai Zak is CEO at GoWild Gaming. An egaming visionary, he previously led SBTech to become one of the leading sports betting software suppliers. Since joining GoWild in 2016, he's piloted the company's tremendous growth and expansion into new markets, through innovative products and technology that shape the future of gaming.

Featuring: *GoWild Gaming*

10 years of incredible growth

Itai Zak, of GoWild Gaming, discusses the company's growth on its tenth anniversary

EGR Intel (EGR): GoWild is celebrating its 10th anniversary this year: How has the firm developed and thrived since it started?

Itai Zak (IZ): GoWild Gaming has been on a wild journey since its inception 10 years ago. When the company started out in May 2008, it was a small online casino, powered by the Microgaming platform.

While we gained steady market share over the next many years, it was really in 2017, when we moved to our proprietary GoWild HERO iGaming platform, that we saw what can only be described as an explosion in growth.

"We want to help our partners attract and convert traffic, in the exact markets they serve"

This growth has to do with two things. First of all, our new platform is powered by more than 30 best-of-breed content providers with more than 1,500 unique games. This translates into an exceptionally varied gaming experience, found literally nowhere else.

In addition to giving players access to more games, the new egaming platform also lets us micro-segment promotions to the finest level. This is done based on actual player preferences and habits, for an unsurpassed experience tailored to each player in real time.

Beyond significantly improving the user-experience, the premier gaming experience provided by our GoWild HERO platform has proven effective in attracting new players, maximising individual player value, and increasing customer retention.

All of these developments have certainly increased our workload. To keep pace, we're continually on the lookout for top-notch professionals. Today our team of some 200 people (and growing)

work in our international offices to provide players with the ultimate experience, and affiliates with the ultimate service.

EGR: Last year you launched your offering in the UK – what has the result of this been and how is the market different?

IZ: Our launch in the UK was our first venture into a regulated market, and it has gone incredibly well. In fact, since GoWild went live in the UK in November 2017, we have seen an upward trajectory of growth month-over-month in terms of both revenues and player acquisition. While we obviously planned to succeed in this market, our success has completely exceeded expectations.

For example, the UK now accounts for 20% of GoWild's overall revenues. We also see a relatively decent retention rate (despite the known difficulties of this market) with a 55% month-over-month retention rate for existing players.

One of the main ways that the UK market differs is that it's particularly mobile-driven. This preference is reflected in our bottom line, with 70% of our revenues coming from mobile devices. We've also found that while the popular games from the bigger providers like NetEnt, iSoftBet, Microgaming, and Play'n GO are popular here, the UK market shows a stronger preference than other markets for games from Scientific Gaming and Greentube.

But more than that, the UK market is much different from other markets due to the exceptionally strict compliance requirements of the United Kingdom Gambling Commission (UKGC). Then there's the nature of the players themselves, who are very professional in their outlook.

This combination is a unique challenge we're constantly trying to meet. It means that we need to establish very strict compliance measures while still leaving room to provide players with the best product and service. In many ways, you might say, it's given us the opportunity to be even more creative. In fact, as a direct response, we're now in the process of creating a totally unprecedented marketing approach for our UK players that will eliminate the use

of bonuses and promotions in the way that they've been used up until now.

EGR: How do you differentiate GoWild affiliate programmes for your market?

IZ: At GoWild Affiliates we see our partners' success as our own success, which makes sense since we're basically after the same things – acquisition, retention and increased lifetime value.

To this end, we invest a lot of effort in providing our affiliates with the backing they need. This, like everything at GoWild, starts with a personalised touch. In this case, it's a personal account manager who continually works with each affiliate to deliver top-notch marketing materials, detailed implementation strategies, and branding initiatives to help them grow their business.

But it's more than just traffic we're after. We want to help our partners attract and convert traffic, in the exact markets they serve. This is done through full geo-targeting including landing pages and banners. That being said, it's not just about delivering a German language banner to someone in say Munich. We aim to capture the exact local tone, complete with the images and intonation to best serve each population.

Of course, at the end of the day affiliates want to make money, and get paid. Not only do we pay exceptionally competitive rates, on time, but we offer a lot of flexibility in terms of payment structures, which is something affiliates really appreciate. That is, we work across the entire spectrum of deal structures and partnerships. We've even gone so far as to create tailor-made commission structures and programmes per key market, recognising that every market is different and has its own challenges and unique attributes.

More than that, as many of our affiliates can confirm, we're always open to their suggestions when it comes to customising their ongoing commission plans. In fact, if they have an idea of how to do things differently, and it makes business sense, we're happy to oblige.

EGR: What is your market and focus?

IZ: GoWild currently operate several brands focused on a number of key markets, particularly within the Nordic region, Germany, and the UK.

The last two years, we've put a lot of effort into im-



plementing the GoWild HERO platform and our expansion into the UK. While these areas will obviously continue to be a focus, moving forward there are all sorts of plans in the works, especially in terms of product and user-experience.

As I've already mentioned, we're working on an unprecedented rewards system for the UK market. We're also further expanding our personalisation efforts, to drill down even further and find even more ways to give each player as personal an experience as possible.

After GoWild's incredible success in the UK, we're also looking to enter one new regulated market this year. We're also planning to launch a new brand focused on the Nordic and German markets within the coming year. And, we're looking into new product verticals like virtual games and sports betting.

So, I guess you could basically say, our focus is on continual innovation with the goal of creating an exceptional customer experience, increased market reach and overall growth. ♦

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Market & Competitor Analysis

Featuring: *Paysafe's Income Access*

US rising, esports emerging, post-PASPA potential and more



Erica Anderson

♦ Marketing director
♦ Paysafe's Income Access

Erica Anderson's role focuses on developing the marketing strategy for the Income Access brand. Holding a decade's industry experience, she also oversees the company's in-house affiliate management team and its suite of digital marketing services. Income Access manages close to 20 affiliate programmes.

Erica Anderson, marketing director at Paysafe's Income Access, rounds up the key findings of the 2018 Affiliate Marketing Survey

It has been another defining year for the egaming industry – perhaps more than any other in recent memory. With the repeal of the Professional and Amateur Sports Protection Act (PASPA), the UK Gambling Commission's (UKGC) increased commitment to social responsibility and the arrival of General Data Protection Regulation (GDPR), 2018 has proved dazing at times. Fortunately, this has not prevented it from also being a year of emerging opportunity.

To explore such opportunities and challenges, each year we reach out to our network of affiliates and invite them to participate in our affiliate marketing survey. This survey, along with recurring client conversations, industry events and other relationship-building activities, contributes to our improved understanding of the landscape in which we operate.

The respondents

As is always the case with our survey, many respondents are already hardened industry veterans. This year, 66% have at least five years of affiliate experience, while 48% of those have at least 10 years.

Another area of continued consistency is reflected in the 62% of respondents that primarily operate in the UK – a region that has been the top selection each year that we have conducted the survey. This year, however, did mark the first time that the United States (53%) surpassed Western Europe (excluding the UK and Scandinavia) (31%) as the second most popular market in which surveyed affiliates currently operate.

This year was the third straight year in which the UK (50%), US (44%), Asia (38%) and Western Europe (25%) occupied the top four slots for markets that

affiliates are most interested in pursuing moving forward. The percentages shown indicate how each performed in this year's survey.

The 2018 results show that affiliates are keeping mobile top of mind as 75% responded that they have a mobile-optimised site – 21% of those said that they also maintain a complementary app. This commitment to mobile translated into 53% of affiliates stating that more than 40% of their traffic arrives via mobile devices. This figure has never dropped below 50% in the three surveys in which it has been asked.

This survey, along with recurring client conversations, industry events and other relationship-building activities, contributes to our improved understanding of the landscape in which we operate

Erica Anderson | Paysafe's Income Access

Post-PASPA

PASPA's repeal sent a jolt of readiness and anticipation through the industry as stakeholders from all corners began scoping optimal strategies for successful market entry for both the short and long-term. As is the case with most post-PASPA matters, the impact on affiliates is a state-by-state waiting game.

To better gauge that sense of expectancy, affiliates were asked if they plan on developing a post-PASPA strategy for the US market. There was a narrow gap between those who selected Yes (30%), No (33%) and Maybe (37%). Considering that a significant number of respondents are not concerned with targeting US traffic, that 30% figure shows a healthy number of affiliates are presently exploring their options.

As a follow-up to our question about post-PASPA planning, we asked participants what post-World Cup 2018 sporting competition they were looking forward to the most as an affiliate. While football (i.e. UEFA and the Premier League) was popular at 33%, US pastimes also garnered some favour as the start of the NFL season (13%) and the Major League Baseball (MLB) World Series (10%) combined for 23% of responses.

Verticals

The excitement surrounding PASPA's repeal can perhaps be held partly responsible for shifts that our survey highlighted with regards to verticals of focus. When asked what major verticals they are currently focused on promoting, affiliate responses pushed esports (16%), US sportsbook (13%) and daily fantasy sports (DFS) (13%) towards the bottom tier of the list.

However, when asked which they are considering promoting in the future, esports (34%) finished in the top spot just ahead of sportsbook (31%), while DFS matched casino at 26%, and US sportsbook reached 22%. This marked a significant increase compared to the 2017 results for both esports (25%) and DFS (15%).

Sportsbook's 31% makes it the only vertical to have reached that total in each of the last three surveys in terms of future promotional consideration. For verticals that affiliates currently promote, casino (56%) and sportsbook (47%) were the two most popular choices for the third successive year.

UKGC & GDPR

"What is GDPR?" With the passage of time, an increasing number of industry stakeholders will be equipped to provide a comprehensive response to that question. Given the inherent complexity of such a crucial issue, we asked affiliates to describe their familiarity with GDPR and its industry impact.

An indicator of that growing awareness is the 27% of respondents who said they have a "comprehensive" understanding of GDPR. That was good enough to make it the most popular response, followed by "working knowledge" and "somewhat lacking", each of which received 23%. Another 17% of respondents said they were "above average" while 7% chose "severely lacking".

Affiliates were also asked their thoughts on the UKGC's firming commitment to social responsibility. Respondents indicated that the UKGC's actions have been relatively well-received as 43% described



them as being "adequate", while another 13% selected "ideal". Only 3% said that the body has not been strong enough, while those who found its handling to be excessive totalled 13%. Another 23% said that their opinion is still to be determined.

Social media

Questions pertaining to social media efforts for the present and future also yielded interesting results. Last year, Facebook was the top selection for both current activities and future initiatives, while Twitter trailed by 13% for each question. This year saw those positions swapped as 75% of respondents said they currently use Twitter compared with 66% for Facebook.

When asked which channel they expect to focus on more through the remainder of 2018 and into 2019, 72% selected Twitter while 63% chose Facebook. This question also saw favourability rise for YouTube (+27%), Instagram (+3%) and Snapchat (+3%) compared to 2017 results.

In assessing this year's results, we are again buoyed by the industry's continuing evolution, achieved by turning inbound challenges into opportunities bursting with potential. We're also inspired by evidence that signifies the need for increasingly contemplative lines of questioning that recognise e gaming's growing complexity and maturation. ♦

Featuring: Payscale's Income Access



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