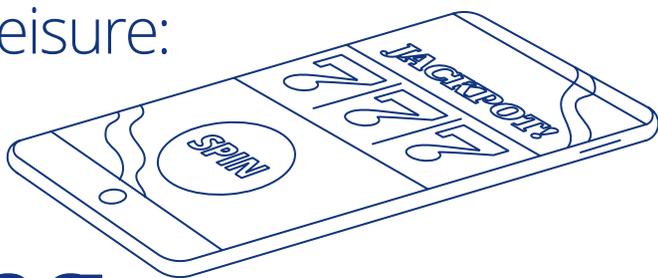


Diving deeper into leisure:

Betting and gaming



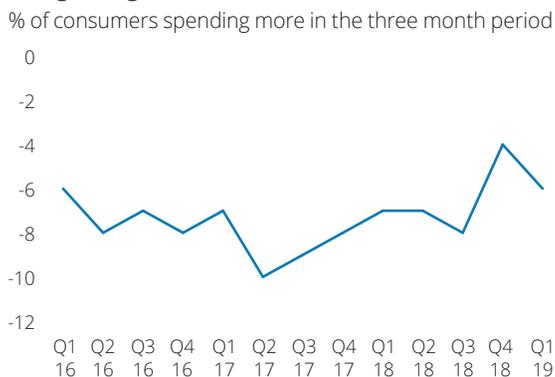
Betting and gaming operators are likely to see demand growth online as well as in territories outside the UK. While for consumers sports will remain a key area for betting, they are also likely to seek out new, innovative gaming experiences.

Do you want to bet?

Gambling is a popular leisure activity in the UK with nearly half of UK adults (46 per cent) reporting that they have taken part in gambling at least once in a four week period.¹ However, participation in gambling has decreased from 48 per cent in 2016. Much of the reduction is due to fewer, particularly younger, consumers playing the National Lottery, which continues to be the most popular type of activity in this category.

Our consumer reported data suggests that net spending on betting and gaming has remained fairly constant over the last three years. The outlook for Q2 2019 spending was also very positive with intended net spending for Q2 2019 being up by three points compared with the previous year.

Figure 1. Net leisure spending on betting and gaming



Source: Deloitte Leisure Consumer

Changing areas of focus

The gambling sector has changed notably as a result of the widespread adoption of smartphones. Remote betting and gaming has emerged as an instantly accessible alternative to the bricks and mortar betting shops, often offering more favourable pricing and odds. Since 2014 operators have broadly focused on bolstering their position in this part of the sector. While a survey by the Gambling Commission found only around two in ten reporting to have gambled online, remote betting and gaming makes up around 37 per cent of the market and total gross gambling yields in Great Britain.² Online gambling has seen fast growth, particularly on horse and dog races which both saw a ten point increase between 2017 and 2018.

Regulation and safeguarding for responsible betting and gaming has been a growing focus in the UK. This has particularly affected gambling in the physical environment through the restriction affecting maximum stakes on fixed odds betting terminals in betting shops. However, there has also been sector-wide restrictions on advertising and payments that have made the UK market a more complex one to operate in.

Meanwhile, the US is gradually liberalising sports betting. The 1992 Professional and Amateur Sports Protection Act, the federal law banning sports betting outside of Nevada, was overturned in 2017, paving the way for states to legalise sports betting from April 2018 onwards. By the end of 2018 seven states had legalised gambling while at least a further eight are expected to explore legalisation in 2019.³

Looking for growth elsewhere

The US has the potential to become the world leader in sports betting, but the growth in the market depends on how willing the remaining states, as well as federal lawmakers, are to embrace policies that allow the industry to grow and vie for market share with the offshore market. Additionally, the Asian gambling market might provide some potential for longer-term growth as the regulatory landscape starts to change there. This, combined with tightening regulation in the UK is likely to lead operators to focus their future growth plans on territories outside the UK while market share consolidates inside the UK.

Online gambling is likely to remain the main channel for growth, as the take up is still relatively low in the context of the high, and still increasing penetration, of smartphones. Existing retail-focused operators will continue to look to their digital businesses for growth, with mergers and acquisitions continuing to drive consolidation in the sector. Regulation in the UK market will continue to focus on securing safer gambling both online and in the retail environment.

Sports betting will remain the growth area for betting and online gambling more broadly. However, consumers are likely to continue to enjoy and seek out new, innovative gaming experiences. As the industry responds to this demand, digital gambling products are likely to converge with interactive gaming products.

The interactive gaming sector has already seen notable growth in the last couple of years, with some key global successes, including Pokémon Go and Fortnite. Fortnite has a base of over 250 million players, generating over \$1.2 billion with in-game purchases, while Pokémon Go still has 147 million active monthly users and achieves revenues of around \$2 billion. Measures designed to make gambling safer will need to be at the forefront of this innovation.⁴⁵

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