RP – GambleAware: GB marketing analysis – sources and method

Regulus Partners conducted an analysis and estimate of GB marketing spend by GB licensed operators, focussing on commercial landbased, remote and lottery. The analysis captured the years 2014 to 2017 and was based upon both operator spend and types of marketing spend.

Operator spend was the first focus, where the methodology employed was:

- record the revenue, UK mix and total marketing spend of all publicly listed operators; this represents half of all commercial operators captured and so represents a very strong sample
- Use revenue provided for UK domiciled private companies; this represents a further seven companies
- Use proprietary estimates (triangulated from traffic data, supply chain and other sources) of GB revenue for the remaining private enterprises domiciled offshore (only three companies)
- Using RP industry knowledge, triangulated with the rich data for half of the sample (provided within publicly available Reports, results and presentations), estimate the GB marketing spend of the top 20 commercial companies and three major lottery providers
- "Other" was factored significantly higher as a proportion of revenue than top twenty operators to factor in publicly available data on the spend of smaller operators in the market (eg, LeoVegas, Netplay TV) and the impact of large international sponsorships from operators with a very small UK presence (eg, 188, SportPesa, Dafabet in the EPL)

This then provided a total marketing spend for all identified operators for each of the years, as well as a total for the market. Detailed sources are provided in the spreadsheet.

The types of marketing spend were identified at group level. Some sources provide granular evidence that can be extrapolated – eg, the spend on EPL sponsorship is publicly available online. Equally a critical mass of operators provide more granular marketing spend in annual results (eg, Kindred, Bwin.Party provides, or used to provide affiliate splits). Finally in terms of detailed public sources, public companies give a breakdown of marketing spend split to investors from time to time (eg, William Hill). These were triangulated using RP's industry and then adjusted for industry trends known to RP from industry experience and newsflow (eg, large operators significantly cutting affiliate programmes, as has been well reported in the trade press).

The sources of this data are disparate and fragmentary. RP has therefore relied upon over a decade of active industry analysis to pull the sources together and extrapolate trends. There is no single source of clear data even for individual operators, due to commercial sensitivity, and no reliable source for overall industry spend (partly for reasons explained below). Finally, due to the nature of the exercise, gambling licensees were not asked for input. The figures produced should therefore be treated as Regulus Partners estimates, which are as close to reality as publicly available information allows.

Finally, a top-down examination of the industry was conducted using Nielsen data for TV advertising and overall social advertising mix publicly available through online sources. These were used to validate RP assumptions but not to lead them because of issues with the data (eg, Nielsen is volume led rather than value led; overall social mix does not factor in a different marketing approach from gambling than, say, FMCG or automotive). While more granular marketing spend is not publicly available for gambling, the total UK marketing mix provided by Campaign Live was used as a benchmark, with gambling spend apportioned according to RP's understanding of gambling-specific marketing practices vs. marketing activities within the wider economy (as with Nielsen adjustments).

It is important to stress that these figures are RP estimates and that individual gambling operators guard their marketing mix closely as commercially sensitive. No privileged information has been used to develop these estimates and as such they amount to a triangulation as accurate as we can make them, not a 'correct answer'. Should further detail come to light, RP will make any required adjustments and provide the necessary detailed explanations gratis for a period of 6 months from delivery.

FAQs

How accurate are the estimates provided?

The data provided is an estimate and should be treated as such. RP has a very high confidence in overall marketing spend (c. 90-95%), given the quality of the publicly available data and the transparency of gambling business models overall. More assumptions have had to be made in the marketing splits, but there are clear points of triangulation around TV advertising, sponsorship and affiliate spend especially; given that the only other major type of marketing significantly deployed by gambling companies is digital (with some Out of Home factored in through benchmarking), RP believes that this spend can be triangulated with c. 85-90% confidence.

What are the likely errors within the data?

There are three key potential sources of error, but RP believes none is significant, even when considered collectively. First, the less visible 'tail' of operators may spend significantly different proportions of marketing than estimated, but since by definition the tail is quite small, even material adjustments to marketing spend have a limited impact on the overall figures. Second, some operators may define marketing differently than others, for example including the staff costs of marketing teams within marketing spend; however, this is only likely to cause a low single digit margin of error as most allocations are obvious and, in the context of staff cost allocation, marketing is not labour intensive. Finally, some operators might have significantly skewed marketing mix (eg, more TV, less affiliates), though while this might mean a given operator's mix is different, and this may impact aggregated data, we believe that the overall average mix is a strong proxy, with specific skews cancelling each other out (eg, larger operators will concentrate in TV but smaller operators will concentrate in affiliates).

Why are the advertising statistics available different to these estimates?

It is RP's understanding that publicly available advertising statistics are based upon volume. As such they provide a good proxy for the proportion of advertising used by a given sector. However, gambling is one of the most skewed of all sectors in terms of advertising spend, focussing either on some of the most expensive advertising slots available (prime time sports) or some of the cheapest (late night / specialist channels). This means that the adjusted value of advertising spend can be very different to that implied by the volume. Further, RP has examined marketing spend, which would include the cost of creative agencies etc to produce advertising, which pure advertising spend would strip out.

With thousands of private websites targeting the UK, how can publicly available data be reliable?

Despite the large number of licensed operators, the UK market is surprisingly consolidated from an operator perspective. For example, the top 4 listed sportsbooks account for 60% of total revenue (including SBG, now owned by Stars Group); while gaming is more fragmented, business models are nevertheless visible through both marketing behaviours and the reporting of the supply chain (eg, Playtech). Consequently, while the 'long tail' is hard to see, RP does not believe that it moves the margin of error to unacceptable levels.

What changes are likely to these estimates in future years?

GB online gambling has grown at c. 20% pa for nearly 10 years and within this time innovations such as mobile and social media have dramatically changed both the consumer and marketing landscapes. These figures are therefore in a constant state of evolution. However, with gathering evidence of a material slowdown in GB gambling revenue growth, there is reason to believe that these figures will stabilise relatively going forward. Absent regulatory change however, continued growth in marketing spend is, in RP's view, a fairly safe assumption – but not at the rates seen hitherto.