

Industry report

CIS-Eastern Europe Gaming or cybersport betting? Opportunities and strategies



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1.

Introduction

The picture for gambling throughout Eastern Europe and Eurasia is as equally complex as it is elsewhere in Europe. Here we give a brief overview of some of the regulatory situations in many of the major markets in the region and also look into some of the statistics for player demographics across all channels including desktop, mobile, social media and console gaming. We then turn to technology, assessing what tools operators need to deploy to stay ahead of the competition.

2.

Eastern Europe: regulation, gambling overview

Land-based casinos are legal in **Armenia, Georgia, Kazakhstan** and **Turkmenistan**, but in **Kazakhstan** and **Armenia** casinos can operate only in special gambling zones.

Both online and offline gambling is legal in **Belarus** and **Tadzhikistan**. For online casino operations in **Georgia** and **Armenia**, a local license is needed. In **Uzbekistan** and **Tadzhikistan** illegal online casinos are monitored and blocked. **Russian** legislation has forced land-based casinos to operate in special gambling zones but there are hopes that online gambling will be regulated over time.

The lack of online gambling has been a contributory factor in the popularity of video, social games and mobile games.

Romania, Slovakia, Poland, Hungary, Bulgaria, Latvia allow sports betting and gaming, not only from the monopoly. **Slovakia**, in particular, is showing a growing trend towards online thanks to its more flexible regulation, while **Latvia** is showing strong signals of growing in the land-based environment.

Regulation in Eastern Europe

2.

Russia

International sports-betting companies have faced threats of blocking from the authorities, but ultimately the laws on online sports-betting have not been enough to perturb Russian gamblers in this huge market. Currently, the following [gambling activities are regulated in Russia: casinos, gaming machines, betting, racing and lottery games](#). Remote gambling remains expressly prohibited but a centralised online sports-betting system is now in operation following amendments to the law in the past few years. There is a state-controlled lottery and casinos and gaming machines are restricted to five designated gambling zones.

Ukraine

[Online sports-betting is not allowed in the Ukraine](#), and authorities have a track record of clamping down on citizens that use them. Gambling services are offered by the state itself through its lottery organisation. However, Ukraine's Ministry has indicated it is willing to consider reintroducing gambling by 2018.

Belarus

Belarus has an established gambling industry with casinos, gaming machine halls, bookmakers and totalisers all regulated. The current law is from 2005, with some subsequent amendments. [Regulated](#) by separate legislative acts, interactive games and lotteries are also operated in Belarus. Although the gambling industry is quite developed, it is mainly established in Minsk, where the majority of casinos are located. Due to its proximity to Russia, Belarus has been trying to establish itself as an alternative to Russia's prohibitive stance on casino gambling.

Armenia

Gambling in Armenia [is regulated](#) and licensed, with recent years witnessing an escalation in fees. However, advertising of gambling services is now restricted to existing gaming premises, high-end hotels and border entry posts.

Kazakhstan

Betting shops, betting terminals and casinos are located countrywide. Land-based casinos offer [games](#) such as [roulette, poker, and blackjack](#). [Online gambling](#), on the other hand, [is prohibited](#) with the Kazakh authorities having instigated blocking of foreign gambling sites.

Uzbekistan

[Online betting](#) is illegal, but foreign book makers are accessible.

Georgia

Georgia gambling laws are relatively strict, as they prohibit wagering on horse or dog races, or casinos of any kind. In fact, the only kind of gambling activity explicitly allowed in Georgia is raffles for charitable organizations.

2.

The Balkans

In [Bulgaria](#), a licensing system is enforced, but authorities have set about relaxing financial requirements from operators in order to strengthen the market, meaning that any international sports-betting provider can apply to operate. The land-based bingo sector has experienced a sharp contraction in recent years, with only one bingo hall present in the country, and almost replaced by the sophisticated video games and modern gaming equipment. The regulator approved few online gambling licence, included a land-based Bulgarian sports-betting operator.

[Bosnia and Herzegovina](#) contains a high number of betting shops while a large number of international providers operate into the country. Sixteen cities have gambling facilities offering casinos, slot, video poker machines. Online gambling is legal, but only for companies with land-based operations.

[Croatia](#) has done its best to pass laws that strengthen the position of its local sports-betting providers - only organisations that have set up shop on Croatian soil are allowed an online license.

In [Macedonia](#), authorities have tried to carve out a monopoly of the sports-betting market, taking advantage of the popularity of the online gambling in particular.

In [Montenegro](#), gambling has been legal since the country was formed in 2006. Services including sports betting are regulated by the Games of Chance Administration.

Since 2016, [Romania](#) has had a fully-regulated online gambling market. Land-based betting, casino and slot halls are also regulated alongside the lottery. Any operator from EU/EEA jurisdiction or swiss confederation can apply for a licence. Lottery games are reserved for the monopoly. Regulated gambling products in the country are sports betting, horse race betting, casino, bingo and lottery.

In 2011 the authorities in [Serbia](#) began an initiative to stamp out black market sports-betting. The online sports-betting market in Serbia has been hit by the regulation which requires gambling sites to have a physical presence – this has led to the closure of some online operations.

[Slovenia](#). While land-based sports betting is governed by the Slovenian Gaming Act, online ventures currently have no route to obtaining a gaming license, leaving the sector unregulated. Online gambling must be operated by land based casinos or lotteries and only the monopoly holds online licence in the country. Gambling products allowed in Slovenia are: sports betting, horse race betting, poker, casino, bingo, lottery.

Turkey. The country was once home to a thriving casino industry but has now largely banned gambling in all its forms, with the exception of a number of state-regulated lotteries. This hasn't affected its citizens' thirst for online slots, though, and many of online operations still welcome Turkish players.

2.

Czech Republic and Slovakia

Operators that offer sports-betting online in the Czech Republic are obliged to pay a special tax and international sports betting operators are technically barred from the market, although the sites themselves are not blocked. In Slovakia, although sports betting is not prohibited, no official licenses have been handed out by the authorities.

Hungary

Only the state monopolies and local concession companies can apply for a licence. Amendments to the local gambling law allow land-based casinos to hold remote casino concessions. Regulated gambling products in the country are sports betting, horse race betting, poker, casino, bingo, lottery.

Poland

Gambling law here is very restrictive, imposing harsh requirements for gambling operators with severe penalties for violation. As of April 1 this year, Poland introduced legislation designed to eliminate its grey market. Online sports-betting companies will need to be locally licensed, while the government has a monopoly in the online casino market.

Latvia

Online sportsbooks for Latvian customers have become more accessible after the introduction of the Euro which allows the use of credit cards or e-wallets in an easy way compared to the past. Regulated gambling spend has now increased by 85% since 2010, with annual growth having reached double-digits in four out of the last five years. Gaming machines are the most popular gambling product in Latvia and represented almost 80% of the revenue.

3.

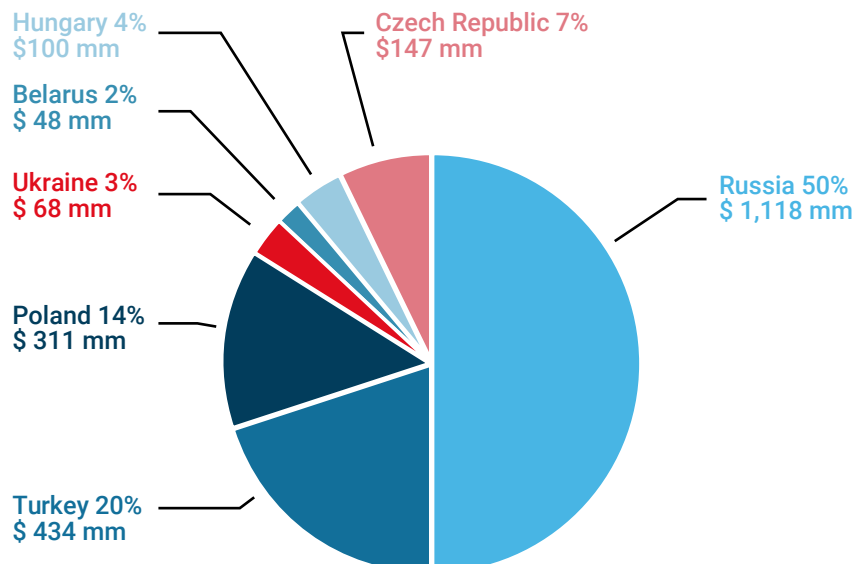
Online and Mobile: opportunities in Eastern Europe

In the majority of the countries in Eastern Europe online casino and sports betting are not regulated or face heavy restrictions. Partly as a compensation, these markets have seen a burgeoning interest in online gaming and eSports competitions. It is a factor that operators should bear in mind when they are exploring the potential for these markets, particularly so in the case of Russia.

The digital games market in Eastern Europe is extremely interesting:

- Estimates put the number of online gamers in **Eastern Europe at 3.3 million**
- **Eastern European** digital games revenues have grown by **7% year-over-year**
- **Russia, Turkey and Poland** dominate **84 %** of the Eastern European digital games market, accounting for **\$2.2 billion** in digital games revenue
- **Russia**, alone, takes almost half of the digital games market with **\$1.12bn**
- Regulated gambling spend in **Latvia** has now increased by **85%** in the last few years, with annual growth having reaching double-digits in four out of the last five years. Gaming machines are the most popular gambling product in Latvia and represented almost **80%** of the revenue. Infographic1- Eastern Europe digital games revenue

Eastern Europe digital games revenue





4.

Focus on the Russian video gaming market and eSports

Overview of the games and trends in Russia

Russia would appear to have shifted towards cybersports and eSports over traditional sports betting and casino, likely because of the complicated nature of the regulations governing the latter. Paying attention to this trend, operators must diversify their gambling offer in the region in order to profit from the market. It shows the great potential within these areas and offers operators hints as to how they should be developing their strategies and offers in order to be able to succeed in these territories.

The four main factors driving the growth of the digital gaming in the region are:

1. MMO (massively multiplayer online games)

This is the largest form of digital gaming commanding the **36% of the market**

2. Pc with console games

This accounts for **23% of total games revenue**. The increasing popularity of credit-card payments in Eastern Europe has made it easier for gamers to legitimately download digital content.

3. Social media

A growing segment with **16%** of the total digital games market by revenue

4. Mobile

Limited **smartphones penetration** in this area of Europe (6% in Ukraine, for instance, the most populated country) consequently means **low revenues with only 5%** of total games revenue

According to Unity Technology and eMarketer, mobile game installs are far higher on **ANDROID** devices (86%) than on iOS (11%) due to the prevalence of Google's operation system in the Russian mobile market

Russia officially recognizes eSports

4.

Last year, the Russian government recognised competitive video gaming as a sport, opening the door for Russian gamers to apply for sponsorship from the sports ministry and receive official recognition for their achievements.

“Computer sports have been recognised and entered into the first class of the all-Russian registry of sports,” the Russian Sports Ministry said in its announcement.

eSports is an emerging market with the global online audience growing from **130 million** in 2015 to over **213 million** in 2016. Global revenue for eSports has likewise grown by **20%** to **\$892 million** in **2016** and likely to top **\$1bn by 2018**. **Dota 2, League of Legends, Fifa 17** and **Hearthstone** are the most popular eSports in Russia.



4.8 
Bn Esports
Enthusiasts
2017

1.5 
Bn Total game
Revenues
2017

78.4 
Bn Smartphone
Users
2017

Revenues and devices

Gaming is one of Russia’s biggest industries, and the country has the largest market for video games in Eastern Europe. In 2016, Russia’s gaming market was worth **\$1.4bn**, making it the **11th largest market in the world**.

\$1.4Bn  Total game
Revenue **#11**  Market in
the world

The three devices that are responsible for Russia’s growing game revenue include:

PCs → 44% of revenues for Russian gaming

Mobile devices → 34% of the 2016 Russian gaming market revenue

The accessible nature of mobile gaming makes mobile devices the most convenient option for Russian gamers. **The increase of mobile internet access is also a driving force in Russian mobile gaming.**

Consoles → 22% of Russian gaming revenues comes from consoles; it still represents almost a quarter of the gaming market by participation and significant portion of the revenues.

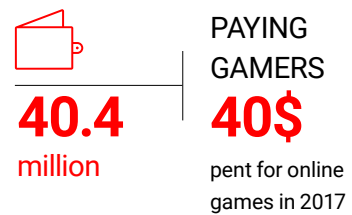
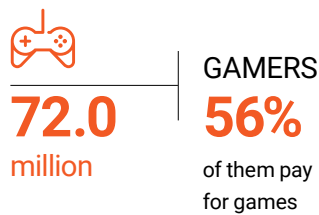
4.

Russian Gamers in numbers.

Russia has an online population of **110 million people** with approximately **65%** of that population playing video games, making it one of Russia's largest leisure sectors.

Of Russia's **72 million** gamers, **56%** of them pay for games. Of the **40.4 million** paying gamers the average spend in 2017 was circa \$40, which includes expenditure on games, accessories and in-app purchases.

Russia is the 11th largest gaming market in the world and represents certainly a key focus for any online gaming company. **It is expected to be an important market as it continues to grow.**



What's the next step?

Let's have a look to new technologies and strategies that can enable operators to succeed in these territories.

5. The technology required to conquer Eastern Europe

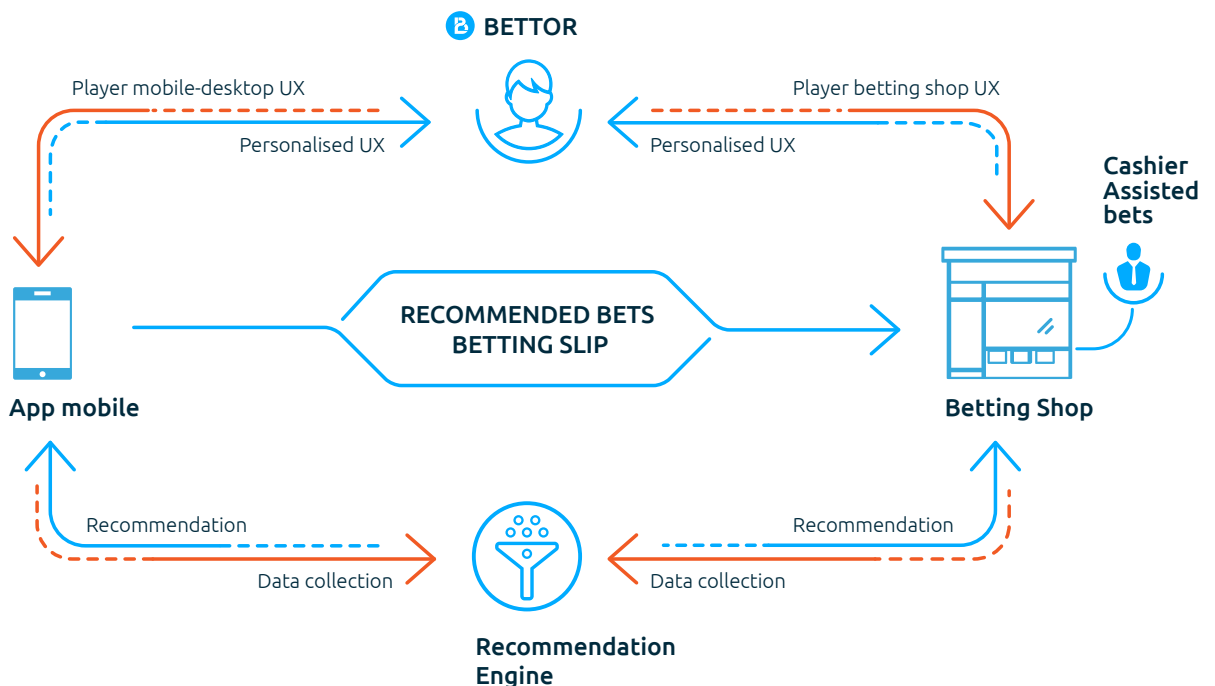
The **real innovation** lies in being able to give the player the power to decide where to bet/play and on which product. It's about knowing what the clients prefer and using that information to inform future offers to gain their attention, trust and ultimately their loyalty.



Today's bettors in Eastern Europe and Eurasia mainly participate via desktop and mobile, more than in shops.

The key is to have the right tools available to, first, **collect the data** and second, **transform the raw stats into actionable information** about a player. It means an operator can provide a **tailor-made offer** and a satisfying gaming experience, regardless of the channel that player is using to arrive at the product offering.

Recommendation Engine interaction flow.
A.I. + R.E. = Real innovation



Artificial intelligence plays a central role in this process.

5.

A.I. is crucial to provide personalized and satisfying offers cross-channels and it works through four fundamental steps:

1. **Collecting** data from players/bettors when he is on the site (as his age, his preferred teams, his preferred bets and events, etc.)
2. **Collecting** data also in shops through the **CASHIER ASSISTED BETS SYSTEM** (when possible, depending on the country's regulation)
3. Analysing the data and player behaviours and categorizing players by their similarities
4. **Automating** offers that are tailored to the interests of each individual player segment

Importantly, this is a **continuous process** – a flow of information, analysis and suggested bets that can be offered to each player **regardless of channel** – and which can help operators direct traffic between mobile, online and retail.

The process

The **agent** opens an account for the **bettor** and places the bets directly into his unified account.

The bettor can play via mobile or online, and cross-channel via a single account (and wallet).

The gaming intelligence monitors the user's behaviour and, thanks to the Recommendation Engine, suggests the best bets, events or games that it predicts the player will like. No matter if the bettor decides to play in a shop, online or mobile, **operators can be supported by the gaming intelligence to deliver the most appropriate gaming offer at any moment through technology**, increasing the player **loyalty** and **brand's revenues**.

Further aspects to consider

The evolution of the technology has advanced **beyond simple player-management** systems that enable operators to acquire and analyse a player's data and behaviour. The innovation of A.I. - and the related concept of the Recommendation Engine - enables operators to automatically **cluster users according to their interests and preferences**, managed across all channels and providing them with **cross-channel marketing solutions**.



Technologies to grasp the new trend of cybersports in East Europe.

Operators must be prepared for this fast-growing phenomena of **eSports** in order not to lose ground against their competitors. The eSports target market is completely different from the traditional betting market and it is important to understand the audiences' preferences in order to both attract and retain the millennial consumer.

How?

By considering the age of the target, their preferences and providing them with offers in line with their expectations

5.



How can a traditional bookmaker start a dialogue with eSports fans?

To attract this new market, operators must understand the nature of the potential customer. The overwhelming majority of eSports enthusiasts, both participants and spectators alike, belong to the generation which is always connected and ahead of the game in terms of technological advancements.

Operators will need to:

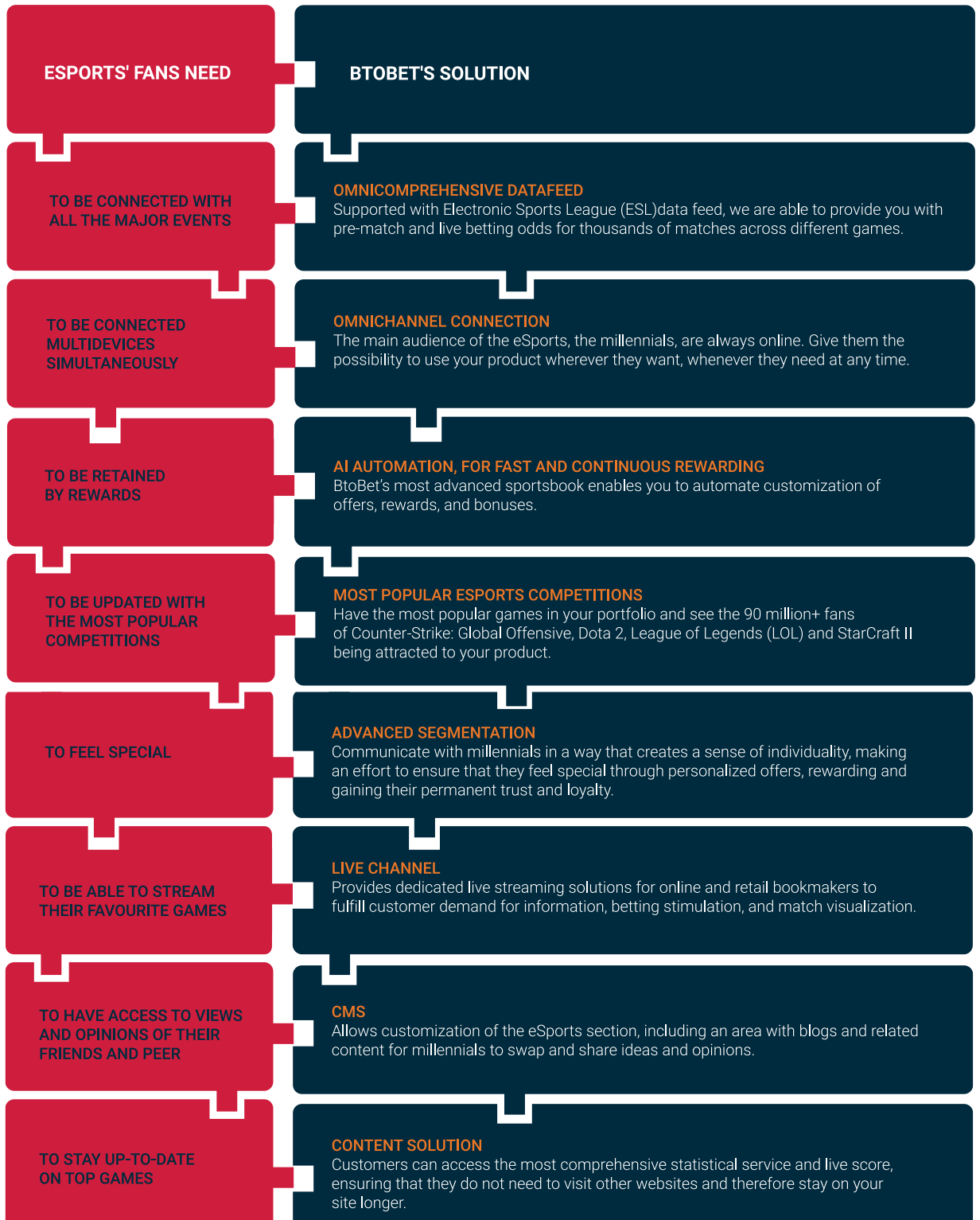
- Work on their **brand reputation** to capture the attention of millennials
- Choose appropriate ways to **communicate** through **mobile** and **social** networks
- Follow forums to understand who their target is and what they think
- **Boost** their brand's **presence**
- Write **good content** and helpful information and inspiration to **acquire credibility**, to **capture interest** and create **positive value association** with the brand.

The multi-channel approach ensures that each player can access whatever is desired, at a time convenient to them, using the device best suited to their specific wants and needs.

How to communicate with eSports and cyber sports fans

Implementing an eSports element to your product suite and service portfolio is of utmost importance. BtoBet offers an eSports solution that means your brand can communicate eSports fans with a tailored offering that will engender trust in your brand and loyalty from these new consumers in an already very competitive space.

5.



High-performing eSports betting with BtoBet's artificial Intelligence

BtoBet helps operators to expand their business beyond the traditional sports betting. Betradar's solutions and BtoBet's AI software are a perfect combination for the eSports market providing benefits for bookmakers and eSports fans and cyber-bettors in Russia and in the rest of Eastern Europe.

5.

BtoBet has dedicated a **special section** of its gaming solution to eSports, offering bookmakers its intelligent software integrated with Betradar's high-performing eSports solutions, and the opportunity to experience the promising new eSports environment with protection from **Fraud Detection** and **Prevention services**, direct real-time data from game servers and CS: GO Streaming service with the lowest possible delay (involving an exclusive deal with ESL).

6.

Conclusion



Online betting and gaming is in a formative state in Eastern Europe, and though partial regulation is already happening in some countries, the picture is by no means settled. However, operators should be looking beyond the confines of betting and gambling to look at developments with video gaming and the emergence of eSports in parts of Eastern Europe and particularly Russia where there is the potential to convert the millennial audience to eSports gamblers. To do this, operators need the adequate technology and tools, to have a deep insight on the players' behaviour and preference in order to always suggest games and bets they will love.

7.

About the publisher

The multi-national BtoBet is a pioneer in new technologies for the betting industry and has a deep knowledge of the European market and its challenges. Its iGaming omnichannel platform and sportsbook software can meet both players' and operators' expectations. BtoBet's platform is unique, customizable, advanced, secure, reliable, flexible and delivers unprecedented capabilities to drive Sportsbook and iGaming business. Its omnichannel, multicurrency and multi-jurisdiction solution, is suitable for any regulated market. It also provides a deep cross channel-data analysis and automatic actions according to the player's behaviour, preferences and channel in use.



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