

## CASE STUDY

### Segmenting the global mobile phone gaming market

In 2003 Rob Anderson, CEO of Cometa Wireless Gaming Systems, came up with the idea of transferring the 'feel of the casino/slot machine' to the mobile phone. His own experience and information in the industry press suggested that interest in the traditional fruit machine sector was waning. The market for playing slots and gambling games was still there, but the expectations of consumers as to the delivery modes of games was changing. Given the level of mobile phone ownership

and penetration of mobile phones as a key medium for 'entertainment' – i.e. ringtones, music delivery, etc. – mobile phones seemed to be an ideal platform to deliver casino style games.

Initial secondary research using the Internet and industry press showed there were few companies delivering fruit machine-style games on mobile phones. Closer inspection of their games revealed the games were basic and designed from the perspective of a games designer rather than a fruit machine designer. Juniper research (a leading provider of mobile entertainment reports) also estimated that the mobile

gambling market was set to rise rapidly through to 2011 to \$23bn (Source: Juniper Research Gambling on Mobile III, 2006). The market for mobile gambling games was showing some real potential. Cometa would be able to deliver superior quality games compared with its competitors, bringing the feel of playing on the Las Vegas slots to the mobile phone. Games could be played any time, anywhere; on the way to work on the bus/train, waiting in the bus queue etc. Competitors however had a few years foothold in the market, they had acquired key partners and had begun to establish a mobile casino brand. In addition one main competitor floated on the Alternative Investment Market (AIM) in 2006.

The mobile gambling market was split into a number of sectors providing different style games; the lottery and bingo style games, more traditional fruit machine/casino games including roulette and blackjack, skills-based games such as quiz games, points for prizes games and non-gambling games such as just for fun slot machines where players paid just for the download to their phone. It also included more functional gambling services such as placing bets for horse racing, football and other sporting activities. Cometa decided to focus on delivering games which encompassed its core expertise, i.e. the fruit machine/casino style gambling games. Its initial portfolio of games included a range of slot machine style games such as 'Adders and Ladders', 'Cop the Cash', casino style games such as roulette, blackjack and poker as well as bingo, virtual horse racing and a World Cup shoot out.

Global market potential looked promising. Cometa were confident in their ability to design high-quality games based on superior software design. The platform on which the mobile casino operated, Arcadia™, was patent protected and Cometa had a team of highly qualified software designers led by a technical director with experience in the fruit machine industry. Cometa would need to sell their mobile casino package to industry intermediaries around the globe who could reach the 'mobile gambler'. Therefore as a business to business operation, Cometa needed to consider how to segment the global markets to identify companies with the

largest penetration of potential mobile phone gamblers. Cometa needed to understand (a) the profile of the mobile phone gambling game player around the world and (b) which companies could best reach those players globally.

Cometa planned to sell mobile casino via a website where players downloaded games directly to their mobile phones. Cometa had to identify which companies would want to operate their own mobile casino. In principal anybody could set up their own mobile casino, however, given that Cometa's revenue streams would be based on a percentage of gambling revenues, their target customers needed to have access to a large database of potential mobile gambling games players. Which companies would have access to such a large database of potential players, how do they identify them and how do they reach them? Would it be online casinos looking for a mobile arm to their operations, or is it any entrepreneur with sufficient revenues to manage a mobile casino? The latter would need a heavily supported promotional campaign to build a large enough database to capture a percentage of mobile phone gamblers.

Given the 'virtual' nature of the product and its user, i.e. the online mobile casino and the mobile gambler, Cometa had a difficult decision to make in trying to segment the global market. In its simplest terms the mobile phone gambler could be anyone in the world with a mobile phone with the capacity to download games, but segmenting the world market on that basis would be costly and ineffective. In terms of the mobile gambling game player, was their profile the same as the fruit machine player, i.e. the 18 to 35 male? Was it the same as the mobile phone games player? Research also showed an increase in the number of women playing mobile gambling games. Did they play the same games as men? Did they fall in the same income, age brackets or lifestyle segments? It was more likely that the mobile phone gambler was a niche customer located in different countries across the world.

Geography was only an issue in terms of gambling legislation. Players could be global but legislation was not. Culture and legal issues played a big role in the gambling sector. Many gambling-style companies were basing operations offshore, or had to acquire expensive gambling licences. Legislation was continually changing. The US recently outlawed gambling over a telephone wire, although 'games of chance' were not. As far as Cometa understood, the situation in the UK was different again, in that the 1968 Gaming Act was based around where a bet is taken, e.g. if it is taken in a bookmakers then that bookmakers must have a licence to take bets, if that bookmaker is overseas, in the case of Internet gambling, then it is 'out of the jurisdiction' of the British government. The latest amendments in the 2005 Gambling Act meant that in order to advertise gambling in the UK, a company must be in a jurisdiction that is on the British government's 'white list' by September 2007. France and Germany were reported to be in breach of European



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law for outlawing online gambling whilst allowing state-run online Lottos. Spain allowed Internet gambling from European destinations. Italy's attempted ban recently back-fired and online gambling has been allowed. Legislation and the lack of conformity across regions meant Cometa would have to segment the global market carefully.

Cometa knew it had the right combination of expertise in games and software design and experience in the fruit machine sector. It only needed to find the best way to reach the mobile gambling game player around the globe and identify the best route to the market ensuring it did not breach gambling legislation.

## QUESTIONS

- 1 Critically evaluate the arguments for and against the use of country by country versus global market segment descriptors as bases for the segmentation of global mobile phone gambling market.
- 2 How can Cometa develop a global segmentation strategy that could be used as the basis for a global marketing plan?
- 3 Advise Cometa on how they should research the global opportunities to better understand the market for mobile gambling.