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Bachelor's Thesis

A STRATEGIC ASSESSMENT OF THE ONLINE SPORTS BETTING INDUSTRY IN THE UNITED KINGDOM

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1 Introduction

1.1 Key definitions, facts and figures

The betting and gaming industry in the United Kingdom has experienced robust growth during the last five years, totalling 18.9% from £9.35bn in 2009 to £11.12bn in 2013, although, the market value of pre-recession (2008 £10,266m) was only matched in the year 2012 (£10,271m). (Key Note, 2014)

However, according Fenez (2011) these growth figures after the recession are quite remarkable; the UK market was one of the only markets to grow during the year 2010 within the EU. The relative lack of growth in 2010 (from £9,354m to £9,475m) can be attributed to the recession and the diminished available finances. In addition, since gambling is generally viewed as a non-essential service and spending to betting and gaming is considered discretionary, the maintained growth is truly remarkable.

Key Note (2014) divides the Betting and gaming industry further into sub-categories;

- Lotteries, which involve usually drawing a winning combination of and the winning combination wins the main prize which is most often a cash prize.
- Casinos, which are establishments that offer gaming activities inside them, such as card games, roulette and blackjack.
- Bingos, which can be either a physical bingo club, or an online bingo website.
- Gaming machines (slots) which are often found alongside other gaming and betting establishments such as betting parlour, casinos or bingo halls/websites.
- Football pools, which include predicting the outcome of multiple different results or correct scores. The players invest an amount into the pool, which is then divided to the players who had predicted most correct scores/results in that specific round.
- Bookmaking, which can take place in a physical location such as betting parlour or online. The bookmaker takes bets on events such as professional football or horseracing at agreed odds.

Different methods of gambling can be defined further as purely luck based games, such as lottery or roulette and games which include educated guesswork or strategies, such as sports betting or poker.

Moreover, the market can also be defined at where it takes place; if it is predominantly in brick and mortar locations such as physical casinos or bingo halls, or if the gaming action takes place online, such as online bookmaking and online bingo sites, i.e. remote gambling. Key Note (2014) divides the remote section further to; high-street bookmakers who also operate a remote book, online only operators, fantasy-football style remote pool betting operators, remote bingo and casino operators and suppliers of gambling technology e.g. software.

This research focuses mainly on remote bookmaking i.e. online sports betting. The Gambling Act 2005 defines betting as; "making or accepting a bet on

(a) the outcome of a race, competition or other event or process,
(b) the likelihood of anything occurring or not occurring,
(c) or whether anything is or is not true"

1.2 Industry specifics

The value of "remote" (which include betting via internet, telephone, television, radio or any other kind of electronic device) betting market value has grown in recent years, football betting, and especially "In-play" betting, being the predominant driver of growth. The turnover of the online betting sector has grown from £10,826m in 2010 to £25,411m in 2014, and the turnover of online football pools grew from £154m in 2012 to £208m in 2014. The online betting sector represents 96.4% of all revenue from all online gambling. (Gambling Commission, 2014) There were 277 remote gambling activity licenses held by 200 operators. (Key Note, 2014)

From the turnover of £25.4bn from online betting 40.1% (£10,189m) can be attributed to football betting, 20.3% (£5,156m) to tennis, 8.3% (£1,989m) to horse racing and 28.4% (£7,220m) on other products (Gambling Commission, 2014), which includes products such as betting on snooker and novelty betting (i.e. betting on the outcome of the general election or winner of '*Big Brother'* television program).

The general remote gross gaming yield (i.e. the percentage the operators held from wagers) was £1,104m in 2013 for sports betting products exclusive of betting exchanges and football pools, from which betting held a £980.40m share. (Gambling Commission, 2014)

1.3 Research topics

This research is using the tools and techniques of strategic management in order to strategically assess the online betting industry and its operators. Tools such as PESTEL, (Thomas, 2007) Porter's Five Forces of Threat, (Porter, 2008) key drivers of change, (Johnson *et al*., 2011, p.50) industry life cycle assessment (Klepper, 1997) and opportunities and threats (Johnson *et al.*, 2011, p. 74 & 106) are used in order to analyse the macro (i.e. the external) environment in the United Kingdom.

Tools such as VRIN-analysis (Barney, 1991), Value Chain Analysis, (Thompson & Martin, 2005, p.250), Resource-based View (RBV) (Jeffs, 2008, p. 16), Dynamic Capabilities

(Johnson *et al*., 2011, p. 85) and Core Competences (Hamel & Prahalad, p.243, 1994) are tools to analyse the internal environment of the companies operating in the online betting industry.

In addition, with generic competitive strategies (Porter, 1985, p. 11-22), strategic directions such as strategic clock (Faulkner & Bowman, 1995, p.14-17) or Growth Vector Components, (Ansoff, 1965, p.98-100) the strategic choices of the operators in the online betting industry and their relative success can be identified.

Finally, using tools such as suitability, feasibility and acceptability, the different strategies can be evaluated. (Johnson *et al*., 2011, p. 363-386)

1.4 Importance of research

As the senior sales manager at EveryMatrix (a software supplier to the industry) Alexandro Teodorescu states in an article published in the eGaming Review; “With ever increasing competition, the sports betting landscape certainly doesn’t look roomy enough for new and even existing operators, particularly when speaking of markets that cannot be considered emergent.” (Kaminska, 2014) It is important to identify the competitive advantage each operator in the industry holds and the value pools within these organisations, in order to understand better why some operators might thrive while some operators with similar offering experience declining player numbers and shrinking profits. This research is going to focus on the three biggest remote betting operators in the UK market; William Hill Online, Bet365 and Betfair.

As betting in general is seen to be a dangerous addictive pastime, the government has introduced new regulations to the industry. (Key Note 2014) From November 2014 a new tax-regime has been placed called “gambling (Licensing and Advertising) Act 2014”. This tax introduces a 15pc point-of-consumption tax.

With ever increasing taxation and regulation, it is important to carry out a strategic assessment of the industry and its key players to make important findings in order to explain the existing dynamics and how one might succeed and one fail.

1.5 Research objectives

The following research objectives have been defined;

1. To assess the external influences in the UK online sports betting industry
2. To consider the competitive advantage of William Hill Online, Betfair and Bet365 in the UK online sports betting industry

3. An evaluation of the strategic choices and directions of the UK online sports betting operators
4. An evaluation of the future prospects of the UK online sports betting industry

2 Literature Review

2.1 Industry Specific Facts and Figures

The turnover of the remote- sports betting industry in the UK according to data collected by the gambling commission was for the financial year 2013/2014 (April – March) £25,411.26m of which GGY (gross gambling yield – the amount collected by the operator as stakes minus the amount paid out in prizes or winnings) was £980.40m. GGY for betting exchange was for the same period £31.13m and for pool betting £93.22m. (Gambling Commission, 2014)

The turnover for the remote betting segment has grown at a high rate within the six years of observation; from turnover of £10,263.69 in 2008/2009m to £25,411.26m in 2013/2014 representing an annual growth rate of 19.88%. The last three years bringing growth from £14,098.91m in 2011/2012 and £19,550.73m in 2012/2013 representing annual growth rate of 34.25%. (Gambling Commission, 2014)

However, the GGY for the full period grew a bit slower rate from £640.77m in 2008/2009 to £980.40m in 2013/2014, experiencing decrease in value in the years 2008/2009 to 2009/2010 from £640.77m to £460.85m, after which all years to date have experienced growth, the last three years (starting in 2011/2012 and ending in 2013/2014) bringing an annual growth rate of 31.85%. (Gambling Commission, 2014)

The biggest product in this segment was with a sizeable amount football betting, which GGY was in 2013/2014 £489.08m, which has grown from £172.19m in the first observation period in 2009/2010. The second biggest product measured with GGY was betting on tennis, GGY being valued at £166.16m. Remote tennis betting has grown from the first observation period in 2011/2012 from the value of £68.81m. The biggest betting product counting both remote and non-remote betting is with a slight margin horse racing, being dominated by the non-remote sector, as the GGY for remote horse racing is only £114.99m, having decreased from £201.29m in 2009/2010. (Gambling Commission, 2014)

Mintel (2015) estimates that the overall value of horseracing across all segments is £1,070m while the value of football across all segments to be £845m. (Richardson, 2015) estimates that football will be overtaking horseracing as the most popular product fast, driven by the innovation Bet-in-Play (also called In-running betting or Live-betting), which allows consumers to bet on sporting events while they are running. Bet-in-play takes up to 80% of all football turnover, and the product has been implemented by vast majority of operators. (Richardson, 2015)

Due to the nature of horseracing, similar products have not been possible to be implemented at as wide scale to horse racing, thus further boosting the growth of football betting. In addition, other betting products such as tennis, cricket and golf enjoys popularity in In-play-betting.

2.2 External Assessment Tools and Theory

Johnson *et al.,* (2011, p.3-7) define business strategy as the long-term direction of an organisation. Competitive strategy can be also thought as being different, meaning to deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1996).

Johnson *et al.,* (2011, p.49-50) thinks of external strategy in layers; the outermost layer describes the macro-economic factors such as political and economic factors and can be assessed with the PESTEL analysis which is used to define the key drivers of change within the macro-economic situation. (Johnson et al., 2011, p.50-51) After the outermost layer comes *the industry (or sector)* layer which is the broad general environment. Porter's Five Forces of change tool is highly useful in order to assess the potential threats from outside the current competitors. (Johnson *et al.,* 2011, p.54-62) The innermost layer is *competitors and markets*.

2.2.1 PESTEL Analysis

The external environment is very broad; including governments, competitors, technological and social change, buyer and supplier markets. PESTEL analysis offers a way to analyse these factors. (Thomas, 2007) PESTEL analysis consist of Political, Economic, Social, Technological, Environmental and Legal factors, thus providing an extensive list of influences, which might affect to the success or failure of certain strategies. Political relates to the actions of the government, economic relates to the macro-economic situation, social relates to cultures and demographics, technology relates to for example innovations, environmental relates to "green issues" for example pollution and waste and legal relates to the legislative changes and constraints. (Johnson *et al.,* 2011, p.49-50)

2.2.1.1 Political Environment

According to Key Note (2014) governments in the EU and the UK are experiencing increased political pressure on gaming and betting because continuing issues with problem gambling. Majority of these issues are related to the B2 gaming machines which are described as the "crack-cocaine" of the gaming industry, (Key Note, 2014) thus, not affecting directly to the online segment of the industry. The EU has put forward recommendations for the member states to help the industry to fight against under-age gambling, self-exclusion and other gambling issues. In addition, recommendations were made about socially responsive advertising and sponsorship of gambling services. (Key Note, 2014) According to Health survey data for England (2012) the rates for problem gambling at 0.8% for male gamblers and 0.3% for female gamblers.

Against these changes the four leading *retail* bookmakers (William Hill, Ladbrokes, Paddy Power and Coral) have joined together and formed the Senet group, which is a voluntary self-regulatory watchdog that aims to tackle problem gambling and is trying to re-establish their reputations as an ethical industry. However, none of the online-only (remote) operators have joined thus far. (Key Note 2014) Moreover, groups that are against gambling have expressed their feelings that the Senet Group is just a public relations trick and is mostly about bookmakers' reputations (Key Note, 2014) Mintel (2014b) finds that the industry needs to take concrete steps to tackle problem gambling.

As a reaction to the abovementioned problems and reputation losses that have risen from problem gambling, bookmakers launched a GambleAware week in January 2015 to promote responsible gambling. (McCarron, 2015) The Association of British Bookmakers also stated that they are committed to addressing the public concern and doing everything to protect customers. (McCarron, 2015)

In March 2014 the Government asked a review of the gambling advertising regulation in response to the big growth numbers, particularly in the TV and online marketing channels. This estimated to affect the online industry mostly, since it has been behind the growth in TV and online advertising volumes (TV commercials rose from 537,000 in 2008 to 1.39million in 2012). (Mintel, 2014a)

2.2.1.2 Economic Environment

The UK economy has experienced positive changes recently after the recession, and the unemployment has gone down to 1.42million people in 2013 from 1.59m in 2012. At the same time the GDP has been growing at a fairly solid 3.5% in 2013. In addition, one of the most important indicators regarding the sports betting market is the household disposable income per person (since it relies on discretionary spend), which has risen from £15,443 to £17,058 in 2013. According to the UK treasury, real household disposable income per capita will rise 1.2% in 2015. (HM Treasury, 2014)

Household final consumption expenditure on games of chance rose from £9,354m in 2009 to £11,123m in 2013 which is quite robust rate. As gambling is considered discretionary spend, it is important to mirror it to the total expenditure on recreational and cultural services, which grew from £30,839m in 2009 to £37,395m in 2013, meaning that total % spend was 30.3% in 2009 and 29.7% in 2013 to games of chance out of the household spend on recreational and cultural services.

Key Note (2014) notes that gambling has been a pastime and leisure activity that has been in existence in the UK dating back to ancient times that it is likely that demand will always exist for betting and gaming and that gambling is considered as a fairly recession-proof industry.

Higher job-security is leading towards more willingness and more financial ability to spend on recreational services such as gambling, while resulting in less time to visit bookmakers and gambling establishments, promoting online. (Key Note, 2014)

2.2.1.3 Social Environment

The UK has an ageing (and growing) demographic, and it contributes to the online betting industry especially since older generations has a strong affinity to participate in games of chance. In addition, older people have more leisure time and available finances. (Key Note, 2014) However, online sports-betting is strongly skewed towards 24-44 year-olds, (Mintel, 2014b) and the older generation is least likely to visit online betting (aged 55 and over) (Key Note, 2014) as the core demographic for online sports betting is men, under 35s, the full-time employed and higher-earning homes. (Mintel, 2014c)

Participation in all betting is 24.8%, for the age groups 25-34 it is 32.3% and 20-24 30%. (Key Note, 2014) A difference in demographics concerning different betting products can also be found; as the higher income households are more likely to bet on sports such as golf and cricket than are the least-well-off households. (Key Note, 2014)

Football experiences high numbers in watching at an event or TV elsewhere than home (as well as does tennis) relating to the importance of mobile channels to these demographics who watch football or tennis. (Mintel, 2014c)

Problem gambling is one of the most urgent social issues the industry needs to tackle. (Mintel, 2014b) Estimates about the size and scope of gambling addiction have been produced by the national health survey for England (2012), stating problem gambling at around 0.8% for men and 0.3% for women.

The global value of illegal sports betting is estimated at around $500bn (although as high estimates as up to $1-3tn has been made (Jay, 2015)), thus moving potential custom and revenue from the legal betting market and its legitimate competitors. (Key Note, 2014) Since introduction of regulation, the treasury estimates that around 20% of gambling revenue has leaked to the unlicensed dotcom sites. (Mintel, 2014b)

2.2.1.4 Technological Environment

The natural tech-focus of the remote sector will strengthen its position as the engine of sports betting growth, with mobile dominating the platform focus. (Mintel, 2014c)

Technologies have been at the forefront of the growth of online sports betting, technologies from smart –TVs to faster broadband. Superfast broadband is available to 73% of homes (and is expected to rise to 90%), mobile broadband connections are at 84/100 people and smartphone ownership is at 71% and tablets can be found in 51% of households. (Mintel, 2014b)

The smartphone apps and mobile technology will drive overall sales in the market, as the use of online technology is attracting a growing consumer base among the younger demographic and is likely to see a rise in female gamblers, who prefer to place bets or play games online rather than at physical bookmakers. (Key Note, 2014)

Other technological innovations strive for future growth on the online domain, such as 4G, increasing accessibility to WIFI networks, rising broadband speeds, advances in smartphone gambling and increased tablet penetration. (Mintel, 2014b & Key Note 2014)

In addition, younger demographics are “digital by default” and the whole market is moving to become digital by default. (Mintel, 2014c) Streaming of live sports in home has reached a penetration rate of 52% of in 25-34-year-olds. (Mintel, 2014c)

2.2.1.5 Environmental Factors

Key Note (2014) finds that the UK betting and gaming industry does not have to adhere to industry-specific environmental implications as it is more a service than production based industry (even more so in the online-only sector). However, the supply chain of the gambling industry experiences similar “regular” green issues as any other industry, such as transport emissions and size of their carbon footprint.

2.2.1.6 Legal Factors

A law *'The Gambling (Licensing and Advertising) Act 2014'* came into force in 1st of November 2014. It aims to regulate better the remote betting industry, by posing a 15% point-of-consumption tax on profits (defined stakes minus prizes won) to anyone who operates within the UK online betting market. A significant amount of companies (Key Note (2014) estimates that around 85%) operating in the UK market are located in offshore locations such as Gibraltar and Malta, thus previously not paying any tax to the UK government. One of the aims of the new law is to generate better protection measures to the UK consumers. (Key Note, 2014 & HM Treasury, 2014)

All companies located in the UK or overseas, must have a gambling commission license in order to be allowed to operate in the UK marketplace, including all suppliers of gambling software. (Menmuir, 2014a) This law is forcing companies to contribute to the UK economy, and the HM treasury expects around £300m per year. (Key Note, 2014) However, it is unclear how much of the current volume is going to leak to unlicensed operators in the black market. (Mintel, 2014b)

Mintel (2014b) finds that the effects of the Point-of-Consumption taxes are highly unpredictable around both supply and demand side, while it can bring both positive and negative change to a sector already bearing tight controls on advertising and increased requirements on social responsibility.

The immediate impact of Point-of-Consumption tax is that the profits are reduced by 15%, however because of the regime, several operators have chosen to leave the market, while some operators have estimated that it might lead to a 60% drop in profits for the companies because the Point-of-Consumption regime is expected to reduce their ability to invest, particularly in marketing, where an expected tightening of advertising regulations could further constrain potential for promotion-led growth. (Mintel 2014c & Mintel 2014b)

2.2.2 Porter's Five Forces of Threat

Porter (2008) outlines five competitive forces that shape strategy, which are industry rivalry, customers, suppliers, potential entrants and substitute products. If these forces are intense, it means that appealing returns on investment are not available, thus, if these forces are moderate, companies can be profitable. Porter (2008) goes further to highlight that the industry structure drives the competition and profitability and not factors such; whether the industry produces products or services, is emerging or mature, technologically ad-

vanced or not, or is it regulated or unregulated. The strongest competitive force or forces define the profitability of an industry and becomes essential to the creation of strategy.
A detailed Five Forces of Threat analysis is carried out in the Appendix I.

2.2.2.1 The Threat from Competitive Rivalry

The threat from competitive rivalry arises from organisations that produce similar products or services that are targeted to the same customer group. The four other forces all impose to the direct competitive rivalry between an organisation and its immediate competition. The competitive rivalry is particularly high when the competitors are approximately the same size i.e. there is competitor balance, low industry growth rate, high fixed costs meaning that competitors need economies of scale to cover the high fixed costs and finally, when high exit barriers exist and the differentiation is low. (Johnson *et al.,* 2011, p.59-60)

Two main factors that Porter (2008) has stated to make an industry competition fierce that apply to online sports betting, are competitor balance and low differentiation. Within the industry are a few leading players; however the biggest operator has only a 15% share of the market which indicates high degree of competitor balance. In an industry such as online sports betting differentiation is almost impossible.

Mintel (2014b) finds that since mobile development has been primarily about claiming first mover advantage, it has led to a situation where differentiation is substantially limited. Mintel (2014a) also finds a lack of differentiation among online operators.

James Henderson (the CEO of William Hill) finds that true differentiation in online gambling is hard to undertake and states: “It’s very difficult to differentiate yourself technology wise in our sector because one way or another lot of our competitors use the technology.” (Menmuir, 2015a)

Since none of the companies in the market place has enough market power to set the price, and the products are homogenous, accompanied with the facts that odds-comparison sites have emerged in recent years and are gaining popularity and the recent introduction of the point-of-consumption regime, the market can be characterized as non-price competition. Non-price competition is described as competing in other aspects of the offering than the price, such as quality of service, customer focus or branding. (McConnell & Brue, 2002) Moreover, the price could be described elastic, as the demand shapes it. In addition, as the prices (i.e. odds) are determined based on statistics and forms, a great variety of prices simply cannot exist in this market. This had led to the situation in which competition on costs is the decisive factor, and the operator which is the cost leader, is likely to be among the more profitable ones.

Mintel (2014b) does in fact find that the industry's logical next steps are personalisation through more sophisticated marketing strategies around personalisation and branding and a further step in product differentiation and experience.

Further on, Farrell (2015) finds that 22% bettors are not giving the benefit of the doubt anymore, and would move to another operator if they would face any problem on an online betting website. In addition, users are refusing to make unnecessary effort if the registration to the site is too difficult or key information is relatively hard to find, thus it is important for an operator to deliver a seamless journey for the customer filled with all the factors bettors need, but does not get in their way in path to purchase. Top 3 reasons to choose an operator were;

1. A website that is easy to navigate
2. Information that is easy to understand
3. Ability to view and manage the account online (e.g. current & previous bets)

2.2.3 Industry Life Cycle

Klepper (1996) defines Industry life cycle into three distinct stages, exploratory or embryonic industries (industries that have just started – no distinct barriers to entry), intermediate or growth stage (where number of companies reach a peak – leading to a shakeout), mature stage (established, predictable markets – slow change, innovations are less significant and management, marketing and manufacturing become more advanced).

Johnson *et al.,* (2011, p.62-65) has a five-stage industry life cycle model, starting from development, moving on to growth, moving on to shake-out period, moving on to maturity and finally reaching decline.

In development stage characteristics, such as low rivalry and high differentiation and innovation is key. In growth stage characteristics, such as low rivalry, high growth, weak buyers, low entry barriers and the ability to grow is key. In shake-out stage, characteristics such as increasing rivalry, slower growth, and some exits are experienced and managerial and financial strength is key. In maturity stage characteristics, such as strong buyers, slow growth, standard products, and higher entry barriers are experienced and market share and cost are key. In decline stage characteristics, such as extreme rivalry, many exits and price competition are experienced and cost and commitment are key. (Johnson *et al.,* 2011, p.65)

The UK gambling market is one of the most mature gambling markets in the world. (Key Note, 2014) However, Mintel (2014c) finds that the remote sector is comparatively immature compared to the non-remote sector. However, as the pace of growth slowed slightly in 2013 in online gambling, it indicated that it was partly as a result of the increasing maturity of the sector, accompanied expansion in bingo play and the continuing decline of poker. (Mintel, 2014b) As consolidation is expected within the industry (Mintel, 2014b), would indicate that the industry is in shake-out phase in the industry life cycle.

2.2.4 Opportunities and Threats

Opportunities and threats analysis relates to the external environment of the companies. The goal of this tool is to reduce identified threats and try to take advantage of most appealing opportunities. (Johnson *et al.*, 2011, p.74)

Key Note (2014) notes that the industry has an opportunity for self-regulation, in order to rebuild the reputation of the industry, and avoid further measures. Other opportunities lie in the technological advancement. Mintel (2014c) specifies online streaming of sports as a major opportunity for operators, as it is placing two interests on the same platform for the first time. In addition, the expansion of 4G networks will create more opportunities in mobile betting services, particularly as improved streaming services are enabled. Finally, the ongoing technological online innovation is creating increasing opportunities for new product development of gaming products and services. (Key Note, 2014) Mintel (2014b) finds opportunities in promoting the social and fun side of betting and states that statistics, information, opinion, debate, comparison and competition for example, could be a way of adding social value to the experience.

The major threat that the industry faces is the possibility of further regulation. (Key Note, 2014) In fact, the recent introduction of Point-of-Consumption taxation may see incumbent companies face significant losses in profits over the coming years. Mintel (2014c) states that the new regime threatens further investment.

2.3 Internal Assessment Tools and Theory

2.3.1 VRIN analysis

Barney (1991) defines four resources from which sustainable competitive advantage might arise, (a) the resource must be valuable, meaning that it takes advantage of opportunities and/or neutralizes threats in the organisation’s operating environment, (b) the resource must be rare within the organisation's current and potential competition, (c) it cannot be imitable and (d) strategic substitutes for the resource cannot exist.

For a resource to be valuable, it must enable organisation's strategies in a way that it improves its efficiency and effectiveness. If a valuable resource is held by many competitors, it cannot lead to sustainable competitive advantage, thus the resource must be rare to the organisation. In addition, if the rare and valuable resource can be imitated it cannot lead to sustainable competitive advantage. Several reasons can lead to non-imitability such as, if the resource is dependent on the *unique historical conditions*, the link between the resource and the organisation's sustained competitive advantage is *casually ambiguous* and if the resource is *socially complex*. Finally, if the resource can be substituted, it can lead that competitors can substitute it with a completely different resource, meaning sustainable competitive advantage cannot be achieved. (Barney, 1991).

2.3.2 Value Chain Analysis

The concept of Value Chain describes the categories of activities within an organisation which, together, create a product or a service. Primary activities are directly concerned with the creation or delivery of a product or service. It includes inbound logistics, operations, outbound logistics, marketing and sales and service. Support activities include procurement, technology development, human resources management and firm infrastructure. (Thompson & Martin, 2005, p.250-252) The reason to carry out a value chain analysis is to identify 'profit pools' (i.e. what is done relatively better) within an organisation.

2.3.3 Porter's Generic Strategies

Porter (1985, p. 11-22) outlines generic competitive strategies, which are (1) cost-leadership, (2) differentiation, (3a) cost focus and (3b) differentiation focus. Cost-leadership relates to becoming the lowest-cost organisation in certain area of activity in its operating industry. The scope of this strategy is broad.

Cost-leadership can arise from several different sources such as the input costs, economies of scale, experience and product/process design. A cost leader must achieve parity or proximity. A cost leader with parity has the lowest cost-base and average market prices, whereas a cost leader with cost proximity has the lowest cost-base in addition to lower prices than the market average. The most important aspect of this is that to be a cost-leader, the operator needs to be the *only* one, and not one of several firms striving for the same position. (Porter, 1985, p. 11-22)

Differentiation is the alternative for cost-leadership. It involves being unique along the same aspects that is widely valued by the customers to allow a premium in price. Moreover, differentiation can be based on the product itself, the delivery system by which it is sold, marketing approach and several other factors. An organisation must be truly unique for it to achieve a price premium. (Porter, 1985, p. 11-22)

Third strategies focus either on costs or on differentiation. This strategy involves selecting a segment or group of segments in the industry and tailors its strategy to serving the segment/segments and achieves sustainable competitive advantage by dedicating itself to serving its target segments better than other competitors. Moreover, cost focus exploits differences in cost behaviour and differentiation focus exploits special needs of buyers (niches). (Porter, 1985, p. 11-22)

2.3.4 Strategy Clock

Faulkner & Bowman (1995, p.14-17) characterise a strategic clock based around the generic competitive strategies. The y-axis is for *perceived* user value, and the x-axis is for price. It goes further to demonstrate that preferable positions on the clock are 7-12 & 1-2 since they offer value for the customer, in the form of price or benefits. One sustainable strategy is low-price strategy (7-9), strategies 9-12 are hybrid strategies (between differentiation and price) and 1 and 2 is differentiation strategy. (Faulkner & Bowman, 1995, p.14-17)

The Strategy Clock

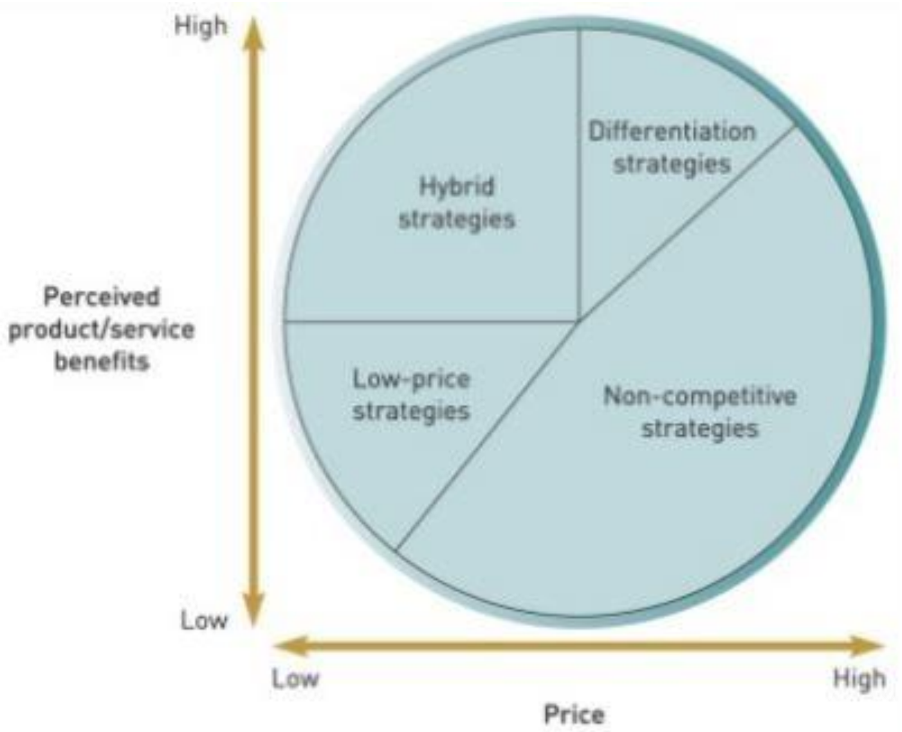

Image 1: The Strategy Clock *Source*: Adapted from Faulkner & Bowman, *The Essence of Competitive Strategy*, Prentice Hall Europe, 1995.

2.3.5 Resource-based View, Dynamic Capabilities & Core Competences

Hamel & Prahalad (1994, p.243) define core competences as those things that organisation does well, or better as others. Resource-based View considers the unique resources and capabilities of the organisations. (Jeffs, 2008, p. 16) Johnson et al. (2011, p 84-85) adds further that resources and competences can be divided into three different categories, Physical, Financial and Human. Dynamic Capabilities are the organisation's ability to renew and recreate its strategic capabilities to meet the changing environment. (Johnson *et al*. 2011, p. 85) In addition, (Johnson *et al*. 2011, p. 94) argues that organisational knowledge can be a basis for competitive advantage.

2.3.6 Suitability, Acceptability and Feasibility Analysis

The strategy assessment tool suitability, acceptability and feasibility (SAF) is used in assessing the viability of different strategies, trying to answer the question why some strategies work when others fail by critically assessing imposed strategies. (Johnson *et al*., 2011, p.363)

Suitability is concerned with evaluating if the proposed strategies address the issues relating to the opportunities and constraints an organisation faces. Acceptability is concerned with if the performance outcomes of a strategy meet the expectations of the stakeholders. Finally, feasibility is concerned whether a strategy could work in reality and practice, and tries to answer the question if the organisation has the capabilities to deliver a certain strategy.

2.3.7 Growth Vector Components

Growth Vector Components offer another solution to analyse strategies and directions chosen by organisations. It indicates the direction in which the organisation is moving regarding its current product- market position. Market penetration represents a growth direction through the increase of market share for its current products. Market development relates to new missions sought for the organisations products, such as new users or new geographies. Product development creates new products to replace current products. Lastly, diversification indicates that that both products and markets are new. (Ansoff, 1965 p.98-100)

2.3.8 Market Trends & Future Prospects

Online sports betting in the UK has trends that are predicted to be increasingly popular in the future. Firstly, novelty betting (i.e. betting on the outcome of a TV show such as the '*Big Brother'* for example), is likely to be increasingly popular in the future. The "*who-dunnit*" betting on the killer of Lucy Beale in the popular TV show '*EastEnders'* broke all previous records, and bookmakers claimed that £80 million had been wagered on the TV special – with 50,000 individual bets. In addition, Betfair announced that the '*EastEnders'* story had seen more bets wagered than the 2014 UEFA Champions League Final between Real Madrid and Atletico Madrid, (Menmuir, 2015c) and at Coral more people bet on Lucy Beale than who bet on the World Cup final match. (Menmuir, 2015d)

Moreover, the UK general elections 2015 are likely to be the biggest political betting market to date. (Menmuir, 2015e)

Another future betting trend is eSports betting (i.e. betting on the outcome of a computer game (such as StarCraft or Counter-Strike) match or a tournament between players). (Cooke, 2015a) eSports has huge following in the US and parts of Asia, however it still breaking ground in Europe, and is largely unknown in the UK. Despite this, eSports is growing at an unexpectedly fast rate, and the UK is looking to establish itself as an eSports hub in the coming year. (Cooke, 2015a)

In 2014 eSports was watched by 71.5m people worldwide. The current market leader in eSports betting is *Pinnaclesports.com* (Cooke, 2015b) however; they have recently exited the UK market, thus leaving space for other operators – perhaps a valuable chance for differentiation for an incumbent smaller operator who is struggling to establish market space.

Mintel (2014b) finds that increasing broadband speeds among the customers is supporting the streaming of events, and Mintel (2014c) states further that online streaming of live sport is creating a major opportunity for the betting industry, by putting streaming of sports and online sports betting to the same platform, since there is an overlap between the customer groups who stream and who bet on sports online, providing significant impact on the future shape of the online market.

In addition, continued importance of mobile offering, operators to focus more on customer lifetime values; a shift from marketing and advertising to service and CRM and the future gambling to be skewed towards 25-44 year olds, thus increasing the importance of tablets. (Mintel, 2014b)

Finally, Mintel (2014c) finds that other than in football and horseracing betting, spectator interest in sporting events is still only scratching the surface of potential customers. One way to achieve more activity in other sports betting products is producing exclusive and original content. In addition, products that add social value to the out-of-home experience, through for example information, opinion and comparison could persuade spectators and viewers to actually place a bet.

3 Methodology

3.1 Research Approach

This research practises a pragmatic and inductive approach. Saunders *et al*., (2007, p.110) define pragmatic approach as one in which the research question is the most important determinant of the research philosophy; it argues that defining clear lines between other methods is neither possible nor reasonable. In addition, Easterby-Smith *et al.*, (2012, p. 32) sees pragmatism as compromise position between internal realism and relativism. Inductive approach is one where data is collected first, and then relations between findings and theory are sought. (Saunders *et al*., 2007, p.118-119) This research tries to answer why and how particular online sports betting operators have found success and competitive advantage.

3.2 Credibility of Research

To assess if the research is credible, it is important to see if it is reliable, valid, and general. Saunders *et al*. (2007, p. 149) states this is important since it reduces the possibility of being wrong, thus creating a credible research. Collis and Hussey (2009, p.64) define reliability as one where the evidence and conclusions would stand up closer scrutiny. For a research to be reliable, a repeat study should produce the same result.

Literature used in this research includes theories from M.E. Porter who is the leading authority in the field of competitive strategy, and his models such as Porter's five forces (Porter, 2008) & Porter's generic strategies (Porter, 1985, p. 11-22) are widely recognised and used in academia and business intelligence research. Other theories and tools used in this research are by other widely recognized authors such as G. Johnson, R. Whittington and K. Scholes (2011). Authors such as I. Ansoff, (1965, p.98-100) J. Barney (1991), S. Klepper (1997), C. Bowman and D. Faulkner (1995, p.14-17) have all contributed greatly to the field of strategic management and are widely used in research by other academics.

Collis and Hussey (2009, p. 64-65) define validity as the degree to which the research findings reflect the phenomena under study. One way of assessing the validity of research is face validity. (Collis and Hussey, 2009, p.65) It states that the measures used actually measure or represent what they are supposed to.

Majority of the conclusions found in this research are based on business intelligence reports made by two leading organisations; Key Note and Mintel. Both of these organisations are widely recognised by business and research institutes as providers of valuable and trustable insight and research. In addition, the insight they provide is objective.

Generalisability is concerned with the fact if the research can be applied into other situations beyond those that were examined in the study. (Collis and Hussey, 2009, p.65-66) However, Collis and Hussey (2009, p.65-66) states that it is not possible to generalise from many cases, or even a few, since if the research has captured the interactions and characteristics of the phenomena under research, because it will most likely mean that they are affecting under the particular environment, thus cannot be generalised.

Saunders *et al*., (2007, p.265) finds that when using secondary data, the reliability and validity to ascribe the secondary data is essential – and states that the market research reports by Key Note and Mintel are likely to be reliable and trustworthy.

Measurement bias usually occurs for two reasons; first, deliberate or intentional distortion of data, and secondly, in the way the data is collected. (Saunders *et al.,* 2007, p.267-268)

The secondary data used in this research is highly unlikely to have measurement bias, since it is mostly uses widely used theories and tools, and objective market research reports. The sections 4.1-4.3 uses data acquired from the companies web pages –thus having a chance of being biased. However, two of the companies are publicly traded – thus are required to publish accurate data. In addition, to overcome measurement bias, multiple independent sources are used.

3.3 Research Data

The reason this research is conducted without primary research is twofold; firstly to conduct primary research about the strategies of the incumbent operators would require an access to high ranking managers even as high as CEOs of these companies which has not been possible, and the information and insight about the strategies and directions of the organisations are business sensitive, as they are currently in competition, thus not leading to any important findings regarding this research.

Secondly, conducting primary research with customers of these organisations, the research would not gain valuable insight, as the customers usually are more "victims" of the strategy. Important customer profiles that need to be known in order to create a strategic assessment were already available through secondary research. As the research focuses purely on the strategic side of the operators, primary research simply would not add value or validity to the research. It is also noteworthy, that gambling and online betting can be considered private, leading to realisation that if primary research would be conducted, the data would not necessary reflect truly the real circumstances behind the industry, as it can be considered intrusion of one's privacy.

Saunders et al. (2007 p.259) note the benefit in using secondary data that it is often unobtrusive and is likely to be higher-quality than could be obtained by collecting and using one's own data. In addition, it leaves more valuable time to think about theoretical aims and substantive issues – and leaves more time to analyse and interpret the collected data. Lastly, a benefit of using secondary data is that it is relatively easily checked by others – allowing closer scrutiny. (Saunders et al., 2007 p. 257-260)

Saunders et al. (2007 p.260-261) note few disadvantages by using secondary data; it might be collected for a purpose that does not match or match only partially the research's need, the data might be outdated, access might be difficult or costly and no control over data quality. This research has overcame these disadvantages; first, by using various different data sources to get accurate information considering this particular research, and by using secondary data about the market place that is very recently published. In addition, strategic management tools and theories are in wide use still today, despite some of them being created decades ago.

4 Findings & Assessing the Competitive Advantages

4.1 Competitive Advantage of Betfair Group plc

Betfair Group plc was formed in 1999 and they launched their betting exchange in 2000; which revolutionised the sports betting offering. Unlike traditional sportsbook, Betfair's exchange allows users to determine odds and bet against other customers on the exchange market, while Betfair's is only taking commission on the winnings. (Betfair, 2015)

Betfair's exchange attracts customers from especially the "sophisticated bettor" segment due to the ability to offer better value odds (i.e. without an inbuilt profit margin by the operator) and the ability to trade. The ability to "cash-out" bets was historically only available on the exchange. In addition, exchange was the first platform to turn an event into "in-play" in 2001. Betfair was floated in the London Stock Exchange in 2010, becoming the largest IPO in Europe at the time. (Betfair, 2015)

In 2013 Betfair launched a traditional fixed-odds sportsbook, to complement their traditional exchange offering and to reach into more the "recreational bettor" customer segment. Betfair stated in its *2013 annual report* that it held approximately 60-70% of the "sophisticated" customer segment and approximately 10% of the "recreational" customer segment (segmentation based on Betfair estimates). (Betfair, 2013, p.6)

Betfair's strategic capabilities evolve around their differentiated product offering (exchange and traditional sportsbook integrated together). In relation to VRIN analysis (Barney, 1991), Betfair's offering takes advantages of opportunities since investing in a complementing product it can take full advantage of their potential market and their brand, while at the same time bringing value to the customer since it ties together the benefits from the exchange and the ease of use of the traditional sportsbook to the customer.

Betfair announced on December 2012 a strategic move to focus on regulated markets, and slowly withdrawing from unregulated markets. (Betfair, 2014, p.7) It neutralises threats, because of not being too dependent on "unsafe" markets, that potential changes in laws could drive Betfair out of that particular market leading in unexpected losses.

Betfair's differentiated offering brings value to the customer, since it ties together the benefits from the exchange and the ease of use of the traditional sportsbook to the customer. This integrated offering is rare in the marketplace, and it meets a specific customer need. In addition, Betfair has established itself in the UK market place and has a strong brand and well-known offering, thus it is implausible to be imitated by any current or future competitor.

Considering Porter's generic strategies (1985 p. 11-22) Betfair finds its competitive advantage through a differentiation strategy. Betfair's differentiation is the exchange, which is different from the traditional sportsbook because in the exchange customers bet against other customers and no inherent margins are in the prices (i.e. odds), thus only the winner needs to pay commission on the winnings. In addition, considering the Strategy Clock (Faulkner & Bowman, 1995 p.14-17) Betfair is located in the 12 o'clock position – *differentiation without price premium*.

Betfair's strategic move to produce a traditional fixed-odds sportsbook to complement their traditional offerings was an effort to establish synergies between them. Betfair's annual report 2014 highlights that the integration of these two offerings is going to give the customers unique advantages over those using other brands. (Betfair, 2014, p.7)

This move can be either considered according to Ansoff's growth vector components (1965 p.98-100) either as product development, where modified or new products are offered to existing markets (give the existing customers a choice between finding their bets from the exchange where liquidity on all markets are not guaranteed or placing the bet against "house" while accepting to pay a margin within the price). It can also be considered as offering existing products to new markets as it entices customers from the "recreational" market to become Betfair customers. In addition, some bets which are bet in the sportsbook are taken through the exchange to give some markets liquidity in the exchange, and offering better prices for the customer (a tool called Price-rush). (Betfair, 2014, p.19)

Betfair's strength is their exchange, and the differentiated value it brings to the customer, especially when it is integrated with their new fixed-odds sportsbook. Weakness might include introducing the benefit of the exchange to new "recreational" customers who are not willing to put the effort, and are in the market for easy and clear bets.

Combination of these factors has given Betfair a competitive advantage in the UK online sports betting market, thus being able to make profit, which demonstrates that the chosen strategies have resulted in competitive advantage. Betfair has captured an estimated 11% market share in 2014 in the UK betting and gaming; market share up from 9% in 2013 and

10% in the year before. (Mintel, 2014b) However, Betfair has a dominant market share of the exchange segment, estimated at around 90%, with the closest competitor, BETDAQ having around 7%. (The Irish Examiner, 2013)

Financial Times reported 5th of March; ‘Despite taking a £7m hit in the period from the new tax, Betfair raised market expectations for its full-year earnings before interest, tax, depreciation and amortisation to between £113m and £118m, up from previous guidance of between £97m and £103m. Reported revenues rose 20 per cent to £114.6m, driven by a 27 per cent rise in revenues from regulated markets to £92.9m’. (Shubber, 2015)

Betfair’s financial statements for 2012-2014 can be found in the appendix II.

Betfair Financial Highlights

£m	2014	2013	2012
Revenue	393.6	387.0	388.5
Underlying EBITDA excluding equity-settled share-based payments and associated costs	83.8	82.6	94.1
Equity-settled share-based payments and associated costs	(7.3)	(9.3)	(8.1)
EBITDA before separately disclosed items	91.1	73.3	86.0
Separately disclosed items	-	(22.1)	(2.5)
EBITDA	91.1	51.2	83.5
(Loss)/profit before tax	61.1	(49.4)	54.2
(Loss)/profit for the year	51	(66.3)	34.0

Image 2: Betfair Financial Highlights (Source: Betfair Annual Report and Accounts 2014)

4.2 Competitive Advantage of William Hill plc

William Hill plc has long standing roots in the UK going as far back as 1934, when it was first established as a postal / telephone betting operator. William Hill bought into betting shops in 1966 with acquisitions. Another milestone came in 1998 when William Hill started its online betting service. William Hill floated in the London Stock Exchange in

2002. In 2008 William Hill combined the online business with purchased assets from online software company Playtech, to create William Hill Online (however, since then William Hill has bought Playtech's shares and owns the online side fully). (William Hill, 2015)

William Hill Online draws its competitive advantage from resources and competences it possesses. According to Resources & Competences (Johnson et al., 2011 p.84-85) theory, they can be divided into three different categories, physical, financial and human. William Hill has an extremely robust financial position, which has allowed it to take advantage of opportunities. William Hill was the first UK company to launch online betting. (McCarron, 2015b) A logical conclusion could be made that William Hill is sensing opportunities and seizing them better than their competitors, and are well resourced to do so.

In addition, William Hill possesses physical resources which give them competitive advantage; According Sheehan (2015) William Hill was the most recognised, trusted and respected brands in betting and gaming. In addition, William Hill is the most recalled brand within all operators in the UK online sports betting market. Additionally, it was the most preferred operator, when considering to placing a bet.

William Hill states in its 2014 annual report that the Point-of-Consumption regime is most likely going to benefit William Hill as it provides a bigger (current market leader) and better resourced company a growth opportunity. Additionally, William Hill has a competitive product range, user experience and marketing investment, it is well-placed to benefit from the market shaping Point-of-Consumption regime. (William Hill, 2014, p.27)

William Hill has experienced extremely robust growth in recent years, mainly due to their success in the online betting and gaming market. Mintel (2014b) recognises their growth as a "healthy" 12%. In addition, online has delivered 21% compound annual net revenue growth since 2009. (Menmuir, 2015b) William Hill has grown in recent years especially at the expense of their biggest rival in retail; Ladbrokes, who has suffered significant downfall in their efforts to conquer the online segment.

In addition, organisational knowledge can be a source of competitive advantage (Johnson *et al*., 2011, p.94) and with a longstanding history and robust financial situation; this is an attribute that describes William Hill well.

William Hill has one of the strongest and most trustworthy brands in the market, and that is their strength, other strengths might include strong financial position and ability to grasp opportunities. As William Hill is one of the biggest gaming operators in the world, a certain ‘maverick’ thinking might be lacking, as can be seen that they have not been in the forefront of bringing new products in the market lately, and have been following other operators, which might be considered as a weakness.

William Hill CEO James Henderson recognizes that William Hill’s has benefited from large-scale specialist teams that produce innovative betting opportunities, including the use of proprietary algorithms to develop pricing for new markets. In addition, William Hill is sourcing exclusive and proprietary gaming content for customers. (William Hill, 2014, p.28)

Relating the strategy clock (Faulkner & Bowman, 1995, p.14-17), William Hill is using a hybrid-strategy – where the price is not specifically high, but the offering involves around differentiation, and that William Hill’s offering provides perceived high benefits.

William Hill has stated its strategy to take advantage of international markets. According to Ansoff’s Growth Vector Components (1965, p. 98-100), William Hill is developing its market into new geographies, with the existing product offering to take advantage of economies of scale and the existing capabilities. In addition, the move to internationalise takes advantage of opportunities evolving around economies of scale, and evades threats that arise from being too dependent on a single market, especially a market where regulation can change rapidly.

Strong brand, robust resources and the ability to keep up with the market trends has enabled William Hill to become the market leader in the UK online betting and gaming segment with a market share of 15%. (Mintel, 2014b)

William Hill Online (Excluding Australia & the US) generated revenue of £527.4m (within which UK revenues grew 18%) and an operating profit of £177.7m in the financial year ending in December 2014. The figures are in strong growth – Revenue and operating profit was £446.3m and £147.8m in 2013 respectively, and £406.7m and £145.3m in 2012 respectively. (74% of revenues came from the UK in 2014) (William Hill, 2014, p.97)

More detailed financial statements of William Hill plc can be found in Appendix III.

4.3 Competitive Advantage of Bet365

Hillside (Shared Services) Ltd which trades as Bet365 is the world’s largest online sports betting company, operating only online. It was in 2000, and launched operations in 2001. Bet365 predominantly specialises in sports betting, with a market-leading “in-play” offering and a wide range of markets on more sports than any other online betting company.

(Key Note, 2014) Bet365 has over 14 million customers worldwide and 2.9 million active sportsbook customers in the year ending 31st March 2014. (Key Note, 2014)

Bet365 is closely associated with market innovations, and taking full advantages of market trends. In addition to having more markets to bet on, bet365 also streams a wide amount of sports they offer odds on, taking advantage of the new technologies around streaming and customer behaviour. Bet365 also has adapted as one of the first Cash-out mechanism (the mechanism was first introduced by IG Index in 2008 if exchanges are not counted), and was the first major player to announce a partial cash-out option in early 2015. (Jackson, 2015)

Bet365 is truly an international company and claims to have more than 10 million customers in 200 countries. Only approximately a quarter of the company's revenues are believed to come from UK customers. (Mintel, 2014b) In the year 2013/2014 more than £26billion was wagered on bet365. (Stoke Sentinel, 2014) The year before, the total wagering was at around £20bn mark, which is greater than those of its industry competitors William Hill and Ladbrokes combined, and almost four times that of Irish operator Paddy Power. (SBC news, 2013) In addition, Bet365 started operations in Italy in 2014 (Menmuir, 2014b) and in Australia in mid-2012, (Menmuir, 2014c)

Relating to the Resource-based View (Jeffs, 2008, p. 16), Bet365 derives their competitive advantage from the resources they possess, in the form of robust financials thus ability to have funds for projects and seize opportunities (such as technological innovation), as well as having physical resources such as technological systems to have operations run efficiently.

Relating to the Dynamic Capabilities (Johnson *et al*., 2011, p. 85), Bet365 is able to recreate and renew their strategic purpose and direction. The online sports betting environment has changed tremendously within the timeframe Bet365 has been in existence and more recently the "mobile revolution" has taken over the landscape. Bet365 has been able to take advantage of this and mobile wagering on bet365 platforms increased by 150% during 2012/2013 with net revenues growing 158%. (SBC News, 2013) In addition, more recently Bet365 has started to stream many events on sports that it might be difficult for the customer to find coverage, taking full advantage of the market trends.

Bet365 brings a valuable offering to the customer by having marginally cheaper prices (i.e. odds) than their competitors – this is enabled by economies of scale, taking £26bn worth of bets in a financial year. Bet365 was named 'the best bookmaker' by BettingExpert.com, the measurement was based on their customers chosen bookmaker (chosen was with the best price and almost a quarter million bets was analysed) and it was deducted with UK bookmaker had the best prices for their customers, and Bet365 was the number one. (McCarron, 2015c)

Bet365 achieves rarity in its offering since currently no direct competitor offers as low prices for the customers. Pinnaclesports.com which was established as a “winners are welcome” site and by having one of the lowest margins on the online sports betting industry – however Pinnaclesports.com exited the UK market due to the establishment of the Point-of-Consumption taxation, which UK based Bet365 was already bearing. Bet365 is well placed to benefit competitively under Point-of-Consumption regulation, as it already operates under the higher-cost UK taxation and licence requirements to which Bet365’s direct and main competition is now subject to. (Mintel, 2014b)

It is increasingly difficult for other operators to imitate Bet365 offering since they Bet365 enjoys economies of scale and have the resources and competences to take advantage of new opportunities and neutralise threats.

Relating to the Porter’s Generic Strategies (Porter, 1985, p. 11-22) – Bet365 is a Cost Leader with proximity, and it suggests that they are able to offer better prices for customers because of their cost base is lower than market average, accompanied with the fact that Bet365 enjoys vast global economies of scale which can result to lower than market cost-base. However their offering is nevertheless somewhat differentiated since they offer more markets than other direct competitors and are technologically advanced and bring new innovation to the market, such as partial cash out.

According to the Strategy Clock, Bet365 is using a low-price strategy. However, since the product and offering in the market place is more or less identical, perceived product benefits are not lower for a lower-price competitor.

The greatest strength of Bet365 is its innovative attitude and the economies of scale it possesses. Its main rival in UK (William Hill) has more recalled brand mainly due to their retail presence, which could be considered as an inherent weakness of Bet365, when customers are moving from retail to online domain.

Bet365 is the second biggest online betting and gaming operator in the UK market place, with a market share of 12%. (Mintel, 2014b) More detailed financial information can be found in Appendix IV.

	52 weeks ended 25 March 2012 £000	53 weeks ended 31 March 2013 £000	% change 2012-13
Amounts wagered	12,383	19,482	+57.3
(of which sports and gaming)	12,383	19,482	+57.3
Turnover	722	993	+37.5
(of which sports and gaming)	648	930	+43.5
Operating profit	107	145	+35.5
(of which sports and gaming)	115	177	+53.9
Profit/loss on ordinary activities before taxation	111	148	+33.3
(of which sports and gaming)	116	179	+54.3
Profit for the period	88	118	+34.1

Image 3: Bet365 financials Source: Mintel Sports Betting, 2014)

5 Consequences and Conclusions

The research objectives lined for this research were to establish a correlation between successful online sports betting companies in the UK market and their strategic choices. It was done by using an inductive and pragmatic approach, without primary data, only focusing on secondary data. The secondary data this research used was mainly tools and theories from strategic management, market intelligence research reports made by leading agencies Mintel and Key Note. Additionally, independent sources were used in order to form a well-balanced and objective research.

Three leading online sports betting companies in the UK market were analysed based on the secondary data, William Hill plc, Betfair group plc and Bet365 (Hillside (Shared Services) Ltd) in order to define their current competitive advantage. In addition, market trends and future prospects were analysed in order to gain better understanding of the dynamics of the industry and possible information about the future for the industry.

The findings suggest that while the market is in a shake-out, experiencing increasing pressure from the government and increased competitive rivalry (arising from the hardness of differentiation, and seemingly low barriers of entry) successful operators have strategically made the difference.

William Hill has an extremely strong brand and resources and competences, and is utilising these factors to their best advantage, thus resulting in market leading position in online betting and gaming in the UK market. In addition, William Hill is managing well its threats by increasing their international presence and limiting their risks in the UK market and opportunities by using economies of scale.

Betfair entered the market with a differentiated offering, which resulted in that specific market segment in a dominant position. Recently the decision to generate a traditional fixed-odds sports book to complement their offering and to find possible synergies through integration with their exchange product. This move makes strategically sense, since they can generate better market share in the “recreational” market and allows Betfair to differentiate and create unique value to the customer. These choices have allowed Betfair to be third biggest online betting and gaming operator in the UK market.

Bet365 has managed to put itself in globally leading position, with utilising economies of scale – resulting in lower prices. In addition, innovations, and generally being ahead of the competition regarding to bringing new products to the market, have made Bet365 the second biggest operator in the UK market. Moreover, Bet365 is truly and international company.

Combining all of these findings about the companies, a clear view is established what has generated these companies market shares, and what indications it has for the other operators in the market, smaller and bigger.

The findings about market trends and future prospects have given insight of where the market might be going to, and states opportunities for the market, especially for smaller operators who are struggling to find market space, and might be in need to position themselves better.

The four research objectives were;

1. To assess the external influences in the UK online sports betting industry
2. To consider the competitive advantage of William Hill Online, Betfair and Bet365 in the UK sports betting industry
3. An evaluation of the strategic choices and directions of the UK sports betting operators
4. An evaluation of the future prospects of the UK online sports betting industry

The first research objective was met by thoroughly analysing secondary data and by using tools and theories to generate a reasonable assessment of the external environment of the industry. The external assessment was widely covered in the literature review, leading to a consistent approach to the research objective. However, the extent to which many of the external influences affect the companies could have been clearer at times. Some external factors such as the Point-of-Consumption taxation poses an immediate threat and needs a response, however more in-depth look to other factors and an assessment on the extent they affect, could have provided insightful findings.

The second and third research objectives were interrelated, since the competitive advantage of the companies arises specifically as a result of their strategic choices. In order to carry out in-depth, consistent and accurate internal analysis, much more information would have been needed, such as internal company records, or primary research with a strategist. This would have resulted in more credibility and validity as well.

Additionally, as Bet365 is not publicly traded company, the strategic analysis was completely done through independent (and in fact quite limited) 3rd party sources, such as newspapers and websites oriented in the sports betting industry. Relating to the two publicly traded companies, some of the data were gathered through their websites, and announcements/reports they had published, which validity and accuracy can be questioned.

Finally, this research evaluated the future prospects with as objective methodology as possible, and came to the realisation that there are few market trends that are going to shape the future of the industry.

However, the depth that the research objectives were met varies. The external assessment was thorough and a detailed analysis was carried out; however the internal assessment of the companies resulted in a more shallow result, since the ability to assess commercial organisations through theory can be shallow, since the reality under which these organisations operate, can be significantly different than the tools and theories might suggest.

In addition, to have a detailed and accurate description about a company's strategy it would be essential to carry out a primary research with a strategist within an incumbent company, to truly reflect the associations between theory and practice. Through primary research to that nature it would be possible to state closely, what strategic decisions have actually made, and what has come naturally to the company. In addition, it would be very beneficial to the findings section to carry out primary research with a strategist, in order to have more depth in the analysis of competitive advantage, thus giving more credibility and validity.

5.1 Limitations

One of the major limitations regarding this research was the data gathered in order to assess the companies' internal environment. In relation to the Suitability, Feasibility and Acceptability, and The Value Chain, in order to carry out these tools properly, extensive information would be needed such information which was not accessed. In addition, the data used in company analyses, were mostly from the companies themselves, thus resulting in questionable validity.

As mentioned in the section 3.3, the lack of primary research was due to lack of access to conduct an interview with a strategist, and the fact that gambling can be considered private, thus leading to the realisation that conducting primary research with consumers, would not lead to valid data.

Finally, access to objective view (secondary data) of the companies' performance, both strategically and financially would have been extremely useful; however they were not able to be attained for this research, since requiring extensive period of research and focus.

5.2 Additional Comments

If this research were to be carried out again, the author would collect more widely data to create more specific and in-depth analysis of the environment, both internal and external. Additionally, possibly to focus in more specific areas of the industry, than only the online segment in the UK. Finally, more detailed and objective look on the financial and strategic performance of the chosen companies would have made the research more credible.

While this research focused more on the three biggest online betting and gaming operators in the UK, a possible scope for future research could be making an effort to assess smaller companies, who are struggling to find market space, and their strategic choices and directions and assessing whether they are working or not, and is there future suggestions for these companies, since differentiation can be extremely difficult to do and consolidation in the market is predicted due to the point-of-consumption taxation.

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7. Appendices

7.1 Appendix I Detailed Porter's Five Forces of Threat Analysis

7.1.1 The Threat of Entry

Johnson *et al.,* (2011, p.55) define the threat of entry as how easy it is to enter, i.e. an attractive industry has high barriers to entry. Barriers to enter are the factors that need to be overcome by new entrants if they are to compete in an industry. Typical barriers to enter are; access to supply/distribution channels, scale (economies of scale) and experience needed in the industry, expected retaliation, legislation/government action and the degree of differentiation. (Johnson *et al.,* 2011, p.57)

The threat of entry into online sports betting market is quite easy, however, attracting customers, loyalty and trust enough to build economies of scale, is difficult if starting from the scratch. In other words, scale and experience is needed to enter the market in a sense that high marketing investment is required to gain any traction and product innovation needs large-scale specialist teams. The access to supplier channels is however easy, since in the market exists a variety of providers, who can provide with a fully taken care of online sports-book. In addition, the threat of entry must be low, since the market is highly saturated. (Key Note, 2014)

7.1.2 The Threat of Substitutes

The threat of substitutes can be understood as if some products or services offer similar benefit to the customer as the products or services of the industry. The degree how high the threat from substitutes are influenced by the price/performance ratio of the product or service i.e. even though a substitute is more expensive, it can be a substitute because it performs better. In addition, the extra-industry effects mean that the substitutes can come from outside the current industry. (Johnson *et al.,* 2011, p.57-58)

Since online gaming and betting operators operate in the discretionary spend category, other leisure and past-time activities might become more important as a substitute to the gambling. However, Key Note (2014) finds that the amount spent to games of chance from the whole spent on the leisure and past-time sector, has remained quite stable. (Key Note, 2014) Further on, gambling is a well-established past-time in the UK, and experiences a high and robust demand.

However, as Porter (2008) outlines, the extra-industry effects are not present from other substitutes, as gambling in itself is quite a unique segment. However, online sports betting could be substituted with other gambling products or even the high-street shops, however the opposite is true at the current moment. In addition, as gambling is considered discretionary spend, other products or services in the leisure and past-time sector such as recreational sports, going to the movies etc. could be considered as substitutes to online betting.

7.1.3 The Threat of Buyers

The threat from buyers arises from the organisations immediate customers, not the end user of the product. Buyer’s power are usually high when there are concentrated buyers, customers have a low switching cost to an alternative solution and buyer competition threat, i.e. if the buyer has the possibility of backward vertical integration. (Johnson *et al.,* 2011, p.58)

The buyer threat is extremely high, especially after the invention of odds-comparison sites, which allows the user to compare the online sports- betting operators prices and make the best choice, without losing literally *anything* in value or user experience, i.e. the switching cost is non-existent. (Barring a registration to the new site – which is also becoming easier and easier with new technology in online payments for example.)

7.1.4 The Threat of Suppliers

The threat of suppliers are high if the suppliers are concentrated, there is a high switching cost or from supplier competition threat. Since many organisations have many suppliers, it is important to focus on the most important suppliers. (Johnson *et al.,* 2011, p.58-59)

There is very limited threat from suppliers, since many well-resourced operators are moving to manufacturing the software in-house or partnering up with specialists on an exclusive or bespoke basis. (Mintel, 2014b) Key Note (2014) finds that this has led to the fact that external suppliers are also starting to consolidate.

7.1.5 The Threat from Competitive Rivalry

The threat from competitive rivalry arises from organisations that produce similar products or services that are targeted to the same customer group. The four other forces all impose to the direct competitive rivalry between an organisation and its immediate competition. The competitive rivalry is particularly high when the competitors are approximately the same size i.e. there is competitor balance, low industry growth rate, high fixed costs meaning that competitors need economies of scale to cover the high fixed costs and finally, when high exit barriers exist and the differentiation is low. (Johnson *et al.,* 2011, p.59-60)

Two main factors that Porter (2008) have stated to make an industry competition fierce that apply to online sports betting are competitor balance and low differentiation. Within the industry are a few leading players; however the biggest operator has only a 15% share of the market which indicates high degree of competitor balance. In an industry such as online sports betting differentiation is almost impossible.

Mintel (2014b) finds that since mobile development has been primarily about claiming first mover advantage, it has led to a situation where differentiation is substantially limited. Mintel (2014a) also finds a lack of differentiation among online operators.

James Henderson (the CEO of William Hill) finds (Menmuir, 2015a) that true differentiation in online gambling is hard to undertake and states: “It’s very difficult to differentiate yourself technology wise in our sector because one way or another lot of our competitors use the same technology stack.”

Since none of the companies in the market place has enough market power to set the price and the products are homogenous, accompanied with the facts that odds-comparison sites have emerged in recent years and are gaining popularity and the recent introduction of the point-of-consumption regime, the market can be characterized as non-price competition. Non-price competition is described as competing in other aspects of the offering than the price, such as quality of service, customer focus or branding. (McConnell & Brue, 2002) Moreover, the price could be described elastic, as the demand shapes it. In addition, as the prices (i.e. odds) are determined based on statistics and forms, a great variety of prices simply cannot exist in this market. This had led to the situation in which competition on costs is the decisive factor, and the operator which is the cost leader, is likely to be among the more profitable ones.

Mintel (2014b) does in fact find that the industry’s logical next steps are personalisation through more sophisticated marketing strategies around personalisation and branding and a further step in product differentiation and experience.

Further on, Farrell (2015) finds that 22% bettors are not giving the benefit of the doubt anymore, and would move to another operator if they would face any problem on an online betting website. In addition, users are refusing to make unnecessary effort if the registration to the site is too difficult or key information is relatively hard to find, thus it is important for an operator to deliver a seamless journey for the customer filled with all the factors bettors need, but does not get in their way in path to purchase. Top 3 reasons to choose another operator for another were;

1. A website that is easy to navigate
2. Information that is easy to understand
3. Ability to view and manage the account online (e.g. current & previous bets)

Appendix II Betfair Financial Statements

Betfair Financial Statement 2014

	Note	2014 £m	2013 £m
Continuing operations			
Revenue	2	393.6	387.0
Cost of sales		(50.9)	(49.8)
Gross profit		342.7	337.2
Administrative expenses		(281.1)	(406.2)
Group operating profit/(loss)		61.6	(69.0)
Analysed as:			
Underlying EBITDA* (excluding separately disclosed items)	2	91.1	73.3
Separately disclosed items – restructuring and other	5	–	(22.1)
EBITDA*	2	91.1	51.2
Separately disclosed items - impairment of goodwill and other intangible assets	5	–	(82.4)
Depreciation and amortisation		(29.5)	(37.8)
Group operating profit/(loss)		61.6	(69.0)
Profit on disposal of available-for-sale financial asset	6	–	16.8
Finance income	7	1.1	1.4
Finance expense	7	(0.4)	–
Net finance income		0.7	1.4
Share of (loss)/profit of equity accounted investments	12	(1.2)	1.4
Profit/(loss) before tax		61.1	(49.4)
Tax	8	(10.1)	4.2
Profit/(loss) for the year from continuing operations		51.0	(45.2)
Discontinued operations			
Loss for the year/period from discontinued operations, net of tax	27	–	(21.1)
Profit/(loss) for the year		51.0	(66.3)
Attributable to:			
Equity holders of the Company		51.0	(66.3)
Non-controlling interest	12	–	–
Profit/(loss) for the year		51.0	(66.3)
Earnings/(loss) per share from continuing operations			
Basic		49.0p	(44.4)p
Diluted**		48.1p	(44.4)p
Earnings/(loss) per share from continuing and discontinued operations			
Basic	9	49.0p	(65.1)p
Diluted**	9	48.1p	(65.1)p

	2014 £m	2013 £m
Profit/(loss) for the year	51.0	(66.3)
Other comprehensive (expense)/income		
Items that will be reclassified to profit or loss:		
Foreign exchange differences arising on consolidation	(4.0)	1.8
Other comprehensive (expense)/income for the year, net of income tax	(4.0)	1.8
Total comprehensive income/(expense) for the year	47.0	(64.5)
Attributable to:		
Equity holders of the Company	47.0	(64.5)
Non-controlling interest	–	–
Total comprehensive income/(expense) for the year	47.0	(64.5)

Image 4: *Betfair Financial Statement 2014*. (Source: *Betfair Annual Report and Accounts 2014)*

Betfair Financial Statement 2013

	Note	2013 £m	2012 £m
Continuing operations			
Revenue	2	**387.0**	388.5
Cost of sales		**(49.8)**	(48.1)
Gross profit		**337.2**	340.4
Administrative expenses		**(406.2)**	(294.1)
Group operating (loss)/profit		**(69.0)**	46.3
Analysed as:			
Underlying EBITDA* (excluding separately disclosed items)	2	**73.3**	86.0
Separately disclosed items	5	**(22.1)**	(2.5)
EBITDA*	2	**51.2**	83.5
Impairment of goodwill and other assets		**(82.4)**	–
Depreciation and amortisation		**(37.8)**	(37.2)
Group operating (loss)/profit		**(69.0)**	46.3
Profit on disposal of available-for-sale financial asset	6	**16.8**	–
Finance income	7	**1.4**	3.6
Finance expense	7	**–**	–
Net finance income		**1.4**	3.6
Share of profit of equity accounted investments	12	**1.4**	4.3
(Loss)/profit before tax		**(49.4)**	54.2
Tax	8	**4.2**	(7.6)
(Loss)/profit for the year from continuing operations		**(45.2)**	46.6
Discontinued operations			
Loss for the period/year from discontinued operations, net of tax	27	**(21.1)**	(12.6)
(Loss)/profit for the year		**(66.3)**	34.0
Attributable to:			
Equity holders of the Company		**(66.3)**	34.7
Non-controlling interest		**–**	(0.7)
(Loss)/profit for the year		**(66.3)**	34.0
(Loss)/earnings per share from continuing operations			
Basic		**(44.4)p**	45.4p
Diluted**		**–**	44.5p
(Loss)/earnings per share from continuing and discontinued operations			
Basic	9	**(65.1)p**	33.1p
Diluted**	9	**–**	32.5p

	2013 £m	2012 £m
(Loss)/profit for the year	**(66.3)**	34.0
Other comprehensive income/(expense)		
Foreign exchange differences arising on consolidation	**1.8**	(2.9)
Other comprehensive income/(expense) for the year, net of income tax	**1.8**	(2.9)
Total comprehensive (expense)/income for the year	**(64.5)**	31.1
Attributable to:		
Equity holders of the Company	**(64.5)**	31.8
Non-controlling interest	**–**	(0.7)
Total comprehensive (expense)/income for the year	**(64.5)**	31.1

Image 5: *Betfair Financial Statement 2013*. (Source: *Betfair Annual Report and Accounts 2013)*

Betfair Financial Statement 2012

	Note	2012 £'000	2011 £'000
Continuing operations			
Revenue	2	389,652	393,311
Cost of sales		(48,674)	(74,572)
Gross profit		340,978	318,739
Administrative expenses		(307,046)	(293,900)
Group operating profit		33,932	24,839
Analysed as:			
Adjusted EBITDA*	2	89,584	79,684
Exceptional items	5	(6,395)	(16,995)
Equity-settled share-based payments and associated costs	19	(8,051)	(6,413)
EBITDA**	2	75,138	56,276
Depreciation and amortisation		(41,206)	(31,437)
Group operating profit		33,932	24,839
Profit on disposal of available-for-sale financial asset	6	–	1,158
Finance income	7	3,344	1,546
Finance expense	7	–	(15)
Net finance income		3,344	1,531
Share of profit/(loss) of equity accounted investments	12	4,292	(911)
Profit before tax		41,568	26,617
Tax	8	(7,619)	(3,611)
Profit for the year		33,949	23,006
Attributable to:			
Equity holders of the Company		34,661	24,157
Non-controlling interest		(712)	(1,151)
Profit for the year		33,949	23,006
Earnings per share on profit for the year			
Basic	9	33.1p	22.6p
Diluted	9	32.5p	22.0p

* Adjusted EBITDA is defined as EBITDA before exceptional items and equity-settled share-based payments and associated costs.

** EBITDA is defined as Group operating profit before net finance income, tax, depreciation and amortisation. It excludes amounts in respect of the Group's equity accounted investments and is considered by the Directors to be a key measure of its financial performance.

	2012 £'000	2011 £'000
Profit for the year	**33,949**	23,006
Other comprehensive income		
Foreign exchange differences arising on consolidation	(2,875)	(2,853)
Other comprehensive expense for the year, net of income tax	**(2,875)**	(2,853)
Total comprehensive income for the year	**31,074**	20,153
Attributable to:		
Equity holders of the Company	**31,786**	21,304
Non-controlling interest	(712)	(1,151)
Total comprehensive income for the year	**31,074**	20,153

Image 6: *Betfair Financial Statement 2012* (Source: *Betfair Annual Report and Accounts 2012)*

Appendix III William Hill's Financial Statements

William Hill Financial Statement 2014

CONSOLIDATED INCOME STATEMENT

for the 52 weeks ended 30 December 2014

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 30 December 2014 Total £m	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 31 December 2013 Total £m
Continuing operations							
Amounts wagered	2	8,945.7	–	8,945.7	7,800.8	–	7,800.8
Revenue	1,2	1,609.3	–	1,609.3	1,486.5	–	1,486.5
Cost of sales	2,3	(294.5)	(9.7)	(304.2)	(266.6)	(5.6)	(272.2)
Gross profit	2	1,314.8	(9.7)	1,305.1	1,219.9	(5.6)	1,214.3
Other operating income	1	8.9	–	8.9	7.4	–	7.4
Other operating expenses	3	(961.5)	(71.7)	(1,033.2)	(906.6)	(15.5)	(922.1)
Share of results of associates	4	1.0	–	1.0	3.4	–	3.4
Profit before interest and tax	2,5	363.2	(81.4)	281.8	324.1	(21.1)	303.0
Investment income	1,7	1.0	–	1.0	1.1	–	1.1
Finance costs	3,8	(46.9)	(2.0)	(48.9)	(45.4)	(1.7)	(47.1)
Profit before tax	2	317.3	(83.4)	233.9	279.8	(22.8)	257.0
Tax	3,9	(63.1)	35.5	(27.6)	(32.2)	1.7	(30.5)
Profit for the period		254.2	(47.9)	206.3	247.6	(21.1)	226.5
Attributable to:							
Equity holders of the parent		254.2	(47.9)	206.3	232.3	(21.1)	211.2
Non-controlling interest		–	–	–	15.3	–	15.3
		254.2	(47.9)	206.3	247.6	(21.1)	226.5
Earnings per share (pence)							
Basic	11			23.6			25.2
Diluted	11			23.4			24.7

Image 7: *William Hill Financial Statement 2014* (Source: *William Hill Annual Report and Accounts 2014)*

William Hill Financial Statement 2013

CONSOLIDATED INCOME STATEMENT

for the 52 weeks ended 31 December 2013

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 31 December 2013 Total £m	Before exceptional items (restated) £m	Exceptional items (note 3) £m	53 weeks ended 1 January 2013 Total (restated) £m
Continuing Operations							
Amounts wagered*	2	7,800.8	–	7,800.8	5,884.8	–	5,884.8
Revenue	1,2	1,486.5	–	1,486.5	1,276.9	–	1,276.9
Cost of sales	2,3	(266.6)	(5.6)	(272.2)	(172.2)	–	(172.2)
Gross profit	2	1,219.9	(5.6)	1,214.3	1,104.7	–	1,104.7
Other operating income	1	7.4	–	7.4	4.7	–	4.7
Other operating expenses	3	(906.6)	(15.5)	(922.1)	(787.5)	(14.5)	(802.0)
Share of results of associates	4	3.4	–	3.4	3.7	–	3.7
Profit before interest and tax	2,5	324.1	(21.1)	303.0	325.6	(14.5)	311.1
Investment income	7	1.1	–	1.1	0.6	–	0.6
Finance costs	3,8	(45.4)	(1.7)	(47.1)	(33.5)	(0.5)	(34.0)
Profit before tax	2,3	279.8	(22.8)	257.0	292.7	(15.0)	277.7
Tax	3,9	(32.2)	1.7	(30.5)	(48.2)	1.5	(46.7)
Profit for the period		247.6	(21.1)	226.5	244.5	(13.5)	231.0
Attributable to:							
Equity holders of the parent		232.3	(21.1)	211.2	202.0	(12.2)	189.8
Non-controlling interest		15.3	–	15.3	42.5	(1.3)	41.2
		247.6	(21.1)	226.5	244.5	(13.5)	231.0

Earnings per share (pence)							
Basic	11			25.2			25.0
Diluted	11			24.7			24.7

Image 8: *William Hill Financial Statement 2013* (Source: *William Hill Annual Report and Accounts 2013)*

William Hill Financial Statement 2012

CONSOLIDATED INCOME STATEMENT

for the 53 weeks ended 1 January 2013

	Notes	Before exceptional items £m	Exceptional items (note 3) £m	53 weeks ended 1 January 2013 Total £m	Before exceptional items £m	Exceptional items (note 3) £m	52 weeks ended 27 December 2011 Total £m
Continuing Operations							
Amounts wagered	2	18,879.1	–	18,879.1	17,911.4	–	17,911.4
Revenue	1,2	1,276.9	–	1,276.9	1,136.7	–	1,136.7
Cost of sales	2	(172.2)	–	(172.2)	(163.6)	–	(163.6)
Gross profit	2	1,104.7	–	1,104.7	973.1	–	973.1
Other operating income	1	4.7	–	4.7	4.4	–	4.4
Other operating expenses	3	(787.5)	(14.5)	(802.0)	(707.8)	(50.2)	(758.0)
Share of results of associates	4	3.7	–	3.7	2.4	–	2.4
Profit before interest and tax	2,5	325.6	(14.5)	311.1	272.1	(50.2)	221.9
Investment income	7	13.5	–	13.5	15.0	–	15.0
Finance costs	3,8	(46.4)	(0.5)	(46.9)	(47.7)	(1.8)	(49.5)
Profit before tax	2,3	292.7	(15.0)	277.7	239.4	(52.0)	187.4
Tax	3,9	(48.2)	1.5	(46.7)	(41.5)	0.6	(40.9)
Profit for the period		244.5	(13.5)	231.0	197.9	(51.4)	146.5
Attributable to:							
Equity holders of the parent		202.0	(12.2)	189.8	166.6	(51.4)	115.2
Non-controlling interest		42.5	(1.3)	41.2	31.3	–	31.3
		244.5	(13.5)	231.0	197.9	(51.4)	146.5
Earnings per share (pence)							
Basic	11			27.0			16.5
Diluted	11			26.6			16.3

Image 9: *William Hill Financial Statement 2012* (Source: *William Hill Annual Report and Accounts 2012)*

Appendix IV Bet365 Key Financials Bet365 Key Financials 2012-2013

	52 weeks ended 25 March 2012 £000	53 weeks ended 31 March 2013 £000	% change 2012-13
Amounts wagered	12,383	19,482	+57.3
(of which sports and gaming)	12,383	19,482	+57.3
Turnover	722	993	+37.5
(of which sports and gaming)	648	930	+43.5
Operating profit	107	145	+35.5
(of which sports and gaming)	115	177	+53.9
Profit/loss on ordinary activities before taxation	111	148	+33.3
(of which sports and gaming)	116	179	+54.3
Profit for the period	88	118	+34.1

Image 10: *Bet365 Key Financials 2012-13* (Source: *Mintel – Sports Betting 2014)*

Bet365 Key Financials 2011-2012

Year ended March 27	2011 £000	2012 £000	Change %
Amounts wagered	8,536	12,383	+45.1
(of which sports and gaming)	8,536	12,383	+45.1
Turnover	501	722	+44.1
(of which sports and gaming)	439	648	+47.6
Operating profit	88	107	+21.6
(of which sports and gaming)	97	115	+18.6
Profit/loss on ordinary activities before taxation	91	111	+22.0
(of which sports and gaming)	99	116	+17.2
Profit for the period	76	88	+15.8

Image 11: *Bet365 Key Financials 2011-12* (Source: *Mintel – Sports Betting 2013)*