9th RBFORUM

RACING & BETTING 30th September 2016 – Paris

PROCEEDINGS

160 participants gathered in the Football federation building in Paris for the 9ᵗʰ edition of the Forum bringing together 10 guest speakers to discuss eSports, virtual racing, loyalty and e-payment.

We now live in a world of virtual sport, virtual money. How does it fit in in the reality of horse racing and betting?

eSport competitions 10-15 years ago were between amateurs. The proliferation now supports a significant number of professional players and teams. Video game developers build features for such competitions. eSport is organised in an international federation with an integrity structure and has applied to be an Olympic discipline. Bringing tournaments to different cities in the world.

eSport represents a threat as well as an opportunity to traditional sports and betting. The global eSport market generated 325 million dollars in 2015 and is expected to grow to 500 million dollars this year. According to a recent report, eSport will have an audience of viewers nearing 150 million people by the end of this year.

Many media, sports and betting companies are paying close attention to eSport. It appeals to specific demographic. 75% are millennials. Brands are realising this is a massive opportunity. There are some huge names involved in the sport. Major brands such as Coca Cola and Red Bull are investing in the sponsorship of eSport live events this year. Amazon acquired Twitch for 970 million dollars.

Over 61 million dollars in prize money was paid to participants last year.

Quiz with the audience

Have you ever watched an eSport competition?

66% said no. That's 2/3.

Theophile Monnier, Insight on the eSport community.

Is it a new betting frontier? What is eSport exactly? It is an organised competition of video games. eSport doesn't mean sport game. 90% of the market are made of competitions around League of Legends, Counterstrike.

Why is eSport so big? Video game started 30 years ago, eSport started 10 years ago.

Importance of the **competitive dimension**. You don't play only against the computer, you play against other people. There is a **social dimension**. You play with your friends; you have a lot of social tools that help you to exchange while you play. The young people want to feel connected to their friends. You play for **free**, because most of the eSport games are free; you pay if you want extra features. You play for free, you watch for free. Twitch is free. when you play, you will interact and present your game to thousands of other viewers.

A completely **new gaming sub-culture** where most of the components are free. Players have their own language, own wits, own culture, far from the horseracing universe!

eSport means **big shows**: League of Legend in the Staples Centre in LA gathered around 30.000 people. The competition was watched by 10 million people on www.twitch.tv.

The audience represents nearly 200 million people watching eSport in the world but in comparison, the amount of money bet on it, is small, 55 million $.

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For example, in France, the eSport audience is 1.8 million. This is slightly less than the number of people who are watching football, the number of eSport fans who will follow the eSport news. Amounts 800.000, and the number of eSport players, who play eSport in competition is 400.000. The true strength of eSport lies in the people who play online, not only the people who go to events.

Very important, just like in the football or other sport games, the eSport teams are the new stars. They have hundred thousands of followers. Many sport people are now investing into eSport, Magic Johnson bought a famous American eSport team for around 1 million dollars.

eSport games are owned by the Software publishers, all the rights around the products are owned by the publishers.

It is a multi-online battle arena, where 5 players play against another team of 5 players with a very strong team strategy. The game can be quite long. It is played by more than 100 million people in the world. And you can have a pick of nearly 700 million players at the same time.

The World championship is the biggest event in the world: a competition that goes through all the year with 2 seasons. The final world championship that started yesterday evening in the US with only professional teams. If you manage to get into the 16 best teams in the world, your players get salaries. The main competitor of League of Legends is Dota 2, very popular in Asia, represents around 10 million players worldwide with an in-game betting system.

Counterstrike is also very popular with 10 million active accounts. It has an extensive in game and out game betting system. FIFA football series is not a very strong eSport game.

Betting in eSport

Estimated earning is 55 million dollars on betting platform such as Unikrn.

Around 5 to 7 billion dollars are bet on SKIN, cosmetic virtual thing you buy to put into the game. When you get them, you can sell them or try to propose other people to bet on them. It is complicated. However, 64% of eSport gamblers don't want to gamble any real money. They just want to gamble virtual money or skin.

Most gamers come from the culture of gaming. They are not used to bet on sport, on racing. They play in a digital universe. There is no guarantee that there is no cheating. There is no common regulation on all the eSport games. This doesn't encourage people to bet on eSport. In most countries, eSport platforms only offer virtual money.

Unikrn is a betting platform outside of the game. Betters Rift, a French startup, is a virtual betting platform on championship.

eSport is part of sport future and a very fast growing business. If you want to develop an eSport offer, you have to learn how to understand this eSport culture, digital native culture.

Q - How can racing, which is traditional in the real world, can enter this virtual universe?

- First you have to be identified by young people as structured, solid and reassuring gambling offer. To be honest, betting on eSport is a bit of a jungle. It has to be done step by step. And a good way is to sponsor eSport championship and teams, to organise championships like the PMU did already. To know how to interact with this audience. That's a first step to progressively bring your culture and your brand into the eSport universe.

Q - If you are a team and you start playing League of Legends. The lifetime of a game is a few years?

- That's something that the publishers have understood. League of Legends is a 10 years old game. It is patched and changed every 6 months. It has been there for a long time. If they do League of Legends 2, it will be a new, better version of this game.

Q - Are the teams, games specific or cross between the games?

- Most are present on multiple games, like Fanatics in the US. They are present on most big games.

Q - You said earlier the traditional forms of betting won't apply. If you were a betting operator, what was the one thing you would do to tap in?
- You have to really set up attractive betting offer for digital people. Today on betting platforms like Unikrn the odds are quite low, usually 2-1 or 3-1. To attract gamblers, you must find a way to make sure they can expect to win a lot of money. For the moment on the eSport market it is not interesting to bet. So, if you want to get into this market, you have to study all the in game mechanisms such as skins. May be offer young people to have racing colors that they can buy.

Debate on virtual racing. It is an opportunity or threat? Sally Ann Grassick moderates
Paul Cross, Lorenzo Stoppini, Mikael Hagberg and Witek Wacinski.
Witek W, Why did it come about in the first place?
 -Definition - Virtual sports, racing essentially, animated sporting events. That people can bet on. Where the outcome is determined. It happens every 3-5 minutes depending on the operator. And can be displayed in shops, agencies, online and mobile.
They first appeared in the UK in 2001. Started in Australia earlier, after a foot and mouth disease caused cancellation of races. Complementary product. The product turnover for the customers: 10 billion a year.
Paul C - representing Tabcorp in Australia with a different evolution.
- In 1999 we had the first virtual racing product. We have been able to make that product for 16 years, regarded as complementary to the other products.
- Would you say it provides additional content for the people? Or attract new people in the betting?
We see new customers. More of the female variety that want to experiment with virtual racing game. For our product in Australia you can have different types of bets, 12 runners for every race. Number 1 will pay 4 dollars. Number 12, 35 dollars. It gives a chance for a new customer to actually experience betting.
Witek, and we are seeing that customer comes across to live racing afterwards.
We have 3 types of players: punters who come into the agencies and bet on live racing or sports. In between events they want to have a crack on something else. They want to have longer entertainment. It enhanced their overall experience. Then you have the punters who bet exclusively on live racing and sports. And then you have people who are just virtual. Something we have seen increasingly in jurisdictions we operate in, for example Italy.
It is an introductory educational product.
- **Mikael H.**, as regards ATG, virtual racing means more revenues?
- We see it as complementary for the existing customers. If we didn't have the product, they would go to our competitors. We haven't seen signs of cannibalisation for the other products.
Do you use the virtual content as filler or separate entity?
- It is not a filler content in terms of the tv channels or broadcasts, but it helps us to give the customers more entertainment before the races start and between the races. And most important, after the races finish.
 - **Paul**, you were saying, virtual racing is in between racing. In Australia it is every 3 minutes.
- In Australia we do it differently. We have it in 1 place of the betting shop. There is no interaction between the two, live and virtual.
- **Lorenzo S.**, can you explain how it works with you, with SNAI in Italy?
- As a big operator in Italy, the biggest, we have more than 40% of market share. And similar market share on other betting products. And we started with the virtual sports in 2013. We were very shocked by the results, there was a big interest on that, more than 400 million turnover and this comes from small bets. 2,5 euros as average.
As I am a racing guy, I was shocked and tried to understand if this might impact racing, and how this

might be used by us to attract new people to races.

What we note is that the last aspect I want to tell to this panel. Is that they don't bet alone. If you are alone you don't bet on virtuals. You need people with you. It means, they are really having fun. the reason we decided a new name for horses and greyhound and so on, like the names of possible women. It is a bit like the newcomers to the races who picks because of the colours or the names. In Italy you have to remember, we have no casino's. Not in Milano or Rome.

- **Mikael**, do you think this is a generational issue? That it is the younger generation that are more interested in betting on virtual racing?

- I wouldn't say. I would rather say it is a matter of how people place bets evolves over time. It has more to do with changing of behaviour rather than the young crowds coming in.

We have seen the people who play our virtual product they are 8 years younger than the average. Which is good. We need to get our customer base younger.

- Do you see those people eventually, the younger people, bet on real live racing?

Virtual in Sweden has not been a real magnet for attracting customers.

- Is it working the same way in Australia? Live to virtual. Or virtual bringing in the new customers?

Paul - It is a small part of the business. We see the husband in the shops on live racing. And the wife on virtual, less complicated. **It is a nice supplementary product to live offering.**

- **Mikael**, maybe you can say what is the effect it will have on virtual racing, on the horse racing world?

- I guess we make more money, which brings more money to the horse racing industry. We are positive, still an important step for us to broaden.

- How do you think it will be a benefit? It won't have a bad effect on racing in the long term?

We, as an organisation learn about how the customers are playing. And the number of new customers we get. We are experimenting with using a virtual engine, to represent races. And to help the people get the result from races.

For the 25% of customer base who is not really interested in seeing the race (only results and odds) You can use a virtual engine. What we learn from that to get the results presented in an interesting and exciting way for the customers.

- **Lorenzo**, do you see it can have a negative effect in Italy. Do you think the virtual racing could be an advantage or disadvantage to the racing industry?

- My opinion, it might be an advantage. We keep the people inside the shops.

- **Paul**. There were a lot of arguments against virtual racing. Do you think it has a benefit in generating interest in the real horse racing?

- There are 2 elements. We agree, it brings new customers into the betting shop and in Australia we are lucky, we share the revenues from virtual also with the Racing industry.

- **Witek**, to finish with you. We heard about eSport. How do we ensure that racing remains relevant to the new audience that are fascinated by eSport?

- I think virtual sports could actually be the gateway product.

From those who represent racing authorities: **Nigel, from the BHA in UK**.

- Paul is right, we don't get revenue from virtual racing. It is interesting hearing ATG talking about it as a feeder in with the revenues going back to the racing industry. We also have to face on daily basis competition from other sports, fixed betting terminals. It is just competition really.

And I suppose one of the interesting things is listening how you migrate that customer even if you get revenue from it, to bet on live racing. We can learn some lessons about simplicity, how the data is shared, the results shown.

Q - Well, I have a question about responsible gaming. Have you had a responsible gaming approach in this kind of product when you launched it in the market?

- **Mikael**: I can answer what we did in Sweden by adding extra features on virtual racing, a specific budget and specific time limit as well as a specific function to lock yourself out.
- It is not much of a question but more opinion how you could cater to younger audience.
What I can say, as far as working with a younger audience is that you still have to get them interested with live products. The idea is that people will not bet, or I don't think my generation will bet on virtual products alone. They need something to engage on real level. From my background, I have relatives that are in the horse eco system. I can say, one interesting way that I could see people get interested in horse racing is some sort of competition of marketing targeted at a younger audience.
Maybe more female driven.

Q - Are any of you thinking of developing games that utilize your existing database of races? It feels like a lost opportunity. Any track that has been recording for 20 years, for the last 5 years has thousands of races.
You don't need real odds. It seems like, it is an opportunity our company spent a lot of time in. The challenge is getting access to all the races. Using the historic races in a product like this.
- I suppose the best is Instant racing in the US. It is going quite well.
- We would like to do it, but we are not allowed to. It is a good thing. It would be brilliant if you could use old races to bridge the gap between real and virtual racing. It would be the product that is missing in the middle there.
- We consider this possibility in Italy as it is clearly written in the law that you can use virtual or pre-recorded races. Number of races in the database, ten thousand of races. In my opinion, they are not so big number. You have to provide at least 100 races per day. And the final problem in my opinion is that, the virtual product is very fast. If you keep a real race, a Gold cup, do you think someone wants to watch the Gold cup after a bet randomly. I personally don't believe this is a real possibility. It is maybe something you add, 10% of races per day, but not more.
- I think it is an interesting angle. In the UK we have racing at nights, which are popular. It is very much a social occasion. Actually, it is a social interaction with racing that attracts people to the virtual product as much as anything else. In Italy we saw it as well. It can bridge the gap between the virtual and real racing world in that way.
Use virtual to bridge the gap with real racing.

Whether you were for or against virtual racing. An even split there. 52.7% for. And 47.3% against. That was before the debate.
If we look at the figures after, it has slightly changed. We have 53.3% For and 44.4% against. Undecided 2.2. We have shifted it slightly.

Session 1 - Looking at the reality of fans and customer loyalty programmes
The need to personalise information becomes more important, to understand the customers. To have CRM systems and processes, and also to identify, monitor and respond to their needs, habits, behaviours and expectations.
One of the major issues for race courses is the anonymity of the majority of the customers.
Who are their guests? In restaurants or boxes. How do we capture the details of those who pay on the day? It is vital. It has to be the cornerstone for strategy. But also for loyalty and value. And tayloring the products and services on offer.
Customer loyalty play an important role. Several racing organisations focused efforts in this area to ensure they can respond to the needs and expectations of customers. The online and mobile gaming opened up opportunities: To personalize the betting experience, communication and offers. This approach has extended to the retail environment.

Let's take a look at the customer loyalty question results:

Do you have a loyalty program? Racing or betting?
Over half of you, yes. 56%.
43% of you don't.
Hopefully you'll find the next 3 speakers interesting.

Hong Kong Jockey Club, Joice Lam to give an insight on how the program has evolved helping their customer base to grow almost 2,5 times.
6 years ago, the club decided to have its loyalty programme. When we talk about loyalty, many of us in this room would relate it with some forms of incentives. It is useful. It is effective to a customer behaviour or to change customer behaviour in some ways. Many of the successful retail operations are using it to keep customers coming back.
However, on the other hand, you have also to consider whether we should create a loyalty scheme by experience or service benefits. We do believe that different customers have different requirements in services. One example of our service offer is a fast access to our staff, on phone or at the retail store. Even if we had decided what kind of services to offer. We need to figure out how we are going to structure them? And how much would it cost us? Who deserves our attention when it comes to targeting?
In HKJC, we have roughly around 4 million customers who have a relationship with us. Any mismatch of resources could be costly. Worst if we have complaints or dissatisfaction.

They are 3 fundamentals: The first one is to understand our customers. Everyone knows this concept. Our whole list contains 400 variables.
We have been applying determining to understand the value factors which we think would have an impact on customer behaviour. The factors as the customer's betting and preferences in products and services. And then we put all these value factors and experiment with different programs, offerings. We ran over 800 programs in a year trying to find out what is suitable for different groups of customers. Now, with all that knowledge we have built up for years, it also brings in more and more data every year. We talk about trillions of data in our database. The correlation between those value factors has become so complicated. It is no longer possible for humans to analyse. 2 years ago the club has invested to improve the data managing.
Using big data modelling is not only to improve our result in targeting. It also enables us to switch our working mode from active mode to proactive mode. **Without big data technique, we have "observed" customer behaviour. Today, with that technique we can "predict" customer behaviour.**
The big data modelling is to automate the whole process of learning our customers. It is only this continued process that allows us to observe change of customer behaviour on timely manner, so we can react accordingly.
1 million customers have been divided in 3 groups: When you zoom in each group of customers, we will notice who has our attention. Who are playing more or less, spending in betting. Or even their participation in racing. With the big data technique we can improve the targeting equity from 20 to 40% and to analyse data, within a few minutes. Big data modelling is powerful.
The Club will continue to invest in big data in the next couple of years. Particularly in learning our customer's activities, outside of racing and betting.
We want to know customers activity and their dialogue on social media platform.
Principle 2 is to create a very flexible loyalty program structure.
HKJC operates a structure which must work for most of the customers. It sounds familiar to everyone. One point to know is our structure not only count on factors such as spending. We also include some other loyalty factors, such as how many years has the customer been with the club? And also the

frequency of purchases at the gift shop. How many times did they visit the race course? Etc.

The infrastructure must be very flexible enough for us to know what other forms of engagement. Such as a like or share on Facebook.

Another benefit of us to operate such structure is that it creates an intentional incentive for customers to migrate. Business managers have to be constantly, to find out whether we have the possibility to develop a new.

Principle 3 is straightforward. We need to create a broader range of services and incentives for the customers to choose. We also try to reinforce the feeling of exclusivity. Exclusivity is important. The choice of customer in terms of gifts is actually another indication of their identity whether they are a major customer, or minor. This is important information, a new source of data in your database.

With all this, I can share with you the number of high value customers is 2.4 times bigger than the size when we launched the loyalty program in 2011. When we measured the investment growth or turnover growth over the years, it is increasing constantly.

Even under the current economic downturn in Hong Kong.

I think the role of our loyalty program will continue to be one of the key strategies in the club, to retain customers.

The future challenge of our loyalty program is to go mobile. Particularly to serve the young generation in the customer base. They said, if our loyalty card is on mobile phone, they will likely use it more frequently. The mobile actually is a 1 to 1 more personal channel for us to communicate to customers directly. Mobile opens the loyalty platform to social media platforms.

Paul Fisher, group manager director of the UK Jockey Club

The UK jockey club opened its loyalty scheme in 2011. This award-winning loyalty programme has almost 1.1 million members in 15 racecourses in the UK.

What was the objective? Why did we do it? We have 1.8 million people coming visiting the racecourses. We launched, with a company who work in the Golf sector, **Rewards4racing**.

I was keen to find a solution which wasn't going to cost a lot of money. I wanted an online cardless solution. The people who joined the program are loyal to horse racing and we are loyal back to them. Since the launch we have 1 million people. About 35 people work on the programme, it started with 4 people, lots of data analysts. They don't know much about racing, but a lot about big data.

We extended the scheme. We are also doing it for other racecourses as well as the coming cricket season, and other sports.

How does it work?

If you make a purchase, you download the online Racing Post app, you can become a member. We have 4000 retailers who participate. You have earned a X number of points you can redeem if you race with us. We have partnered with 3 betting companies.

So once you have collected your points, you can spend the points back with us on the racecourses. We talked to people weekly online. We drop you an email. And you can then cash those points when you go to the racedays. Once we put the platform in the ticketing platforms. The people can redeem their points for the tickets. We didn't have that for the first couple of years. The technology wasn't there. We managed to bring it in now. The company has learned so much about data and loyalty. Most of the people use their points to upgrade. They see it as free money. Once you have upgraded, you never go back or leave.

We got about 539 million points collected in 2015, based on 12 million pounds that our customers have spent with the retail partners. All that big data stuff is valuable when I talk to sponsors, wanting to know more about the demographics on racecourses.

Betting: about 55.000 of the rewards4racing people, opening new accounts.

The first ever retail bond was also issued by the Programme (investing by renovating racecourses). 95% of the Reward4racing people said they would take 3% of the interest in racing points.

It is interesting to see that kind of flushing through our business and how successful that has been. We have really got people coming to racing on the courses, being a different experience from some of the race courses without loyalty program.

People says: "It is simple. Works well". Hasn't cost me a lot of money. We are making money out of it. I can only see it getting bigger and better in the coming years.

France Porteaux, Head of horse betting business of the PMU, share the experience of **My PMU+ card** driving loyalty and cashless betting.

The loyalty programme was launched last January with the main objective to increase the value of our customer. We are not talking about acquisition of new players.

In 2010, we first launched a product called The Card. This card was mainly a way to place bets and get the winnings. At that time, this card and this account allowed you to pay your bets, either in the point of sale and on the online site. But finally, we had to separate both environment in France. So, last year, we decided to change it, to put in place a points-based programme. And last stage in this development was last January, when we enhanced our loyalty programme and to extend it to all the offline stakes. We decided to enhance according to 4 directions:

- First one, thanks to focus groups and Q&A we had at the customer service, we decided to be more generous. To propose up to 2% of the stakes.
- Secondly, to propose this programme everywhere, except online.
- Thirdly to create status. Meaning, the more you play, the more you get points. The more your cashback rise will be important.
- And last, more branding aspects. Give identity to the programme so people talk about it.

It works on the self-betting terminal in the point of sale, at the counter, at racetrack, by SMS (launched a few days ago).

The programme has 2 aspects: First one deals with betting, all bets are recorded and all your winnings are on your account. It is a transactional mean of the owners of the card.

The second is the loyalty programme itself, with points that you win. First, you can earn them in paying bets as well as exclusive invitation and access to racetracks, promotions and special events.

− It means that during the months that has just ended, for instance in August. If you placed between 0-150 euro, you have a green status. In September, you'll have 1% back on the stakes.

− If in August you spent more than 5000 euros, you have a gold status. It means that in September, you will have 2% on your bets in cashback.

The more you play, the more you win.

So, it is really interesting to see the good feedback we have got in qualitative study and at the customer service, in the point of sale and racetrack too.

The main idea was to develop business, to develop the stake by 60%.

In terms of return of investment: If I offer 1 euro, it produces 5 euros for business. And we experience a lot of mechanics that we want to implement offline.

The means we have put in place, 5 types:

In order to stimulate the punter according to the stage of his lifecycle.

We are going to promote the loyalty program in itself.

This is about 55% of our budget.

To stimulate punters, we are going to put in place non-targeted actions. But everybody can see them, those actions. And even the owners of the card can benefit of these actions.

It gives the feeling, they should subscribe for increasing value. To create traffic on the racetrack and in the point of sale, we do communications on those topics.

For instance, the first operation, we were offering 1 year of free bets. Only for the people having the card. But this operation is proposed everywhere in the network, in the 13.000 points of sales.

We offered the opportunity to see and discuss with the French football team. People in our business are very interested to meet some famous players.

Then we have challenges. This is more for high level punters. They are competing and ranking on the winning. We asked them to place bets on certain races with certain bets. And the best punter can win, 500 euro. And we can see very good impact on the activity of the punters and additional stakes.

Specific operations as I said. Here, we were offering 45 euros every day for the card holders. It is interesting to share this type of operation.

And finally, a targeted communication. We were refunding 30% of Quinte+ according to the value.

The results: by the end of August we were at the situation where the stakes were increasing. We got almost 100.000 active users, thanks to the program. 60% more than last year at the same period.

We managed to open two times more new accounts versus last year. And we have very good qualitative feedbacks.

3 types of benefits: First, a service which is user friendly. With my card I can go to the counter and place a bet very quickly. The winnings are going to go in my account.
Secondly, we offer transactional benefits. And last, we have benefits, exceptional and rare. We are trying to expand this. To have new occasions to use the card, to give more value to this card. It could be for instance discounts in the restaurants at the racetrack. Some discounts also in shops. Or with certain brands.
We have another program for very high value punters, Le Cercle

Q - What do you see is the next stage of evolutions of the loyalty programmes? With the growth of mobile technology and particularly the convergence of alternative media as well. How is that going to work when it comes to the customer loyalty programs? What is the next stage of evolution?
Joice - I think in Hong Kong is to go mobile.
Because customers are now in more control of how they want to react with us.
For example, social media is a key channel for them to make a complaint. Or feedback.
Customers expect the issue to be resolved on the same channel.
I think it is important for the loyalty program platform to be connected to social media as well.
Paul - I agree. Social media. It has to be easy to use. I think in terms of how we communicate with our customers on the loyalty schemes.
We all expect it to be personalized towards us.
That's What the loyalty scheme and big data can give. Personalize what you want to sell.
Personalizing in a digital world is what it is all about going forward.
France - I do share the previous points, from PMU standpoint, I think the idea is to develop the program for the offline.
And on the online side. We have to develop something similar. Even if products are not exactly the same.
Jason - Certainly one of the points I took from the presentations there was, the importance of data and big data mining. It was a thing we talked about before. The importance of personalising customer interaction.

Q - A question about communicating with the customers. If you have experience with using SMS text message. Compared to emails and so on?

Joice - We don't have 1 particular channel to communicate. It all goes to the customer's preferences. We have emails. We have mailing letters. We use mobile short message. Any form of communication, we will need to tie with the customer's preference.

Jason - How much of that is automated now? Given the volume of data. And a lot of the big data processes. The trillions of data you deal with. Is that communication is still able to be personalized or automated?

Joice - It has to be automated. We are talking about millions of customers. The whole idea of big data is automation.

Paul - The scheme itself is automated. It is still email-based. We invest in putting Wifi all over the racecourses. That is the future for us

France - I think it is the same for us - Mail, sms. It costs a lot more so for big punters.
 And, emails of course. The point is, people are not opening the emails anymore, real challenge is to find the right moment and right offer.

Q - I'm curious, Did you build the technologies in house?

Joice - We started up expertise with the Hong Kong university for the first year. Then we hired professionals and take out the whole operation a few months ago. We have our internal capability to maintain the model and develop new models as well. This is very important. You have to have your internal capability to continue the whole process. You can't rely to outsource all the time.

Paul - Yes, we partner with a company in the retail world of golf. They approached me. We adapted it. We took a stake in their company and made an investment. We adapted that technology for racing.

Session on virtual payment for real betting. E payment and new technologies, betting firms can maximize through reward schemes. Such we have seen earlier on. Increasing the volume.

The Ladbrokes GRID card is similar. Offering a range of offers. Instant free bet bonuses. And prizes and experiences for points. Like rewards for racing. It has customer discounts from retailers. Just an email address is necessary. Grid card is available via online app. Customers can carry their points on smart phone. They can use their mobile for bets. Transfer winnings to the online account. Or deposit and withdraw. The app gives the possibility to scan slips.

This is a perfect illustration of how mobile technology is converging. A win-win scenario for the operators and customers. Along with virtual sports and racing. The payment methods are in rapid growth with so many different options available. The question is where to invest the time and effort to ensure we keep up with the expectations. What is the next phase of evolution for virtual payment methods?

You heard of e-payment, smart cards, e-identity, mobility eco systems, fingerprint ideas, bitcoins, virtual currencies. The list goes on. It is quite confusing and bewildering.

We have invited Francois Lecomte. He will explore some of the new payment possibilities. From one click instant payment to mobile e-payment.

Francois Lecomte.

I'd like to share with you a couple of insight from cash to cashless. One of the challenges is to use all the means of payment. Take the case of the PMU. Out of 10 billion euros betting, 8 billion are still done by cash.

When a punter is placing a bet, he is getting a ticket. The first thing we need to consider, is to associate the fact that someone bets and the proof that the bet was made.

Then there is a second step, the race. After the race, the challenge is not paying, but indeed if the bet was good, to credit that bet.

That is a 2-steps experience, specific to the business, people are betting because they want to

materialize the fact they have won. They want to see the money. We talk about emotion beside the payment.

And the other fact is the betting experience is moving from shops, or online experience on the PC, to a new channel experience. There are 2 different regulations applying depending if you bet online or offline, particularly in France, offline is a monopolistic situation.

How you move from a cash world to a cashless world. There are several means that help to do that. The first one of course is the bankcard. The possibility to transform the cash on a kind of paper that can be used on the web.

You have the prepaid. It is a deposit. When the bettor is paying, he is extracting money from a deposit. Not really paying. The money is already out of the pocket. Just bringing a piece of the money that you have already in the card.

And of course, as we have seen with France, with the PMU card, there is the game account. This is the best thing you can do, having people register and getting their own account. And crediting that account. You can offer them great experience, reward, but today there are 100 000 people that have the PMU card out of 6 million bettors in France. There is still room for improvement.

How to come from cash to dematerialized situation. You have to consider the regulation. What does it mean in terms of customer journey?

The money wallet allows you to put money on the account. But, there are some threshold. If you are exceeding the threshold, the card cannot be used. It means, when you are betting you are removing money from the deposit. When you are winning, there is a chance that your limit exceeds what is allowed. You need to identify a person, for prevention of money laundering.

As you know, when people are betting, payment is non revocable.

You will be seeing other methods for paying that are not based on Visa or Mastercard but instant payment solution.

You also have the beacon.

As a consequence, when you dematerialize the money. You come from offline to solutions mainly online. Wallets like Paypal, Visa or Mastercard. In that case, they are interesting to transfer deposit into prepaid solution.

Some solution like Paypal, you have to make sure that the money on the deposit cannot be thrown out after that.

You also have real interesting solution coming from Android and Apple. They offer experience together from offline payment on the electronic payment terminal. And on the web with digital finger.

And of course, many other ways to get people paying. Alipay in Asia, it is coming in Europe.

M-Pesa is representing in Kenya more than 90% of money exchanged.

Facebook is proposing also a method for paying. If you are on Facebook, you can engage the customer and propose the payment.

Anonymous payment is more and more controlled. The payer has to be identified. Credit is not allowed. Of course when people are betting, you are supposed to verify he is allowed to do so.

And on the other side is the winning and again you need to verify it is accurate. The rules for the electronic money. The limits, to credit the bank cards.

This is a credit card. You pay for betting. When you win, you present the same card and introduce it in the terminal and you could be credited directly. There are some limits for that.

You know, there are 2 sides when you talk about payment. The acceptance, the merchant position.

And the issuance, the banker's position. As a private operator, you are supposed to be in the position of the issuer. For the PMU card for example. You are creating your own private process. To debit betting. And credit on dematerialized accounts.

If you cover the acceptance we will see that the contactless payment is certainly very interesting, because, you are really offering a way to pay at the last minute very quickly without any money.

Online, the key element is the KYC (Know Your Customer).

If you are used to bet. You have interested opening an account. However, many people like betting without opening an account. You need to find innovative ways, to offer the experience of paying, without entering into something complicated like the KYC.

In terms of insurance. Any kind of solution like the private card, and also, certainly, the card link offer. So, one example that was interesting was with the PMU presented by France Porteaux, in My PMU+, you do the KYC. You have the bettor inside the scheme. You do the identification and you can offer an innovative way of paying. Not presenting the card, you can also create a relation where the bettor who can send the bet by SMS. It is automatically registered in the account.

You can also identify people with a biometric or with the device like card or mobile phone or declarative (number or identity card or phone number).

Contactless payment in shop is a standard today. In France, 60% of the universal banking card are contactless.

The Card link offers. Ingenico company is offering screens that are integrating PC connector allowing to associate any bank card to something, could be a donation.

Contactless is a trend that is interesting. Contactless is compatible with the Apple Pay. However, Apple doesn't allow betting.

What I wanted to show you is maybe not applicable for today. When you pay with Apple, you can associate some tickets, like train tickets. You can do the loyalty. You can credit points on the Apple wallet. You can debit it.

I'm wearing a wearable, not so excited to have an Apple watch. But it is good to get some services. More and more people will be wearing wearables in the future, Samsung and Swatch. Finding a way to grab the identification and associate to a service to bettors

By having that, you can get the proof not only of the okay of payment. You can associate the receipt to something that is in the cloud. And you can do it because it is extremely secure.

Facebook, There is a huge community to address. And a lot of emotion on the social network. You can develop collective bets.

So, I wanted to submit a prospective use case. You have heard about the bots (software application that runs automated tasks over the Internet) You can create a relation.

This weekend, there is the Arc de Triomphe race. You can offer several ways of paying. One way you can pay is the bitcoin. Associated to that is the Blockchain. It is one of the most secure technologies to do the cryptography and associate some proof, interesting to associate the receipt of the bet to the Blockchain.

The smartest approach is to simplify the life of the bettor. The payment is not the fancy thing to do. Do not invent rocket science way of paying. Just use what is available in your country and marketplace. The last one but the best one is the emotion. Not too fancy to pay for a stake. But it is extremely exciting to be credited money. Make sure this experience is the same in the digital way.

And the second take away. The big challenge is to create the journey for the bettor, associate the payment act to the receipt that goes with, so that you can have a continuous experience from the betting to the credit of the gain.

Secondly, try to reduce any KYC constraints. Facilitating like the betting authorisation. On one side this is a high constraint. On the other side an advantage. It is creating easier way to have better experience. Third one as I said, work on the acceptance and provide as much service as you can to people that like

betting on horses.

And the last word is, besides the payment, make sure people want betting on horses. That's the key element. Payment is accessory.

Q- With the rates and the pace of change, with things moving so quickly in this sphere.
Where should we focus the effort? We don't want to be investing a lot of resource in technology that might become obsolete. If you are going to back 1 method of payment that is going to evolve. What would you say is the strongest?
- I think, the really 2 roads on that space.
One is on the universal payment schemes.
Trying to find any way to can to facilitate the payment and associate the bank card to the receipt.
And the other road is the road that is open, like the PMU with the card. Try to enroll the bettor as early as possible in the process. And work on all the customer journey to value this and give occasion and show when it is winning. Make something that is funky when people are winning.

It is clear from the presentation betting organisations such as the PMU are making development for cashless retail environment. What about racecourses. We have turned to it many times before. Only really limited progress over the last 10 years.

As we heard earlier, racecourses don't know who their customers are. How can they capture the business and bet on every day? If they are occasional or social racegoer. And how can we convert them into bettors?

There has been an assumption that requires investment, in hardware and software, to provide a racecourse wide solution. Which can be time consuming and expensive. That is not necessarily the case as the technology becomes available by mobile.

We saw examples last year. Betting in real time is limited by the Wifi and mobile networks as Paul mentioned. This is a real challenge. When you have large volumes of spectators. Even if the race goers can use the networks, how can you ensure they don't bet elsewhere?

Customers make their spending choices based on ease and convenience.

The expectation from customers they should be able to place bets instantly by the mobile or tablet, rather than to have to stand in long queues. All these issues combined. From realising the opportunities presented by mobile technology.

Sam Nati, Premier Gateway International.
PGI is an independent business, based in Isle of Man since 2012, one of the world's largest wagering hubs, covering on average 150 race meetings every day – as totalisator. We deliver hub connectivity. Business to business services. Access to international pools.

We are focusing on innovation: development of pari mutuel cash out, creation of new bet types for the next generation of customers, wagering app, cashless wagering.

We have had a long association with a business based in Liverpool, called digital design labs. They developed a product, called Tote Ninja which is live in a number of different regions around the world. The principle is simple, you buy a voucher, you enter a 12 digit code on mobile. Wages are made by internet based platform. It is cashed out at any time.

Importantly the opportunity is to sell the vouchers at various locations. And perhaps, even prior to arriving at the racecourse or venue where the technology is offered. They can be made available at the entry point. They can be available at traditional tote windows and from mobile.

Once you have the voucher, the next step is to load it into the app and that can be a smart phone, a tablet. You can use it to place bets, using that 2G technology. It is easy to navigate through. Touch screen driven.

The key benefits, it eliminates queues. It is a private and personalized experience. Do your betting when and how you want with the privacy as well. You select everything. Confirm the wager and you check all and live. Perhaps it is enhanced, using this app. They are the exact same steps you would take if you would verbalize. And perhaps with the embarrassment of getting it wrong.
Each step takes 1 second. Once you are familiar with the layout. It is that quick.

These are the key points: The app uses minimal data and customer experience. It is light that it can transmit a bet using 2G technology. This is important. Especially on race days. When tens of thousands are using the systems, or connecting to the network.
There has to be a balance between how much data. If you put too much data in there you slow it down. The ability to place bets with 2G is reduced because of the data, so, minimal amounts of data.
One of the key factors to keep in mind is that it is not a traditional betting app in the way that a corporate bookmaker or operators might produce.
It is designed to take the terminal from behind the tote window and put it into somebody's hand. Technology gets better and better. It will continue to do so. Perhaps we can load a bit more data into it. We believe the most important part is getting the bet on as supposed to providing too many of those triggers. But also the network itself in some circumstances.
We have talked about racing mostly, but this app can do also is offer products that are non-racing. We see more and more that you will see hopefully one of the lines there. All of that is designed to show is that you can offer a choice for the customers. It doesn't have to be racing. It can be sports, can be any sports. That offering pretty much is open to the imagination.
Obviously, it must sit within the jurisdictions. Worldwide.
In generic sense. If you are able to offer a betting wide product, clearly in that situation there is no limit.
Commercial objectives. Most important I think. Multiplying investments. In some parts of the world where the Tote Ninja system is utilized. One voucher can have 50 individual bets. That is hard to argue with.
Another point made today. Relevant to this particular application. The collection of customer information and drive loyalty through that interaction.
That is supply a simple solution for non-expert betters. And the extention of all of this. Depending on where the racecourse is. It does have the capability and capacity to have resources needed by the racecourses.
And often first time race goers are not experts. If it is not fun, they don't bet at all.
That takes me to the last slide, about the future. There is future development in play around this app. Including a payment gateway. It is using cash to buy the voucher. Expand to a website.
It is an obvious aspiration as well. The utopian position is purchasing 1 voucher is to make all the expenditure at the different points of sale. Wagering, merchandise, food.
The technology is here. What is going to be more difficult to overcome is the compliant structures and legislation.

Jason: I can "vouch" for this. I have experienced this service in operation myself, just last weekend at the racecourse. It is one of the fastest and simplest methods of betting on course. We sometimes overcomplicate things. Because as smart technology grows, apps get more sophisticated. The data we use is quite heavy, complex and dense, and actually, that can be a barrier for a lot of people. This system presented is just 1 click. Something that will appeal to all types of race goers, experienced or novice.

The question I had for you was, when do you see this becoming common place on course?

You have potentially a couple of launches in the pipeline. And that utopian vision. How far away are we from the one stop shop cashless solution?

Sam - the technology is there for us to do it already. There will be discussions in jurisdictions around the best way to make it happen and the compliance that fits around it.

The Tote ninja original product has been launched and worked well in various places.

Sally Ann is hosting the inaugural Innovation Awards.

There has been much talk about innovation over the past 9 years. It has been at the core of the subjects. We introduce the innovation awards to the forum and reward the efforts by organisations. To embrace creative thinking in the organisations. And invest in new technology to enhance the customer experience. Most effective examples are in co-creation with and for the people.

Alain Resplandy Bernard, Director General of the PMU

Sally Ann - Explain to us a bit about the concept of the IDbyPMU.

Alain - In PMU, we wanted to have all the people within the organisation in charge of innovation.

We don't want to have an innovation director or department, we want to have all the 1200 people in the organisation in charge of innovation.

So, we have an internal social network in PMU and we asked to all the staff members, to put ideas there. It is a non-hierarchical system. You don't have to ask permission to your manager. All ideas are good. For new products, services, how to make life easier for the customers, retailers, staff members.

Sally Ann - How many ideas could come to life through this process?

Alain - We had roughly 300 staff members who put ideas on the table. 200 posted on the social network. A lot of ideas. Some are very forward-looking.

We asked 10 people from all over the organisation to screen the ideas. If they are feasible, interesting. And they were submitted to me with a simple budget, timeframe. And we went ahead with a pilot. 18 ideas are under scrutiny.

Sally Ann - What has been the main impact on the PMU?

Alain - I think the main impact of a process like that is cultural one. We need to innovate. For that we need to have ideas, try them quickly, and fail and succeed also.

Some examples on the screen: Equidia in shops can be noisy or annoying. So we will try the Equidia booth, without putting walls. And I think, that will be a nice way for us to enter into new bars, sports bars. And we are doing a pilot in 5 bars in Paris. Currently.

Sally Ann - What has been your biggest surprise to date with the concept?

- That was the simplest one, an idea in the marketing department to launch the text messaging bets. So, it was developed as a product by the marketing team.

Then, to do the existing product, we asked a start-up. That's open innovation. And we launched the product in September, it is a success. We have the text messaging bets now.

Someone in the organisation said, there is a way to develop a simple app. To have your own keyboard to place bets.

Our own PMU keyboard for smart phones. We'll launch the PMU keyboard in the coming months.

It was a very simple idea. It is really adapted to the product, customers, developed in a few weeks.

Sally Ann - You have explained a few of the products that are undergoing. What are the next steps?

Alain - If you really want to change, you have to go to open innovation.

It means that, you don't need only the ideas, you also need the right people to develop them and that could be within the organisation or outside.

We are trying with another French start-up to match the ideas with the right start-ups.

And staff members in PMU can go to a special screen and see if there is a start-up that can help them. The idea is to develop innovation in cooperation with start-ups. The next step is to develop entrepreneur. I want the people in charge of the ideas to be charge of the project.

Sally Ann - It is a very interesting concept that can be applied to many different organisations.

Alain - Yes, I think it is really the ideas and the way to renew horse betting, it will not come from 1 source, but from everywhere.

Sally Ann - Let me give you some elements on the process of the Awards

Organisations were invited to submit an innovation; a new product, service or process that was introduced in the past year. You have all 22 submissions in the leaflet in your file – thank you to these 13 companies that have decided to support the first Racing & Betting Innovation Awards.

An Independent jury with knowledge and expertise in innovation and start-up business selected the best four entries. But today, the first place will be decided by all of you during the pitch competition! The four participants will pitch their products, services and concepts. Who wins – you decide! Remember, the aim of the Innovation Award is to reward the submission that has had the biggest overall impact on the business. This can be measured in terms of the growth in revenue generated, as well as how the innovation has enhanced the overall customer experience by improving the range of products and services available.

You now have two minutes each to convince the audience that you are the deserving recipient of our inaugural award!

1. **Syndicate shares online – ATG – Mikael Hagberg**
2. **hipiGo "Entrez dans la course » - PMU – Thomas Roger**
3. **SportyMobile – SportyTech – Christophe Casanova**
4. **5+ Lyntoto - Norsk Rikstoto – Carl Fredrik Stenstrom**

Benoit Cornu, Head of Communication at PMU and Chairman of the Jury

Sally Ann - Can you explain a little bit what you were looking for from the submissions?

Benoit - First of all the idea was to show that our industry innovates. And all the companies are innovating quite on daily basis.
For the first time ever we organised the awards. And we had 22 applications. From 13 companies, from many continents. We had to seek what was the best innovation. Because for the first time we didn't impose any categories.
We had technical innovation. How does it improve our business? Innovation on products. On customer experience.

Sally Ann - How did you reduce it from 22 to just 4 finalists?

Benoit - It took us more time. We focused on a few things. Half of the jury was experienced on racing, half wasn't. And to have perspective to share their view.
And we focused on, does it improve the customer experience? Can it attract newcomers on the horse betting and races?

 Sally Ann - You'll agree that they are interesting presentations. How do you see the future of this award? How do you see it developing?

Benoit - I think, 22 applications for the first time is encouraging and we may want to continue for next year. But of course, we will organise categories.

Vote of the Public - the winner is, Syndicate Shares Online, ATG.

the jury's choice for the second award for the inaugural award ceremony. – ATG