

The gaming industry is divided in three main markets:

- The lottery market (numerical games, instants/ pulltabs, passive)
- The **betting market** (sports, financials etc)
- Casinos and video lottery games

The governance and operation of the gaming markets are **national responsibilities** and consequently, they are an amalgamation of the national laws and regulations; the local market trends and the player habits.

The gaming industry **cannot be easily quantified**, because a central and trustworthy source of information does not exist.

According to **La Fleur's - "World Lottery Almanac 2008"**, the turnover of the global Lotteries and Gaming Industry in 2007 reached the record amount of **\$224 Billion**, a 10.8% increase from 2006. The aforementioned figure **does not include** the sales generated through alternative channels (Internet, SMS, mobile, interactive TV) and the sales performed by Betting Exchanges which are actually the new market trends.

The European lottery and betting industry, holds a **prominent position** in this field and perform half of the turnover stipulated above. Amongst the European industry giants profiled, the Hellenic, State run, **OPAP** (the third largest operator in the world - per capita spending) posted a record turnover of 5.06 € Billion; and the Italian **Lottomatica** stand out,; with a turnover of 720 € Million (Italian lottery market only) . While other traditional Betting and Lotteries institutions such as: the **Spanish Lotteries y Apuestas del Estado**, the **French La Francaise des Jeux**, the **U.K. National Lottery**; have posted healthy returns and promising growth prospects. The same applied on the other side of the Atlantic where the **U.S. market** posted **\$52.7 Billion** sales, lead of course, by the **N.Y. Lottery** with \$7.5 Billion.

This phenomenal **growth rate**, in conjunction with the current **financial crisis**, has supported some analysts' claims that the regulated / non regulated gaming activities will reach the **\$1 Trillion** mark by 2012. This could well become reality, especially when taking into consideration the pending growth of the Asian markets and particularly China, as well as, the imminent "opening" of the American market. Moreover, the gaming industry tends to increase in times of financial crisis because on the one hand people pin their faith on gambling and on the other hand gambling is a financial backing for the governments because they can impose direct taxes and return money back to the community.

The main topic of conversation in the **WLA Convention and Trade Show 2008**, that took place in Rhodes, was whether the traditional lotteries have reached a maturity point that will be difficult to be surpassed or not. It is very interesting to note, that in some cases, the growth performed by the traditional lotteries is partially actual (increase of the number of players or number of tickets played), and that the increase of the ticket face value leads to an equivalent nominal growth. This fact clouds the dynamics of the traditional lottery field and highlights the dynamics of the alternative gaming (Internet, SMS, mobile, Interactive TV).

"So apart from the "natural" growth experienced by traditional operators with the introduction of new products; what is the industry's driving force?"

According to a survey held by **IGWB** (International Gaming & Wagering Business):

- "Asked what will drive the future growth of the gambling and betting industries, all survey participants identified - **Internet gambling, increasing liberalization of (the European) markets and geographic expansion internationally**".

According to **Ann-Marie Fleming** (InvestorIdeas.com - February, 2006)

"As the gambling arena has extended its reach from brick and mortar, onto **mobile and online** platforms, the audience and level of worldwide participation continues to grow".

We have all been noticing the rising significance of on-line gaming and potentially we may be witnessing the next evolutionary process...

According to **Juniper Research**, "...in particular mobile gambling as a whole (casino, lottery, and betting) is anticipated to generate revenues in excess of **\$19 billion** by 2009. This growth has occurred despite the ongoing legislative uncertainty that has plagued the online and mobile gambling industry, leading many to place their bets on continued international growth driving this industry onwards and upwards despite regulation jitters. "Driving the growth of the online and mobile gambling market are several key factors that include the increase in the availability and adoption of broadband connections, and the rising popularity and reliability of mobile Internet access" ...

Traditional Lottery Vs. Alternative Channels

There are many attributes, one can account, to substantiate the growth of alternative gaming; the core attraction being – the **availability of new technologies** and especially the exponential growth of Internet usage. According to the Internet World Stats Organization, it is estimated that 6.6 Billion people around the world, have access to and are familiar with, the Internet and based on US Census Bureau the 69,2% of the population over 18 (potential gamblers), has access and uses Internet every day.

One other significant factor that contributes to the growth of the alternative gaming is the **time and space flexibility** that the new channels can offer to the players.

Moreover, as markets deregulate and more operators compete for market share, so would - operating **costs efficiency**, become a crucial factor to the bottom line. Adding to this, new betting/gaming mediums – on-line, mobile, interactive television etc., will claim their market share. This in turn would imply in macroeconomic environments, the obsolescence or at the very least evolution, of the local "Traditional Lottery House".

While reviewing the forecast revenues; they all support a gradual increase in the percentage of the global on-line gaming market; from an average of **11.5% in 2008 to 15% by the year 2012**.

However some market researchers believe that these projections are quite conservative and that we are at the forefront of an industry sector boom; – similar to the case of the emergence of the Home Entertainment Industry - Video/DVD/Movie Downloads Vs. the Cinema industry.

Over the past decade the one product/service that has made a substantial impact on the Lottery & Gaming industry, offered by both Regional Lotteries and on-line Operators, is the **Toto – Betting Exchanges & Fixed Odds Betting Game**. Irrespective of how and where it is offered; its contribution to the Operation’s growth has been substantial. At **on-line operations**, it is by far the single greatest contributor to revenue - 60% greater than on-line Casino and 33% greater than on-line lotteries (Global Betting & Gaming Consultants – 2007); while in European **regional lottery operations** (Britain having introduced the model), it represented 7.9% of total sales and rising (2005, La Fleur’s).

Sports Betting Games Vs. Numerical Games

Three of the greatest attributes of Sports Betting games versus numerical lottery product are: **the sense of control over the outcome** of a wager via the incorporation of a punter’s skill/knowledge; the **vast array of betting fields** offered and their syndication (system bets, flexbets); the presence of a **“gaming rush”** associated with the personalized projection and anticipation of an outcome.

The sports betting industry has so far had the “luxury” not to be immediately concerned with the use of **analytic tools** and **real business intelligence instruments**. With fierce competition in deregulated markets, where margins are continuously challenged as competition increases, the solution is the incorporation of a **holistic liability portfolio** which understands the punter, predicts behavior and supports educated decision making processes, in both, day to day operations and long term strategy.

Fixed odds sports betting activities require, among others, the particular ability to monitor the liability and manage the risk. Most of the existing systems today are not able to give satisfactory solutions to liability monitoring and risk management.

The question is: - “How many Betting operations today can account their total liability, on a parallel to bets being accepted by an operator (real time) and irrespective of the outcome of an event”?

Neurosoft has developed and implemented an innovative Liability monitoring system which can satisfy the needs of the users at maximum degree. This technology is based on specially designed architecture and will be provided as an integrated part of the **Global Lottery System Framework**.