



Expansion Study of growing markets in Europe

Strategic options for Betsafe

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Preface

This master thesis was performed as a last step of my education towards a Master of Science degree at Lund Institute of Technology. The thesis was made at the division of Production Management in the department of Industrial Management and Logistics.

The study has given me interesting insights of the gambling industry and hopefully it will help Betsafe's management for future strategic decisions.

I would like to thank my supervisor at Lund Institute of Technology, Ingela Elofsson and my supervisor at Betsafe, CEO Henrik Persson. I would also like to thank all helpful staff at Betsafe, especially Janis Tregers, Country Manager in Latvia.

Malmö, December 2009

Abstract

Betsafe is still a young company that have seen a great success in a short span of time. To remain successful it is therefore important that they don't become complacent and remain visionary. However, a successful company must also balance its risk-taking. In the end it is vital to find the right opportunities that fits the company and of course to be able to make the right decisions.

In this project the main objectives were to put forward and present suggestions for new markets within a set of already established choices and to recommend strategic paths for Betsafe to take. To look towards new markets is often a logical step when a company wants to grow and develop. What is important to take into consideration are the different circumstances that figures in deciding where, how and when an expansion should take place.

The results from the study show there are mainly two different expansion options for Betsafe. One option involves a further expansion into the Baltic region. This path would be the natural step for the company with business already running in Latvia. The most suitable choice for Betsafe would be Estonia that proved to hold the best market conditions. The second option is much more risky and represents an expansion into a lucrative but relatively unknown and complex market, the Greek.

My final recommendation for Betsafe is that the company continues in the present to focus on its existing markets and the marketing drives there. Even if 2009 has been financially a successful year and there are attractive opportunities for an expansion, it has also meant great changes for Betsafe.

The company's strategic direction has taken on a new turn – creativity. This has lead to an organizational change with new business areas such as social media. This new philosophy will take time to set within the company and it will take time to be able to take advantage of it. The change has also lead to an internal growth with much new recruitment. The marketing drive is still in an early stage and the turbulence caused by the defection from the Bulgarian market is still not yet fully over or evaluated. At the same time the beginning of 2010 offers big sporting events like for example the Winter Olympics. Betsafe is simply already involved or will be involved in projects that the company must focus on before they can take on new propositions. The legal situation in Europe is constantly changing along with its market conditions. To wait and find out what the outcome of some of these legal processes or changes will be before making a decision is important to not end up in the middle of adverse business conditions.

That said I do believe that the company must sooner or later find new markets so as to continue to grow, spread their overall market risks and to not trail too far behind the competition. Betsafe should in the near future keep a close eye on the Baltic market and expand the analysis before an eventual investment. There are still many questions that remain unclear. What will be the actual consequences of the new law in Estonia, which will take effect in 2010? Can we amongst all the names presented in this study find a country manager who can fulfil all the critical demands or do we have to search for other names? What possibilities are there of creating in advance favourable media deals, so as to facilitate the marketing and so on? Betsafe should during 2010 try to answer these questions. It is important that the Bulgarian failure does not happen again and that the next expansion becomes a success. In conclusion even if Estonia is the country where an expansion should take place Betsafe's focus is currently needed elsewhere.

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1. Introduction

In this chapter Betsafe and its business is presented. This is followed by a review of the background to this study and the present market conditions. Finally the purpose of the study and the target group are established.

1.1 Company presentation

Betsafe is today one of the leading suppliers of online gaming products worldwide, with over 200.000 customers from over 100 different countries. Since the official launch in January 2006 Betsafe has been able to establish themselves as one of the most trusted and reliable gaming companies on the market. Betsafe offers its customers a wide selection of innovative products such as poker, sports betting and casino games.¹

1.1.1 Business concept

Betsafe has recently dramatically changed their business concept. From being just a “regular” online gaming company the new strategy focuses on creativity. Betsafe wants to offer a total experience for both gaming and entertainment. They want their products to be innovative and also provocative. The new brand says “WIN ON ALMOST ANYTHING”. In the sense of this slogan, customer will get the opportunity to post their own odds ideas. Some of these will be accepted and posted with real odds on the website for customers to bet on.²

This strategy began from the wish to communicate with their customers in new ways. The fact that people choose to spend more and more time on the Internet started the phenomenon often called social media. Among social medias the most famous are probably facebook, twitter, youtube, etc., but the list is endless. By being visible and available in social medias it will become easier to quickly be able to assist and get feedback from customers when they have problems or when they have suggestions for improvement. These new medias have also created new avenues for marketing to attract and entertain customers.³

The new launch was necessary for the company to grow in a competitive business environment. Even though Sweden is one of the biggest markets for Betsafe the company is actually not yet really known by the majority of the Swedish population. With a major marketing campaign both in written press and in TV-commercials Betsafe wants to change this situation and also express their new strategy.⁴

¹ (Betsafe, 2009)

² (Ekdahl, 2009)

³ (Ekdahl, 2009)

⁴ (Ekdahl, 2009)

1.1.2 Business offer

Gambling can be divided into online gambling and off-line gambling. Online gambling is primarily carried out over the Internet, but also includes gambling via mobile phones and digital TV. Offline gambling means gambling in a physical location, e.g. a betting shop or a casino etc. Gambling can be divided into games of Skill (sports betting, poker, etc.) in which the customer can benefit from having a certain degree of knowledge and games of Chance (roulette, slot machines, lotto, bingo, etc.). Betsafe is only providing gambling online and their main products are explained below.⁵

Sports betting

Sports betting is the general activity of predicting sports results by making a wager on the outcome of a sporting event. At Betsafe the customer can choose on betting on a lot of different sports with a lot of different kind of odds.

The sports betting was at first the main product for Betsafe. Today the sport book is still successful but both poker and casino are getting more and more important for Betsafe. The gambling culture for sports betting is changing and the rather young phenomenon of “Live betting”⁶ is growing fast. Betsafe intends to expand the live betting options in the future.

Win on almost anything

This section at Betsafe has been launched to offer the customers the chance to bet on their own odds ideas and also on other special events or things. For example Betsafe offer odds on politics, the Nobel’s peace prize awards and weather forecasts in Norway.

Poker

There are some common features for the most poker games. They are all betting games in which participants bet money (or any substitute for money) on who has or can get the best combination of cards. What combination of cards and rules used vary between the different game types. Betsafe offers poker games at several different variations on either cash games or tournaments.

Poker as a product is growing for Betsafe. In October 2009 Betsafe merged with Propaganda Poker. All customers from Propaganda Poker were transferred to Betsafe. “The cooperation benefits all parties as Propaganda Poker is specialists in poker and Betsafe has a wider product portfolio”, said Henrik Persson CEO at Betsafe⁷.

Casino

Casino is a business establishment which offers players an opportunity to place bets and win money by game of chance. Game of chance is a collective name for gambling in which chance has a strong impact. The variety of games is huge for example Black Jack, Roulette, Slots and Video Games etc. The casino for Betsafe is very successful and a large number of games are offered.⁸

The casino business is profitable because the chance to win is small. Primarily it is Norwegians and Swedes that play in the casino.

⁵ (Betsafe, 2009)

⁶ Betting on a game as it plays

⁷ (MyNewsDesk, 2009)

⁸ (Betsafe, 2009)

1.1.3 Support

The support at Betsafe has for a long time been important and successful. Compared to many other companies Betsafe offer a support guarantee that customers should be replied by mail within 15 minutes. This is rare in the business and has created an advantage for Betsafe to be one of the leading companies when it comes to support.

1.1.4 Markets

Betsafe is available for customers from almost every country in the world. However, the main markets for Betsafe are first of all Norway, Sweden and Denmark. These markets are, by far, the most profitable for Betsafe. The focus markets also include Poland and Latvia. These countries are still far behind the Nordic countries in terms of profitability but the markets are rather unexplored and have a lot of potential.⁹

The term “market focus” means that Betsafe in these countries has increased their marketing initiatives and the effort to satisfy the customer. The marketing includes advertising in national newspapers, TV commercials, banners on websites etc. The customer care includes national campaigns, special offers and support in their own language as Betsafe is trying to create more new customers here.



Figure 1 - Focus markets for Betsafe

1.1.5 Competition

The online gambling market in Europe is very competitive. The number of companies offering online gambling is huge. There are a lot of companies just focusing on one product as well as companies, like Betsafe, offering more products from the same site. To get customers the companies must provide safety, an interesting range of gambling products and attractive offers. However, a success factor is often customer awareness of the company.

Most of the companies offer the same range of products and have similar bonuses and so on. To be able to get new customers they must first of all know that you exist. This is actually very hard to establish and demand a lot of marketing. A study from the Swedish newspaper Aftonbladet shows that customers in Sweden who were asked which gambling companies they spontaneously knew about, hardly knew any other gambling companies except from Svenska Spel and ATG. Less than 20% were aware of online gambling companies in addition to Svenska Spel and ATG.¹⁰ After managing to create the awareness, the challenge is to attract customers with something special and exciting. With the new strategy, Betsafe intends to differentiate themselves so that they will convince the customer to choose them.

⁹ (Ekdahl, 2009)

¹⁰ (Flodin, 2008)

1.2 Background and Market Conditions

1.2.1 Business opportunity

Central and Eastern Europe are the online gambling markets that are growing the most in Europe. Several of the major companies in the industry describe in particular Eastern Europe as the most interesting market in terms of opportunities for growth. Petter Nylander, CEO at Unibet, says that the Scandinavian market has begun to stagnate and that the growth now exists in Eastern Europe¹¹.

Since many of the countries from this part of Europe received EC membership their social standard has increased a long with the individual buying power of entertainment. The current financial crisis has partially blocked the development but the trend towards an improved economy in many of these countries still remains confident. Also the gambling culture has in most cases always been strong but relatively unexploited for online business.¹²

Still, several problems remain among these countries. Firstly and probably the toughest problem is the legal situation. Many countries still regulate the gambling business (or strive towards a regularization), both nationally and on the internet. This goes against EC rules of an open market with free competition. At the moment there are a variety of legal processes in place, both nationally and within the EC to deal with this. However, the belief of a nearby closure is not to be reckoned with.¹³

Each country is simultaneously working with national problems such as corruption, a bureaucratic business culture and social inequality. Even though the total economic growth shows improvement many countries are still poor and it will become a challenge to create valuable customers. The sum of money that the average Eastern European places at stake is much lower than the same for Western European citizens. The conclusion is therefore that the number of customers needed to make a profit will be much higher. This is of course a simple solution to understand but more difficult to actually implement in the reality with satisfying revenue.¹⁴

¹¹ (Nyhetsbyrån Direkt, 2009)

¹² (McLean, 2008)

¹³ (McLean, 2008)

¹⁴ (McLean, 2008)

1.2.2 The future for Betsafe

Betsafe is growing. Even in the midst of the financial crisis the company has during 2009 reported a very positive result. Now management wants to explore the opportunities of a possible expansion and look towards new potential markets in Central and Eastern Europe. Is it possible to create value with customers in countries that are still classified as developing countries? Is it the right time for the company to expand? Many questions arise from this.

1.3 Purpose

Betsafe wants to explore the markets of Central and Eastern Europe that have the best conditions for a possible expansion. Furthermore, they want to know how the current market conditions and the company's own situation will affect a potential expansion.

This master thesis contains an identification of chosen individual countries' national situation in Central and Eastern Europe, an analysis of the market potential, and finally proposed actions and recommendations for Betsafe. The thesis will also serve as guidance for future strategic decisions.

1.4 Target Group

The master thesis is written for the management of Betsafe and for the Lund Institute of Technology.

2. Methodology

In this chapter the methodology for the work is presented. The methodology includes classification of studies, the approach for how the work was conducted, an explanation about how data was collected, an explanation of own models created and finally a discussion of the validity, reliability and objectivity of the work.

2.1 Classification of studies

Different types of studies are classified according to their purpose. There are 4 main types of studies.

- Exploratory: This kind of studies is used when there is little knowledge in the field. The intention is to find a basic understanding.
- Descriptive: Used when there is basic knowledge and understanding within the field and the goal is to describe.
- Explanatory: Can be used when the essayist seeks a deeper knowledge and understanding and then wants to both describe and explain.
- Normative: Problem-solving study, which is used when there is already some knowledge in the area and where the goal is to provide guidance and suggest actions.¹⁵

This study is a combination of exploratory and normative studies. My knowledge about the prevailing conditions in the countries was low and therefore in the first instance I examined the countries in order to form a greater knowledge base about each of them. As a second step the idea was to use this information to provide Betsafe with guidance and recommended actions for future strategic decisions.

2.2 Approach

The approach for the methodology has been divided into three phases:

- Phase 1. Planning and preparation
- Phase 2. Data collection
- Phase 3. Analysis and conclusions

2.2.1 Phase 1

Planning and preparation

In May 2009 Betsafe gave the final call and thumbs up for this master thesis. The project was to begin on August the 21th and be presented for the board on December the 16th. To be well prepared, I started an extensive literature review of the subject during the summer. Before the work

¹⁵ (Maria Björklund, 2003)

started, I also created some primary guidelines and a provisional schedule. Both of these have been revised several times during the autumn.

Literature Study

A literature review aims to provide an excellent scientific methodology for the thesis. By gaining a comprehensive overview of the area to be explored you will minimize the risk of overlooking already-made lessons and it will also make it possible to build on existing knowledge.¹⁶

During the summer and continuing into the autumn I conducted a literature review. I focused on creating a broad theoretical basis to suit the project. I searched for information at the University of Lund- and Malmö City Library services, including books, theses, dissertations, reports and articles on the subject. The search terms consisted of market analysis, market research, business intelligence, competitor analysis, expansion strategies, growth strategies, law, new markets and “how to write” theses.

After the beginning of the work and continuously during the autumn, further information has of course been retrieved internally within Betsafe as well as from the web in the form of articles and reports.

Chosen countries

Due to time constraints 10 countries were selected by Betsafe management to be included in the study. These countries are:

- Estonia
- Greece
- Lithuania
- Romania
- The Slovak Republic
- Slovenia
- The Czech Republic
- Turkey
- Ukraine
- Hungary

2.1.2 Phase 2

Data collection

Data collected can be either quantitative or qualitative. Quantitative data consists of things that can be counted or classified such as number, proportion, weight, etc. Qualitative data consists of words and descriptions. Quantitative data can be processed by statistical analysis, while qualitative data requires analysis based on sorting and categorizing.¹⁷

Data could also be divided into the primary and secondary data. Primary data is information that we gather through for example interviews and surveys. The advantage of primary data is that you can

¹⁶ (Martin Höst, 2006)

¹⁷ (Maria Björklund, 2003)

control what information you want. The downside is that it is time consuming and it can also be problematic to gain access to this kind of data.¹⁸

Secondary data is data already available. The advantage of secondary data is that it usually is much more accessible and requires less time to obtain. The disadvantage is that the information “is what it is” for better or worse. The risks of misinformation and insufficient information are bigger.¹⁹

This study is based mainly on qualitative data. Some existing quantitative data have been reviewed especially regarding the respective countries statistical information. Both primary and secondary data have been used. Due to the difficulty to obtain primary data, the majority of the information collected has been secondary.

Primary Data

Mail survey

A mail survey can be used to gather opinions and perceptions from a group of people. A mail survey is questionnaire with a number of mainly settled questions.²⁰

The basis on which the survey results can be used and generalized depends on how the selection of people was chosen from the population frame²¹. There are 2 general methods for this selection, probability sampling and non-probability sampling²². The big difference between these methods is that the probability for inference²³ problem can be calculated when using probability sampling. This means that the reader can more easily get an understanding of the validity of the study.

A few of the questions are of such nature as to where the respondent gives his own subjective responses. For example one question was to try and get an overview of what the most popular ways of gambling are. A question like this is obviously sensitive. From these types of questions, no conclusions can be drawn in relation to the entire population (which in this case would be impossible due to the amount of inhabitants in the countries). However, it is possible to get indications from the responses received. The people that have been chosen have all held a position such as within a suitable government service or from the private sector with some connection to the industry. The questions are supposed to fit the study's purpose and to create a relative picture. This is called the selection of assessment which purpose is to obtain a composition of the sample, highlighting some interesting issues²⁴. It is then not of interest to make a statistic control of the inference.

For my thesis I sent out questionnaires to all the respective countries' export councils, central statistical offices, central banks, business organizations, finance departments, media companies, internet companies, poker communities, poker, sport and other magazines, local casinos, sports related companies as well as to competitors. The questionnaires were sent out via email. The

¹⁸ (Maria Björklund, 2003)

¹⁹ (Maria Björklund, 2003)

²⁰ (Martin Höst, 2006)

²¹ (Martin Höst, 2006)

²² (Martin Höst, 2006)

²³ By inference means in the examination context, to draw conclusions about a target population based on results from the units in the population actually studied. The question is the degree to which these conclusions are valid for the entire target population? Validity depends on the frame in the population who has been investigated. If it is representative so the conclusions are correct. If instead they are extreme or not represent for the whole population, so conclusions can be wrong.

²⁴ (Maria Björklund, 2003)

questions asked have of course been adjusted so as to be able to retrieve the right information from the right area of competence.

The questionnaire had the following general structure:

- Purpose of study
- Questions
 - Ex: (For central banks) *What percentage of the population in Hungary have access to creditcard?*
- Contact information

Interviews

The interviews for this project were conducted by phone and occasionally in a personal meeting.

The advantage of the phone interview is that it is relatively easy to achieve and that it does not need to take up more planning than necessary. The downside is that it can be difficult to get required quality of responses and that the time of the interview is often limited. A personal interview is usually preferable because it generally becomes easier to discuss more deeply and also because one is more likely to get the right information. The disadvantage is that the cost per interview usually gets very high.²⁵

For this essay, it has been impossible to conduct personal interviews with people from different countries because of a limited budget. The focus has therefore been on getting telephone interviews.

The format of the interviews has been of a “semi-structured” character. This means that the individual interviewed can speak freely and communicate their experiences and assessment around largely open questions. The intention is that they shall describe and explain the questions asked.²⁶

The interviews were conducted in a variety of areas. The areas included are the same as for the questionnaires. The selection of people has been the same as for the mail survey.

The interviews had the following general structure:

- Establish contact and decide a time for the interview
- Explain the purpose of the study
- Inform the respondent about general structure of the interview
- Questions
- Control questions
- Contact information

²⁵ (Maria Björklund, 2003)

²⁶ (Maria Björklund, 2003)

Secondary Data

The need for a lot of different kinds of information has been huge. Because of this, much of the collected information has had to be secondary. There are different types of secondary data:

- Processed material: Data collected and processed in a scientific context, for example in academic publications and theses.
- Available statistics: Data collected and processed from for example the Central Statistical Office.
- The index data: Unprocessed data collected for a certain purpose.
- Internet: Data from websites.²⁷

Internet has been the single greatest source of information that in some degree affect the scientific legitimacy of the work. However, most of the websites visited have been respectable and secure such as the sites of government institutions and well-known bigger companies.

Problems with the information collection

Even though a lot of information has been processed some question-marks still remains. It has been hard to get a hold of the right person that possesses the necessary information or to get in touch with people that speak and understand English. In Eastern Europe, even at governmental departments, the language difficulties are big and sometimes impossible to overcome. The necessary information is also sometimes not available in other languages than the native.

2.1.3 Phase 3

Analysis and Conclusions

Processing and documentation has been ongoing throughout this thesis.

²⁷ (Martin Höst, 2006)

Data processing methods

When selecting data processing methods, it is important to justify the choice of analytical model, the choice of aspects and rating scale. Without a reasoned explanation as to why you have chosen a specific model it will be difficult for the reader to understand how it is used. Moreover, the analysis and conclusions based on those models will be rather useless.²⁸

The format for this thesis has been developed to suit the existing purpose. The ten countries included in the study will first undergo one selection process, called Selection 1. From these ten countries, three countries will pass the first selection and move onto the second selection stage, called Selection 2. The reason for this is to extend the quality of the research among those three countries that seems to be most interesting. Also due to time constraints it would be impossible to perform a thorough research for all countries.

Selection 1 and two have varying degrees of scale. Selection 1 is intended to provide a fundamental information base of the various countries' national conditions. The first selection is also the first stage of comparison between the 10 countries. For Selection 2, a more specified analysis of the three countries will be implemented. Selection 2 will form the basis for the actions and recommendations that will be proposed to Betsafe.

Selection 1

Information Packs

10 information packs about the countries have been constructed. The information packs should work as basic data in order to choose the right countries to move onto Selection 2. The information packs will also work as a researched documentation base for future decisions on expansion.

Methodology

The methodology for the first selection has been divided into two parts. The first part is a review and comparison of the national parameters and the Betsafe statistics. For each parameter the country was given a score from a scale between 1-10 points, 10 points giving the country the best parameter value. The result is then presented individually for each parameter and totally as a compilation of all parameters. The best score from the first part might however not be enough to pass the selection process. The parameters and the statistics are not constant data and might contain margins of error. The second part is therefore constructed to be a review and comparison of the other areas in the information packs. The second part is a SWOT analysis for each country presented as pros vs. cons. Together the two parts should form the foundation on which to be able to make the right choice of countries for the second selection.

Selection 2

Analyze pack

I have constructed one analyze pack about the three remaining countries. The analysis pack should work as a final instrument to be able to provide Betsafe with the right recommendations. The

²⁸ (Maria Björklund, 2003)

analyze pack should also work as an extension to the information packs. This complete documentation will be the foundation for future strategic decisions.

Methodology

The second selection is an analytical review of the remaining countries. The result and conclusion from this stage will be presented in the final recommendations.

2.3 Validity, reliability and objectivity

A master thesis that is being performed in a scientific way must always challenge the various sources in terms of credibility and relevance. When different sources are judged in this way they become more reliable to use and draw conclusions from. Even uncertain statements and evidence can be valuable but only if the reader is aware of the limitations. Validity, reliability and objectivity can be seen as three dimensions of a study's credibility.²⁹ These concepts are explained as follows:

- Validity: the extent to which the survey really measures what it intends to measure
- Reliability: the extent to which the survey show the same results if we repeat the study
- Objectivity: the extent to which our own values influence the study³⁰

As already mentioned, this project contains some questions asked in interviews or questionnaires that are formed to receive a subjective answer. The reader must be made aware of this even though the answers given will have some legitimacy due to the position of the answering person. These answers have only been used as indications and not as exact facts.

The information taken from the internet must of course be thoroughly reviewed before using it. For many of the statistical data and other information regarding the national parameters, I have tried to obtain the information from sites with a governmental connection or from well-known companies or organizations. Because of this I feel that much of the information from the internet for this project can be relied upon. Most of the information collected is simply cold facts and even if these can vary a bit from source to source they are in general the same. The final conclusions and recommendations will be based on the big picture and not on specific details.

2.3.1 Response rate

The response rate has been mixed. For the mail survey a total of 185 questionnaires were sent out. Some have simply ignored the survey, while others became interested and wrote very comprehensive replies. In total, answers from 85 questionnaires were used. For the interview all available interviews have been conducted. In total, 12 telephone interviews were made including 3 personal interviews.

²⁹ (Maria Björklund, 2003)

³⁰ (Maria Björklund, 2003)

3. Theory

In this chapter the theory used for the work is presented. The methods and tools from the theory are used both as general guidance as well as specific instruments for the analysis.

3.1 Expansion analysis

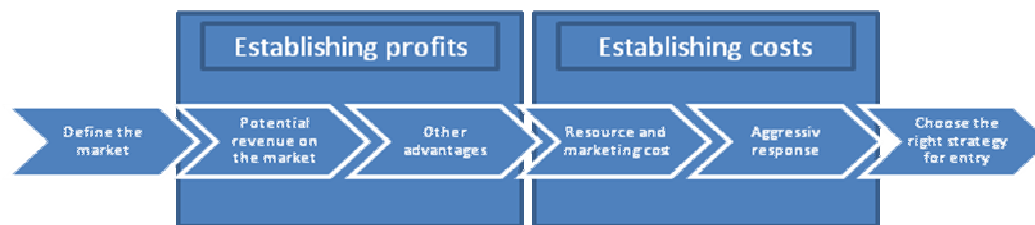


Figure 2 - The analytical process for an expansion decision²³

The decision on the expansion can be divided into an analytical process involving six steps:

1. Define the market

The first thing a company should consider is which markets should be investigated. Markets do not look like houses in a residential area. They are not arranged in rows and they are certainly not distinct from each other by fences and hedges. It is both an art and a science to define and delineate markets.

2. Potential revenue on the market

The purpose for this part of the process is to calculate the potential profitability that can be created. This is divided into 4 general areas:

- Market size
- Value per customer
- Power against competitors
- Power against suppliers

3. Value of other advantages

A company with the right competitive edge will get a better position against the competition. When entering a new market it is often necessary to offer something rare or exclusive. The advantage could also be in form of having the best competence.

4. Resource and marketing cost

For this model, a company is not considered to be fully established on the market before it has all resources and activities up and running. The costs that this will entail must be investigated with attention.

5. Cost due to aggressive response

The existing competition will not like a new competitor. They will try to work against the expansion and it will certainly be a battle for customers and marketing opportunities.

6. Choice of strategy for entry

One thing that is important to remember is that the strategy chosen to enter the market affects the first steps in the model. A profitable expansion according to the model can be unprofitable if the company chooses the wrong strategy for entry. It is therefore important to integrate the entry strategy in the expansion analysis.³¹

This model has served more as a general guide for the thesis rather than a strict outline. The work is not directly divided into the different steps and do not follow the exact theory according to the literature. Instead, to suit the purpose of this work, the steps are divided into parts or have been left out to better suit my project. For example, great importance has been attached to step 1. In this part of the work I developed my own model called Selection 1. The middle stages are parts of for what I call Selection 2 where the best potential markets are evaluated. The last step is not included but will be brought up in the final recommendations

3.2 SWOT

SWOT analysis summarizes the key issues from the business environment and the strategic capability of an organization that are the most likely to impact on strategy development. The analysis can be useful as basis to compare different options.³²

- Strengths
- Weaknesses
- Opportunities
- Threats

The SWOT analysis has been used for the first selection. The analysis will be summarized and presented as pros versus cons instead of a regular SWOT analysis which presents each strength, weakness, opportunity and threat for themselves.

3.3 PESTEL

There are many factors in the macro-environment that affect a company or a market. Laws, taxes, barriers of entry, demographic and government policies are all examples of macro factors that must be taken into consideration. The PESTEL model is frequently used when you want to analyze and categorize these factors.²³

³¹ (Erik W. Jakobsen, 2003)

³² (Gerry Johnson, 2005)

- **Political factors:** These refer to the political policy in key questions for the business climate. An important question is for example how a change of government could influence the business climate?
- **Economical factors:** These include interest rates, taxation changes, economic growth, inflation and exchange rates etc.
- **Socio-cultural factors:** Changes in social trends can impact the business climate fast. In the matter of gambling, positive results in a particular sport for the national team together with a growing trend for this sport could affect the desire for gambling.
- **Technological factors:** A high tech society creates a better business climate. What are the technological base regarding IT, communication and media?
- **Environmental factors:** Environmental factors include the weather and climate change.
- **Legal factors:** These are related to the legal environment in which firms operate. How will laws and regulation affect the business climate?³³

The PESTEL model has been used as a theoretical tool to develop the study areas included in the first selection. The model has there been modified and changed to better suit this task. Instead of follow the letters of the model some letters of the model have been chosen and divided into more broad areas.

3.3.1 Model Selection 1

The structure of the model has been divided into six different areas (see picture below). These areas have been chosen, with the PESTEL model in mind, as they provide the necessary and suitable information about each country for the basic first selection

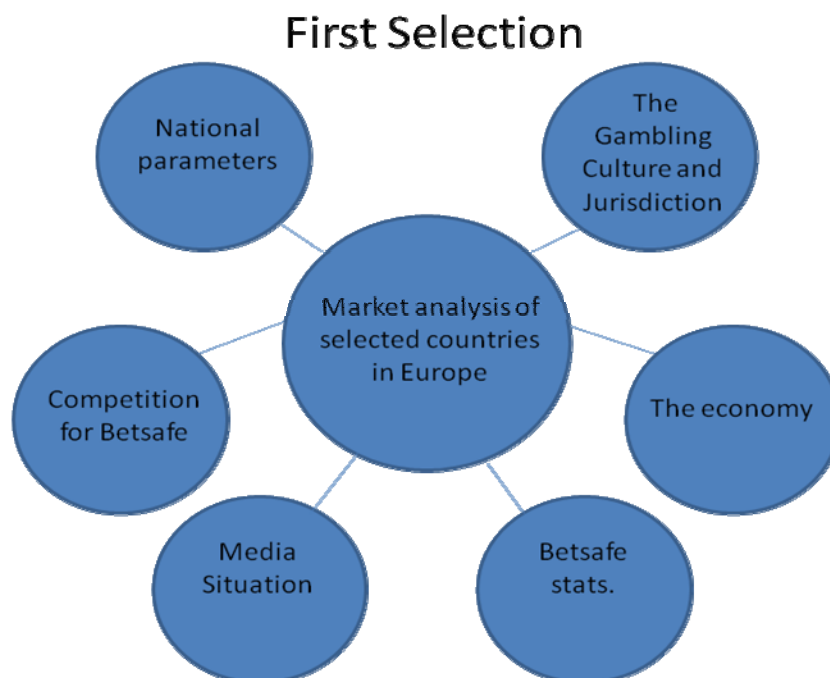


Figure 3 - Model Selection 1

³³ (Gerry Johnson, 2005)

National parameters

- Population
- Economical Growth
- Currency
- Unemployment rate
- Average Income
- Internet penetration
- Access to broadband
- Cell-phone penetration
- Access to creditcard
- Biggest Cities

The gambling culture and jurisdiction

- The gambling culture in general
- Present gambling law

Competition for Betsafe

- Main present companies
- Local companies

The Economy

- Short summary of the national economy

The Media situation

- Short summary of the national media situation

Betsafe statistics

- Number of customers today
- Active customers³⁴

³⁴ Active customers have made a deposit in to their Betsafe account

3.4 Model Selection 2

As for the model for Selection 1, the model for Selection 2 has also been taken forward by me to suit this thesis and the second selection.

The structure of the second selection focuses on the key success factors for Betsafe in making an entry onto a new market. These factors combine finding the “right people” and suitable marketing opportunities, which has for Betsafe proved to be very important in order to become successful in a new market. The competition analysis will specify the countries market conditions. Finally a smaller estimation of the potential value of the markets in terms of financial review has been performed.

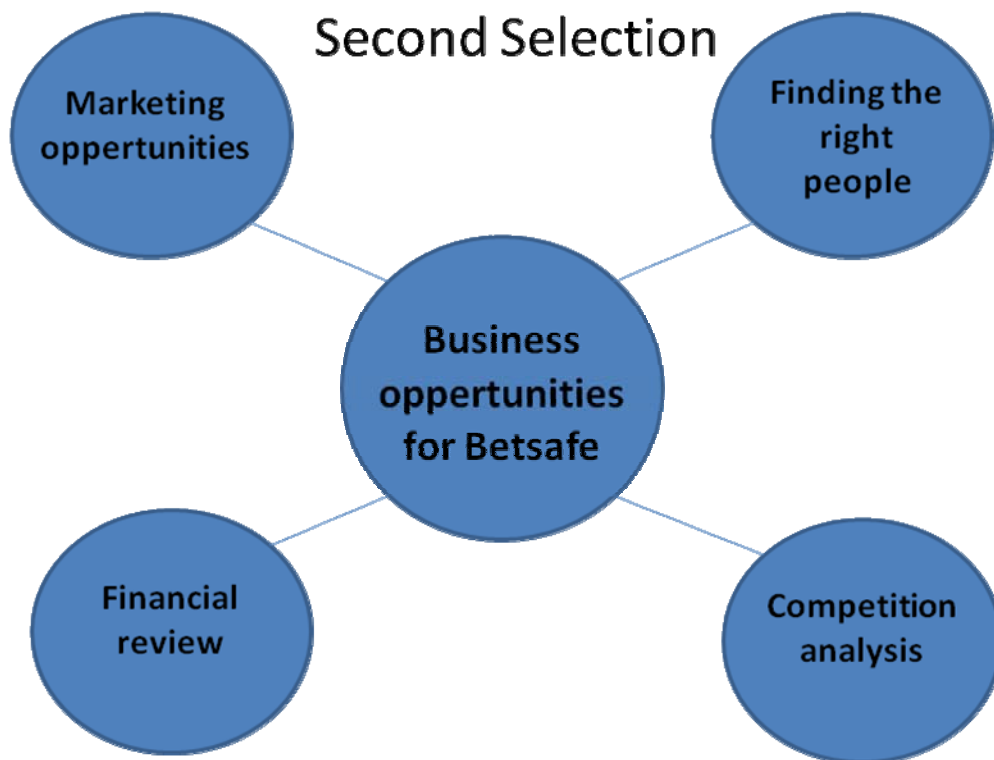


Figure 4 - Model Selection 2

3.4.1 Competitor analysis

A competitor analysis is to a large extent about correctly understanding and predicting competitors' future strategic choices. If the competitor is behaving as expected we can usually be confident in knowing where they are positioned. We have then correctly understood their strengths and weaknesses and their way of thinking which makes it easier to understand why they will choose certain strategies. It becomes more complicated when our rivals suddenly change strategies without a seemingly obvious reason. Have they discovered something we missed? In order to properly assess the competitors and their behavior we must review them through a structured competitor analysis. To a large extent, they will of course try to hide their desires, but in some situations they will send out signals through the public media about what they want to do. Some of these signals are pure

bluffs, but it may also be possible to draw conclusions from this type of information. ³⁵

³⁵ (Pagels-Fick, 1999)

The method of the competitive analysis will include four steps:

Step

1

First and foremost it is important to clarify who the competitors to be considered are³⁶. This is not always entirely clear or easy especially for such a complex market as online gambling. As the Internet is global, the competition basically includes all companies offering some form of online gambling services with money involved. However, many companies often focus on specific regions or countries. Unfortunately a lot of these companies are very restrictive about giving out information about which markets they really focus on.

Step

2

When the competition has been defined it is important to answer the question how well their products, offerings and solutions stand against Betsafe's?³⁷

Step

3

In the third step there is a greater complexity in regards to how competitors' current goals and strategies can be investigated and defined³⁸. This is extremely difficult for outsiders because the company will for obvious reasons want to keep their business information private. However, by studying the business carefully and the signals they send out through the media some conclusions can be made. The information that will be reviewed includes financial statements, websites, news articles and press releases, industry reports and interviews etc.

Step

4

The last step is perhaps the most difficult. Here the competitor's future is analyzed³⁹. No matter how well constructed the first steps are, analysis of this step is more like guess work. To predict the future of a business is not easy but in the business environment today is what companies are forced to do to try and survive. Failure of the ability to provide reasonably indications of how the competitors are developing will affect one's own business badly.

The competitor analysis conducted in this work will not be full-scale for every country due to time constraints. In Selection 1, only the first step of the analysis will be implemented. Selection 2 will include steps 2-4.

³⁶ (Pagels-Fick, 1999)

³⁷ (Pagels-Fick, 1999)

³⁸ (Pagels-Fick, 1999)

³⁹ (Pagels-Fick, 1999)

3.4.2 Financial review

A financial analysis is always interesting and important. In many cases, it is this analysis that ultimately matter most. If a market can't be proven profitable, it will be hard to justify an expansion onto this market.⁴⁰ The financial review in this thesis includes step 2 and 4 from the expansion analysis model (figure 2):

- Establishing profits
- Establishing costs

3.4.3 Marketing opportunities

To be able to make an impact on the markets the first market campaigns and the media deals that can be settled are very important. Experience from Betsafe's earlier entries onto new markets and lessons learned from the industry clearly indicate that the companies that can find a strong media partner often also become successful.⁴¹ A short summary of the present media situation and some of the marketing opportunities are presented for each country.

3.4.4 Finding the right people

This is a key success factor when entering a new market. Betsafe will need a country manager to run the business on the new market. This person must manage the development of business in the country. The focus will be to establish favorable media contracts, recruit the best skills and develop a strategy for Betsafe to succeed as well as possible in the country. All interesting persons should be taken into consideration.⁴²

⁴⁰ (Erik W. Jakobsen, 2003)

⁴¹ (Ekdah, 2009)

⁴² (Ekdah, 2009)

4. Empirics: Market study of selected countries in Europe

In chapter four the collected information about the ten included countries is presented. This information is the basis for the first selection.

4.1 Information packs

4.1.1 Estonia

The economy

Estonian economy has had a positive growth the last ten years until the financial crisis came in 2008. The social living standard improved a lot during the successful years and the individual buying power increased, especially for the younger population. But for the moment the economical trend is negative. The unemployment rate has gone up with 3% the last year and the “optimistic” loan strategy from Swedish banks (Swedbank, SEB and Nordea stands for 90% of the market⁴³) has caused major problem for the economy.

The present government has many problems to solve to get the country back on track. Above all the economy must be stabilized but also problems with the growing income gap and a too old workforce needs to be handled. 90 % of the population makes their bank business online and Estonia has the highest percentage of mobile-, data- and internet usage in Central/Eastern Europe⁴⁴.

⁴³ (Palmstierna, 2007)

⁴⁴ (Council, 2009)

National facts/parameters

1. Inhabitants	1 350 000	
2. Economical growth 2008 ⁴⁵	11,4 %	
3. Currency	Kroon (1 EEK = 0,06 €)⁴⁶	
4. Unemployment rate	12,0 %	
5. Average net income/month (€)	850	
6. Internet Users	854 614	
7. Access to Broadband	24,0 %	
8. Cell-phone Subscribers	2 524 465	
9. Creditcards in circulation	443 865	
10. Biggest Cities	<i>Tallin</i>	394 000
	<i>Tartu</i>	101 000
	<i>Narja</i>	67 000
% of population in biggest cities		41,6%

*Source (1-5,10^{47,48},6-8⁴⁹,9⁵⁰)



Figure 2 - Estonian national flag

The Gambling culture and Jurisdiction

The gambling culture in general

The gambling culture in Estonia is pretty extensive among the population. 2009, Estonian Ministry of Finance started to collect reports on gambling from operators. For the first half year the result was 40 000 000 € turnover among the operators within the country. "The most popular way of gambling is the classical lottery and has always been", says Tiina Sats at the Ministry of Finance⁵¹. Online games such as sports betting, poker and casino are although gaining in popularity. The number of poker magazines and their subscribers has increased according to the online poker site ee.pokernews in the latest years. There are a lot of active casinos in Estonia. At the casinos the most popular games are slots and video terminals rather than card games⁵². The average Estonian citizen puts approximately 25 € on entertainment every month⁵³. There are no figures of the specific amount allocated for gambling. 10 % of the population is active in sports clubs⁵⁴.

Present gambling law

At the end of 2008 Estonia decided to create a new law on gambling. Online gambling will be allowed under the restriction from a new law from the 1st of January 2010⁵⁵. Online gambling will be treated as remote gambling⁵⁶. This means that the operators must apply for a gambling activity and operating license. The requirements for the licenses are not yet fully displayed but Tina says that the general will is to establish that the company shall provide high security for their customers, prevent

⁴⁵ BNP growth compared to 2007

⁴⁶ (Oanda Currency Converter, 2009)

⁴⁷ (Swedish Export Council Estonia, 2008)

⁴⁸ (Sweden Abroad, 2008)

⁴⁹ (International Telecommunication Union, 2008)

⁵⁰ (Bank of Estonia, 2009)

⁵¹ (Sats, 2009)

⁵² (World Casino Directory)

⁵³ (Estonia S. B., 2007)

⁵⁴ (Estonia, Stat.ee, 2008)

⁵⁵ (Tubalkain, 2009)

⁵⁶ Remote Gambling: The way of organized gambling that is arranged and handled through electronic instrument which the player can communicate and gamble from Internet, phone or broadcasting.

gambling addiction and be willing to report every three months to the authorities⁵⁷. Companies that do not have the license (including companies with license from another EC member) will be stopped. The Estonian authorities will limit the access to these sites. There is one specific characteristic for Estonian law – games are not considered “online-gambling” if Internet (or phone, or SMS) are only used as means of communication between the operator and the player and the game itself is not carried out using a computer program. For example – when the lottery tickets are sold via internet or SMS but the actual outcome of the lottery is determined using a mechanical device (not a computer program) then the game is still not considered remote gambling and rules on regular gambling apply.

The potential effects from the new law have already started operators to take actions. The big difference seems to be new demands. According to rumors from gambling operator Triobet the situation will change rather dramatically. They claim that to be able to get the full operating license which will allow companies to operate from within Estonia, the company must pay a lot of money (no figures have been established). An activity license will be much cheaper but then the company will not be allowed to have an office in Estonia. This was not brought up during my interview with Tina and I have not been able to get her respond to these rumors.

The media situation

In Estonia there is full liberty of press and media. The largest newspapers are Eesti Päevaleht and Postimees and Eesti Ekspress. Estonian television has one governmental (ETV) and two private nationwide channels (TV2 and TV3)⁵⁸. In the northern parts of the country you can get access to Swedish and Finnish TV using a regular antenna. Estonia’s Law on gambling prohibits advertising of gambling services and gambling locations, other than advertising within legal gambling facilities⁵⁹. There are some online gambling advertisements in media, but usually just the representation of their trademark⁶⁰. Publicizing trademarks is not considered to be advertising by Estonian law.

Competition for Betsafe

Main present companies

- Unibet
- Pokerstars
- Sportingbet

Unibet and Sportingbet declare in their annual report that Estonia is an active market. Offering support on the country’s language gives an indication how active they are in the country. Unibet and Pokerstars offer support on the language but Sportingbet does not⁶¹. Because there aren't many places to play live poker in Scandinavia, Tallinn has become something of the poker Mecca for Swedes, Norwegians and Fins. Pokerstars holds a big poker event called ‘The Baltic Festival’ in Tallinn (for 2009 in the end of October). Pokerstars and Unibet stands out to be the biggest competition in Estonia.

⁵⁷ (Sats, 2009)

⁵⁸ (Council, 2009)

⁵⁹ (Sats, 2009)

⁶⁰ (Sats, 2009)

⁶¹ (Bet365, 2009)

Local companies

- Triobet (Part of Nordic Gaming Group)

Company with focus on the Baltic market. Offers the same products as Betsafe.

- Spordiennustus

Offers sportsbetting. The site is available on Estonian and Russian language.

- Eesti Loto

The lotto operator. 100% state owned.

4.1.2 Lithuania

The economy

Lithuania is one of the countries in Europe worst affected by the financial crisis. During 2009 the economy dropped over 20 % and the inflation is going down to 0%⁶². The unemployment rate is still rising and the government will be facing major problem in the coming years. The country is still trying to get into the European Monetary Union and despite the current situation they hope to be granted in 2013. The currency today, litas (LTL), is already bound to the euro.

National facts/parameters

1. Inhabitants	3 350 000
2. Economical Growth 2008 ⁶³	7,0 %
3. Currency	Litas (1 LTL = 0,29 €)⁶⁴
4. Unemployment rate	15,0 %
5. Average net income/month (€)	360
6. Internet Users	1 776 726
7. Access to Broadband	17,0 %
8. Cell-phone Subscribers	5 022 638
9. Creditcards in circulation	Unknown
10. Biggest Cities	Vilnius 543 000 Kaunas 375 000 Klaipeda 193 000
% of population in biggest cities	33,0 %

*Source(1-5,10^{65,66},6-8⁶⁷)



Figure 3 - Lithuanian national flag

The Gambling culture and Jurisdiction

The gambling culture in general

Lithuania's gambling sector has grown with the country's economy over recent years. However, with the central bank forecasting a two year long recession, short term growth is unlikely. Lithuania has many similarities to other Baltic countries. "The lottery is the most popular way of gambling but after the recent Lithuanian football team's success (some victories in the World Cup qualification) and for many years the success of the basketball team, I have noticed a slight boom for sports betting amongst my circle of friends", says Birutė Stolytė⁶⁸. The average monthly expenditure on entertainment for Lithuanians is 15-20 €⁶⁹. There are 13 casinos in Lithuania today, 9 of them situated in Vilnius⁷⁰.

⁶² (SwedenAbroad, 2009)

⁶³ BNP growth compared to 2007

⁶⁴ (Oanda Currency Converter, 2009)

⁶⁵ (Swedish Export Council Lithuania, 2008)

⁶⁶ (Sweden Abroad, 2008)

⁶⁷ (Interntational Telecommunication Union, 2008)

⁶⁸ (Stolytė, 2009)

⁶⁹ (Statistical Bureau of Lithuania, 2008)

⁷⁰ (WorldGamingDirectory, 2009)

Present gambling law

The gambling law in Lithuania is under reconstruction. The State Gaming Control Commission and the Ministry of Finance are now working on major regulatory changes, but for the moment it still remains in draft form. Today gambling companies need a license to run a business in the country but the online there are no major regulatory restrictions⁷¹. One of the ambitions with the new law is to control the online business⁷².

The media situation

In Lithuania there is full liberty for press and media. Advertising is prohibited except where it contains only a company's trademark⁷³. The biggest newspapers are Postimees, Ūhtuleht and Maaleht. All newspapers are private and the daily circulation of newspapers amounts to 2,203,000 copies⁷⁴. There are 31 television stations in Lithuania, 30 commercial and 1 public. The Lithuanian Television is broadcasting two national television programmes, LTV1 and LTV2⁷⁵. The biggest TV-channels are ETV and TV3. There are 47 commercial and 1 public radio stations in Lithuania⁷⁶. The biggest radio channels are Vikerraadio, Sky Plus and Elmar.

Competition for Betsafe

Main present companies

- Unibet
- Pokerstars

The Lithuanian market seems to be unexplored by the major operators. This could be a sign of low barriers of entry or just that the Lithuanian market is not as valuable. Unibet and Pokerstars offer support in the language.

Local companies

- Olifėja

Olifėja is the Lithuanian national lottery operator and also provides some betting games. The company is controlled by the Lithuanian Olympic Committee⁷⁷.

- Triobet (Part of Nordic Gaming Group)

Triobet is a company with focus on the Baltic market that offers the same products as Betsafe.

⁷¹ (State Gaming Control Commission Lithuania, 2003)

⁷² (Stolyté, 2009)

⁷³ (State Gaming Control Commission Lithuania, 2003)

⁷⁴ (European Journalism Centre, 2008)

⁷⁵ (European Journalism Centre, 2008)

⁷⁶ (European Journalism Centre, 2008)

⁷⁷ (LotteryInsider, 2009)

4.1.3 Greece

The economy

Throughout history, the Greece economy has almost always had problems with corruption and poor profitability among government companies. When Greece joined Schengen, the European Monetary Union in 2001 the economical situation got better. Since then, the business climate for both domestic and foreign companies has improved and the rising inflation stabilized. Today Greece like all other countries is troubled by the financial crisis and a growing unemployment rate (now 9%) . Among the younger population (<25) the unemployment rate is almost 20 percent⁷⁸. There are no specific data available on the number of credit cards in use in Greece. “Using credit cards is not common and people usually like to use cash”, says Alexander Sintihakis⁷⁹. He continues by explaining that very few of his friends or relatives use internet banking or purchase things online.

National facts/parameters

1. Inhabitants	10 960 000	
2. Economical growth 2008 ⁸⁰	4,1 %	
3. Currency	Euro	
4. Unemployment rate	9,0 %	
5. Average net income/month (€)	750	
6. Internet Users	3 630 792	
7. Access to Broadband	14,0 %	
8. Cell-phone Subscribers	13 799 340	
9. Creditcards in circulation	Unknown	
10. Biggest Cities	Athens	730 000
	Thessaloniki	355 000
	Piraecs	173 000
% of population in biggest cities	11,4%	

*Source (1-5,10^{81,82},6-8⁸³)



Figure 4 - Greece national flag

The Gambling culture and Jurisdiction

The gambling culture in general

In 2007 Greeks gambled for over 16 billion €⁸⁴. Approximately half of this was generated from Internet gambling. “Greek people love to bet and gamble”, says Alexander⁸⁵. The gambling within Greece is monopolized and upheld primarily by the state-company Soccer Pools & Lottery Organization (OPAP). The most popular games are the national lottery and sports betting. Soccer,

⁷⁸ (SwedenAbroad, 2008)

⁷⁹ (Sintihakis, 2009)

⁸⁰ BNP growth compared to 2007

⁸¹ (Sweden Abroad, 2008)

⁸² (Swedish Export Council Greece, 2008)

⁸³ (Interntational Telecommunication Union, 2008)

⁸⁴ (Greece, 2007)

⁸⁵ (Sintihakis, 2009)

basketball and volleyball are the most popular sports⁸⁶. There is a big difference between the older and the younger generation according to the preferred way of gambling. The youngsters like to try online gambling more often while the older population mostly gambles at OPAP⁸⁷. The casino business is not that widespread and there are only 9 land-based casinos in Greece⁸⁸. Since the rise in popularity of online poker over the last decade, thousands of Greek citizens have been playing the game online⁸⁹. However, because of the fogginess of the laws and the potential ramifications, many Greek citizens refuse to play on any foreign online poker sites.

Present gambling law

In 2002 the Greek Government introduced a ban on all electrical and online gaming⁹⁰. The law was later clarified to only prohibit gambling-related games. Many online gambling companies have during the years filed lawsuits against the regulations in Greece and the European Commission is concerned that the law is restricting free competition of this business. They are now putting pressure on the Greek government to change the law. The matter is one of many among other member countries in the EC that also tries to regulate gambling. The central problem is if the domestic or the EC rules should apply. The main arguments for the governments to regulate the gambling industry are the possibilities to keep it safe, handle gambling addiction and to be able to support sport activities and organizations. The huge income of money to the public finances is probably the most important factor, but is rarely brought up in the public media agenda. The EC is working towards an open market which relies on free-trade and commerce. This is not the case in Greece today.

The media situation

In Greece there is full liberty for press and media. The media in Greece has changed dramatically since the base public television supply increased with more channels. More and more Greeks are watching TV and other medias such as newspapers are dropping in popularity. In Greece today there are a total of 87 newspapers in national circulation. Among the morning daily newspapers the market leaders are Kathimerini (29,799) and To Vima (13,504)⁹¹. There is a wide range of evening daily newspapers. The most important of them are: Ta Nea (74,602), Eleftherotypia (70,344)⁹². For the television market there are four public channels and nearly 150-160 private channels broadcasting in Greece. The public operators are ERT and Vouli TV. The most popular channels are Antenna and Mega.

⁸⁶ (Sintihakis, 2009)

⁸⁷ (Sintihakis, 2009)

⁸⁸ (WorldGamblingReview, 2007)

⁸⁹ (PokerDepositsOptions, 2009)

⁹⁰ (Topas, 2007)

⁹¹ (European Journalism Centre, 2008)

⁹² (European Journalism Centre, 2008)

Competition for Betsafe

Main present companies

- Bwin
- Sportingbet
- Betsson

The competition in Greece is, with no doubt, tough but problematic to define clearly. According to the ruling law (or the way the Greece government wants to interpret it) OPAP is the only allowed operator. However many companies offer support in the language and for example Betsson publicly say that Greece is a big and important market. Also Sportingbet and Bwin declared in their annual reports that Greece is an active market.

Local companies

- OPAP

OPAP's revenues for the first half year of 2009 were 2760 million €⁹³. The Greek state owns 34.5% of the company⁹⁴. The company's product portfolio contains sports betting and numeric lotteries. Sports betting revenue went down 14.3 %, from 1095 million € in 2008 to 1024 € in 2009 for the first half year⁹⁵.

⁹³ (OPAP, 2009)

⁹⁴ (Wikipedia, 2009)

⁹⁵ (OPAP, 2009)

4.1.4 Turkey

The economy

Turkey's economy in the 2000's has been marked by two major financial crises. In 2002-2003 the first bank crisis occurred, which like the current crisis was caused by bad loans. Once the economy stabilized, so did the economic growth and since 2003 it has had a steady rise until the ongoing crisis. A major problem for the Turkish government is the rising energy prices and an unsustainable energy policy. At present, the energy issue is the single biggest factor affecting the economy⁹⁶. Turkey is a huge market and approximately 30% of the population has a normal to strong buying power compared to Western European standards⁹⁷.

National facts/parameters

1. Inhabitants	71 500 000
2. Economical Growth 2008 ⁹⁸	4,0 %
3. Currency	Lira (1 Lira = 0,45 €)⁹⁹
4. Unemployment	14,0 %
5. Average net income/month (€)	500
6. Internet Users	24 482 644
7. Access to Broadband	8,0 %
8. Cell-phone Subscribers	65 824 112
9. Creditcards in circulation	44 000 000
10. Biggest Cities	Istanbul 11 175 000 Ankara 3 520 000 Izmir 2 500 000
% of population in biggest cities	24,0 %

*Source (1-5,10¹⁰⁰,6-8¹⁰¹,9¹⁰²)



Figure 5 - Turkey national flag

The Gambling culture and Jurisdiction

The gambling culture in general

Gambling is big business in Turkey. The market is huge and the Turkish people like sports and gambling. Spor Toto has held a national monopoly on sports betting in Turkey since 1959¹⁰³. The national lottery company is called Milli Piyango. No casinos are allowed in Turkey. Online gambling is not legal. The legal situation means that Turkish customers who want to play online are forced to live in anxiety about being caught and with risk to get a large fine or problems getting their winnings paid out.

⁹⁶ (Sweden Abroad, 2009)

⁹⁷ (Swedish Export Council Turkey, 2007)

⁹⁸ BNP growth compared to 2007

⁹⁹ (Oanda Currency Converter, 2009)

¹⁰⁰ (Sweden Abroad, 2008)

¹⁰¹ (International Telecommunication Union, 2009)

¹⁰² (CreditCards.com, 2008)

¹⁰³ (World Gambling Review, 2008)

Present gambling law

In 2006, the Turkish government introduced a total ban on all online gambling activities and marketing in Turkey¹⁰⁴. Illegal gambling activities will be followed-up and inspected by the Presidency of the Department of Games of Chance. They will block access to gambling sites and also complicate deposits and withdrawals for Turkish citizens. In Turkey the penalty for obeying the law could be prison. However, Turkish authorities admitted that they cannot stop overseas gaming operations because Turkey does not have jurisdiction over the people abroad who are dealing with online gambling. Consequently, both practical and legal barriers prevent the domestic ban on online gambling from having international effect.

The Turkish government are working hard to get a European Union membership. This could have a positive effect on the possibilities to remove the current regulations. One of EC's ground statements is to have an open market even though many countries have some sort of dispensation or do not fulfil this rule.

The media situation

The Turkish government say that there is full liberty of press and media. However, now and then journalists report that the authorities have made infringements on their liberty of expression. No online gambling marketing is allowed according to the gambling act. Some of the biggest national daily newspapers are Posta (644.413 readers), Hürriyet (522.880) and Zaman (509.667)¹⁰⁵. Turkey's media is heavily dominated by large multi media groups such as Doğan Group, Merkez Group and Çukurova Group.¹⁰⁶ All the major commercial channels and newspapers belong to these multi media groups. The situation is similar in the private broadcasting market. The multimedia groups again are the main actors in the private broadcasting market: Doğan Group owns Kanal D, Star TV and CNN-Türk, Merkez Group own ATV and Çukurova Group own Show TV and Sky-Türk. The public broadcaster TRT has 4 national television channels, TRT 1, 2, 3 and 4.

Competition for Betsafe

Main present companies

- Betson
- Bwin
- Sportingbet

It is really hard to define the competition in Turkey. Betson and Sportingbet both say Turkey is an active market for them in their annual reports. But the legal situation has caused problems for the companies. In May last year two Sportingbet managers were detained in Turkey by the authorities¹⁰⁷. Sportingbet has also declared that the situation has forced them to reduce their Turkish initiative. If this is just a public press message to please Turkish authorities stays unsaid. Betson is one that still accepts bets from Turkish customers and the market therefore remain important for the company.

¹⁰⁴ (Özeke, 2007)

¹⁰⁵ (European Journalism Centre, 2008)

¹⁰⁶ (European Journalism Centre, 2008)

¹⁰⁷ (Walsh, 2008)

Local companies

- Spor Toto

The national sports betting company is called Spor Toto. The company holds a monopoly on sports betting. Their products are similar to what “Svenska Spel” is offering. The Turkish lottery was founded on July 5th, 1939¹⁰⁸. The company is called Milli Piyango. In 2006 the company brought in over 700 million €¹⁰⁹.

¹⁰⁸ (World Gambling Review, 2008)

¹⁰⁹ (World Gambling Review, 2008)

4.1.5 The Czech Republic

The economy

Czech economy has like its former second half, Slovakia, had a stable and relatively strong growth until the financial crisis. Unlike many others in Europe, the crisis has not had serious direct impacts on the economy since the banks in the country has had a more restrictive lending policy. However, the Czech Republic has problems with rising unemployment and an unstable currency. The business relations in the country are plagued by corruption and it exists both in the industry and in the judiciary.

National facts/parameters

1. Inhabitants	10 400 000
2. Economical Growth 2008 ¹¹⁰	4,2 %
3. Currency	CZK (1 CZK = 0,04 €)¹¹¹
4. Unemployment	8,5 %
5. Average net income/month (€)	650
6. Internet Users	4 991 302
7. Access to Broadband	17,0 %
8. Cell-phone Subscribers	13 780 165
9. Creditcards in circulation	8 887 000
10. Biggest Cities	Prague 1 165 000 Brno 370 000 Ostrava 315 000
% of population in biggest cities	18,0 %

*Source (1-5,10¹¹²,6-8¹¹³,9¹¹⁴)



Figure 6 - The Czech Republic national flag

The Gambling culture and Jurisdiction

The gambling culture in general

The Czech Republic has had a growing gambling business since retail betting was legalized in the 90s and there are over three thousand licensed outlets in the country with a turnover of 290 Million € as well as tens of thousands of slot- machine and a few dozen casinos in and around Prague¹¹⁵. “Each household put approximately 120 € per year on gambling according to a study completed 2008”, says Jan Ferenc¹¹⁶. The most popular games are gambling machines (similar to Jack Vegas in Sweden) followed by the lottery¹¹⁷. Online poker has been popular for the last decade but this year the legibility for online business will make the poker scene even bigger.

¹¹⁰ BNP growth compared to 2007

¹¹¹ (Oanda Currency Converter, 2009)

¹¹² (Sweden Abroad, 2008)

¹¹³ (International Telecommunication Union, 2009)

¹¹⁴ (Bank of Czechia, 2009)

¹¹⁵ (Wood, 2007)

¹¹⁶ (Ferenc, 2009)

¹¹⁷ (Němeček, 2009)

Present gambling law

The Czech law is somewhat vague in its current state. As of January 5th, 2009, the country formally lifted its ban on all forms of online gambling¹¹⁸. But the Ministry of Finance must issue licenses to companies wishing to offer online gambling. However, this license could be given and approved by other EC member state, for example Malta. National companies argue that this is unfair and that the lack of regulation for foreign competitors just creates an uncontrolled market.

The media situation

There is full liberty of press and media in the Czech Republic. The nine national dailies make two third of the newspaper market. Nearly all of the daily press is owned by foreign companies. However, no publisher occupies any monopoly or dominant position in the national daily press¹¹⁹. The free paper Metro is one of the most read newspaper in Prague and is owned by Modern Times Group (MTG).

There are four nationwide channels, two public (CT1, CT2) and two private (TV Nova, TV Prima), which broadcast for almost 90 per cent of the population¹²⁰. TV Prima is half controlled by MTG.

Gambling advertising is accepted under controlled forms according to Ministry of Finance¹²¹.

Competition for Betsafe

Main present companies

- Bet365
- Betson
- Bwin
- Sportingbet
- Unibet
- Pokerstars

The Czech Republic has lot of competition. Almost every, big player in the industry, offers support and Betson and Unibet public declare that the Czech Republic is an active market for them.

Local companies

- Sazka
- Fortuna
- Tipsport

The top three companies within Czech Republic are Sazka, the lottery operator that also offers sports betting products (67 percent owned by government), Fortuna, and Tipsport. Fortuna is owned by a large Czech and Slovak Private Equity group and operates 950 betting shops and has a total turnover of 140 Million €¹²². Tipsport is second largest with 600 betting shops and 170 sports bars¹²³.

¹¹⁸ (Poker Deposit Options, 2009)

¹¹⁹ (European Journalism Centre, 2008)

¹²⁰ (European Journalism Centre, 2008)

¹²¹ (Marek, 2009)

¹²² (Wood, 2007)

¹²³ (Wood, 2007)

4.1.6 The Slovak Republic

The economy

Slovakia's economy has experienced a steady growth in recent years and the business climate has improved. The growth has largely been due to foreign investment. The unemployment rate is one of the worst compared to other European countries, but it has had a positive development. The current financial crisis has obviously affected the situation negatively and the success of foreign investment has fallen along with the employment rate. Slovakia, however, offers low salary levels and there is a favorable tax regime. It is also easy to find reliable partners in this market¹²⁴.

National facts/parameters

1. Inhabitants	5 400 000
2. Economical Growth 2008 ¹²⁵	4,7 %
3. Currency	SKK (1 SKK = 0,033 €)
4. Unemployment rate	12,4 %
5. Average net income/month (€)	610
6. Internet Users	2 771 074
7. Access to Broadband	11,0 %
8. Cell-phone Subscribers	5 520 043
9. Creditcards in circulation	1 275 199
10. Biggest Cities	Bratislava 430 000 Kosice 236 000 Presov 93 000
% of population in biggest cities	14,0 %

*Source (1-5,10^{126,127},6-8^{128,129})



Figure 7 - The Slovak Republic national flag

The Gambling culture and Jurisdiction

The gambling culture in general

Global Betting and Gaming Consultants (GBGC) forecast that the Slovak online gross gambling revenues will reach more than 35 million \$ within the next years¹³⁰. These figures indicate a growing market. Like most countries in Central Europe, the national lottery has a strong position and is located at the top as one of the most popular games. But if Slovakia will continue its national success in both football and hockey, there are favorable conditions to increase the desire for sports betting. Poker also appears to increase in popularity. For example the World Poker Tour (WPT) has chosen to put one of its European stops in Bratislava¹³¹. Currently there are 9 active casinos in the country¹³².

¹²⁴ (Swedish Export Council Slovakia, 2008)

¹²⁵ BNP growth compared to 2007

¹²⁶ (Swedish Export Council Slovakia, 2008)

¹²⁷ (Sweden Abroad, 2008)

¹²⁸ (International Telecommunication Union, 2008)

¹²⁹ (Solčányiová, 2009)

¹³⁰ (Tihana Jurican, 2008)

¹³¹ (WPT Enterprise, 2009)

¹³² (World Gambling Review, 2008)

Present gambling law

Gambling is legal in Slovakia. The Ministry of Finance issues licenses to companies wishing to start up operations.

The media situation

There is full liberty for press and media in Slovakia. Today there are a wide selection of TV channels, newspapers and radio. Three quarters of Slovaks watch television broadcasts every day and in general more than half of Slovaks consider TV as the most trustworthy source of information, followed by radio (19 %), newspapers (15 %) and internet (12 %) ¹³³. There are two state owned channels, STV1 and 2, covering almost the entire population (98%). Among the private sector for TV, the biggest companies are Polsat, Awnings and Joj. The most popular daily newspaper is the tabloid Nový Čas. The newspaper Sme is considered to be the most opinion-making, but is only read by 10 % compared to 20 % of the population for Nový Čas ¹³⁴. The main Radio channel is the state owned Slovensko 1.

Competition for Betsafe

Main present companies

- Bet365
- Bwin
- Ladbrokes
- Pokerstars

Slovakia is a growing market and online operators Bet365, Bwin and Ladbrokes offer support in the language. Many of Betsafe's competitors project Central Europe/Eastern Europe as a whole to be the fastest and most interesting market and Slovakia is probably not an exception. The competition might therefore only get bigger.

Local companies

- TIPOS

The national lottery of Slovakia is a commercial company called TIPOS. The main business activity of the company is the lottery, especially number lotteries, gambling games on the internet and special bingo. The government represented by the Ministry of Finance is the only shareholder of the company.

¹³³ (European Journalism Centre, 2008)

¹³⁴ (Swedish Export Council Slovakia, 2008)

4.1.7 Slovenia

The economy

The Slovenian economy has had a small but steady growth until the financial crisis. One problem in the country has been that the private sector is weak. Foreign investors have not been attracted by the sometimes bureaucratic business climate and therefore the private sector has not developed like for many other new European member states. Studies also point out that Slovenia will have large pension problems within the next 30 years. In 2050 the majority of the population is expected to be over 59 years old¹³⁵. The average income is above average against other countries in Central and Eastern Europe.

National facts/parameters

1. Inhabitants	2 000 000
2. Economical Growth 2007 ¹³⁶	6,1 %
3. Currency	Euro
4. Unemployment rate	8,2 %
5. Average net income/month (€)	700
6. Internet Users	992 215
7. Access to Broadband	21,0 %
8. Cell-phone Subscribers	2 054 899
9. Creditcards in circulation	Unknown
10. Biggest Cities	Ljubljana 255 000 Maribor 89 000 Celje 37 000
% of population in biggest cities	19,0 %

*Source(1-3,5,10^{137,138},4¹³⁹,6-8¹⁴⁰)



Figure 8 - The Slovenian national flag

The Gambling culture and Jurisdiction

The gambling culture in general

The gambling business in Slovenia is well developed. The first casino was founded before World War One and since then the number has increased to 20. "The casinos are mostly crowded by tourists but their popularity amongst Slovenian citizens is growing", says Matej Gornik¹⁴¹. He continues to explain that the national lottery and sports betting are the most popular way of gambling. Online gambling is not usual according to Matej. People still play at their local bookies but the younger population is different. As the internet become more and more integrated in daily life Matej also expect that the gambling scene will move from the streets to the comfort of one's home. Studies have been made on

¹³⁵ (Sweden Abroad , 2007-2008)

¹³⁶ BNP growth compared to 2006

¹³⁷ (Sweden Abroad , 2007-2008)

¹³⁸ (Sweden Export Council Slovenia, 2008)

¹³⁹ (Divjak, 2009)

¹⁴⁰ (Interntational Telecommunication Union, 2008)

¹⁴¹ (Gornik, 2009)

the average amount spent by a Slovene on one year. 2001 the amount was 48 € and in 2006, 104 €¹⁴². The figures are low but nevertheless suggest an upward development.

Present gambling law

Gambling is legal in Slovenia. License for operating within the country is needed but online gambling seems to be rather unregulated. “At the moment, the government is preparing a national strategy for the expansion of the gambling business. To handle the new situation with several online operators they are looking at changes to create an adequate law”, says Matej¹⁴³. The existing law is only available in Slovenian.

The media situation

There is full press and media liberty in Slovenia. “Promotion of online gambling companies is hardly noticed in Slovenia. Pokerstars had a TV-commercial but I have not seen it for a while now”, says Matej¹⁴⁴. TV Slovenia is the largest television station with the channels Slovenia 1 and 2. Other popular commercial channels are Pop TV, Kanal A and TV3. TV3 is owned by MTG (Modern Times Group). These channels reach approximately 75 % of the population and each viewer watched television for an average 249 minutes per day¹⁴⁵.

There are eight daily newspapers in Slovenia with a circulation of approximately 263,000 copies. The two dailies with the highest circulations are the Delo (average circulation 69,000) and the tabloid Slovenske novice (average circulation 90,500).¹⁴⁶

Competition for Betsafe

Main present companies

- Bwin
- Ladbrokes
- Sportingbet
- Pokerstars

Sportingbet is the only company that publicly announces that Slovenia is an active market for them in their annual report. Sportingbet, Ladbrokes and Bwin offer support in the language.

Local companies

- Loterija

Loterija Slovenia is the national organizer of classical games of chance. Their product portfolio consist of number games (Loto), bingo games and instant games¹⁴⁷.

¹⁴² (Gornik, 2009)

¹⁴³ (Gornik, 2009)

¹⁴⁴ (Gornik, 2009)

¹⁴⁵ (European Journalism Centre, 2008)

¹⁴⁶ (European Journalism Centre, 2008)

¹⁴⁷ (Slovenian Lottery)

4.1.8 Romania

The economy

Romania is one of a number of Eastern European countries that has witnessed high levels of economic growth since it became a member of the European Monetary Union in 2006. After the financial crisis the positive trend changed and the rest of 2009 is expected to be a tough time for Romania. The currency, RON, has lost a lot of its value and the government had to take a support loan (20 billion €) from EC and IMF to stabilize the currency¹⁴⁸. Foreign investments have decreased and the unemployment rate is expected to rise even more. The population will soon be reaching 22 million and is relatively poor by European standards.

National facts/parameters

1. Inhabitants	21 400 000
2. Economical Growth 2008 ¹⁴⁹	8,0 %
3. Currency	RON (1 RON = 0,24 €)
4. Unemployment rate	8,0 %
5. Average net income/month (€)	268
6. Internet Users	5 145 093
7. Access to Broadband	12,0 %
8. Cell-phone Subscribers	24 467 000
9. Creditcards in circulation	12 305 000
10. Biggest Cities	Bucharest 1 900 000 Iasi 350 000 Galati 342 000
% of population in biggest cities	12,0 %

*Source (1-5,10^{150,151},6-8¹⁵²,9¹⁵³)



Figure 9 - The Romanian national flag

The Gambling culture and Jurisdiction

The gambling culture in general

According to a report in 2006, 63 % of Romanians admitted to have gambled in a game of chance during that year¹⁵⁴. The monthly average money spent on entertainment is 3.5 % of the income, approximately 10 €¹⁵⁵. The most popular game seems to be the national lottery but many online operators outside Romania reported substantial interest in sports betting after the Football World Cup in 2006¹⁵⁶. There are 24 casinos active in Romania today and up to 25 000 installed slots machines. The poker scene is getting bigger, with a lot of active sites and a growing internet usage.

¹⁴⁸ (Sweden Abroad, 2008)

¹⁴⁹ BNP growth compared to 2007

¹⁵⁰ (Swedish Export Council Romania, 2008)

¹⁵¹ (Sweden Abroad, 2008)

¹⁵² (International Telecommunication Union, 2008)

¹⁵³ (National Bank of Romania, 2008)

¹⁵⁴ (Lupu, 2006)

¹⁵⁵ (Statistical Bureau of Romania, 2009)

¹⁵⁶ (Wood, 2007)

Present gambling law

Romania has no restrictions on who gets a gambling license. The government tries to maintain a strict monopoly for lotteries but the rather unregulated gaming business has led to problems with money laundering. After pressure from the U.S. government and the EC the Romanian government claims that they will introduce more restrictions. The government has never successfully prosecuted a money laundering case that involved gambling. The existing law is only available in Romanian.

The media situation

In Romania there is full liberty for press and media. Gambling companies are allowed to advertise in media. Television is the most popular way of entertainment for Romanians. Almost 90 percent of all advertising goes on TV. For the age group, 18-49, the average number of hours watching television per week is 36.4 hours, which is one of the highest numbers in Europe¹⁵⁷. The biggest channels are Pro TV (with 615.000 viewers), TVR1 (451.000) and Antena1 (305.000)¹⁵⁸. The best selling newspaper is Libertatea, a tabloid which sells around 260,000 copies a day¹⁵⁹.

Competition for Betsafe

Main present companies

- Bet365
- Betsson
- Bwin
- Ladbrokes
- Sportingbet
- Unibet
- Pokerstars

Romania is a growing market and the competition rapidly increases. Many companies offer support in the language and Sportingbet and Unibet have declared that they are active on this market according to their annual reports.

Local companies

- Astra
- Ritzio
- Loteria Romana

The private sector has grown rapidly in the last years. The largest operator within the country's border is the Bosnian company Astra. Another is the Balkan, Ritzio Entertainment group¹⁶⁰. The national lottery company is called Loto (Loteria Romana). There has been a debate about whether Loto should be privatized or not but for now the government is the largest owner.

¹⁵⁷ (European Journalist Centre, 2009)

¹⁵⁸ (Adevarul.ro, 2007)

¹⁵⁹ (European Journalist Centre, 2009)

¹⁶⁰ (Wood, 2007)

4.1.9 Hungary

The economy

The Hungarian economy has for many years been troubled by low economical growth. During the autumn of 2008 the country had to apply for support loan from the EC. A credit for 20 million € was granted to guarantee the liquidity of Hungarian banks¹⁶¹. In the first half of 2009 the economy was also highly and badly influenced by the financial crisis. The situation has lead to increased taxes, which has not been popular among the Hungarian people, leading to demonstrations and acts of anger towards the government.

National facts/parameters

1. Inhabitants	10 000 000
2. Economical growth 2008 ¹⁶²	0,5 %
3. Currency	Forint (1 HUF = 0,003 €)
4. Unemployment rate	10,0 %
5. Average net income/month (€)	500
6. Internet Users	5 500 000
7. Access to Broadband	15,0 %
8. Cell-phone Subscribers	12 224 163
9. Creditcards in circulation	8 600 000
10. Biggest Cities	Budapest 1 700 000 Debrecen 205 000 Nagyvarad 201 000
% of population in biggest cities	21,0 %

*Source(1-5,10¹⁶³,6-8¹⁶⁴,9¹⁶⁵)



Figure 10 - The Hungarian national flag

The Gambling culture and Jurisdiction

The gambling culture in general

All gambling in Hungary is controlled by the government in form of the company Szerencsejatek. "The lottery is unquestioned the most popular way of gambling", says Balazs Abonyi¹⁶⁶. He continues with explaining that Hungarian people like to gamble. "Because we are a poor country, everyone dreams of the big win", says Balazs. After the lottery, sports betting is popular. Szerencsejatek offers the game tippmix (similar to Swedish "Oddset") both at retailers and online. The poker scene in Hungary is growing. According to a study from the Poker Association of Hungary, 50 000 Hungarians play live poker and 200 000 play online¹⁶⁷. The European Poker Tour (EPT) has also chosen Budapest as one of the stops on the tour.

¹⁶¹ (Németh, 2009)

¹⁶² BNP growth compared to 2007

¹⁶³ (Sweden Abroad, 2009)

¹⁶⁴ (International Telecommunication Union, 2009)

¹⁶⁵ (Keszy-Harmath, 2007)

¹⁶⁶ (Abonyi, 2009)

¹⁶⁷ (OnlinePoker, 2009)

Present gambling law

Gambling is legal in Hungary, although all gambling activities must be controlled by the Hungarian state company Szerencsejatek. Hungarians are allowed to bet online but only at Szerencsejatek. It is illegal for Hungarians to gamble online at foreign gambling sites¹⁶⁸. After Hungary's entrance to the EC, the law has been challenged by both EC and other gambling companies such as Sportingbet and BetAndWin. No resolution of these disputes has been made up to this date. The Hungarian authorities have put pressure on Hungarian banks to block payments to foreign online gambling sites and most banks in Hungary are following this directive.

The media situation

There is full liberty of press and media. Foreign ownership dominates the press. Hungary has 10 national and 24 local daily newspapers¹⁶⁹. The biggest are Népszabadság and Magyar Nemzet¹⁷⁰. In terms of circulation, the most popular national newspaper is Metro, owned by the Modern Times Group (MTG).

98 percent of Hungarian households have television. There are three channels broadcasting all over Hungary. The public service channel is Magyar Televízió (MTV). The other two are private owned TV2 (whose majority owner is Scandinavian Broadcasting System) and RTL Klub. The two commercial channels, TV2 and RTL Klub have come to dominate the television scene since their 1997 launching¹⁷¹. "Most advertising about gambling is of course made from Szerencsejatek, but I have seen attempts from other companies such as Pokerstars advertise in magazines", says Balazs¹⁷².

Competition for Betsafe

Main present companies

- Bet365
- Betson
- Bwin
- Sportingbet
- Unibet
- Pokerstars

Even though the legal situation in Hungary forbids online gambling many companies offers support on the language. Unibet has publicly declared that Hungary is an active market and Sportingbet has at least in the past been very active in this market.

¹⁶⁸ (Rolling, 2008)

¹⁶⁹ (European Journalism Centre, 2008)

¹⁷⁰ (Abonyi, 2009)

¹⁷¹ (European Journalism Centre, 2008)

¹⁷² (Abonyi, 2009)

Local companies

- Szerencsejatek

Szerencsejatek is the largest gaming service provider in Hungary and is, by all means, a very successful company. Its sale turnover for 2005 was estimated to 521 600 000 €¹⁷³. Compared to other lottery companies of Eastern Europe this puts them at the top. The company offers a national lottery, sports betting and has control over four exclusive casinos. Since 2006 the company also provides some of its products online.

¹⁷³ (Wood, 2007)

4.1.10 Ukraine

The economy

Many economists believe that Ukraine will become one of the most interesting markets in Eastern Europe. There are several factors that make Ukraine attractive. It has cheap and skilled labor, and even though the legacy of the Soviet Union is still affecting the country, the population is well educated and willing to work hard. However, the country is still fighting with severe economical problems and bureaucracy.¹⁷⁴

National facts/parameters

1. Inhabitants	45 500 000
2. Economical growth 2008 ¹⁷⁵	6,0 %
3. Currency	UAH
4. Unemployment	9,0 %
5. Average net income/month (€)	210
6. Internet Users	10 354 000
7. Access to broadband	4,0%
8. Cell-phone subscribers	55 694 460
9. Creditcards in circulation	Unknown
10. Biggest cities	Kiev 2 600 000 Charkov 1 500 000 Dnepropetrovsk 1 100 000
% of population in biggest cities	11,4%



*Source (1-5^{176,177},10¹⁷⁸,6-8¹⁷⁹,9¹⁸⁰)

The Gambling culture and Jurisdiction

The gambling culture in general

Gambling has always been popular in Ukraine. Even during the Soviet times Ukrainians had a lottery and in the post-Soviet era the gambling industry grew quickly. Before the legal change (which will be discussed later) it existed over 50 different casinos and two major lotteries.

The oldest and biggest lottery in Ukraine is MSL, the Molod Sport Loto. MSL was founded in 1973. The organization organizes lotto games in all 26 Ukrainian states in partnership with the Ukraine Ministry of Finance.¹⁸¹

¹⁷⁴ (Leoivich, 2009)

¹⁷⁵ BNP growth compared to 2007

¹⁷⁶ (Leoivich, 2009)

¹⁷⁷ (Sweden Abroad, 2009)

¹⁷⁸ (Sweden Abroad, 2009)

¹⁷⁹ (International Telecommunication Union, 2009)

¹⁸⁰ (Leoivich, 2009)

¹⁸¹ (World Casino Directory)

Present gambling law

Gambling in Ukraine was made illegal in 2009. The Act came into force after a series of unfortunate and fatal events with connection to gambling activities. The Act also includes a ban for online gambling. However, the law has been taken forward very quickly and the government has announced changes during 2010.¹⁸²

The media situation

There is full liberty of press and media. The majority of the media business lies between powerful groups, which unofficially in Ukraine are called clans of oligarchs or magnates, and the political parties, some of which are often very closely associated with the big capital. An oligarchy consists of very rich individuals who have a monopoly in certain areas of the market. The largest TV and radio network belongs to Derzhavne Tele Radio Ukrainy (State TV and Radio of Ukraine), which controls the national television channels UT-1 and UT-2, National Radio Company of Ukraine, the Promin radio program, 26 regional state television companies, Sevastopol' and Kyiv regional state television-radio companies, and the television-radio company Krym (Crimea). Television companies place more commercial advertising than the printed press.

The interest in printed and broadcast word among peoples of all ages is very high. The most influential national newspapers are: Uryadovyi Kur'ier (Government Carrier), Kyiv Post , 6 Kontinentov (6 Continents), AVISO.¹⁸³

Competition for Betsafe

Main present companies

- Unibet
- Bet365
- Expekt

Even though the legal situation in Ukraine forbids online gambling, many companies offer support on the language. Due to the new legalization many companies will probably reduce their attention to the Ukrainian market.

Local companies

- MSL

¹⁸² (Leoivich, 2009)

¹⁸³ (Pressreference, 2009)

5. Analysis Selection 1

In this chapter each country's national parameters and Betsafe statistics are compared and presented in Part 1. In Part 2 the most important information and a short analysis about each country is established. Finally the three most suitable countries are selected for further analysis.

5.1 Part 1

For each parameter the country was given a score from a scale between 1-10 points, 10 points giving the country the best parameter value. The complete review can be seen in Appendix A.

5.1.1 Total score

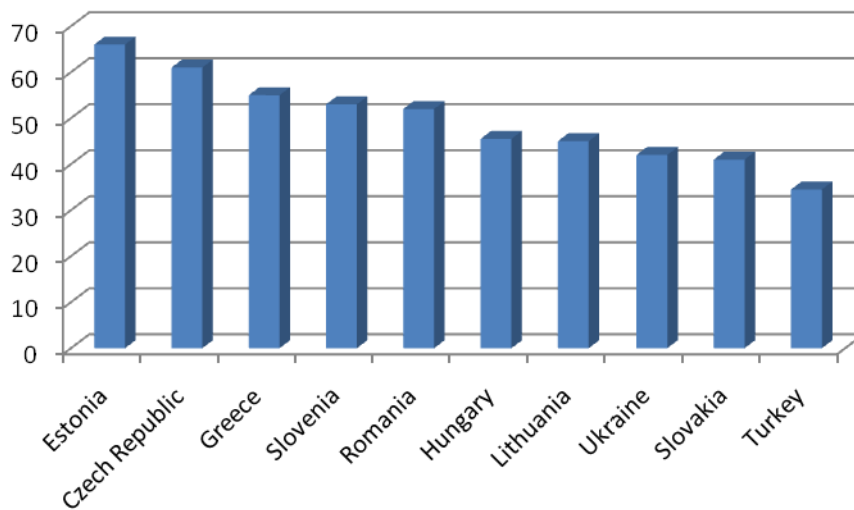


Figure 11 – Total score from national parameters and Betsafe statistics review

The scoreboard shows that Estonia got the best scores (66 points). As already concluded, the total score is not supposed to work as a final selection method. However, the diagram shows how well the countries parameter values stand against each other. The “cold facts” about the countries are things that we must expect and have in mind when the selection is made.

5.2 Part 2

5.2.1 Estonia

Overview scorecard

Parameter	Score
Inhabitants	1
Economical Growth (BNP)	10
Unemployment rate	4
Average net income/month (€)	10
Percentage of Internet Users	10
Percentage of Broadband access	10
Cell-phone Subscribers	10
Customers today	1
Active customers in relation to total	10
Total score	66

Table 1 - Scorecard Estonia

Pros

- Positive and growing gambling culture
- Favourable competition situation
- Geographically strategic
- High concentration of inhabitants in big cities
- MTG is broadcasting (TV3)
- Best score for "Part 1"
- High
 - Historical economic growth
 - Average income
 - Percentage of mobile- and Internet-usage

Cons

- Small market
- Big present economical problems
- Regulated advertising
- Consequences from the new law?

Summary

Estonia is a country that must be classified with high potential. The country has a leading and growing gaming culture and has until the financial crisis had a strong economic growth. The country is strategically well situated in a geographic perspective as Betsafe now investing in neighbouring Latvia. This means that the possibilities for further development from already running business in Latvia are good. Furthermore the relations between Estonia and the Nordic countries are good, which makes it easier making business and creating sustaining relations with partners and customers. The competition in Estonia is difficult to define but must be considered to be rather favourable. However, it is important to consider that Estonia is a very small market. From that aspect, it can be difficult to be profitable. The economic situation is also rapidly deteriorating and how complicated the impact from the new law that soon will enter into force is hard to determine.

5.2.2 The Czech Republic

Overview scorecard

Parameter	Score
Inhabitants	6
Economical Growth (BNP)	4
Unemployment rate	8
Average net income/month (€)	7
Percentage of Internet Users	7
Percentage of Broadband access	8
Cell-phone Subscribers	8
Customers today	6
Active customers in relation to total	7
Total score	61

Table 2 - Scorecard the Czech Republic

Pros

- Growing gambling business
- Best score for "Part 1"
- Favourable gambling law
- MTG publish Metro (Very popular)
- High
 - Historic economic growth
 - Number of credit cards in circulation

Cons

- The economy
- High level of competition
- Rising unemployment
- Corruption

Summary

The Czech Republic is today one of the countries that proscribe to the growing gambling culture spreading in Central and Eastern Europe. The country offers a favourable gaming law, and shows the best score from the national parameters. MTG is operating in the country with the free newspaper Metro which is positive as this it could increase the possibilities for establishing good marketing. The Czech economy is quite bleak and the country is seriously affected by widespread corruption. At the same time the competition in the country seems to be very hard. All the big operators offer support in the Czech language. For Betson and Unibet the Czech Republic is also a focus market according to their annual reports. Even within the country the gambling companies are growing and several have begun to develop online activities. The competitive situation could make the barriers of entry too high.

5.2.3 Greece

Overview scorecard

Parameter	Score
Inhabitants	7
Economical Growth (BNP)	3
Unemployment rate	6
Average net income/month (€)	9
Percentage of Internet Users	4
Percentage of Broadband access	5
Cell-phone Subscribers	7
Customers today	8
Active customers in relation to total	6
Total score	55

Table 3 - Scorecard Greece

Pros

- Big market
- Very good gambling culture
- Spread selection of media
- High
 - Average income
 - Number of cell-phone subscribers

Cons

- The economy
- Corruption
- Ban for online gambling
- High degree of competition intentions
- Low Internet usage

Summary

Greece is on one hand a complex and difficult market but on the other hand, a huge market with great potential. Greeks love to play and the state companies OPAP always shows great results year after year. For online businesses, this is naturally attractive and this has created great interest in Greece from many companies and thereby a lot of possible competition. Betson, Bwin and Sportingbet all public declare Greece is an active market. The government, however, does everything in their power to try to suppress and control the activities online.

We must also realize that the Greeks are culturally different from us in the north. The gambling spirit is similar but Greeks spend more time outdoors (because of the weather) and socialize together in a different way. By entering Greece Betsafe must learn a new culture and business.

5.2.4 Slovenia

Overview scorecard

Parameter	Score
Inhabitants	2
Economical Growth (€)	7
Unemployment rate	9
Average net income/month (Euro)	8
Percentage of Internet Users	9
Percentage of Broadband access	9
Cell-phone Subscribers	3
Customers today	4
Active customers in relation to total	2
Total score	53

Table 4 - Scorecard Slovenia

Pros

- Growing gambling market
- Steady historical economic growth
- Above average in Central Europe for income
- MTG broadcast (TV3)
- Favourable legal situation
- High
 - Internet usage

Cons

- The economy
- Small market
- Competition
- Undeveloped private sector
- Low
 - Concentration of population in biggest cities
 - Amount allocated to gambling

Summary

Slovenia is a country, which presents a rather mediocre performance. The country can boast a growing gambling culture and the economy in the 2000s has had a steady growth. The social standard has improved and reports indicate that the amount of money that people spend on gambling has increased. However, the fact is that the sum is still small and covers all types of gambling activities. The population is small, which means that the market will be difficult to penetrate. Today, there are indications that in particular Sportingbet but also Bwin are highly active on this market.

5.2.5 Romania

Overview scorecard

Parameter	Score
Inhabitants	8
Economical Growth (BNP)	9
Unemployment rate	10
Average net income/month (€)	2
Percentage of Internet Users	2
Percentage of Broadband access	4
Cell-phone Subscribers	4
Customers today	10
Active customers in relation to total	3
Total score	52

Table 5 - Scorecard Romania

Pros

- Big market
- Good gambling culture
- No regulations for online gambling
- High
 - Historical economic growth
 - Number of customers today at Betsafe

Cons

- The economy
- Money laundering
- High degree of competition both locally and online
- Large countryside
- Low
 - Internet usage
 - Average income

Summary

Romania is an interesting country with a large population that has potential. Unfortunately, the country is very poor according to Western dimensions. The economic situation has affected the country negatively and it will be difficult and take time before for the country can stand firmly on its feet. Romania does not prohibit gambling, unlike many of its European neighbours. The legal situation is, for once, so far, suitable for online gambling companies. Competition in Romania consists of several local operators (retailers) as well as some of Europe's largest gaming companies have been focusing on Romania. Almost all the big operators offer support on Romanian. Selecting Romania among the others creates a classic dilemma that usually arises in these types of situations. Romania's strongest advantage is the fact that it is a big market, but this must be weighed against to the decision to choose a smaller market that may offer better value per customer.

5.2.6 Hungary

Overview scorecard

Parameter	Score
Inhabitants	5
Economical Growth (BNP)	1
Unemployment rate	5
Average net income/month (€)	4,5
Percentage of Internet Users	8
Percentage of Broadband access	6
Cell-phone Subscribers	5
Customers today	7
Active customers in relation to total	4
Total score	45,5

Table 6 - Scorecard Hungary

Pros

- Big market
- Gambling is gaining in popularity
- Poker scene is growing
- EPT tour stop in Budapest
- MTG publish Metro

Cons

- The economy
- People discontent with government
- Ban for online gambling
- Banks complicates transactions
- Poor people

Summary

Hungary is a country facing a tough economic crisis. The unemployment rate is growing and the discontent with the current government is becoming more and more evident among the population. Hungary is also one of the countries that prohibit gambling activities except for the state-controlled company Szerencsejatek. However, among the big operators many offer support and Unibet have declared the country as a focus market. The prerequisites for creating a successful business are therefore considered as predominantly poor. Despite the development of a positive gambling culture, especially for poker, and the fact that 10 million people live in the country, the disadvantages are too many.

5.2.7 Lithuania

Overview scorecard

Parameter	Score
Inhabitants	3
Economical Growth (BNP)	8
Unemployment rate	1
Average net income/month (€)	3
Percentage of Internet Users	6
Percentage of Broadband access	7
Cell-phone Subscribers	9
Customers today	3
Active customers in relation to total	5
Total score	45

Table 7 - Scorecard Lithuania

Pros

- No major regulatory restrictions for online gambling
- Unexplored with little competition
- Success of national teams increase gambling
- High
 - Internet usage
 - Historical economic growth

Cons

- Small market
- The economy
- Gambling law under reconstruction
- Advertising regulations
- High
 - Unemployment rate

Summary

Lithuania is slightly different from its Baltic neighbour Estonia. Both countries are deeply troubled by the financial crisis but it is worse in Lithuania. The population will go through some tough years and the question is how much money people will have left to spend on gambling. The ongoing reconstructing of the law might also bring unexpected problems in the future. Lithuania is a small market but it is geographically well placed near the already active Latvian market. The competitive situation also seems to be favourable. The benefits to move to a country without a lot of competition can out-weigh most of the disadvantages.

5.2.8 Ukraine

Overview scorecard

Parameter	Score
Inhabitants	9
Economical Growth (BNP)	6
Unemployment rate	7
Average net income/month (€)	1
Percentage of Internet Users	1
Percentage of Broadband access	1
Cell-phone Subscribers	6
Customers today	2
Active customers in relation to total	9
Total score	42

Table 8 - Scorecard Ukraine

Pros

- Huge market
- Growing gambling culture
- Ban for all gambling business
- 10 % of the population is getting richer

Cons

- Ban for all gambling business
- Money laundering
- Corruption
- Low
 - Average income (bottom)
 - Internet usage (bottom)
 - Broadband access (bottom)

Summary

Ukraine is a very large market with its 45.5 million inhabitants but it is easy to get a negative image of this country plagued by the economic crisis, crime and corruption. In addition to this, the country has just introduced a total ban on all gambling activities. Over 200 000 people from the casinos and retailers are now unemployed. 200 000 people have thus driven gaming operations in Ukraine. It gives a perspective of how big the market is. That is why the legal change is both a positive and a negative factor. The need to gamble is unlikely to disappear and when gambling move away to new places (underground), the internet is guaranteed to be the most secure solution for the customer. At present, it seems that the legal amendment will regulate online business but just like in Turkey there are almost always possible ways of performing the business anyway. 5-10% of the Ukrainian population's income is increasing, unlike in the rest of the country. These 2,25-4,5 million people would of course be the target group. However, performing business in Ukraine will be tough and the authorities will for sure work hard to obstruct the business.

5.2.9 The Slovak Republic

Overview scorecard

Parameter	Score
Inhabitants	4
Economical Growth (BNP)	5
Unemployment rate	3
Average net income/month (€)	6
Percentage of Internet Users	5
Percentage of Broadband access	3
Cell-phone Subscribers	2
Customers today	5
Active customers in relation to total	8
Total score	41

Table 9 - Scorecard the Slovak Republic

Pros

- Growing gambling market
- Easy to find reliable partners
- Low salary levels
- WPT – tour stop

Cons

- The economy
- Competition
- Low broadband usage
- High
 - Unemployment rate

Summary

The Slovak gambling culture is growing. The country has currently been enjoying sporting successes for their national teams and WPT have chosen to have one of its stops in Bratislava. Reports from Swedish Export Council also indicate that it is easy to create reliable partnerships and that the wage and tax situation is favourable. However, the competitive situation in the country is growing as more and more companies are turning their eyes eastward away from the saturated markets of Western Europe. Today, there are tendencies that Bwin and Bet365 are active in the country, which heavily decreases the possibility for a relatively small market. None of the big operators, however, point out Slovakia as a focus market.

5.2.10 Turkey

Overview scorecard

Parameter	Score
Inhabitants	10
Economical Growth (BNP)	2
Unemployment rate	2
Average net income/month (€)	4,5
Percentage of Internet Users	3
Percentage of Broadband access	2
Cell-phone Subscribers	1
Customers today	9
Active customers in relation to total	1
Total score	34,5

Table 10 - Scorecard Turkey

Pros

- Huge market
- Great gambling culture
- Strong buying power for 30 % of the population
- Less competition due to legal situation

Cons

- Ban of all online gambling business
- Website blocking
- The overall economy
- Regulated advertising
- High
 - Unemployment rate
- Low
 - Internet usage
 - Broadband access

Summary

In view of the population and gambling culture, Turkey is without doubt the most lucrative market in Europe. Turkey's government does, however, everything in its power to regulate and stop all gaming activities online. This means that activities in Turkey must be conducted with other approaches. Such a choice can be dangerous if it will be discovered. Consequences like bad publicity, cost of fines and lengthy legal procedures must be taken into consideration. The individual Turkish customer does also risk being punished which can make it hard to convince them to play. These disadvantages must obviously be weighed against the gains that can be made. Betson has despite of the legal situation had a great success in the country but said in its annual report that their activity is exposed and threatened in Turkey. However, the legal situation is a deterrent for many companies, which reduces competition. At the same time, Turkey is very keen to join the EU, which may open for changes in the current law but most likely the authorities will keep up a tough attitude. The big challenge in Turkey is to find the right people to create working business solutions and to be able to perform brand marketing within Turkey. If the right business can be established the Turkish market could be very profitable.

5.3 Selection 1 Review and Decision

5.3.1 Summary Part 1 and 2

The countries that should pass the first selection are not easily chosen. There are a lot of factors that have to be taken into consideration. The reviews from part 1 and 2 show a mixed result. For example Estonia got the best total score from the national parameters and Turkey got the lowest. However, the total market is much bigger in Turkey and although gambling is illegal some companies make a lot of money there. At the same time, starting business in Turkey will be complex with a lot of problems and cultural differences. Is Betsafe willing to take the risk of lawsuits that could be expensive and may denigrate Betsafe's trademark? The pursuit of a lot of revenue potential can be misleading. In my opinion Betsafe is not ready for Turkey today. The company is too small and the risks are too high. I will get back to this statement in the final summary and recommendations in the end of the work.

Another aspect is competition. This has not been fully disclosed amongst the countries in the first selection but some indications have been established, which suggests that the Baltic countries, Estonia and Lithuania, have the least competition.

Finally it comes down to the legal and tax situation. Can Betsafe perform their business legally and within different tax systems and still be profitable? The answer to this question also remains a bit unclear for some countries but the tendencies point towards more and more regulation and a desire to ensure that the taxes will be paid in the country.

5.3.2 Selected countries

The first two selected countries will be Estonia and Lithuania. Even though the current economical situation is bad and the market is small, these countries have potential and deserve a deeper review. Estonia, especially, has been showing great results in the national parameters and Lithuania has a rather developed technology in the country as well as a growing gambling culture.

Estonia and Lithuania are also suitable for Betsafe's overall business. For instance Betsafe is putting a lot of effort into the poker tournament "Rigged in Riga" in Latvia. This tournament is very popular and has had media attention in Latvia both from television and printed media. By expanding to the Baltic countries this event could be bigger and it could increase the attraction for new Estonian and Lithuanian customers to join Betsafe. The Latvian market is proving to be profitable for Betsafe and the lessons and experiences from it may well come in handy for its Baltic neighbours.

In order to make an early impact in the country, the marketing must function optimally. Estonia and Lithuania seems to have the right prerequisites for this. Advertising is restricted to only allow trademark but MTG operate in both countries which mean that for example TV commercials are available. According to the Export Council, Scandinavians also have the right opportunities to establish reliable business relationships, as their reputation is excellent.

The third and the last country to pass the first selection is Greece. Greece is a big market and its people love to gamble. The choice of Greece could be a chance taking and therefore its potential should be further examined. Like many countries in Europe the government is trying aggressively to

regulate gambling activities but due to the fact that it is an EU country, there are opportunities for favourable change. The competition is tough and there will for sure be problems operating in the country but as the Internet usage increases and the gambling culture continues to improve, Greece is getting more and more exciting.

5.3.3 Different paths

Between the selected countries there are different paths to choose for Betsafe. In many ways, it is all about RISK taking. An expansion to a Baltic country is probably connected with a smaller risk, while Greece would mean a whole new chapter for Betsafe. Therefore the first selection of countries present two different ways of an expansion and hopefully the second selection will show the best path to follow.

6. Analysis Selection 2

In this chapter the three remaining companies will be reviewed more deeply. The chapter includes a competition analysis and a financial review to better specify the market conditions. The key success factors for an expansion for Betsafe are also established and reviewed.

6.1 Analyzing pack

6.1.1 Financial review

Establishing profits

The estimation of the potential value that can be created from customers is often a complex process. In this industry managers often talk about something called "Lifetime Value". Lifetime value (LTV) is based on customer profitability to the organization over the course of a relationship. Simply put, it is the amount by which revenues from a customer over time will exceed the company's costs of attracting, selling, and servicing that customer. Betsafe is at the moment establishing figures to create LTV for the customers from the present target markets. LTV for Latvian customers has been taken forward. The best way of creating a prediction of the profits would be to take forward LTV, separately, for the Estonian, Lithuanian and Greece markets but before a company is fully operating on a new market it is impossible to produce a reliable LTV. The existing data is not enough. Instead I will use other approaches.

Potential revenue on the market

Baltic

I will use Latvia as a model for the calculations on the Estonian and Lithuanian markets. Betsafe has since the end of 2008 been active on the Latvian market and the results from this market may well be representative to create projections for Estonia and Lithuania. Although the Baltic countries have their differences there are also similarities.

To be able to make a reasonable estimation, I will make the assumption that the LTV for Latvian customers can be applied to Estonian and Lithuanian customers. Anders Wikner, casino manager at Betsafe, has developed LTV for Latvian customers for Betsafe's products. LTV for the sportsbook has not yet been finished and will therefore not be included in this study. Swedish and Polish LTV is shown in the table below to illustrate the differences between different types of markets.

	Poker LTV	Customer Life (months)
Sweden	€ 213,76	1,67
Poland	€ 28,09	1,24
Latvia	€ 49,55	3,33

	Casino LTV	Customer Life (months)
Sweden	€ 132,64	1,71
Poland	€ 13,74	1,02
Latvia	€ 6,98	1,16

Table 11 - Lifetime value for Casino and Poker for Sweden, Poland and Latvia

These figures are based upon the business statistics from the Latvian market since the launch in the autumn of 2008. It is pretty clear that there are big differences between markets in Scandinavia and in Eastern Europe. One must know that the possible profit will be much more less in Estonia compared to Sweden. Still, any market that can be proved profitable is a good market and if the social living standards and IT technology development continues to grow so does the potential for higher profits.

Furthermore, I will make the assumption that Betsafe has the capacity to carry out an equally good or better entry into the Estonian and Lithuanian markets as into the Latvian market. This means that I will use the number of customers created in Latvia from Betsafe statistics and do a calculation to establish a relation to the general target group for Betsafe. The target group is mainly men between 18 and 35 years but due to the available statistics the interval has been 15-34 for this study. In Latvia there are approximately 330000¹⁸⁴ men in this group. According to Betsafe statistics the present number of registered customers from Latvia is 10882¹⁸⁵. 10000 customers was a milestone for the Latvian market. The number of active customer is 2091². The percentage of customers registered at Betsafe from the target group in Latvia is therefore 3.29 %¹⁸⁶. The percentage for active customers from the target group is 0.63 %¹⁸⁷. According to Janis Tregers, country manager in Latvia at Betsafe, it can take up to a year or longer before a company can start to show black figures from a new market. The impact of marketing and all the actions carried out in a new market can sometimes take a long time.

Estonia

Estonia has 1 350 000 inhabitants. The market is therefore in proportion to their population limited. The number of customers from Estonia at Betsafe today is small, 327 registrations and 34 active customers².

The number of men in the target group is 197341¹⁸⁸. A milestone for the Estonian market would be getting 3.29 % from this group. This means 6493 customers¹⁸⁹.

¹⁸⁴ (Statistical Bureau of Latvia, 2009)

¹⁸⁵ Figures from 2009-11-18

¹⁸⁶ $10882/330000=0,0329$

¹⁸⁷ $2091/330000=0,0063$

¹⁸⁸ (Statistical Bureau of Estonia, 2009)

¹⁸⁹ $197341*0,0329=6493$

In Latvia the LTV for poker is 49.55 euro and for the casino 6.98 euro. These figures are the possible incomes for customers playing poker and casino. Customers can often be divided into groups according to what products they use. Either you're a poker player or a casino player etc. Of course there are many customers who play and use multiple products but in general they can be divided into groups. How many customers it will be in each group is very difficult to predict. Therefore, I will show results from different percentage breakdowns among the customer groups. The "income" which probably in this matter should be named potential income or potential value is calculated as the number of customers in each product group times the LTV for this product.

	Poker	Income (€)	Casino	Income (€)	Sportsbetting	Income (€)	Total
1.	40%		40%		20%		
No. customers	2597	128681	2597	18127	1299	SBI ¹⁹⁰	146808+ SBI
2.	50%		35%		15%		
No. customers	3247	160889	2273	15866	974	SBI	176755+ SBI
3.	35%		50%		15%		
No. customers	2273	112627	3247	22664	974	SBI	135291+ SBI
4.	40%		20%		40%		
No. customers	2597	128681	1299	9067	2597	SBI	137748+ SBI
5.	35%		15%		50%		
No. customers	2273	112627	974	6799	3247	SBI	119426+ SBI

Table 12 - Income projection for 1 year's business in different breakdowns of customer groups for the Estonian market

¹⁹⁰ SBP=Sports betting income

Lithuania

Lithuania has 3 350 000 inhabitants. The number of customers from Lithuania is small, 856 registrations and 66 active customers.

The number of men in the target group is 480546¹⁹¹. A milestone for the Estonian market would be getting 3.29 % from this group. This means 15810 customers. The procedure for the calculations is the same as for Estonia.

	Poker	Income (€)	Casino	Income (€)	Sportsbetting	Income (€)	Total
1.	40%		40%		20%		
No. customers	6324	313354	6324	44142	3162	SBI ¹⁹²	357496+SBI
2.	50%		35%		15%		
No. customers	7905	391692	5534	38627	2371	SBI	430319+SBI
3.	35%		50%		15%		
No. customers	5534	274209	7905	55177	2371	SBI	329386+SBI
4.	40%		20%		40%		
No. customers	6324	313354	3162	22071	6324	SBI	335425+SBI
5.	35%		15%		50%		
No. customers	5534	274209	2371	16550	7905	SBI	290759+SBI

Table 13 - Income projection for 1 year's business in different breakdowns of customer groups for the Lithuanian market

Greece

For the Greek market no data from either competitors or other sources have been retrieved to be able to establish an accurate calculation. Therefore, an attempt to create an estimation of the potential revenue will be rather unnecessary. If Greece were to be in question for an expansion, it is obviously of great interest to put more resources into this matter.

Establishing costs

Operating, resource and marketing costs

Betsafe has experience from entering new markets outside the comfort zone of the Scandinavian region. Poland and Latvia have been successful while the Bulgarian expansion was a failure.

Betsafe is well aware that the costs to start up a business and to make an impact are high. Together with the Henrik, I created a simple overview of the cost for an entry into a new market. Figures from Latvia acted once again as guidance. This means that the calculations will have less accuracy for the Greek market. However, the strategy for an expansion into either option will have to be cost-efficient which means that the calculation of cost could be used even for the Greek markets. Of course an

¹⁹¹ (Statistical Bureau of Lithuania, 2009)

¹⁹² SBP=Sports betting income

expansion into this market would most likely mean higher costs but the aim must still be to achieve the lowest cost possible.

The single biggest cost for an entry is marketing. It is problematic to predict the sum of this cost because it depends on what kind of media deals that can be established and also how the opportunities that arise can be used. The calculation should only work as a prediction rather than a complete budget.

Variable costs (€)		Fixed costs (€)		Marketing costs (€)	
Net Salaries/month		Office material		• Campaign	• 50000
• Country manager	• 3000-6000	• Computers	• 5000		
• Bookie	• 1000-1500	• Furniture	• 6000		
• Support personal	• 500-750	• Phones	• 1000		
		• Etc	• 1000		
• Total	• 4500-8250	• Total	• 13000	• Total	• 50000
Additional/month					
• Rent	• 1000-1500				
• Internet	• 100				
• Etc	• 250				
• Total	• 1350-1850				

Table 14 - Variable, fixed and marketing costs

1 year estimation (€)	
Salaries	
• 1 Country manager ¹⁹³	54000
• 1 Bookie ¹⁹⁴	15000
• 3 Support members ¹⁹⁵	22500
Additional	
• Rent ¹⁹⁶	15000
• Internet	1200
• Etc	3000
Office Material	13000
Marketing campaign	50000
Total	173700

Table 15 - 1 year's estimation of costs

According to the figures presented the total cost for the first year's business would total around 150 and 200 thousand euro. The calculation is, as already concluded, far from certain but it gives an indication of roughly how much an expansion could cost.

Summary financial review

The financial calculations conducted in this study include, unfortunately, a lot of uncertainty due to time constraints. The idea has been to establish an indication rather than a finished budget. It is important that the reader is aware of the lack of data (LTV for sports betting etc) and the various assumptions made. Also, using the total number of registered customers could be misleading. It exist a lot of customers only registering for a special bonus without making any deposit.

¹⁹³ 4500 €/month

¹⁹⁴ 1250 €/month

¹⁹⁵ 625 €/month

¹⁹⁶ 1250 €/month

However, I believe that Betsafe will be profitable on the Estonian and Lithuanian market, if the development of these markets follow in the same footprints as for the Latvia market. The annual operational cost is in the range of 100 and 150 thousand euro. This sum does not include marketing. A simple comparison against the revenue that can be created from the LTV of Latvia and the operational cost shows that the profit marginal will be rather small. After getting the business up and running properly it might come up to approximately tens of thousands per month. Calculations may also indicate that a larger market will generate more revenue, this is of course true but at the same time I have not taken into account the additional costs (marketing and staff) that will have to be added to attract more customers and maintain a good service to them.

6.1.2 Competition analysis

In this analysis the most significant competitors in each market according are presented. Because of the complexity of the online business it is often hard to really define the active companies on a specific market and their share of the market. The analysis will therefore be based on statements from people with insight into the industry and my subjective opinion based on the information processed from corporate websites, annual reports and various articles etc. The aim is not to clearly rank the companies based on their market share but instead define the group of companies who are in the top and then evaluate them separately.

Competition overview

Estonia

- Unibet
- Pokerstars
- Triobet
- (Bwin)
- (Sportingbet)

Lithuania

- Unibet
- Pokerstars
- Triobet
- (Bwin)
- (Betway)

Greece

- OPAP
- Bwin
- Betsson
- Sportingbet

Estonia and Lithuania have identical lists. This is because the countries are similar and that many companies investing in the Baltic are not content to simply walk into one country but instead make an effort throughout the region. According to Pokerstars country manager of the Baltic region and

Finland, Tomas Larsson, Pokerstars is one of the top companies in the region¹⁹⁷. He mentions Triobet and Unibet as the biggest competitors there. At Triobet their representative says that the company itself is the leading company in the Baltic region in terms of offering customers a complete solution for gambling, which also includes other products such as sports betting and casino¹⁹⁸. The companies that stand out and often appear in the media are Pokerstars, Triobet and Unibet. Of course there are other companies active on the market. Bwin has shown an interest in the region, mainly for their poker section and Sportingbet has been mentioned in interviews. However, Pokerstars, Triobet and Unibet are the group of competitors that Betsafe should put the most attention to on the Estonian and Lithuanian markets. These three firms will be evaluated separately.

In Greece, OPAP is the single most superior competitor. The competitive situation is much tougher in Greece and several of Europe's giants are in place but this is the reality at all lucrative markets. Several of the competitors in Greece are trying to have an online presence on popular news sites and on sports and poker related sites. The companies that are most visible in these contexts are Bwin, Sportingbet and Betsson. All of these admit that Greece is an important market which they focus on. Together with OPAP, these will be reviewed separately.

Competition in Estonia and Lithuania

Unibet

Unibet is one of the largest online gambling operators on the European market and has over 3.6 million customers worldwide. Unibet offers a range of online gambling products, such as sports betting, live betting, casino, poker, lotteries, bingo and soft games.¹⁹⁹ Estonia and Lithuania are important markets for Unibet. Unibet has been active on the Estonian market for 2-3 years and on the Lithuanian for 1-2 years. Mattias Stetz, at the Baltic department, said that the company is in a rapid growth phase at the moment²⁰⁰. They have not been especially negatively affected by the economic crisis and instead they have used it to create favorable marketing agreements. The company is offering support in both Estonian and Lithuanian languages. The website is also available in the respective language for all of their products.

The company has used Tallinn (capital city of Estonia) for many poker tournaments the last years. Tallinn is geographically well situated for the company to attract poker players from the Nordic countries to play live tournaments. Unibet is also focusing on offering special sports betting odds on popular sports and events in Estonia and Lithuania to attract customers from those countries. One part of the strategy for Unibet is to create a strong position in the market for sports betting by offering better odds on major events, particularly within domestic sports. Another part of their strategy is to choose markets in Europe that have a high technological development when it comes to internet access and speed. Especially Estonia but also Lithuania are both showing great results in internet usage and this has therefore been an important factor for Unibet to invest here. In Estonia Unibet is the official shirt sponsor of the football club Nõmme Kalju and this is one of the company's marketing tactics. The brand can also be seen on a number of websites in both countries. Online

¹⁹⁷ (Larsson, 2009)

¹⁹⁸ (Harri, 2009)

¹⁹⁹ (Unibet, 2009)

²⁰⁰ (Stetz, 2009)

marketing is important and a major part of the marketing strategy for the company. The reason for this is because of the fact that this kind of marketing is often cost-efficient and easily measurable.

The overall aim for Unibet is to be more customer focused²⁰¹. What this will mean for Estonia and Lithuania is hard to tell but probably that they will have to start giving more special offers to suit and attract the local preferences more heavily and also they might expand the support section with more people etc.

Live betting is getting more and more popular. Unibet wants to increase this product for all of their markets and the number of live betting options for Estonian and Lithuanian games will much likely be higher. Poker tournaments will for sure be held in the Baltic region in the future.

There is no doubt that Unibet will be a major competitor on the Estonian and Lithuanian markets. There is nothing in the actions from Unibet or in the information discovered about the company that indicates some sort of decrease on their behalf on these markets. It is actually the other way around and I believe that Unibet for a long time ahead will be a big threat on the Estonian and Lithuanian markets.

Pokerstars

Pokerstars is the largest online poker card room in the world²⁰². Pokerstars only offer poker for their customers but with almost all different variants of the game. The business idea is simply to host poker games between players and collect a rake²⁰³ from each real money pot.

Pokerstars have been operating in Europe for a long time and Tomas Larsson explains that their global ambition is to offer the possibility to play poker for everyone all over the world. "The Baltic countries are not different regarding our overall aim and they are in fact very interesting for us because there exist a genuine interest for games of skill such as chess, bridge and now of course poker", says Tomas.

The presence of Pokerstars in Estonia and Lithuania has not been long. It was during the beginning of 2009 that the company started to offer the website and customer support in the local language. This year they also started the poker tournament called the Baltic Festival which according to Tomas will be a yearly arrangement.

Pokerstars marketing strategy for Estonia has included a TV commercial campaign and the company has also tied up well-known sport profiles. For Lithuania the strategy has been similar. A lot of television commercials have appeared on mainly Russian channels and on channel 6 (MTG) EPT²⁰⁴ programs are running. In Lithuania, the company has also begun to sponsor a basketball team. "Basketball is a major sport in Lithuania and it is a good way for us to promote our brand", says Tomas.

As Pokerstars have succeeded so well and with their world leading position in the online poker industry, the company can of course provide their customers with a wide range of attractive offers.

²⁰¹ (Unibet, 2009)

²⁰² (Pokerscout, 2009)

²⁰³ Rake is the scaled commission fee taken by a cardroom operator.

²⁰⁴ European Poker Tour. Pokerstars is the host.

Big and money guaranteed tournaments and freerolls²⁰⁵ are held daily, they have a VIP shop where players can get stuff depending on how much they play and they also have a initial deposit bonus of up to 600 \$. All these offers and the fact that their customers are almost always able to find active games of poker on the site at different levels will be tough to beat. However, Betsafe has a competitive poker offer with their own promotions, such as the races and the cashback program. To be able to attract Estonian and Lithuanian customers these kinds of special offers will be important.

Pokerstars will be a major competitor on the Estonian and Lithuanian markets. On one hand this is of course disturbing for Betsafe's chances to attract poker players but on the other hand the general interest of poker will most likely just grow bigger with all the events arranged and commercials run by Pokerstars. The challenge will be to not allow Pokerstars to exploit this interest for their own gain only.

Triobet

Triobet is one of three brands owned by Nordic Gaming Group (the others are NordicBet and Tobet). Triobet is the group's Baltic brand and the company is focusing 100 % on the Estonian, Latvian and Lithuanian markets²⁰⁶. According to their own website Triobet's poker-room is the Baltic region's biggest²⁰⁷. The poker section belongs to Microgaming's global poker platform. Triobet is also official poker operator for the Baltic online poker championship. Besides from poker Triobet also offers sports betting, casino, scratch cards, soft games and dice²⁰⁸. They have a lot of special offers for just Baltic customers including sportsbook bonuses, casino tournaments and freerolls etc²⁰⁹. The website and customer support is offered in all the Baltic languages and also Russian.

Triobet has recently signed an exclusive deal with the cable channel Viasat (MTG)²¹⁰. Viasat will for the next coming 6 years (starts from season 2009/2010) broadcast the football tournament called Triobet Baltic League. The Baltic league is a domestic club competition involving the top football teams from Estonia, Latvia and Lithuania. Under the terms of the deal, Viasat will show live and exclusive coverage of the league in all three Baltic languages on its new premium sports channel Viasat Sport Baltic. Viasat will additionally broadcast a highlights magazine from each match day, available on Viasat Free TV channels in all three countries respectively. This is of course a fantastic deal for Triobet and their brand will get a lot of exposure.

Triobet seems to be the biggest player on the Estonian and Lithuanian markets. The clear focus on the Baltic countries is an advantage and the company has the security and economic muscles power from the parent company NGG. Still, Betsafe has managed to create an impact on the Latvian market so nothing is impossible. However, Triobet will definitely be one of the toughest competitors.

Greece

OPAP

The Greek Organization of Football Prognostics (OPAP) is a public company based in Athens that exclusively operates and manages lottery and sports betting. OPAP conducts six numerical lottery

²⁰⁵ The term freeroll is usually used to describe a tournament with no entry fee.

²⁰⁶ (Nordic Gaming Group, 2009)

²⁰⁷ (Triobet, 2009)

²⁰⁸ (Triobet, 2009)

²⁰⁹ (Triobet, 2009)

²¹⁰ (Sport Business, 2009)

games, Lotto, Joker, Proto, Super 3, Extra 5 and Kino and has three sports betting offers called Pame Stihima, Propo and Propo-goal. Its network consists of approximately 5.227 agencies.²¹¹ When reviewing OPAPs financial situation you quickly realizes that the Greek market is very profitable. The net profit for 2006 was 509 million €, for 2007 it was 571 million €¹⁸. For the first 9 months of 2009 the net profit became 501.7 million €²¹².

The company has of course a major advantage with the monopoly situation. Since Greece entered into the EC many online companies have begun to compete with OPAP although the current legislation in Greece prohibits gambling in the country and online from other companies. This has meant that the company has become involved in several lawsuits. Opinions differ as to how the law should be interpreted. Should it be interpreted according to directions from the EU or can the country itself continue to regulate and monopolize the business? In 2020 the agreement on the monopoly goes out and even though forces in the Greek government want to continue and regulate the market, it would appear unlikely that there should not be any changes until then. To begin to adapt to the new situation OPAP has launched an effort by offering their games online while glancing out across Europe for potential investments.

The government and OPAP will cause problems for a possible entry. Almost all companies on the Greek market have faced an aggressive response from OPAP and the authorities. The actions could either be in form of legal processes or preventing customers to get access to the site etc. One must also realize that the general Greek citizen who likes to play is closely linked to OPAP as it has always been the natural choice for many people.

Bwin

The bwin Group has over 20 million registered customers in more than 25 core markets²¹³. The company is one of the world leaders in online gambling. On a number of different platforms, the company offers sports betting, poker, casino games, soft and skill games, as well as audio and video streams of top sporting events. Greece is one of the company's core markets. The company offers both the website and support in the Greek language.

The primary focus for the company's overall strategy is to offer a wide range of worldwide sporting events which are adjusted to regional requirements. Their sport betting section is tailor made for the Greek market and they are primarily focusing on football and basketball. The poker section is using the same platform as Betsafe, Ogame. Bwin and Ogame belongs to the same business group and this means Bwin poker customers has priority in terms of technical matters.

Bwin is one competitor you preferably want to avoid. On the Greek market this will be impossible. Betsafe cannot compete with the same financial scale as Bwin. Instead Betsafe must find other ways. For example the customer must be offered something unique and be taken care of in a more personal manner.

Sportingbet

Sportingbet is also one of the biggest online gambling firms in the industry. The mission for the company is to become the leading operator in selected markets. Sportingbet operates a localised

²¹¹ (Markets.ft, 2009)

²¹² (OPAP, 2009)

²¹³ (Bwin, 2009)

sportsbook branding strategy, which has proven successful. Their websites are tailored to the specific needs of the local market, offering a localised range of betting opportunities and a range of other gambling products. Sportingbet offers sports betting, casino, poker under the brand Paradise poker and a variety of soft games.²¹⁴ The website is available in Greek and they also offer support to Greek customers.

At the latest annual report Southern Europe continued to be the key geographical stronghold for the company with Spain and Greece growing at a combined 22%. Greece represents 17 % of the company's net revenue. Greece is the second largest market for the company and the company wishes to increase their presence in the country if the regulation law process in the EC court goes to their advantage. The success, according to their own business review, can be traced back a few years when they managed to create beneficial marketing partnerships. The deal included marketing actions, customer services and in some circumstances payment processing.²¹⁵ The names of the partners have not been found.

Sportingbet is like Bwin one of the major players in Europe. Sportingbet announces very clearly that they are investing heavily in the Greek market. With their experience in the market, the company will be a tough player to face.

Betsson

Betsson is another large company that invests in the Greek market. The company offers a lot of different products such as sports betting, casino, poker, scratch cards, bingo, soft games, trader etc. The company has been active on the Greek market since July 2007. They are offering the website and support in Greek. The company's poker section uses the Ogame network as their platform.

One of the main parts of the company's strategy is to offer a variety of innovative products. In 2008 the company released a new product called "trader". The new product gives the customers the possibility to bet on the stock market. This product might not be the most popular in Greece but shows a creative mind when it comes to establishing new products. According to the annual report (2007-2008) the most profitable products for Betsson are the casino (stands for 50%) and poker (38%). The competition with Betsson will therefore most likely primarily be around these products.

Betsson is very active in the debate on various countries' desire to regulate the gambling industry. The company is involved in different processes and in Greece this has resulted in EC commission putting pressure on the Greek government. CEO, Pontus Lindwall, expects a bright future in this matter and says in the annual report (2007-2008) that is only a matter of time before many monopolies must be removed. "The customer deserves to play for lower costs and with greater chance of winning, which the online companies can fulfill. At the same time there are many companies that show a large responsibility regarding gambling addiction and safety for the customer", says Pontus²¹⁶.

I have not been able to find any direct strategic indications for the future of Betsson in Greece. However, the company's involvement in the legal debate on the market suggests a deep commitment to the market.

²¹⁴ (Sportingbet PLC, 2009)

²¹⁵ (Sportingbet PLC, 2009)

²¹⁶ (Betsson, 2007-2008)

6.1.3 Marketing opportunities

To be able to make an impact on the markets the first market campaigns and the media deals that can be settled are very important. According to Janis, Betsafe needs to become a top 3-5 brand in Estonia and Lithuania to survive and be successful. “Also important here is – who are the media or affiliate partners that we will be able to work with? If we can get strategic partnership with major media or successful affiliate, this will add not only to the efficiency of our campaigns, but also to create immediate credibility for a smaller brand such as Betsafe. Baltic customers, especially Lithuanians, need to trust the brand before they will consider playing there”, says Janis. A short summary of the present media situation and some of the marketing opportunities are presented for each country.

Opportunities in Estonia

The media market in Estonia is characterized by concentration. The newspaper market is dominated by two major publishing groups: Postimes Group and Ekspress Group. For the television sector there are only three nationwide channels. Beside the public channel Eesti Televisioon (ETV), the television sector is being operated by Scandinavian players. Norway’s Schibsted owns Kanal 2 and Sweden’s MTG Group owns TV3. Schibsted also controls Postimes Group. Among the cable channels, different Russian channels are reported to be the most popular²¹⁷.

As already stated in selection 1, advertising about gambling is illegal within the borders of Estonia. Publishing the trademark is allowed under the restriction that it cannot be connected with any appealing text about gambling. However, there are still many opportunities to reach out to Estonian citizens. Advertising in paper magazines is not option. But commercials in TV are possible. It is a fact that television companies that broadcast TV from other places obey the jurisdiction there and not necessary within in the specific country. MTG’s broadcasting is such an example. They broadcast from London and in the United Kingdom the regulation is different and gambling commercials are allowed. The same is also true for most of the Russian channels. Betsafe has experience of working with MTG and the Swedish company would be a good choice of media.

Another attractive choice is the internet as a way of marketing. Estonian citizens are well familiar with the internet and the usage is high. In Estonia poker is probably the fastest growing gambling product online. This is especially seen among many new sites that have started to offer a specific poker section. Also various poker forums are growing. Advertising online is not considered illegal. Online marketing is therefore a suitable option to form a great part of the marketing campaign.

²¹⁷ (European Journalism Centre, 2008)

Some examples of interesting new sites and forums that are connected with sports and poker are:

- **Pokernews.com**²¹⁸
Pokernews is a website offering news about poker. The site claims to be the biggest poker portal in Estonia. On the site you can find live coverage from different events and also reviews of various poker sites and their offers.
- **Pokerclub**²¹⁹
Pokerclub is an Estonian site offering special rakeback offers. They also have a popular forum with a high activity among Estonian poker players. The site is available in both Estonian and English language.
- **Ohtuleht**²²⁰
Ohtuleht is a tabloid magazine similar to Swedish magazine Aftonbladet. The newspaper is published in Estonian and exists in both a paper and an online version. Ohtuleht is a part of the Postimes Group.
- **Delfi**²²¹
Delfi is a news site that only operates online. The site is available in all Baltic countries languages. Delfi is a part of Ekspress Group.

The list of potential and suitable marketing opportunities is actually long. Even though the present advertising law is regulatory, other possibilities exist and with the right partners and by establishing the right deals the marketing campaign for an expansion to Estonia has all chances of being a success.

Opportunities in Lithuania

The Lithuanian media market is similar to the Estonian market. The legalization on marketing is almost the same and during the last few years one characteristic that has become apparent in regards to the ownership in the media market is internationalization. Especially the magazine market has attracted a lot of foreign investors from Scandinavia and Estonia according to rumours in the business²²². The problem in Lithuania is that the media ownership is one of the most hidden types of data and therefore hard to identify. The biggest daily newspaper is Lietuvos Rytas and is controlled by the UAB Lietuvos Rytas Group that also publishes about ten other smaller newspapers and magazines. There are 31 television stations in Lithuania, 30 commercial and 1 public. The Lithuanian Television is broadcasting two national television channels, LTV1 and LTV2. Together with MTG channel TV3 these are the most popular channels. For the same reasons as for Estonia this means that MTG could be a suitable option to perform a TV-commercial campaign.

The internet usage in Lithuania is high compared to other Eastern European countries. Advertising online is therefore another suitable option.

²¹⁸ <http://ee.pokernews.com/>

²¹⁹ <http://www.pokerclub.ee/eng>

²²⁰ <http://www.ohtuleht.ee/pokker/>

²²¹ <http://sport.delfi.ee/news/pokker/>

²²² (European Journalism Centre, 2009)

Some examples of interesting new sites and forums that are connected with sports and poker are:

- **Pokeris.eu**²²³
Pokeris is website offering news, forum and poker sites reviews. The website is also available in English, Latvian and Russian versions
- **Lrytas (Lietuvas Rytas)**²²⁴
The online site of Lietuvas Rytas is one of the biggest news portals in the whole country.
- **Delfi**²²⁵
Delfi is a news site that only operates online. The site is available in all Baltic countries languages. Delfi is a part of Ekspress Group.
- **Addicted to news (Atn)**²²⁶
Atn is a news site with a specific sport section.

The Lithuanian media market may not be as easy to attack as the Estonian but there are still a lot of possibilities to create an effective campaign. As for Estonia, it all depends of what kind of marketing deals that can be established.

Opportunities in Greece

The most important source of information in Greece is television. Private television assumes a dominant position, in terms of advertising revenues and size of audiences, in comparison with the public one. The dominant players in the media landscape are the two private channels, Ant1 and Mega. The press is concentrated to a few publishers Lambrakis Publishing Group, Bobolas Publishing Group, Tegopoulos Publishing Group, Alafouzou Publishing Group and Press Institution Apogevmatini Publishing Group.

Advertising in daily newspapers is forbidden and any commercial action will be fined with 3000 euro. Since this cost is relatively low there are companies that still advertise in newspapers.

The majority of the mainstream newspapers, magazines and TV channels have online publications. Greece has during the last few years shown progress towards developing online services and promoting the information society.

Some examples of interesting new sites and forums that are connected with sports and poker are:

- **Sentagoal**²²⁷
Sentagoal is a news site only focusing on sports.
- **BetCatalog**²²⁸
BetCatalog is a website about betting options for Greek customers. On the site you can also get live scores and other exiting information about betting.
- **Sportday**²²⁹
Sportday is a newspaper with a specific betting section.

²²³ <http://www.pokeris.eu/>

²²⁴ <http://www.lrytas.lt>

²²⁵ <http://sport.delfi.lt/news/pokker/>

²²⁶ <http://sportas.atn.lt/>

²²⁷ <http://www.sentragoal.gr/>

²²⁸ <http://www.betcatalog.gr/sports.html>

²²⁹ <http://www.sday.gr/page.ashx?pid=3&catid=5&sn=5>

The competition in Greece when it comes to marketing is tough. A lot of the big online companies can be seen when searching the Greek websites. Their marketing budget can also handle the money lost to be able to advertise in print media. In Greece, the need for media partners will be tremendous. To be able to make an impact the marketing campaign must both be something unique and special but it also need to find the loopholes in the regulation that not will lead to any fines.

6.1.4 Finding the right people

One factor keeps coming back throughout this study. It has been said in interviews, it has been written about in different articles and internally at Betsafe it is known as the single most important key success factor for an expansion. According to Janis the number one focus is by far the ability to find the right person, especially on small markets. “You cannot put a price on contacts and experience. The country manager need to be extremely efficient in the beginning, putting the money were it is most profitable, having the right connections to be able to get in as many customers as possible in a short time and for the cheapest possible price. This is crucial for survival and subsequent profitability”, says Janis.

The country manager must create valuable and reliable marketing deals. Further on he or she will have to be responsible for the future growth and profitability in the country. The job is far from easy and the recruiting process for this job will be very important.

To be able to find the best and most suitable people you often have to start looking at people already working in the business with competitors. Below I will present some names that I have found during this study. For this stage of the process I have decided not to contact any of the possible names and no further investigation about them have been made. Therefore they will only be presented with name, title and contact options. In Greece no interesting names have been found.

6.1.4.1 *Contact info for people from the Baltic region*

- **Olegas Balajevas**
Poker Manager
OLYMPIC CASINO GROUP BALTIJA
+370 612 83978
olegas.balajevas@oc.eu
- **Algirdas Vaitkevičius**
Project manager
+370 686 92567
info@ivartis.lt
- **Gediminas Velicka**
Country Manager for Triobet in Lithuania
Skype nick: *gedivel*
Friend to Janis Tregers
- **Mattias Stetz**
Department of the Baltics at Unibet
Mattias.Stetz@unibet.com
- **Tomas Larsson**
Country Manager Finland & Baltics
PokerStars.com
tomasl@pokerstars.com

7. Summary and Recommendations

In the last chapter the study is summarized and the final strategic recommendations for the future are presented.

7.1 Summary

Betsafe is still a young company that have seen a great success in a short span of time. To remain successful it is therefore important that they don't become complacent and remain visionary. However, a successful company must also balance its risk-taking. In the end it is vital to find the right opportunities that fits the company and of course to be able to make the right decisions.

In this project the main objectives were to put forward and present suggestions for new markets within a set of already established choices and to recommend strategic paths for Betsafe to take. To look towards new markets is often a logical step when a company wants to grow and develop. What is important to take into consideration are the different circumstances that figures in deciding where, how and when an expansion should take place. The prerequisites for expansion must be thoroughly analysed and also show signs that there are profits to be made.

In my opinion there are to two strategic choices for Betsafe regarding the decision of an expansion. I have chosen to call these:

- Keep business as usual
- Expansion to a new market now
 - The 'risky' Eastern adventure
 - The 'safe' Baltic adventure

7.1.1 Keep business as usual

The first alternative suggests that Betsafe in accordance with the existing decisions by the management continues their operations as usual and keep focusing on the markets where they are currently operating. As Betsafe is already successful but relatively new to the market in Latvia and have recently pulled out of Bulgaria there are obvious reasons to wait and try and grow in the markets they focus on. The fact is that even in the markets where Betsafe is currently operating, the brand Betsafe has only reached a small number of clients. To change this lot of money has been spent on marketing and the marketing budget for 2010 will probably be three times larger than for 2009.

To be able to create a maximum result and gain higher profits in the present markets, there is perhaps no space in the budget for expansion. An expansion would cost a lot, require time and resources and demand quick decisions to be successful, a risk, which perhaps would entail a loss of profit for which there is no room for in the budget. Also, there is a big chance that an expansion

would take away the focus needed to continue with the branding campaign in the company's focus markets. As these campaigns are still in their infancy it will still take some time before the results can be fully evaluated. If there is a positive response showing a clear growth in the number of clients as a result of the campaigns, it is obviously a success, but if the response is negative, this will in turn clearly affect the economy. In such a position it could be more of a security to not be involved in too many cost demanding projects. Even if Betsafe lives up to the classic 'gambler' profile and very rarely stay still in their development it could sometimes be appropriate to 'use the handbrake'.

The setbacks in Bulgaria are another important factor. Bulgaria was to start with an attractive market, but became, due to cooperation problems with the business partner on the market, a real experience for Betsafe of all the things that could go wrong. Perhaps, before the conflicts with the Bulgarian partners are resolved and before Betsafe have been able to fully investigate what went wrong an expansion should not be considered. Betsafe must carefully evaluate the whole process in regards to the expansion in Bulgaria, from the start, with the decision taken to go into this market, to where the problems begun and why money was lost. The lessons learnt here will strengthen the company and be accessible when the company decides to expand again.

There are also other risks involved in an expansion. At the present moment a large part of the countries in Europe who are members of the EC are in conflict with the EC in regards to how gambling should be regulated and if it should be managed on a national level or in the EC. Today there are yet no specific directives that steer the legislation within the EC. One of the pillars of the EC constitution is that there should be freedom for companies to establish themselves and free movement of services in practically any business area. The EC's viewpoint can be summarized as the ambition for an open market with the same opportunities for every member country. In the court processes currently in progress around Europe it is the EC court that will pass judgment in the cases between gambling companies and individual national governments. The court will try and interpret if there could be an exception to the EC laws of a free market if the countries can show that they have reasonable reasons to continue or to institute a monopoly. The reasons are mainly grounded in issues concerning public health, taxes and control.

In Estonia a new law will take effect in January 2010. It is not yet sure how this law will change the situation. Mattias Stetz of Unibet has said that as Estonia is an EC member the law should not have too much of a regulative effect on the online gambling business. These changes usually take time to really be imposed and it will therefore take some time before their effects can really be measured. From what I have understood of the law, a system of licenses will be introduced focusing on being able to oversee the companies that specifically target Estonian customers and will not change the current tax regulations. In Lithuania a similar project has been suggested but is still in the starting blocks. There are though rumours in the business that the Estonian and Lithuanian governments are considering adopting a stricter relationship for the gambling business. According to these rumours the new license system in Estonia will have expensive demands for operators that want to keep or open offices in Estonia. However, there should also be a cheaper option of the license but with the disadvantage that the company will not be allowed within the borders of Estonia.

In the Greek market the current government is working together with OPAP to keep a monopoly and to ban all other gambling business. EC has indicated that they will back the gambling companies and has put pressure on the Greek government to change the current legislation.

Until these processes and changes happening around Europe are solved or at least until they show signs of which direction they will take, it is perhaps advisable to wait and see how things develop. Even if several powers within the EC are working towards an open market there is still a strong opposition on a national level. One has to be aware that the gambling industry brings in enormous sums to the public treasury. As the national states projects themselves as the citizens' natural guidance they try to make the debate centre on how with stricter control and regulation they can combat gambling addiction and make sure that some profit goes back into investing in national sports. This is of course valid reason, but I feel that to think that respectable gambling companies would not take their social responsibility towards individuals or to sport is naïve. At the same time, if the market were more open, this would most likely lead to high demands for companies to be taxed in the countries they wanted to operate in. Today most of the online gambling countries are based in low tax countries like Malta and Gibraltar. Should juridical changes appear, the question of taxation would become the focus. The changes would probably insist that the companies are taxed within the countries they are working in. The tax costs would then increase to a whole new level in comparison to the operations taxed from Malta. There is as we can see two sides of the coin, on one hand new laws can open new possibilities to do business and make it easier to get new clients and on the other hand this might come with high taxes and thereby higher costs.

To conclude, the financial circumstances and the risks involved will always be the central issue. The question Betsafe's management need to answer is if they think that the time and the conditions for an expansion into new markets are right and enough to go for it and invest?

7.1.2 Expansion to a new market now

The second alternative is that Betsafe should expand their business right now. What would justify this choice? To start with the management of Betsafe has made as a very aggressive goal to invest and expand the company with a 100% during 2010. This was also the projection for last year, which was attained, but of course to continue such a growth successfully will be increasingly difficult. The question is if it is even possible to do so in the markets that the company currently focuses on? Many people in the trade believe that the markets in Scandinavia and Western Europe have partly stagnated. An expansion would naturally lead to high costs but would in the long run also lead to the company growing and hopefully profit.

Another factor that plays a part is how a company that exists on several markets will be less sensitive to changes in particular markets. Different events, such as a new legal directive, can quickly change a market's circumstances. When a company has managed to establish themselves in a new market and has a successful business running they have spread their risks on a more global perspective in that they then have another market of income. Today Betsafe is dependent on especially the Scandinavian market and this is dangerous. From a long term perspective the choice of market can be compared to the choice of a well-distributed stock portfolio. The advice is generally to not become dependent on the development of individual shares but to spread the risks!

The competition in Europe is growing day by day. More and more companies turn their gaze towards the developing markets in Eastern Europe. If Betsafe wants to join the competition it is important that they don't trail too far behind. The more companies that establish themselves in these new markets will make it more difficult for Betsafe to get in there. So far online gambling is in its infancy and there are good opportunities to develop but it is important to not become too passive.

Many of the countries that have been included in this study have in several cases a lower standard of living compared to Western measures and it can be difficult to see how there is value within these markets. The fact remains that many of the countries have had an upward economical trend before the financial crisis and that there is a wide gambling culture and a great interest in sport. The financial crisis has even offered advantages for companies with money still to spend on marketing. The present moment is probably therefore ideal to be able to create valuable as well as cheap marketing deals and in so doing increase the chances of a greater impact when Betsafe steps into a new marketplace.

The countries analysed have all gone through two processes of evaluation. In Selection 1, the focus was on going through the general conditions of the different nations. From Selection 1 Estonia, Lithuania and Greece were selected as the countries that the study showed as having the best conditions and be most suitable for Betsafe. In Selection 2 these three countries were analysed in more detail, to deepen the information base on which finally the recommendations I will put forward as the most suitable for Betsafe.

The different expansion alternatives for Betsafe:

- The 'risky' Eastern adventure
- The 'safe' Baltic adventure

This division is based on a great deal of risk taking. Risk is definitely a central concept when making a decision and it will be a main part of the argumentation around the alternatives.

7.1.2.1 *The 'risky' Eastern adventure*

To invest in big and lucrative markets like for example Turkey or Greece would mean a whole new chapter for Betsafe. I am including Turkey as an example here, even though it did not pass the second selection. The reason for this is to strengthen my argument. The risk is considerable in both these markets.

A new and unknown market will always entail risks. There will definitely be a need for great costs to be able to break through and spread the brand within the conditions in countries like Greece and Turkey. If one decides to invest in Turkey a traditional market campaign will be difficult to pursue. One will have to rely on good affiliates and a lot of control will be from outside the company. The meeting of a new culture will most likely also mean that Betsafe will have to find new ways of doing business. The importance of creating good media and business collaborations will demand that there are not too problematic culture clashes.

Another important factor in the risk analysis is how the brand will be affected if Betsafe chooses to invest in a market where currently it is prohibited to offer gambling online. A keyword in this context is credibility. I am of the opinion that credibility is something that will really increase in importance in

this line of business. The internet is full of possibilities and shortcuts that are not completely legal but if one chooses such a path and hit a problem this will lead to negative consequences. News travel fast and what would happen if people started suspecting Betsafe of not being totally honest? Well, they will most likely choose another company. To maintain the original branding of “play safe” is important even if the company’s slogan is now different. It will be more and more common with companies that cheat their customers and it is therefore of paramount importance to keep the brand away from processes that could be considered or are illegal practices. Even if the shortcut could simply mean a way of offering customers a possibility to play, an eventual exposure of this shortcut would create a suspicion that could in the end be the deciding factor in choosing a different gambling company than Betsafe. Not only would the brand be damaged, but Betsafe would then also have to be prepared to enter into costly legal processes. Different instances will do everything in their power to make it difficult for the business, like for example by blocking ip-addresses, making it difficult for customers to access the homepage and also influence and worsen the possibilities of paying in and to be paid out.

If we look specifically at Greece, its market is tightly bound to OPAP, who are in a dominant position. Even if the EC has put pressure on the Greek government there are still strong national powers that want to retain the existing prohibition and to regulate the gambling market by letting the monopoly persist. Beyond OPAP the competition online for the Greek market is very tough with all the big operators in Europe active. Is it really possible for a small player to have their share of the cake?

Is there then anything that would promote an investment in new, unknown and considerably risky markets? The answer is CASH. Many of the companies that are active in Greece or Turkey are making big profits despite the current legislation and a tough market climate. Turkey and Greece are both two big markets where people really love to gamble. Greece is to be preferred to Turkey as it is already a member of the EC. Even if Turkey is working towards entry, EC membership is probably not going to happen in the near future and before then there is little hope in regards to the legal situation and the tough business climate.

If one looks at the results that OPAP is showing in Greece it is easy to understand that they are big business. The first 9 months of 2009 their net profit was 501.7 million €. Even if the development and usage of the internet is slow there are positive tendencies that the younger population are becoming more and more internet savvy. There is also another aspect here in regards to risk taking. It might be that Betsafe at some point need to take a large and reckless jump if the company really wants to compete seriously with the big businesses. To enter unknown and even dangerous markets can become a necessity to properly increase the growth of the company. Unfortunately I have not been able to access any numbers concerning profits for the gambling companies that are active online in Greece and therefore not been able to get an understanding what sort of sums a single company could expect. I have neither been able to find any interesting names that could be considered to lead an eventual investment here.

7.1.2.2 The 'safe' Baltic adventure

An investment in the Baltic region either in Estonia or Lithuania or in the long run perhaps in both countries could be a more natural step for Betsafe. It is important to grow organically and to strike the golden mean between risk and effective yield. These countries present a lower risk but at the same time also a lower profit margin.

Estonia has a growing gambling culture and had until the financial crisis a strong economy. Unibet and Pokerstars' managers say that the Baltic region shows a lot of growth and the financial crisis have just slightly slowed the growth rate.

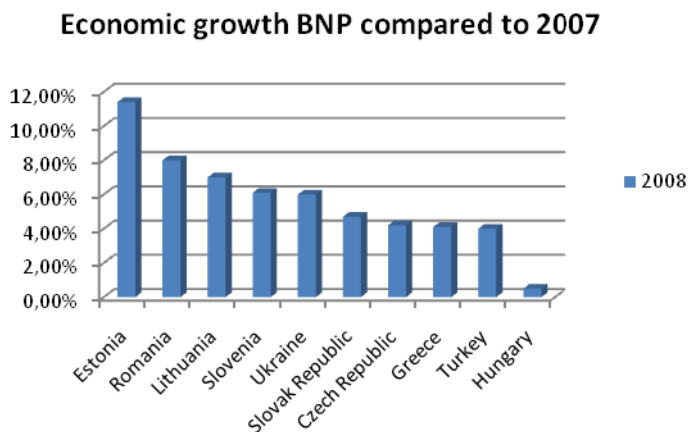


Table 16 - Economic growth (BNP) for 2008 compared to 2007

The country is strategically well situated in a geographic perspective as Betsafe is investing in its neighbouring country, Latvia, and has their headquarters in Malmoe. The experience from the Latvian market will be very useful for a potential expansion. This means that the possibility for further development from an already running business in Latvia is in place. The expansion and future business would also be eased by having the management close.

Furthermore the relations between Estonia and the Nordic countries are good, which makes it easier to conduct business and create reliable and sustainable relations with partners and customers. The competition in Estonia is tough. Pokerstars, Unibet and Triobet are three strong companies on the market but the chances for Betsafe to establish a market position just below these should be considered as favourable and possible. The marketing opportunities seem to be developed even though there are regulations for print media.

The IT-development in Estonia is at the top compared to all other countries in this report. The percentage of the population with access to internet is over 60 % and the Estonian government has expressed its will of further development.

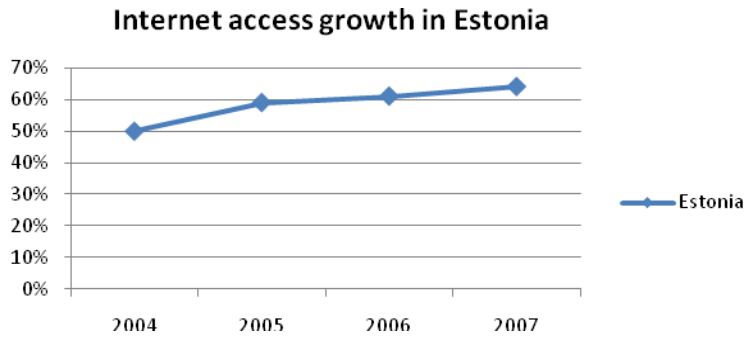


Table 17 - The internet access development (2004-2007) in Estonia

It is important to consider that Estonia is a very small market. From that aspect, it can be difficult to be profitable. The target must be to become one of the top 5 companies operating in the country. The profits that can be discussed in relation to this will probably be in the order of tens of thousands of euro. During the first year of start up it could be difficult to become profitable and it is important to consider that it will take time before the business can be both effective and profitable.

When looking at the different products that Betsafe offer and what sort of success they could have on the Estonian market it is clear that winter sports are very popular. The wide selection that the Sportsbook offer is surely something that will be favourable. Poker has had a steady development in Estonia. Previously I have mentioned that Betsafe should be able to utilize its yearly poker event 'Rigged in Riga' even for a new Baltic market. This could also be a tournament that would attract Estonian players. Another interesting alternative, suggested by Janis, is to start a Baltic league. According to Tregers' suggestion, which I believe should be highlighted, 'Rigged in Riga' could be expanded with 'Tells in Tallinn' and further ahead with 'Value in Vilnius'. In conclusion, Estonia is the country which this study has shown as having great conditions and the country which should be the first choice in an eventual expansion.

7.2 Recommendations

My final recommendation for Betsafe is that the company continues in the present to focus on its existing markets and the marketing drives there. Even if 2009 has been financially a successful year and there are attractive opportunities for an expansion, it has also meant great changes for Betsafe. The company's strategic direction has taken on a new turn – creativity. This has led to an organizational change with new business areas such as social media. This new philosophy will take time to set within the company and it will take time to be able to take advantage of it. The change has also led to an internal growth with much new recruitment. The marketing drive is still in an early stage and the turbulence caused by the defection from the Bulgarian market is still not yet fully over or evaluated. At the same time the beginning of 2010 offers big sporting events like for example the Winter Olympics. Betsafe is simply already involved or will be involved in projects that the company must focus on before they can take on new propositions. The legal situation in Europe is as already mentioned constantly changing along with its market conditions. To wait and find out what the outcome of some of these legal processes or legal changes will be before making a decision is important so as not to end up with adverse business conditions.

That said I do believe that the company must sooner or later find new markets so as to continue to grow, spread their overall market risks and to not trail too far behind the competition. Betsafe should in the near future keep a close eye on the Baltic market and expand the analysis before an eventual investment. There are still many questions that remain unclear. What will be the actual consequences of the new law in Estonia, which will take effect in 2010? Can we amongst all the names presented in this study find a country manager who can fulfil all the critical demands or do we have to search for other names? What possibilities are there of creating in advance favourable media deals, so as to facilitate the marketing and so on? In conclusion even if Estonia is the country where an expansion should take place Betsafe's focus is currently needed elsewhere.

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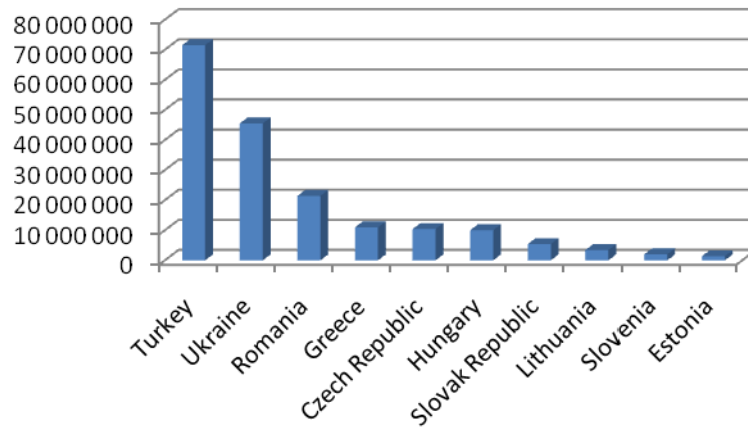
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Appendix A

Inhabitants

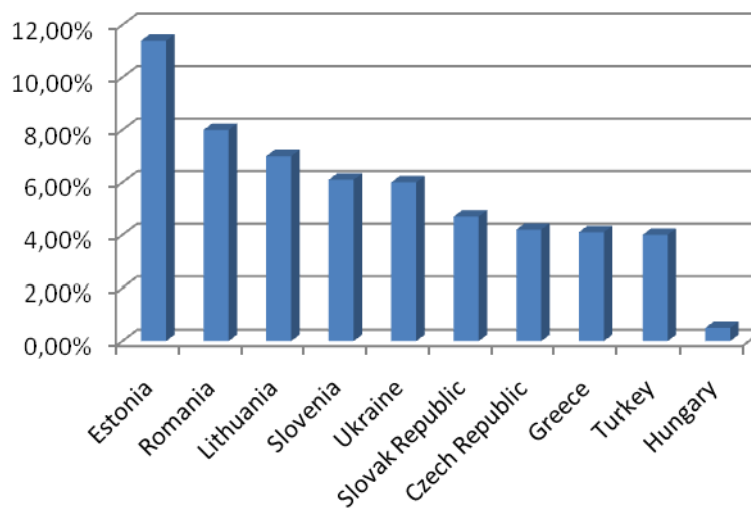
2008



Country	Score
Turkey	10
Ukraine	9
Romania	8
Greece	7
Czech Republic	6
Hungary	5
Slovak Republic	4
Lithuania	3
Slovenia	2
Estonia	1

Economical growth

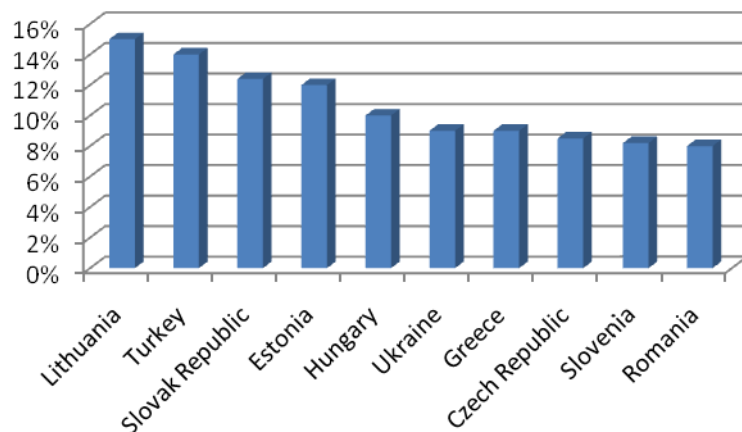
2008



Country	Score
Estonia	10
Romania	9
Lithuania	8
Slovenia	7
Ukraine	6
Slovak Republic	5
Czech Republic	4
Greece	3
Turkey	2
Hungary	1

Unemployment rate

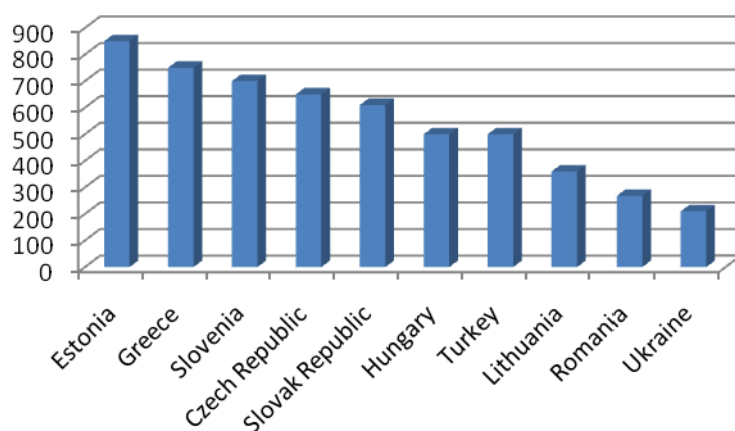
2008-2009



Country	Score
Romania	10
Slovenia	9
Czech Republic	8
Ukraine	7
Greece	6
Hungary	5
Estonia	4
Slovak Republic	3
Turkey	2
Lithuania	1

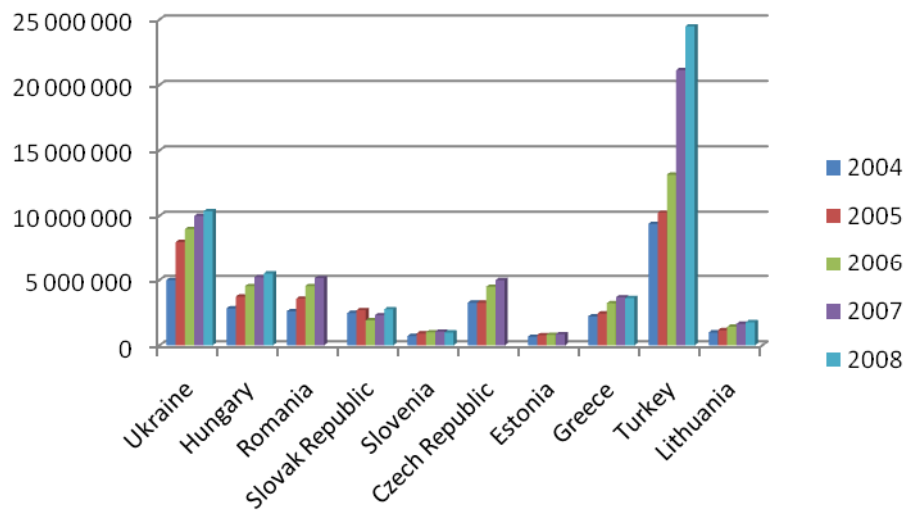
Average net income/month (Euro)

2 009



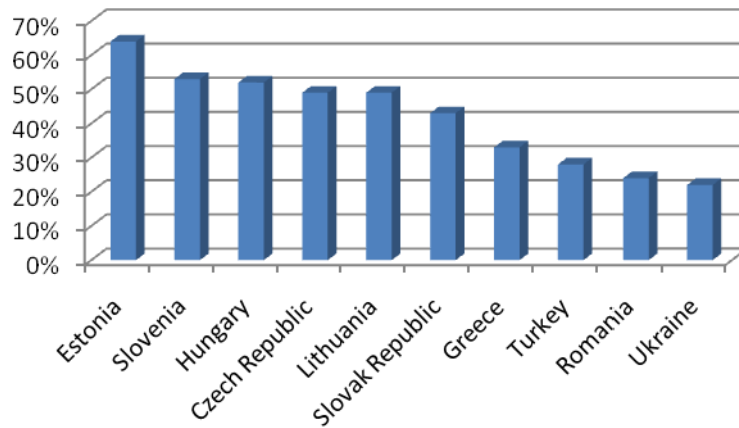
Country	Score
Estonia	10
Greece	9
Slovenia	8
Czech Republic	7
Slovak Republic	6
Hungary	4,5
Turkey	4,5
Lithuania	3
Romania	2
Ukraine	1

Internet users



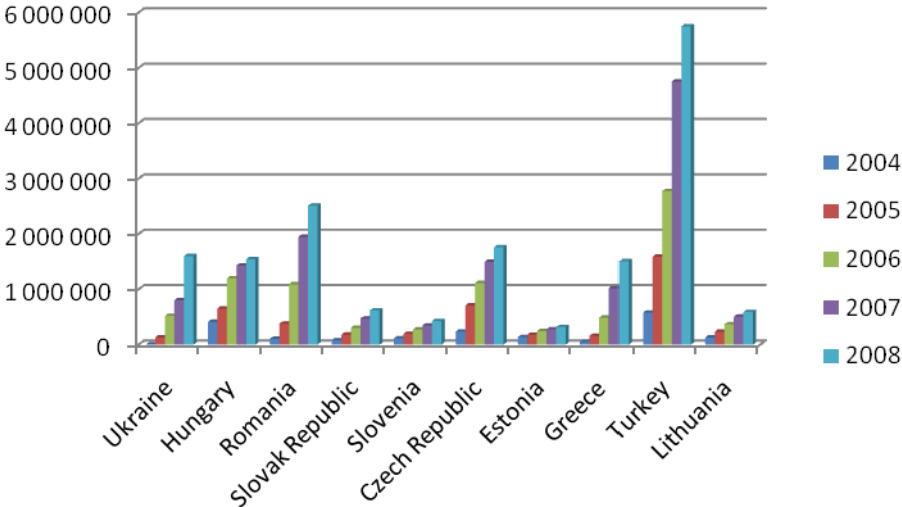
Percentage of the population

2007



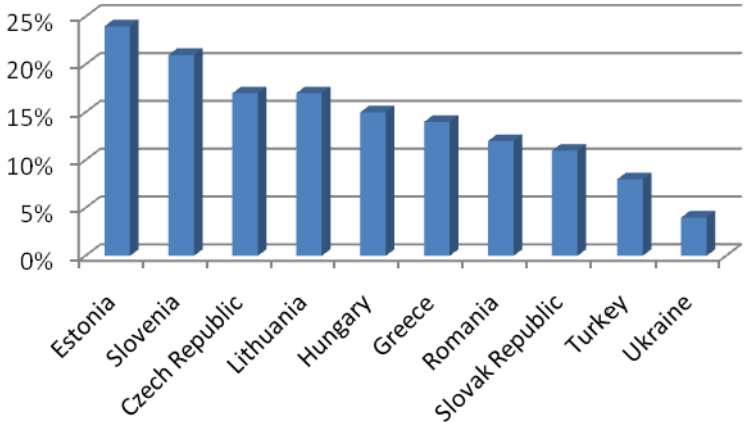
Country	Score
Estonia	10
Slovenia	9
Hungary	8
Czech Republic	7
Lithuania	6
Slovak Republic	5
Greece	4
Turkey	3
Romania	2
Ukraine	1

Broadband users



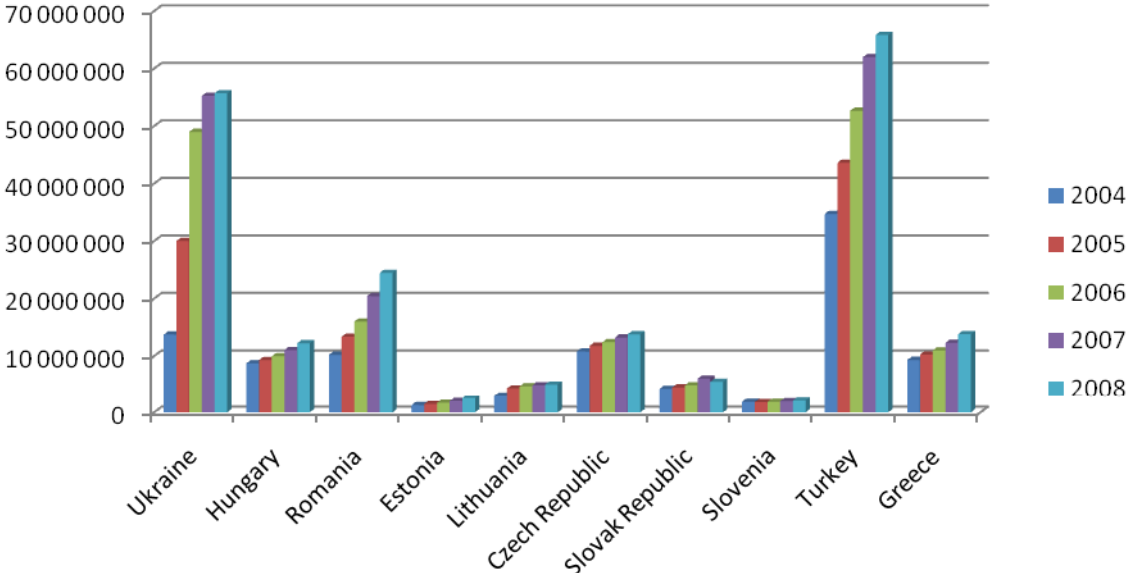
Percentage of the population

2008



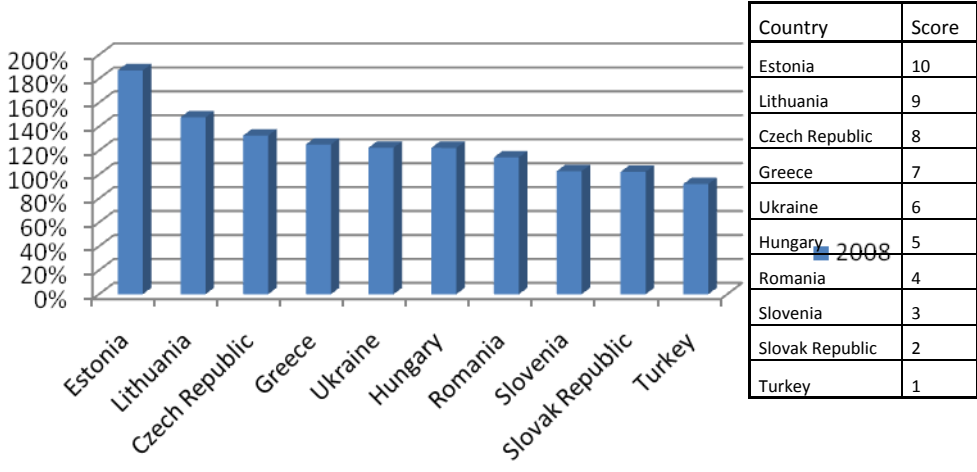
Country	Score
Estonia	10
Slovenia	9
Czech Republic	8
Lithuania	7
Hungary	6
Greece	5
Romania	4
Slovak Republic	3
Turkey	2
Ukraine	1

Cell-phone subscribers



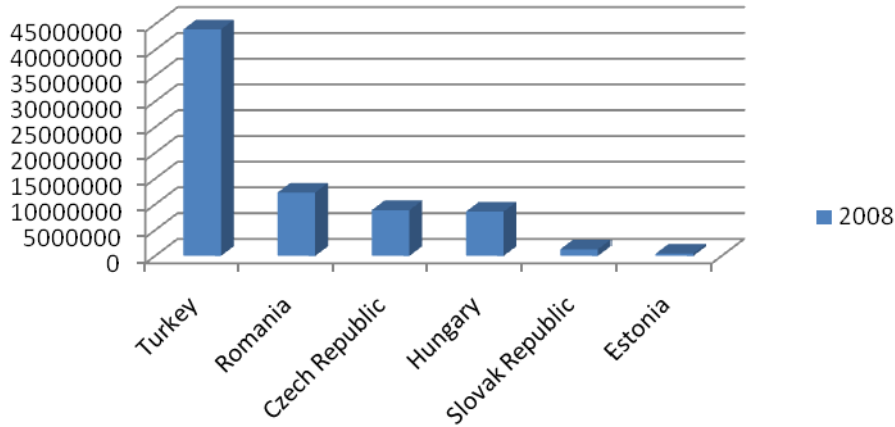
Percentage of the population

2008



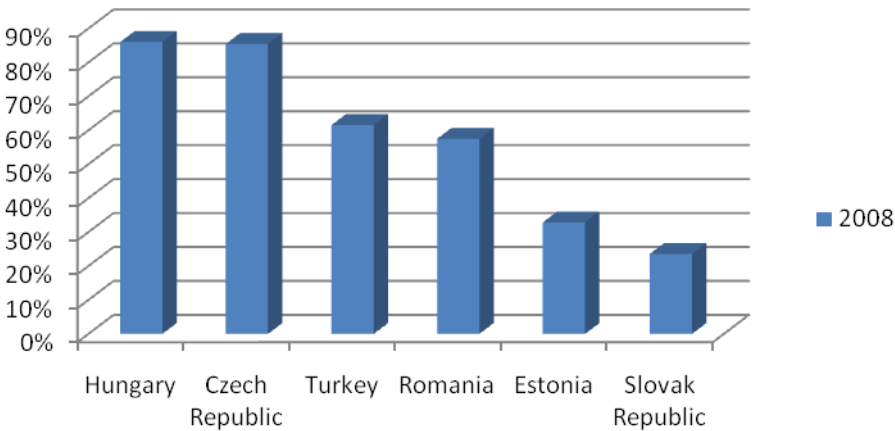
Creditcards in circulation

2008



Percentage of the population

2008

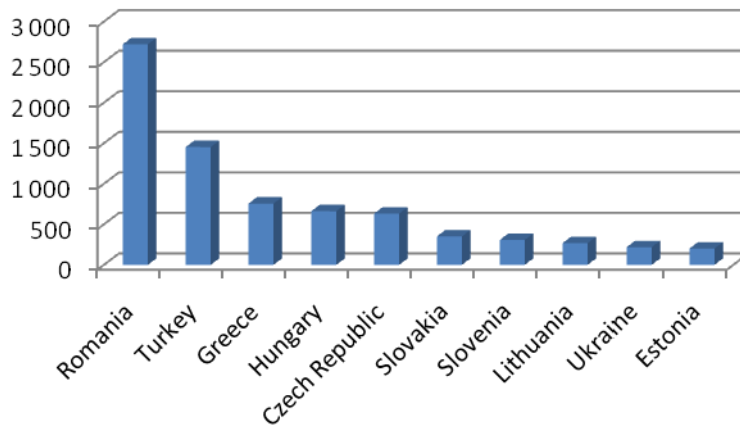


The information about the national payment statistics has not been completed for all countries. In Greece, Slovenia, Lithuania and Ukraine the information has not been found. Therefore, this parameter will be excluded from the total score.

Betsafe Statistics

Number of customers today

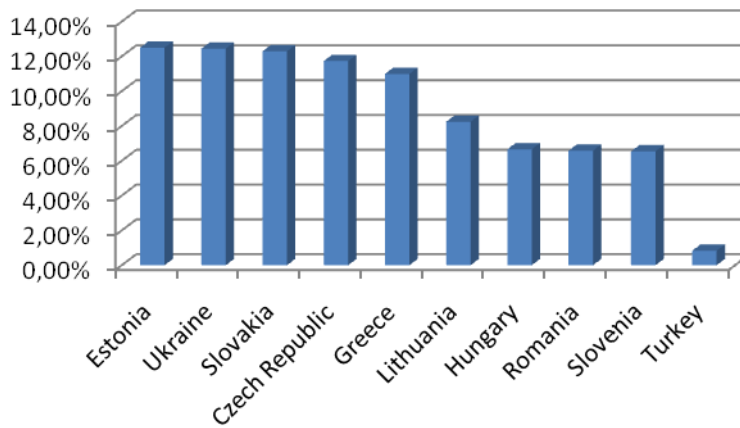
2009



Country	Score
Romania	10
Turkey	9
Greece	8
Hungary	7
Czech Republic	6
Slovakia	5
Slovenia	4
Lithuania	3
Ukraine	2
Estonia	1

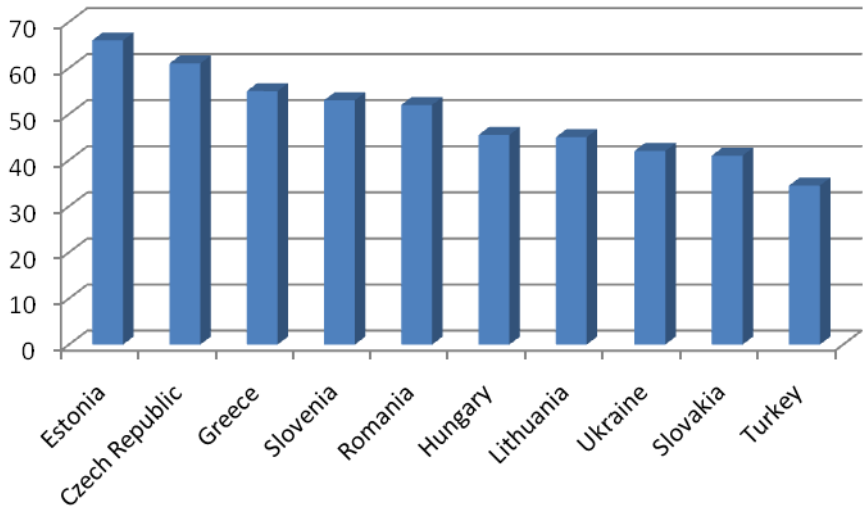
Active customers in relation to number of customers

2009



Country	Score
Estonia	10
Ukraine	9
Slovakia	8
Czech Republic	7
Greece	6
Lithuania	5
Hungary	4
Romania	3
Slovenia	2
Turkey	1

Total score



The scoreboard shows that Estonia got the best scores (66 points). As already concluded, the total score is not supposed to work as a final selection method. However, the diagram shows how well the countries parameter values stand against each other. The “cold facts” about the countries are things that we must expect and have in mind when the selection is made.