Bet Big: Regulation, Revenue, and British Bookies

The Gambling and Betting Activities industry has performed strongly in recent years, with revenue anticipated to rise at a compound annual rate of 6.6% over the five years through 2018-19 to reach £14.7 billion, but an ongoing transition to digital operating models has limited growth. In addition, greater regulatory burdens have increased operators’ costs, whilst the upcoming maximum stake cut on fixed-odds betting terminals (FOBTs) is expected to negatively affect revenue in the coming years.

Industry players operate betting shops, casinos, bingo halls, lotteries and remote gambling services. Remote gambling has been the most significant development in the industry over the past five years, allowing operators to expand their reach and capture the interest of more consumers. Online platforms and smartphone apps have garnered the attention of younger people in particular, a key driver of the industry’s performance. Indeed, IBISWorld analyst Gaetana Mak says ‘industry operators that have been slow in transitioning to a more digital model of business have fallen behind’. Despite these challenges, the growth potential of the remote gambling segment remains huge and industry operators that focus on expanding this area of their business are set to reap the benefits of increasing demand.

In December 2014 the Remote Gambling Duty, a 15% profit tax on the remote gambling segment, came into effect, and the duty on FOBTs increased from 20% to 25%. As a result of rising regulation, a number of firms have exited the industry whilst others have undertaken merger and consolidation activity to protect their margins, causing the level of concentration at the top end of the market to increase. The forthcoming introduction of a £2.00 maximum stake on FOBTs, down from the current maximum of £100, is set to threaten operators further in the future.

Industry Insight November 2018 Kayleigh Murray

“Bookies must be careful to maintain a diverse range of services, including in the remote segment”

Gambling and Betting Activities in the UK

- Annual growth 14-19: 6.6%
- Revenue: £14.7 billion

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counter sales as the main source of revenue for betting shops in 2011-12, and the significant reduction in the amount that consumers are able to bet is therefore expected to have a strong impact on operators’ income. The announcement in the 2018 Autumn Budget that the implementation of the legislation would be delayed until October 2019 was initially expected to provide some respite for the industry; however, in response to political pressure, the government has agreed to implement the cut in April 2019, as was originally planned.

Nevertheless, revenue is projected to rise further over the coming years. The increasing popularity of online and mobile channels coupled with growing interest in sport and attendance at leisure activities is expected to drive revenue growth. However, according to Gaetana Mak, ‘although the expansion of machine-based gaming has proved lucrative, bookies must be careful to maintain a diverse range of services, including in the remote segment, to prevent their market shares being eroded by fast growth in online wagers’. Additionally, increasingly stringent legislation will continue to loom as a threat to growth, with the imposition of the lower maximum stake on FOBTs and persistent concerns about the dangers of gambling likely to place more pressure on the government to increase regulation.