

LADBROKES/CORAL MERGER INQUIRY

Summary of hearing with bet365 on 8 February 2016

Background

1. bet365 said it was a private company in the online gambling market, operating in over 150 countries, and had around 25% of the online sports betting market. It previously had a retail presence, operating around 49 Licensed Betting Offices (**LBOs**) under the brand Provincial Rating, located predominantly in the West Midlands and the North West.

Main trends in the gambling industry

2. From an online perspective, bet365 stated that the supply of betting and gaming products online was very competitive, with a large number of online bookmakers competing at all levels of gambling business within Great Britain, despite the recent consolidation in the industry and increased tax¹ and media rights costs.
3. bet365 also noted that the level of competition in the retail channel would depend, to a large extent, on the geographical location of each LBO and would vary from area to area.
4. bet365 further submitted that, compared with the online channel, it considered that:
 - (a) the level of competition in the retail channel was lower than in the online channel; and
 - (b) the start-up costs and barriers to entry in the retail channel were arguably higher than in the online channel.
5. bet365 stated that, as customers using the retail channel become older, the customer basis of the retail channel might reduce and penetration of online gambling within the older generation might increase.

¹ Eg the betting duty.

6. bet365 quoted the latest Gambling Commission research indicating that online penetration had increased beyond the 18- to 34-year-old age range and had become prevalent among the 35- to 54-year-old age range.
7. bet365 submitted that while the change in demographics was expected to lead to a migration of customers from the retail to the online channel in the future, there would still be a significant number of customers that would continue to prefer the retail channel.
8. bet365 differentiated the customers of the online and retail customers based on the following factors:
 - (a) Younger demographic favoured the online channels whereas older customers tended to prefer the retail channel.
 - (b) Customers in the online channel might be more price sensitive than customers in the retail channel.
 - (c) It was easier to compare prices in the online channel than in the retail channel.
9. bet365 mentioned research showing that on average online customers had 2.8 online accounts, and that over one-third of online customers had never placed a bet in a retail outlet.

Main parameters of competition

10. bet365 stated that it would expect its future growth to result from customers switching from the retail channel to the online channel, from other websites but also from customers that are new to gambling and betting.
11. bet365 explained that it always strived to:
 - (a) provide innovative new products to attract customers;
 - (b) offer a broad range of products and cover different events;
 - (c) offer competitive prices; and
 - (d) offer bonuses comparable with the rest of the industry, good customer care and easy withdrawal payment methods.
12. bet365 submitted that price would be probably the key driver for online customers, along with good customer service and a quality streaming services.

13. bet365 stated that it held media rights to stream the same media content that LBOs generally showed. However, bet365 noted that the streaming services it acquired were broader and included access to an archive with the streaming of previous events. bet365 stated that, while in a LBO customers are limited to what is being broadcast on the screens of that LBO, in the online channel customers had a wider range of options and could choose what to watch at each moment.

bet365's competitors

14. bet365 identified William Hill, Betfair, Paddy Power, Ladbrokes and Coral as its main online competitors.
15. bet365 stated that it set its prices independently of its competitors, although it would likely look at the exchanges and the offers of other leading online bookmakers. bet365 submitted that it did not monitor prices in the retail channel.

Impact of the merger

16. bet365 submitted that it would not feel threatened by the merger as it did not envisage that the merger would have a material impact on its business or on the British online gambling industry.