



Paper n°5

SPECIAL REPORTS ON THE FRENCH ONLINE GAMING MARKET

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- ◆ **What types of game are permitted and what is the tax situation of the French online gaming market?**
- ▶ **Date of opening up of the French market: 6th June 2010**
 - ▶ **Now permitted are:**
 - ▶ Online sports betting with odds and live betting
 - ▶ Horse-racing betting in mutual form
 - ▶ Online poker (limited to .fr and certain variants)

- ▶ **Explicitly excluded are:**
 - ▶ Spread betting
 - ▶ Online casino games and online bingo
- ▶ **Government levy rates are:**
 - ▶ 7.5% for sports and horse-racing bets
 - ▶ 2% for poker
- ▶ **The average rate of return for players:**
 - ▶ will be somewhere between 80 and 85%

◆ **What is the situation of 'physical' games in France?**

- ▶ Number of players of physical games for money in France: **30 million**
- ▶ Number of physical horse-racing betters (PMU): **7 million** regular players
- ▶ Number of players of the *Française des Jeux*: **8.4 million** regular players
- ▶ Number of visitors to physical casinos: **around 30 million**
- ▶ The amount spent on physical games in France in 2009: **€37.3 billion** (FDJ: €10 bn, PMU: €9.3 bn, the 198 Casinos: around €18 bn)

◆ **What is the potential of the French market in terms of player numbers?**

- **What is the number of players prior to the opening up of the market in June 2010?**
 - ▶ **Number of players on illegal sites:** Around **2 million** players (800,000 using sports betting, 600,000 using poker, 600,000 using online casinos games)
 - ▶ **Number of players on legal sites:**
 - ▶ Around 400,000 using FDJ online sports betting
 - ▶ Around 300,000 horse-racing betters through PMU
- **What is the potential of the French market in terms of player numbers?**
 - ▶ **Potential future online players are made up of a proportion of:**
 - the 30 million physical players
 - 2.7 million current online players

It is likely that a large proportion of the 30 million physical players will move to online games, it is simply a question of time. Of the 2.7 million current players, 600,000 players of online casino games will continue to play on illegal sites, since casino games are illegal in France. Similarly, around 20% of online poker players will continue to use illegal sites, because the range of games is restricted.
 - ▶ **How many players of online games could there be in France?**
 - ▶ **2010 forecast: Between 1.8 and 2 million** online players
 - ▶ **2011 forecast: Between 2.7 and 3 million** online players (a 50% increase in the number of online players, as in Italy)

◆ **How much turnover is involved for the French online gaming market?**

- ▶ **How much turnover?**
 - **In 2010:**
 - Turnover will amount to around **2.2 billion euros** (thanks to the effect of the FIFA World Cup and taking into account the turnover of the legal FDJ and PMU sites that totalled **1,443 million** euros in 2009)

- **What is the distribution of turnover in 2010 by online game type?**
 - **Sports betting: 1.1 billion euros** (including €783 million turnover from the FDJ legal site in 2009)
 - **Horse-racing betting: 800 million euros** (including €660 million turnover from the PMU in 2009)
 - **Online poker: 300 million euros** (it is by no means certain that online poker players from illegal sites will quickly swap to the highly restrictive French poker)
- **In 2011: around 4 billion euros**
 - Turnover is likely to double compared with 2010 (a similar figure to that for Italy 2 years after its market opened up, 3.7 billion euros)
 - A very strong increase in online poker turnover

◆ **Is the French market attractive to operators?**

- **Positive aspects:**
 - 1- **One of the very top markets in Europe:**
High potential: 30 million physical players and a total of **37.3 billion euros**
 - 2- **Strong development forecasts in terms of player numbers**
 - **2010 forecast:** Between 1.8 and 2 million online players
 - **2011 forecast:** Between 2.7 and 3 million online game players, a 50% increase in the number of online players, as in Italy
 - 3- **Strong forecasts in terms of turnover:**
 - **2010:** with the market opening up in June: **2.2 billion euros**
 - **2011: 4 billion euros**
 - 4- **Strong potential for online games on mobile phones:**
 - 60 million mobile phones and 24 million Smartphones, with exponential development in 2011
 - 5- **Horse-racing betting will no longer be a monopoly**
- **Disadvantages:**
 - 1- **Casino games and bingo will not be permitted:** these account for 30% of the overall market, a potential of 2 - 3 million players
 - 2- **Tax is currently the highest in Europe:** 7.5% for horse-racing and sports bets and 2% for poker
 - 3- **Operators are obliged to put highly costly player-protection measures in place,**
 - A ceiling on stakes, on payments into player accounts and a ceiling on the size of player accounts
 - Automatic payment of winnings to an account above a certain sum
 - Display of time spent and losses incurred
 - 4- **French legislation will penalise the French online poker market**
Taxation, limitations on the variants offered, restricted to French players
 - 5- **Some games will remain a monopoly** (*Française des Jeux*)
 - 6- **Extreme difficulty in blocking illegal sites,** which will penalise legal operators (as it does in other markets)
 - 7- **Agreement required with sports rights' holders** (France is the only country in Europe to have introduced this measure).

◆ **The opening up of online gaming in France has coincided with the explosion in 'Smartphone' mobile phones (ideally suited to online gaming):**

- **The number of players with internet access on mobile phones is higher than on the fixed network**
 - ▶ The number of fixed network internet subscribers is **20 million**
 - ▶ The number of mobile phone subscribers is 60 million
 - ▶ **In 2010:** The number of owners of iPhone-type Smartphones suited to online gaming is **24 million** (The number of Smartphones doubled between 2008 and 2009)
 - ▶ **In 2011:** The number of Smartphone owners will be **30 million**
- **Factors in online gaming development linked to online games on the mobile Internet via Smartphones:**
 - Play anywhere, at any time
 - Touchscreens are especially well-suited to online games
 - Suitability of types of sports and horse-racing betting as well as the live betting permitted in France make live betting possible, notably from the event venue
 - Suitability of online casino games ('put a casino in your pocket')
- **Sports and horse-racing betting and casino games will move to mobile phones**
 - Sports and horse-racing betting, because live betting is permitted in France and it is thus possible to bet live from the event venue
 - Online casino games because these meet players' expectations in terms of gaming simplification, ergonomics and availability ('put a casino in your pocket')

◆ **The French sports betting market:**

- **The number of betters on illegal sites in 2010:** 800,000
- **Permitted in France:** online sports betting using **odds** and **live betting**
- **Explicitly excluded:** Spread betting and sports betting on virtual events
- **Tax rate on sports bets:** 7.5%
- **Operators must sign agreements with sports rights' holders (France is the only country to have introduced this measure)**
- **Live betting is permitted in France; it will move betting towards mobile phones and will become the most significant type of sports betting with 70% of types of bet**
- **In the medium term, how many online sports betters could there be?**
The potential in France in the medium term is around **3 - 4 million betters**.
- **Which are the most popular sports?**
 - ▶ **Football:** 15 million television viewers (French international matches).
 - ▶ **Rugby:** 5 million viewers for a 6 Nations match
 - ▶ **Cycling:** 3 million viewers on average per day of the *Tour de France*
 - ▶ **Tennis:** 2.3 million viewers on average per day of the Roland Garros tournament
- **What will be the distribution of players by type of sport?**
 - ▶ **Football** around 80% (over 92% in Italy and the UK)
 - ▶ **Rugby:** between 3% and 5% (tournaments and league)
 - ▶ **Tennis and cycling:** between 2% and 3% each (major events)
 - ▶ **F1:** 1%
 - ▶ **The remainder divided between other sports**
- **What could the turnover be for the French sports betting market?**
1.1 billion euros (including €783 million turnover from the legal FDJ site in 2009)

◆ **The French online poker market:**

- **Number of online poker players on illegal sites:** 600,000
- **How many regular online poker players could there be in the long run?** Between 1.5 and 2 million
- **French legislation will penalise the French online poker market**
 - High taxation rate: 2% of stakes from online games
 - Players can only play at .fr sites with other French players
 - Limited variants
- **Around 20% of players dissatisfied with the range offered in France will continue to play on illegal sites**
- **Turnover for online poker**
 - In 2010: 300 million euros** (It is not certain that the 600,000 poker players on illegal sites will swap over rapidly to the highly restrictive range of French poker)
 - In 2011:** standardisation of the market, the increase in the number of poker players on legal sites and thus the turnover will be **increasing very rapidly**

◆ **The French online horse-race betting market:**

- **The situation before the opening up of the market in June 2010:**
 - ▶ The French physical horse-racing market is number one in Europe and the second largest worldwide
 - ▶ *PMU* monopoly
 - ▶ 7 million physical horse-racing betters
 - ▶ 9.4 billion euros in turnover on physical horse-race betting
 - ▶ 8% of the value of horse-racing bets is returned to the equestrian industry
 - ▶ *PMU* monopoly on 'online horse-race betting': 660 million euros and 300,000 online betters in 2009
- **The situation after the opening up of the market:**
 - ▶ **Opening up to competition in June 2010:** end of the *PMU* monopoly
 - ▶ **How many online horse-racing betters could there be?**
 - ▶ Most of the 7 million physical horse-racing betters do not have an Internet culture, so the move of physical horse-racing players to online gaming will be quite slow. However, this process could be speeded up through the possibility of betting live using mobile phones.
 - ▶ **Potentially 25 - 30% of players of other online games.** In Italy 25% - 30% of players of online poker, casino games and people betting on sport are interested in online horse-racing betting.
 - ▶ **What would be the probable number of horse-racing betters?**
The current number of players on the *PMU* site is 300,000, which could rise to 500,000 by the end of the year, and increase by 20% in 2011.
- **What will the turnover be in 2010?**
€800 million (including the turnover of the *PMU*, €660 million in 2009).

◆ **The potential market for online casino games in France (prohibited in France)**

- **Number of online casino game players on illegal sites** before the opening up of the market: 600,000

- **Online casino games will be prohibited in France**
- **What is the potential number of online casino game players in France?**

The potential is **2 - 3 million people**. Currently, more than **30 million people** in France visit the 198 physical casinos. Online casino games are the type most capable of reaching the broadest audience; firstly because they are leisure gaming *par excellence*, and secondly because they are easy to learn and play. Furthermore, online casino games are the most highly valued by women, who in fact form the majority of players, at 54.8%. Finally, it should be noted that around 25 to 30% of players of other types of games are interested in online casino games.
- **Online casino gaming will shift to mobile phones:** Following the example of horse-racing and sports betting, the vast majority of players will move to Smartphones (such as the iPhone and iPad); the operator's slogan is revealing: 'put a casino in your pocket')
- **What turnover could online casino games achieve?**

Had they been legalised, they could have produced turnover of around 400 million euros once the market opened up.