

Inside a super affiliate

Charles Gillespie, chief executive of leading affiliate Gambling.com Group, talks to *INTERGAMINGi Affiliates* about the growth of the company and the changing affiliate landscape

GAMBLING.COM is what many in the online gaming sector would refer to as a “super affiliate”.

The Gambling.com Group is the new name of KAX Media. KAX Media acquired Gambling.com from its former owners in 2011 but the team behind what was to become the Gambling.com Group started out in business, in the Far East, more than a decade ago.

Charles Gillespie, group CEO, was born and raised in the US state of North Carolina. While attending the University of North Carolina, he began working on the project that would ultimately become Gambling.com Group.

“I left as soon as I graduated to move to China to start working on this company,” Gillespie tells *INTERGAMINGi Affiliates* on a call from his home in Monaco.

“I started the business in 2006 when I was actually in uni. The first phase of the company was doing sports betting – affiliate marketing for sports betting in China. So my business partner Kevin [McCrystle] and I moved to Shanghai and hired a load of Chinese people and then built a website called WSN.com.”

WSN stood for World Sports Network and it was soon to become the largest football content site in China.

“We ran that for a few years,” continues Gillespie. “Our investment thesis was that China would regulate online gambling soon enough and the market would go from a light shade of grey to being regulated. Unfortunately it went the other way. So we decided our fortunes laid elsewhere and we closed the China office, sold WSN and moved to Europe.

“Our new plan was to establish the company in Europe and target the casino affiliate marketing sector in the regulated European markets, mainly in the UK. We made that switch in 2010 and, at that point, we also started looking for acquisitions to propel our new strategy.”

Many successful business people will tell you that timing is everything – and so it proved with Gillespie and his team. “We were fortunate enough to be in the right place at the right time in 2011, when the former owners of Gambling.com were trying to sell it.

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“We quickly found the money and bought Gambling.com for \$2.5m in 2011. We have been working on the same strategy since then, which is European casino affiliate marketing.”

The final piece of that strategy fell into place in May of this year when KAX Media, as the company had continued to be known after the Gambling.com acquisition, was renamed as Gambling.com Group.

Achieving success in such a competitive sector as i-gaming affiliate marketing is hard enough but sustaining it can prove a bridge too far for many. Not for Gillespie and his team. The CEO offers some insight. “We’ve got better tech than any other affiliate, full-stop.

“We have two fancy pieces of kit that we have designed and built in-house. One of those is our publishing platform that allows us to deliver all of our websites through one interface, which all of our staff has access to, giving us extremely efficient workflow.

“So if we want to build a new site or publish a new article - anything web content related - it gets done as quickly as is possible. It’s also very

good for SEO. When we hire new people we don’t need to train them up in SEO as all the SEO lessons we’ve learned in the past 10 years in the business are built into this publishing platform. The software takes care of the SEO for them.

“The second piece of technology is a business intelligence suite of tools, called Adge.com. This is data integration with all the gambling affiliate programs - so over a thousand such programs. It tracks many thousands of individual affiliate accounts. Of course, what’s weird about - and unique to - the online gambling industry is that whenever we send traffic to an operator, we don’t know how much we are getting paid until afterwards.

“We’ve got several hundred affiliate accounts. In order for us to check those accounts and figure out the answer to the question ‘How much money did we make yesterday?’ is actually quite difficult. Some poor soul would have to log in and sum up the numbers - and that doesn’t give you any business intelligence into how you’re actually making the money, just that you are. Adge solves that problem.



“To find out how much money we made yesterday, we just log into the Adge website or fire up the Adge app on our phones and the answer is there. We built Adge as a software-as-a-service product and we sell that to our competition - although that forms a very small part of our overall revenue.”

The online gaming affiliate marketing sector is fairly mature and obviously very competitive, surely other versions of Adge, or something like it, were already in play? “These products have always been necessary and it was a shock to us that no-one had tried to solve it yet,” explains Gillespie.

“What is changing is that affiliates are getting more sophisticated and have access to tools like Adge, which does a lot more than just totalling up the commission. You can actually get very valuable insight into your business through it - such as conversion rates across different operators, sources of traffic and how they convert and don’t convert. You can easily learn where the high value sources are, optimise media buys, etc. – it’s more powerful than just totalling up the commission and affiliates are

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taking full advantage of software to constantly optimise their marketing funnel.”

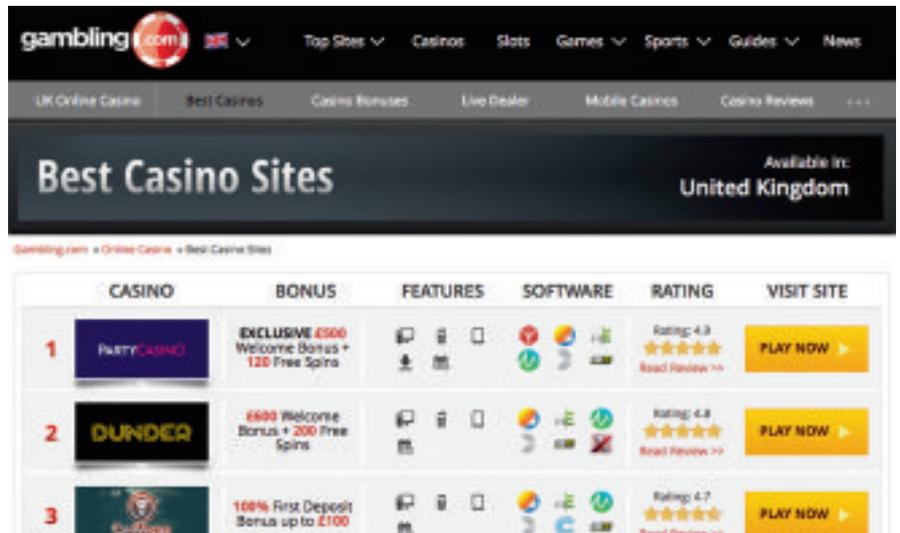
The industry has spoken for years about the rise of the super affiliate, ground on which Gambling.com now finds itself. Gillespie feels that the emergence of the super affiliate presents both threats and opportunities to the i-gaming affiliate community. “Consolidation is a key trend,” he observes. “So all the affiliates are merging and getting much, much bigger.

“In the beginning it was all small affiliates. Now there are six or seven large affiliates that control a sizable piece of the affiliate marketplace and that is putting pressure on the operators.” Why?

“When the affiliate landscape was very fragmented none of the affiliates had a lot of leverage. Now you’ve six or seven affiliates with a ton of leverage and those guys are going to get better deals with the operators than the smaller affiliates ever would – and the proportion of traffic controlled by the handful of super affiliates is going to continue to increase over time.

“So I think the end result is that the operators are simply worse off and you can see that in other parts of the industry. Companies with the highest margins are the ones selling the picks and shovels, so to speak, not the ones doing the gold mining. The operators have thinner margins than everyone else. Companies like Evolution Gaming, NetEnt - the software providers - those are the ones really thriving while the operators are effectively being reduced to utilities.”

With the move from the Far East in 2010 and the recent news that Gambling.com would establish its corporate headquarters in Malta, the company’s focus remains in Europe, with the UK a leading market. “Seventy per cent of our revenue is in the UK market and we are easily one of the biggest affiliates in the UK,”



explains Gillespie.

“Moving forward, we still see the UK as the top market and we expect to continue to take market share there but it’s just one market so we should be able to grow substantially outside of the UK.

“We are looking at the US – it has been painfully slow to develop but we think it is finally at a point where it is worth our time so we’re going to do some more in the US. We’re doing a lot more in the Nordics right now. We’ve made two acquisitions this year, one of which was a site in Sweden and the other in the UK.”

The Swedish sites - SvenskaCasino.se, Lyckospel.se and CasinoMobil.se – were acquired on March 1 for an upfront payment of €3.5m, with a further maximum earn-out of €2.5m. The UK deal was for the purchase of AndroidSlots.co.uk and its related assets for an initial payment of £2.75m, with a possible two-year earn-out of no more than £2.6m.

In addition to its base UK market, Gambling.com has a clear strategy for Scandinavia. “Sweden is kind of the capital of the Nordics in terms of i-gaming,” says Gillespie. “In Sweden there are few if any restrictions on gambling advertising. It’s all over the TV and on outdoor advertising.

“They have proposed a regulatory regime including a sensible tax rate, which will not hinder further growth of the i-gaming market there. One suspects that the other Nordic countries will let Sweden take the lead and then follow on behind.”

Gambling.com’s focus is on Europe’s regulated markets, specifically the UK and growth in the Nordic region. Plus there’s a growing interest in the US. So why the move to Malta?

“Malta’s basically one of the key hubs and we have history there - we spent some time there in 2010 and we know the place well. Our shareholders and directors have experience operating there so it was a fairly obvious choice to re-domicile our company in Malta. When we initially set the company up it was offshore, but as it has grown, bringing it on-shore became the necessary thing to do – and Malta was the right place to do that.

“It’s i-gaming friendly, the banks are gaming friendly. The tax regime is good.”

In terms of the traffic passing through Gambling.com and its accounts, what are they

looking for in 2017? “Sign-up offers and bonuses have always had an important role and that hasn’t really changed in any meaningful way,” explains Gillespie.

“People like new stuff - new casinos, new games - so ‘new’ as a category is interesting. Casino players are very promiscuous in this respect. They want new casinos, new games, new bonuses. If they lose, they want to change their luck and gamble somewhere else. This is a good thing for the affiliates - they get to constantly send and resend the same person to different gambling operators. New sign-ups quickly move on no matter where they come from - it is quite rare that you find an operator that can retain an individual player for more than a few months. We’ve seen a few that can excel at that but that is really the exception to the rule.”

And are players drawn to specific products, such as NetEnt or Microgaming slots? “People certainly do look for specific slots. We’ve just launched a new site called SlotsSource.co.uk, to take advantage of this opportunity – but at present we don’t have much first-hand data ourselves with regard to slots.”

Returning to super affiliates, are they making it hard for “bedroom start-ups” to get off the ground? “The beauty of the affiliate game is that anybody can just walk in the door, sign up for an affiliate program and launch a website.

“You can be in business within 24 hours. That hasn’t changed - you can still launch sites easily and get basic ad deals with the operators just as easily - but the competition for the traffic is increasing, definitely, and becoming more sophisticated.

“But the start-ups you see now that do really well are not doing the bread-and-butter SEO, PPC stuff that still drives the market. They’re finding new angles, new niches that can be exploited successfully.

“It just keeps changing,” he muses. “There’s always going to be start-ups and they’re always going to make money because the sector is so big and there are so many operators.

“But it is changing all the time.” Change has been a good friend to Gillespie and his team and one suspects that Gambling.com will continue to prosper, whatever the weather.

Charles Gillespie was talking to Ian Donegan