



THE **iGamingFuture**

MAGAZINE

SERIES

December 2023

THE FUTURE OF
LATAM
PLAYER
LIFE
CYCLES

GR8 SPORTSBOOK: TRADE WILD, TRADE ANYTHING!



MARKET OVERVIEW

The market is worth around US\$1.3 billion at present; a figure that is predicted to grow to US\$3.4 billion by the end of 2025, driven mainly by Brazil, Mexico and Colombia.

Latin America (LatAm) has become a thriving iGaming market in recent years, not just for local operators but also for global brands looking to expand into new regulated territories. The region has a population of more than 600 million people, with sports mad populations in many key markets such as Brazil and Argentina. This, coupled with increasing mobile adoption and evolving regulatory frameworks, makes it fertile ground for iGaming operators.

Brazil is the largest economy in Latin America, and the 10th largest in the world. The country recently regulated both sports betting and online casino. Under existing legislation, foreign companies are not able to operate in Brazil. But those incorporated under local legislation with headquarters in the country can. While Brazil promises to be a fruitful market, the cost of entry is not to be underestimated. A basic tax burden of 18 percent of Gross Gaming Revenue—coupled

with additional taxes of around 9.25 percent, and an initial license fee of BR30 million (US\$6.3m/£5m)—makes the upfront cost steep indeed.

Elsewhere, Mexico is tipped to grow by 33 percent over the next three years – despite a crackdown on licensees across the country's various states, and an ongoing review of legislation, including a proposed prohibition on slot or casino games.

Colombia and Argentina are already relatively established, from a gambling perspective, with Colombia being the first nation in the region to enact a comprehensive regulatory framework for iGaming back in 2016. Both countries are proof of how much potential there is for growth – providing operators are willing to tailor their offering to local regulations and culture.

In Argentina, for example, 53 percent of respondents said they had gambled online in the last six months, while the figure was 60 percent in Brazil, 68 percent in Chile and 75 percent in Colombia. Peru led the pack, with an impressive 82 percent of respondents saying they had bet online.

A recent report by Playtech revealed that take-up of online gaming products varies across the region.

While LatAm is full of growth potential, it's also a diverse market with challenging regulatory regimes to navigate; as well as local preferences that make it difficult to enter without a clear strategy for each individual market.



Curtis Roach
HEAD OF CONTENT
iGF



INDUSTRY INSIGHTS

As the market landscape evolves and adapts to new trends, our industry has now been compelled to react accordingly.

IN THIS EDITION on-the-ground industry experts in the region's key markets highlight the wonderful prospects – and the potential pitfalls! - to understanding clear strategies for increasing player values across Latin America.

Looking for more insights?



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Grupo Aposta Ganha



EVGEN BELOUSOV
CEO

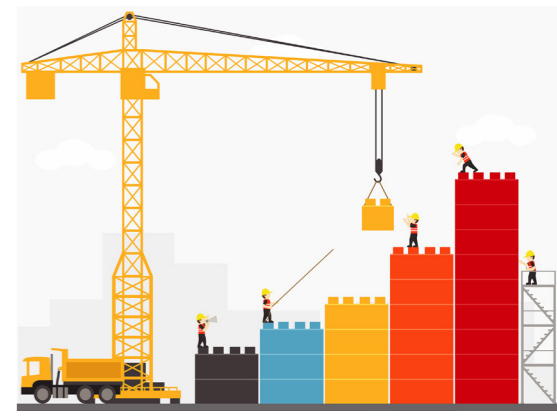
GR8 Tech

OUR EXPERT SPEAKERS

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What's the best way to factor in an affiliate program to the cost model?

Q+A

ERICK

In Mexico the cost-per-acquisition is around US\$65 for a sports player, while for casino it's around US\$90 per user. Affiliates are playing a bigger role as time passes, and for us it's an important part of our brand development.

There are some affiliates that will bring you a lot of exposure, a lot of brand recognition. That does not always translate to conversion, but you want to create brand recognition to improve your brand's perception.



For me, the first thing is to identify your affiliates' potential and act accordingly. I always try to look for both. You need the exposure, you need to be present in the user's head, and then the smaller affiliates sometimes have bigger conversion rates. We always try to have a mix of those and be creative with the content – be really engaging with the user.



Before I used to believe that bonuses and good promotions were enough. But right now it's NOT enough. Today you need to create a relationship between your brand, your affiliates, and your users.

So that's our focus right now: to be creative and generate relevant content.

How do you build out from one country to the other to be consistent in your expectations?



HUGO

We have this operation going on in Brazil at the moment, and we're going to launch in Mexico very soon. We are trying to get the best, but we globally don't have that expertise. I can talk a little bit about Mexico and I'm going to talk about Brazil, but we are just trying to build these relationships.

We just want to be close with our customers, and we have been trying to go different routes and there are different promotions and different approaches, ambassadors, influencers, et cetera. That's basically what we have been doing in Brazil at the moment.

But as I said, we haven't launched in Mexico yet.



EVGEN

We are a software and solution company, so we're not doing acquisition of players in any markets. It's always done by operators, but we do provide affiliate software to the operators.

We have real-time software that our partners, our operator clients, use to manage and monitor affiliate traffic. It's customisable for any different iGaming business that you have.

It has specific tracking for registration, deposits, bonuses, withdrawals for different types of activity like sports, casino, and applies different commissions for every affiliate, for [pretty much] every activity-use hybrid model. And it's almost real time! I mean every event is passed from our platform to the affiliate software, in no longer than 15-seconds.

This helps our operators to react to all the changes in their traffic, to adapt their funnel to make conversation and negotiate with affiliates.



We also provide business intelligence tools, which store and track different parameters, and have default reports that allow for any operator to build an ROI model for any dedicated traffic source and understand when they get a payback, and so on.



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What's the average bet in Mexico, and how frequently are players placing a bet?

ERICK

The average bet in Mexico, at least for us as a new operation, is around **US\$15 to US\$20**.

It is lower than other countries and other operations but Mexico—and LatAm—is a great place for volume. It's a great place for lower and mid-size users.

Our focus is there, so **US\$15 to US\$20 in sports, US\$4 to US\$6 in casino bets**. We target retention, or we look to create retention and to promote retention of the users as they are lower value than other countries. And that's really important for us.

The frequency is higher, but the value-per-bet is lower, so engagement with the brand and with our platform is key to being able to make a profit out of the users and provide a constant service for them as well.



HUGO

Since 2020 in Brazil, we've had Pix instant money transfer, and it's really changed the market. Now customers are cashing-in and cashing-out, deposits and withdrawals, frequently, because they want to see their money in their bank account, not in their wallet.

For instance, they might deposit BR\$20, they play, and then they win and then they cash out, and then again, they make the deposit again and they cash out. They do this because there is no cost, and they'll do this 20 or 30 times per day. So again, we do have this lower average bet, but [punters] are making several deposits and bet very frequently. So, Pix made a huge difference and made this market bigger than it would have been.



Is this a better situation for Brazil or is it too dangerous?

HUGO

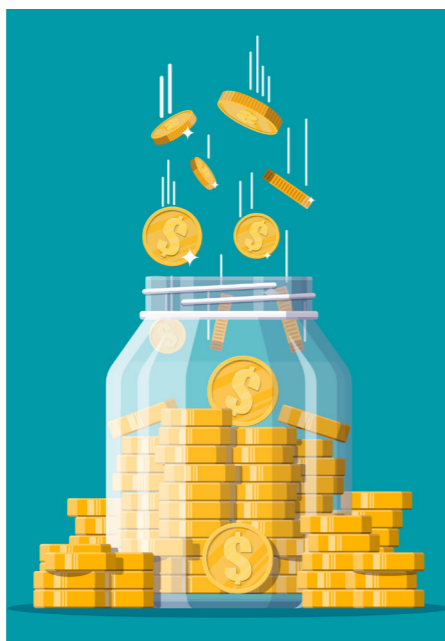
No, no, no, **it's not dangerous**. The customer knows if they win US\$1, or US\$1000, or US\$1 million, they can cash-out at any time.

So now they believe that nobody's going to take seven days to make their payment. So, they know that at any time of the day, at any moment—until you hit about BR\$100,000—you can cash out any time.



This makes customers believe in the brand and in the business.

They don't need to ask anyone. Pix is their key and the money comes to their bank account in **two seconds**.



Pix made a huge difference and the market really increased off this tool, which is also an official tool recognised by the Brazilian Central Bank.

I think that soon other countries are going to have the same tool because it changed the market a lot, not only from a gambling point of view but now people are just transferring money instantly to pay for an ice cream or to pay a bill or to buy a car.

Is this something that could be a game changer for a B2C or a B2B, to partner with one of these fintech payment providers and bring that technology to a new market, potentially in Mexico?

EVGEN

If somebody wants to enter a market, they have to have a strategy. Do they want to get some small piece of the profit? Or do they want to acquire some percentage of the market?

We have two operators in Brazil and their strategies are quite different. Some operators have been in Brazil for several years, and they're still not cash positive, which is because the market is booming and prices are crazy for sponsorship and so on.

Second is regulation. What is the regulation in the market and is it going to change within the next several years? Payment solutions is third.

In terms of Pix in Brazil, it's critical right now. If you don't have Pix, there is nothing for you in the Brazilian market.

And of course, we have integration with Pix providers, several channels, and we are ready to support any new operator if they decide to use our software in the Brazilian market. They just need to sign their dedicated contract with the providers

that we are using for Pix and technical integration will be enabled for them.

In terms of software, it's pretty much the same in every country. It depends on the regulation, whether you have GDPR, whether you have restrictions in terms of responsible gambling, all the rest is pretty much the same, and we have all these mechanics on board, or we can easily customise them.



When you're coming into a market like Mexico, how do you build the customer journey to ensure that you find the right customers and become cash positive as quickly as possible?



HUGO

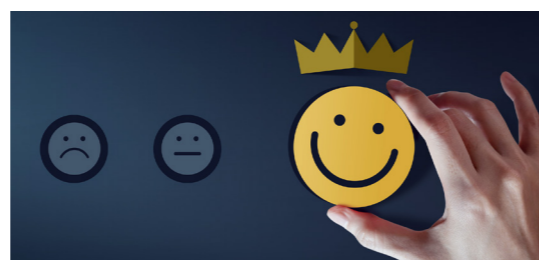
I lived in Mexico for 10-years, so **I know the Mexican market well**. I know **Mexican players and coming from the land-based in different scenarios**, I completely understand. **We do have the big one at the moment, Caliente**, and two or three more that have at least 75 or 80 percent of the market share. We have our friend here, Erick with *Gana777*, just starting in Mexico.

But to be honest, I also think that **there's still a market in Mexico that's not yet been explored**. Most of the operators at the moment **have only one perspective**, and they're **only looking into one market**.



There are two more markets in Mexico that **nobody's looking at** and they're **there to be explored**, and to be seen as well.

There's a big and good market in Mexico. Once again, we also have experience in Brazil. We know that in Latin America **not every country is the same**, and not even just because of the language, but **because the Brazilian customer is different to the Mexican customer**.



We are bringing all our expertise and everything we learned in the Brazilian market to Mexico: the **user experience**, this feeling of being treated well, to build customer loyalty and trust.



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What sorts of bonuses and promotional activities work well in Latin America?

EVGEN

Based on the three big countries and the three operators that I used to check these numbers, and the most popular bonus mechanics, the number one is definitely: Free bets.

It is two or three times more popular than any other mechanics. Why? Because it's pretty clear and simple for the customers, especially for the new generation. Everybody wants simplicity. iPhones used to have one button. Now iPhones don't have any buttons. So, like this, everything [should be] pretty simple.

**BET £10
GET £30
IN FREE BETS**

All the other mechanics, we also have them on board – like bet insurance and deposit bonuses. But in terms of betting and sportsbook, the most popular is free bets.

It's the same situation in Asia and, at least for us, for the countries where we have clients, for Latin America and the Middle East as well.

ERICK

Free bets are a favourite for us, as Evgen mentioned. And for a new operation that's important, to bring people to your platform.



For them to get to know it, get to know your client service, your process verification. But operations also need to evolve.

Right now, we are offering you free bets, but our plan is to evolve as we establish ourselves in the market, because we want to offer better conditions, better promotions to the actual users, to the actual depositing user, right?

It's a constant evolution of your promotions and your communication.

Right now, we are saying come to our platform, test it, see it, communicate with us, see our casino offers or sports offers, but then we need to start segmenting and personalisation.

If you play casino, I'm not going to send you an American football game, I will send you a casino-based offer based on your behaviour.

If you want to move to the next stage, you need to be effective at communicating and your promotions need to be targeted to your real users.

Don't just focus on acquiring them, but keep them with you, engage the users with your platform and become their favourite sportsbook and their favourite casino.

HUGO

We have to make our customers' lives simple.

I mean, once everything is clear to them, once the rules are clear to them, they're going to believe you. So, we are trying to bring our expertise from Brazil to Mexico and we have very good experience of bringing customers in and making sure that they engage with us in different ways, not only online, but offline as well.



We do different events. We like to do different approaches and make sure that we bring what our customers like.

So, I'm not only talking about sponsorships, I'm also talking about other ways to engage with our customers. And that's our plan to bring to Mexico.

We have to be sure that we have the right content, the right offer, and to communicate correctly with our customer.



What are your final insights about entering Latin America?



HUGO

Latin America is still an ongoing and developing market, and everybody's trying to understand what's going on and how it's going to be.

Regulation is still not a hundred percent in Brazil. But it's something that's going to be finalised very soon.

Mexico is our second market. It's something that is already a reality. There's a different perspective in Mexico. There are land-based casinos, which is different to Brazil. So it's a different culture. There's big potential, a big opportunity in the near future.

Don't look at Latin America as a whole. Each country has its specialties and different cultures and different understandings. So, you have to take a different approach.

ERICK

Latin America presents a huge opportunity for new operators.

For us, we need to be really flexible, continue to evolve, continue to look at new ways to obtain players.



An advantage is that *Caliente* exists, that *bet365* exists. They are helping to educate people and make sports betting socially acceptable, right?

So, from there, it's our job to be creative, to be present to the users and offer value to them.

I do believe Latin America will continue to grow.

I believe also, as you mentioned, that each country has its own challenges, but also Latin Americans need to accept sports betting, to accept casino, as a social matter. So, we need to put some attention into that and to offer our users solutions that match their social needs.



EVGEN

Everything is both simple and complicated at the same time. We've already discussed that it's necessary to make the product, a sports book, casino, payments, everything, as simple as possible because the world's looking for simplicity.

Everything has become simple. Live betting has become more popular than pre-match everywhere. The product and the players' experiences have to be as simple as possible, but balance it together with all the Responsible Gambling mechanics that are in place in different countries.

Number two, we must provide a simple service for the operators because at the end



of the day, the operator is a number of different people working in the operator's team from the operator's side: CRM managers, marketing managers, analysts, and in some cases technical developers. So, everything has to be simple; easy interfaces, clear documentation, clear API, and so on.

Our software has to be flexible, adjustable enough, to satisfy the requirements from different teams, different countries, and different regulators.



It has to be easily changeable and if we offer certain options for certain country operators, systems have to be stress-tested and developed by us.

EDITOR'S CONCLUSION

As Sapién and Baungartner explain, LatAm is a market characterised by low-value, high-volume betting.

Players prefer—and have grown accustomed to—instant access to their cash.

In Brazil, the Pix payment system enables free instant money transfers across all areas of commerce and this, believe our experts, is a critical element of any successful iGaming offering.

LatAm is also a market that values simplicity. Just as the payments system needs to be

LOCAL OPERATORS HAVE ALREADY ESTABLISHED THAT FREE BETS ARE THE MOST EFFECTIVE ACQUISITION TOOL, OFFERING PROSPECTIVE PLAYERS A STRAIGHTFORWARD MEANS OF TESTING THE PRODUCTS WITHOUT HAVING TO RISK THEIR OWN MONEY.

HOWEVER, AS SAPIÉN EXPLAINS, ONCE THAT INITIAL CONTACT HAS BEEN MADE, AND A PLAYER HAS GONE ON TO DEPOSIT, IT'S IMPORTANT THAT OPERATORS SWITCH THE FOCUS TO RETENTION.



instant and transparent, all aspects of the user-experience should follow the same principle – particularly if operators want to attract new players, or those with relatively little experience of online gambling.

Belousov, specifically, highlights the value of keeping the offering as simple as possible, in terms of both the B2C user experience and the B2B platforms, which will benefit from being customisable across different licensing regimes and in light of varied cultural preferences.



IN A MARKET THAT IS LIKELY TO BE BUILT ON LOW-VALUE BETTING, RETENTION IS KEY TO MAINTAINING AND BUILDING HIGH VOLUME.

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