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Cover feature
Affiliates



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Words by
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A rocky road ahead



Sky Betting & Gaming's shock decision to axe its UK-facing affiliate programme left its affiliates reeling. But was this move always on the cards and would regulation help clean up the egaming affiliate sector?

For the best part of two decades, affiliates have been a ubiquitous and crucial cog in most gambling operators' user acquisition (UA) machine. Today, the relationship between operators and affiliates is deeply embedded and elaborate, so when Sky Betting & Gaming (SB&G) announced in September that it was terminating its UK-facing affiliate programme in 28 days, the news caused shockwaves.

A programme closure of this magnitude is unprecedented in the industry. The Leeds-based operator cited "changing regulatory requirements" in the UK online gambling sector and that the decision to shutter Affiliate Hub had been taken following a "comprehensive strategic review".

For affiliates with lifetime revenue share deals of around 30% with SB&G, the decision was a hammer blow. "In

all my time working in the UK sports betting marketing sphere, from both an affiliate and operator side, I've never known anything as seismic as this," says Bookies.com managing director Matthew Glazier.

"The reasoning is hard to fathom. Operators have always been careful – sometimes neurotic – about how affiliates are representing their brand. Largely speaking, it is monitored. Most self-respecting affiliates running a business wouldn't dream of misrepresenting a brand or bookmaker because, ultimately, you don't bite the hand that feeds you."

Glazier says affiliate income from the Sky Bet brand accounted for 5-10% of his betting portal's annual revenue. This equates to a six-figure hit. "We have been affected as a business, not to the point of crisis or anything, but Sky Bet is a decent-sized player in the UK."

Meanwhile, Phil Fraser, owner of bingo portal WhichBingo.co.uk, took to social media after the announcement, describing it as a "disgraceful move" and a "disgusting decision".

"Trust is the very foundation of affiliate marketing," he tells *EGR Marketing*.

"We will run advertising for free on the agreement that you will give us some of the revenue back when someone plays and loses. Historically, that was always lifetime revenue but in their [SB&G's] contract, it basically says they can terminate this contract whenever they want. Hard cheese. From a legal point of view, they can do this but from a business ethics, good faith and trust perspective, it's not the way you do it."

Unsurprisingly, webmasters flocked to the Gambling Portal Webmasters Association (GPWA) forum to blow off steam and discuss the possibility of





→ mounting a legal challenge. One poster said he had been an affiliate for five years and that he will lose 20% of his income, or “70k to 80k” a year, although the currency wasn’t specified. Another said SB&G accounted for 90% of his mid six-figure annual income.

“Looks like imma (sic) out of work now,” he wrote. Two weeks after the announcement, Paul Ross, the owner of PuntersLounge.com since 1999, still struggles to contain his anger. “This decision is a disgrace; it’s based on greed and money, but it will affect people’s families, homes and children.”

Storm clouds gathering

With certain affiliates having ushered hundreds, even thousands, of depositing players to SB&G’s brands over the years, there were bound to be some anxious affiliates on the phone to other gambling brands seeking reassurances. Thus far, that hasn’t happened, although Ladbrokes had already adopted a tighter oversight of its affiliates after the Magic Sign was contacted by the Competitions and Markets Authority regarding misleading terms and conditions in its bonuses and offers.

And more recently, Paddy Power Betfair issued a stark “one strike policy” warning to affiliates with regards to any behaviour that may invite regulatory scrutiny onto the London-listed operator. Among a list of rules was a ban on SMS and advertorial

marketing, while sign-up offers must include the words: ‘New Customer Offer, T&C’s Apply 18+'. Plus, any promotions on social media must include the 18+ bio.

In the wake of the Affiliate Hub closure, a number of UK-facing operators have reaffirmed their commitment to their affiliate programmes. This included Kindred Group, which reassured its partners that they remain an “important part” of its acquisition strategy.

Head of affiliates Ryan Henderson says perspective is important: “The vast majority of affiliates operate in a fair and ethical way. All affiliate programmes have robust terms and conditions that proactively discourage rogue behaviour, with penalties for affiliates breaching them.”

Yet he acknowledges that the relationship between operator and affiliate has evolved somewhat. “As the industry has grown, many operators – and affiliates – are now trading as

publicly-listed companies with an increased focus on cost and ROI. This has seen many affiliate programmes introduce quotas, end lifetime revenue share and yes, even close, although I have to admit I didn’t see the Sky Betting & Gaming programme closure coming.”

Lately, though, the industry has sustained a battering from all sides. For starters, we’ve seen a clutch of operators fined by the UK Gambling Commission (UKGC), including 888 hit with a record £7.8m penalty for serious failings in its self-exclusions procedures. Meanwhile, the UK’s Advertising Standards Authority (ASA) rapped the knuckles of Ladbrokes, 888, Sky Vegas and Casumo for a “socially irresponsible” advertorial run on affiliate sites in which it was claimed a man cleared his £130,000 debts and paid off his wife’s cancer-related medical bills by playing online casino games. SB&G itself has also been in hot water, with its Sky Bingo brand hit with an ad ban after a misleading advertorial was published by an affiliate.

And at the end of 2016, affiliates strayed into the crosshairs of the Information Commissioner’s Office (ICO). The ICO contacted over 400 companies that it believed were using people’s personal details to promote gambling websites as part of its investigation in to spam texts. Combine all this with recent negative mainstream media articles about the practices of affiliates, and SB&G bosses probably felt the simplest and most decisive solution was to scrap the programme altogether.

Yet some affiliates have their doubts. They are adamant SB&G is using regulatory pressures as an excuse to cut costs. “I think the regulatory thing is a total smokescreen,” Fraser states. “I’m aware that they have been looking at the possibility of doing this for a while. I just think this is being opportunistic.”

Danny Campbell, director of egaming affiliate marketing company Moneta Communications, echoes these sentiments: “I genuinely believe Sky Bet’s decision has more to do with immediate financial gain than their stated regulation concerns.” SB&G caused further consternation when the snubbed affiliates realised the Sky Bet brand would continue to work with certain websites,

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■ Matthew Glazier, Bookies.com

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Kindred has pledged a long-term commitment to affiliate marketing

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including Oddschecker (SB&G owns the price comparison super affiliate).

“The ones that are promoting Sky Bet today obviously have an alternative type of deal in place,” says Glazier. Furthermore, SB&G hasn’t pulled the plug on its programme in other markets, suggesting that affiliates will play a key role in scaling up its business in countries like Italy and Germany. Whether some affiliates refuse to work with the firm remains to be seen, though.

All above board

Despite the fact many affiliates have grown into large, professional businesses, the sector is still sometimes compared to the early days of unregulated online gambling. Barriers to entry are still extremely low; anyone can set up a gambling portal and start sending customers to operators. Affiliates are not directly regulated by the UKGC and can go about their business with a level of freedom that is foreign to the operators they promote.

And if they step out of line where the UKGC is concerned, it is the operator that can end up in the firing line. So has the time come for affiliates to also be licensed and regulated? “Of course affiliates should be regulated,” Ross states. “If they break the rules they should receive a warning and then possible termination if procedures aren’t followed.”

Romania was the first country to require egaming affiliates to be licensed when the market was regulated in September 2016. New Jersey did the same in 2013. In Romania’s case, it caused smaller affiliates to exit the country, creating a market dominated by the larger sites. A similar scenario could play out in the UK, the world’s largest regulated market. However, David Clifton, co-founder of Clifton Davies Consultancy, thinks regulation is unlikely and unnecessary.

“I doubt very much whether the Gambling Commission would support such a proposal for the simple reason that they are able to hold a licensed operator liable for any actions or failings of its affiliates that are inconsistent with the LCCP [Licence Conditions and Codes of Practice] and/or the licensing

objectives under the Gambling Act 2005. A further safeguard exists in the sense that if an affiliate’s activities amount to facilitating the making or accepting of bets between others, it will be required by the Commission to obtain a betting intermediary licence.”

Sceptics also wonder how regulation would work internationally, and in which jurisdiction a breach of the rules would apply. Fraser says: “If I’m an affiliate and I’m marketing a company based in Gibraltar to [players in] Spain, Sweden or Germany, whose rules are we playing under? Whose court do I stand in and get a slap on the wrist for doing something wrong? Realistically, I can’t see it working. That’s not to say regulation isn’t a good thing, but I’m on the sceptical side of the fence.”

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■ Paul Ross, PuntersLounge.com

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Those affiliates who behave responsibly would probably welcome regulation as it would eradicate the affiliates who don’t play by the rules. Indeed, the so-called tipster affiliates on social media have come in for particular criticism in *The Guardian* with one recent article suggesting they deliberately recommend losing bets in order to pocket the 30% commission. Quite how anyone can guarantee a selection will lose is open to debate, but a tipster dishing out duff advice isn’t going to garner many followers – or be in business for long.

Nevertheless, a whole host of social media tipping accounts aggressively pump out tips with links to bookmaker accounts day and night. Then there are the endless bankroll challenges. In fact, PPB referred to these in its warning, emphasising that affiliates shouldn’t imply that success is guaranteed. “Under absolutely no circumstance should results be lied about or media

Affiliate trade body formed

Hard on the heels of the termination of SB&G’s affiliate programme, a group of leading affiliates and gaming legal experts revealed that they are setting up a trade body to represent the industry. The International Gaming Affiliate Association (iGAA) is devising a code of practice to ensure its members are complying with local and international law, as well as promoting gambling in a responsible manner.

Tom Galanis, director of online gambling consultancy and affiliate firm TAG Media, is spearheading the iGAA’s formation, which was “expedited” by SB&G’s decision. “I think affiliates have had a massive propensity to bury their heads in the sand when it comes to compliance and have often seen the need to rely upon operators for guidance. The hope is that the iGAA will allow the affiliate membership to meet – and exceed – the expectations set by operators.”

Galanis refuses to be drawn on how many affiliates he expects to sign up, although he is optimistic membership numbers will suffice to see a rapid step change in the way the affiliate industry is viewed publicly. “The objective is to attract as wide a range of membership as possible, notwithstanding the fact we need to have the big affiliates supporting this,” he explains. “What we want to achieve is unilateral compliance among members with local and international law so that we can raise the standards of the industry.”

Precisely what membership will entail has yet to be defined, although the iGAA will likely have “several levels” of membership in order to attract a broad spectrum of affiliates. The iGAA will also offer e-learning, webinars and events in order to better educate affiliates about regulatory compliance and responsible marketing. Galanis is optimistic that the guidance and education offered may negate the need for regulators such as the UKGC to decide to license affiliates.



→ manipulated to suggest results were more favourable,” PPB wrote.

Glazier stresses that punters are responsible for their own actions and don't have to back the tips, although he does acknowledge that Twitter is “a bit like the Wild West”. He adds: “There are always going to be charlatans. There used to be a big hoo-ha about affiliates doing paid search and bidding on bookmaker brands. This is just another example of people overstepping the mark.”

A domino effect

The obvious fear among affiliates is that further misdemeanours will prompt other operators to shut down their programmes. “My concern is that boardrooms up and down the country start looking at this and think, ‘hang on a minute, that's quite a good idea’,” says Fraser. “Is it a domino effect?”

Sister magazine *EGR Intel* ran an online poll on whether other UK operators will also ditch their affiliate programmes. The results showed that respondents were pretty much split down the middle with 51% voting ‘yes’ and 49% opting for ‘no’, although this poll was conducted before PPB issued the warning to its affiliates. “Obviously it [further programme closures] would be a grave concern for the industry – it would be like rats jumping off a sinking ship,” Glazier remarks.

For new and smaller operators, affiliates still play an important role in brand exposure and UA. They are also important for those operating in grey markets where other advertising channels are off limits. In regulated markets like the UK, though, the tier-two outfits struggle to be heard above the noise made by the major firms with their TV ads, sports sponsorship and established brand presence. As well as its ties to Sky Sports, the Sky Bet brand sponsors the Football League and runs the popular free-to-play jackpot game Super 6 and Sky Sports’ fantasy football products.

So SB&G was never as reliant upon affiliates as its rivals. With a large existing customer base, solid brand presence and extremely useful acquisition and retention products like Super 6, affiliates took a backseat in the marketing mix. “If you had to predict one operator that

would make this decision, you might come to the conclusion that it would be Sky Bet,” says Glazier.

What was notable following SB&G's announcement was the amount of Twitter users revelling in the news, with much of their euphoria aimed at tipping affiliates. Schadenfreude appeared to be in overdrive as one person proclaimed it to be the “beginning of the end” for gambling affiliates. “I don't think this is the beginning of the end,” Henderson responds.

“Our industry has always had to adapt to regulatory changes and this is a continuation of that. Further, affiliates provide a service that operators are, currently, willing to pay for. Until that situation changes, they will continue to exist.” Nevertheless, it does feel like change is in the air following the fines and flurry of negative articles in the media. The whole industry is under the microscope right now.

In the aftermath of Affiliate Hub's closure, Glazier thinks affiliates will start looking to work with a “smaller number of trusted operators”, while Fraser calls for affiliates to be more than just middlemen zealously ushering traffic towards operators. “I think the response from affiliates has to be not reinventing ourselves, but maybe looking at other ways we can add value to the food chain somewhere. We don't actually see ourselves at WhichBingo as an affiliate, but rather the TripAdvisor of bingo.”

In the meantime, there's no escaping the fact that a major operator binning its UK-facing programme has rocked the sector to its core. For affiliates, this isn't the time to batten down the hatches and carry on regardless, but time to face any shortcomings head on in order to prevent more leading operators from following SB&G's lead. ❖

EGR Marketing presented SB&G with a series of questions related to this article but the operator chose instead to provide a short statement: “We have closed our affiliate programme to have greater control over our marketing outputs which we need due to increased regulatory scrutiny and changing regulatory requirements. We gave notice of this decision and are working to address any questions affiliates may have as a result of it.” SB&G confirmed that its affiliate programme would not return in the future.

Tough talk



The operators tightening the reins on their affiliates

Following SB&G's decision to scrap its Affiliate Hub, a number of UK-facing operators have been contacting partners warning them to improve their compliance practices. Kindred Group reaffirmed its commitment to its affiliate programme but stressed that affiliates acquiring UK users are now subject to the same ASA guidelines as gambling firms. GVC also reached out to its affiliates, reminding them of their contractual obligations and suggesting they re-familiarise themselves with the T&C's – specifically electronic marketing rules – to ensure all activities are “proper and lawful”.

Meanwhile, Ladbrokes Coral vowed to get tough on affiliates behaving irresponsibly after the bookmaker was one of four operators to end up in hot water with the ASA over an advertorial produced by an affiliate. Ladbrokes Coral said it was “clamping down hard on anyone using our name without our knowledge in a bid to curtail this sort of activity”.

However, Paddy Power Betfair (PPB) issued the starkest warning so far with its “one strike policy”. Any affiliate found to be operating against internal regulations will be suspended from the programme, the online giant stated. Among a list of requirements, PPB insisted partners refrain from using SMS marketing, pop unders, advertorials and email marketing where it appeared to be sent on behalf of the company. “We take the Gambling Commission Guidelines very seriously and want to ensure that all our affiliates are behaving in a responsible manner,” PPB wrote.