



## TAKING A PUNT

BuddyBet is a social betting site that lets players match wits against each other. Players set their own odds, choose stakes and create custom bets. It's CEO thinks the current monetization model for social gaming is broken and plans to reinvent it

Simplifying its model to the bare bones, BuddyBet is a Peer2Peer betting platform that enables players to compete against one another for a cash prize. It's a solution to what BuddyBet's founder, Jarrod Epps, describes as the 'broken skill games monetization model.' "The monetization of social gaming has taken its cues from the malpractice shown by banner ad sales and content sites selling eyeballs," explains Mr. Epps. "These dysfunctional models have taken over the Internet and been transferred wholesale to the Interactive sector. It's a 'give and take' model in which you offer a teaser and you try to upgrade the user to something better for which you charge for the privilege. Games have followed this model, offering players standard options for free, but enticing with special upgrades (super-special swords for example) that cost real money. In addition to the ubiquitous banner ads that muddle the screen and prove

difficult to avoid, freemium models weighted towards paying play divides player attention and ultimately drives players away from the game."

The problem, according to Mr. Epps and BuddyBet, is that the monetization of social games has been, well, just that. Social games have had cash incentives tacked on top of existing game models. None of the social games currently playable for money were designed as play-for-real games from the outset. The models have had to be adapted, and not without a series of issues arising as a result.

"BuddyBet is Peer2Peer betting," describes Mr. Epps. "There are no distracting banners and the game is completely free to play. We're not asking for paid upgrades to certain levels and all that, you can play premium games for free as the game developers are

There are three main types of bets you can make on BuddyBet: Direct Bets, Open-market bets and External link bets. A direct bet is a bet you offer directly to another individual or group. An open-market bet is a bet you offer to any BuddyBet user who might match it. Finally, an External link bet is one in which you create a link to your bet and share it on a discussion forum or social network where it'll have maximum impact.

**SOCIAL GAMES  
RAISED \$807  
MILLION IN  
FUNDING LAST  
YEAR WHILE  
THE MOBILE APP  
MARKET IS  
PREDICTED TO TOP  
\$38BN BY 2015.**

subsidised by the betting that takes place between players on the site. We believe this is a lasting model, one that unlike the freemium market, isn't destined for the scrapheap. We offer an alternative in which players bet against one another while still playing their favourite games. We match players by stake and skill level



against one another and enable them to bet on the outcomes of the games they're already playing. We're not here to compete with the Bet365 and William Hills, we'd have to spend hundred of millions of euros to match them and recognise that's not a good start-up strategy. Instead we pivoted our structure, asking why attract players to us, when third-party platforms already reach massive existing communities? We're talking about sports-news websites and forums, for example, in which people are engaged in debates and discussion about games on an enormous scale. On those site we embed our platform at the single button level, in which there's no game interruption, with players able to play by themselves or with friends, or against randomly matched people in a real money environment."

Current freemium and play-for-real providers use Facebook in a similar way,

piggy-backing their games on the social network's player base, but with all the banners and 'paid to upgrade' foibles already mentioned. What's very different about BuddyBet is that rather than attempting to convert the social games audience into a casino play-for-real crowd, for which the current stats are incredibly low (less than three per cent of the user base at a precariously high cost of acquisition and maintenance), the BuddyBet betting model can be applied to existing games environments that have little or nothing to do with traditional betting/gambling. Rather than attempting to convert Clash of Clans or Candy Crush Saga players into bingo or poker players, BuddyBet allows players to bet on their existing games and let's the developers take a percentage of the bets.

Conversely, if you look at a dedicated betting site such as Betfair, it's spending a huge amount of money attracting users to

American entrepreneur Jarrod Epps is used to launching and leading start-ups. He began his career in real estate investment, then in 1996 moved to Prague where he worked for a number of companies in business development, creating joint venture opportunities while leading acquisition teams.

Before co-founding BuddyBet he worked with Avant Group, connecting international VCs with Central and Eastern European property and software projects to help form commercial relationships.

its site to gamble (around 1.5 million registered users in 2012). BuddyBet is targeting established non-gaming sites that have huge user forums for games such as Call of Duty, whereby players could bet on the outcomes of tournaments in which they themselves are involved. While real-money chance and casino games are either in their infancy in the US, or are operating illegally, skill gaming is bridging the gap between i-gaming and the US casino market. While the market for skill games is currently unregulated, with in-app purchases and ads driving the majority of the revenue, leaving the game as pure 'fun and skill,' BuddyBet is coming at the sector from the gambling side.

"We are licensed in the Isle of Man," outlined Mr. Epps, "we have top-shelf user ID systems, address and age verification, fraud detection and betting pattern software that is state of the art and we have a highly experienced team that have all worked on the gaming side of the business. We are offering a sports-betting service in the skill games environment, operating from the same payment systems and user protection systems as the major online gaming sites. We have been very careful to build a robust system that can cater for very large numbers of users, everyday users, playing every second of every day. We are adding betting functionality into existing networks that allows them to bet on the same games they play all the time."

While reluctant to talk numbers at the launch of BuddyBet, Mr. Epps is talking up his expectations for a new betting model, one that takes micro-bets from a huge number of people, rather than taking large amounts from a small pool of players, as is the case with most gaming sites. Even social games and social casino sites have seen this model repeated, with heavy reliance on 'whales' - a small percentage of players willing to spend significantly more than the average player. Whales are thought to represent less than 15 per cent of a social game's paying users but account for over 50 per cent of its revenues. Moderate-paying players, typically represent between 25 per cent and 40 per cent of a game's paying users and account for about 25 per cent of revenue. Low-paying players are in the 45-60 per cent bracket and account for about 15 per cent of revenues. It's a model that BuddyBet is looking to actively avoid.

"As a P2P site, we're not taking the 10 per cent rakes of the traditional sites," says Mr. Epps. "This is micro-betting, which is much more the traditional handshake wager that we've put online. Users can bet against one another, but



can only bet up to £10. At the same time our user ID software checks to ensure the player is over 18 and during the first and second bet we evaluate the player and categorise players into specific types. We don't look at players as 'one-time' major bettors, but instead look at small repeat bets on an ongoing basis. We're going to be very happy with figures around £20 per head. It's a very different model to anything out there at present, but right now we are in discussions with different networks that will bring several million user networks, while two others have 40 million users. We see our percentages working across this size of player base with as much as 30 per cent

of the user base potentially involved in placing actual bets - which is a massive figure."

BuddyBet isn't targeting the traditional gaming sector, it's looking to the networks of online premium skill games users, the ones playing in fantasy football/baseball leagues and is using their passion for the games they already enjoy to offer incremental bets against one another based on the same games they're playing. This isn't a poker offer placed on top of the Real Racing skill game, it's betting on the outcome of the race itself, which is a very different player proposition.

As a hardcore New Orleans Saints and fledgling Ipswich Town fan, Jarrod has had his fair share of banter with rival fans over the years. Jarrod often betted on sports results with friends for cash and dares. After losing a bet one friend even had to run round a block in swimming trunks while covered in mustard. It was this fun factor that Jarrod wanted from his new venture.

The idea for BuddyBet came about after he and his friends gathered at the Superbowl and spent two hours trying to settle up all their bets from the year. Mentioning the problem of keeping track of it all to his wife she suggested they put all their details online.

Jarrod spent six months researching the possibility of BuddyBet and ploughed €60,000 of his own money into its development before the website launched in 2012. Now Jarrod leads a team of 21 directors, software engineers and marketing experts in the social P2P betting platform.

"We've had a phenomenal response from the gaming industry, which is to say the video games sector," states Mr. Epps. "The gaming industry is dominated by people that want to play. These sites have gathered huge communities of players without really considering monetization - they do this because they are passionate about the games they play. Talking to them they realise that this functionality will create tighter knit networks that can continue to enjoy the games they love, while providing revenue to support the infrastructures that operate them. It's a win-win."

It's increasingly difficult to differentiate one online gaming offer from another, with betting sites generically looking very similar as a result. This lack of differentiation means that players frequently swap and change between sites with 'stickiness' a major issue for today's gaming hubs. "Up till now, players have had the choice of freemium play for fun or play for money in a narrow spectrum of games," explains Mr. Epps. "BuddyBet enables the player to continue to play for

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free or we will match them with the press of a button with another player to make small bets on their favourite game. We're not putting mobile ads around their game that mess with their aim and we're not steering players off sites to play somewhere else."

BuddyBet's aim is to completely up-end the monetization model that it believes is not working right now. It's integration into existing networks is expected to take around 15 days from start to finish, while individual games can be integrated in a little as three days as the platform itself is a simple API, with BuddyBet expecting to make announcements soon regarding its first network launches. If BuddyBet can take the emotion and passion of gamers and take betting into that environment, adding to the game rather than pushing pay-to-play into a new reluctant social gaming environment.