

What Are the Odds? Senior Hiring Trends in the Online Betting and Gaming Industry



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■ Summary

We operate in a privileged position as one of the leading global search firms to see first-hand the people changes happening within some of the most influential organisations in the world.

Our industry is fast-paced and ever-changing and being a senior executive in gaming and gambling takes 100% attention to stay ahead of the competition. Add the daily leadership and people aspects into the mix and the role becomes even tougher...

I have heard said many times that culture beats strategy. In an industry going through such tremendous consolidation and with some high-profile merger 'fails', this idea of creating a winning culture should be (one of the things) keeping CEOs awake at night, particularly those considering or experiencing such a process.

Although for those business not involved in M&A, I am sure that their businesses, CEOs and senior HR professionals are looking for ways to capitalise on the inevitable 'fall-out' of potential talent, catching people they perhaps didn't expect to.

This is where creating a high-performing culture and environment is so critical. In such a highly competitive industry with a limited 'quality', in-sector talent pool available, organisations should be considering whether or not their organisation and culture is attractive enough to secure the services of the people they need and want both from inside and outside the sector (for more on this see previous paper; "Shuffling the Deck") <http://www.odgersberndtson.co.uk/gb/news-knowledge/knowledge-insight/article/shuffling-the-deck-6641/>

In addition to creating the right environment for employees to thrive, talk to successful CEOs in any industry and they will tell you that dedicating time to having the very best people in their business and then investing significant resources in developing them is time and money well spent.

A good CEO should be spending at least a third of their time thinking about the people in their business; Do we have the right people in the right roles? How can these people be developed? How do I retain my top 2%? If we don't have the people how do we make sure we get the best from a diverse range of backgrounds? What happens if I get hit by a bus tomorrow? All valid questions that deserve an answer.

It is not my intention to answer these questions here. I would prefer to use this opportunity to highlight some of the senior hiring trends that we have noticed in the online gaming and gambling industry from last year, although I will say that this is by no means exhaustive.

Whilst I anticipate some of these trends will continue through to this year and remain 2016's 'battlegrounds for talent', we all know that past trends are not necessarily an indication of future ones so I have offered some predictions for the year ahead. It remains to be seen whether I am proved right.



■ 2015 in Review

I think first and foremost, from a senior hiring perspective, 2015 continued to be highly competitive. Salaries, bonuses and long-term incentive plans became ever more creative. Of course we saw a number of high-profile acquisitions and mergers throughout the year, but in my opinion, this didn't lead to a huge 'cull' of senior people from these organisations.

A large proportion of the senior staff within the businesses affected were able to stay within their respective groups and find new positions. Perhaps this suggests that employers are worried about losing quality people in such a tight talent market and are therefore willing to find ways to keep them despite additional costs.

■ Location Challenges

There have always been challenges with the locations of online gaming businesses but in our experience it became increasingly difficult to hire senior people in Gibraltar and Malta in 2015. A large portion of people who have been in the gaming industry for a long time are likely to have already spent some time in an offshore location and whilst a number have made their home there and enjoy the lifestyle and obvious tax breaks on offer, many do not want to do a 'second tour'.

In terms of trying to attract people from outside the industry, offshore locations do compound the issue. The online gambling industry has had considerable success in hiring from other sectors for senior roles and it has become an industry that people are interested in joining. However, the majority of non-sector people we approach for roles will say no (mainly because of their ethical stance). Add in an offshore location and this has a big impact on the quality of

talent that operators in places like Gibraltar and Malta are able to consider, especially for senior positions when relocating families becomes a challenge.

Regardless, we have been able to successfully appoint individuals into senior offshore roles this year – it just takes longer and we have to speak to more people. There is no silver bullet solution here.

It is fair to say that operators and suppliers with a presence in key digital hubs in Europe, and particularly London, will have access to a much wider choice of candidate for senior posts. I would expect this trend to continue into 2016.

■ Cross-over Between Sectors

Whilst the gaming sector has its nuances and specialist roles, the boundary between this industry and others is definitely blurring. We have seen an increased number of senior gaming executives and directors disillusioned with the industry move to other sectors, hence reducing the current senior talent pool in the sector (although this is by no means an 'exodus' of talent). In our opinion this can, in small part, be attributed to consolidation and M&A activity but the primary reason is a continued frustration and sense of déjà vu on the regulatory front – some people are just exhausted by this aspect of the industry.

These people tend to gravitate towards e-commerce and consumer digital companies. Having achieved commercial success and growth not just in an extremely competitive industry, but also under the continued restrictions of regulation, perhaps they feel they could do even better in an industry that isn't so exposed to the whims of regulators and governments.



Given there is a finite number of talented gaming executives to go around and this pool could be said to be getting smaller, gaming employers have been looking outside the industry into parallel sectors for fresh perspectives and experience to help create a USP in a very crowded market.

A number of organisations have taken this trend to extremes and hired the majority of their senior talent in areas such as marketing, customer service and technology (particularly mobile and UX) from outside the sector. I would always advocate finding a balance between industry and non-industry talent, we have seen how dangerous it can be for organisations to cut out too many of their industry experts.

Larger businesses often find it easier to accommodate non-industry talent. They have done this more frequently and therefore have the know-how and skill to not only identify the personal characteristics that will ensure someone fits into the gaming industry (the industry can be fairly unforgiving and there have been many people that have not been able to adapt...) but also work hard in the on-boarding process to integrate these people into the business quickly.

It helps if these new employees can find allies in other non-industry colleagues in the firm, however a standalone 'outsider' hired by a small business as a silver bullet solution, surrounded by industry 'lifers' is often a recipe for disaster. With pressure from regulators, the press and ever more-demanding customers, small to medium size operators and suppliers have tended to stick to what they know this year and have hired from within the sector.

■ Role/Position Specific Trends

In terms of specific roles, our time has been spent largely in three of four key areas in 2015;

Board Non-Executives

Increased regulation in the sector often means stricter governance and oversight from the top. The increasingly competitive nature of the industry means that CEOs and their executive team face new challenges almost daily in running the business. The ubiquitous nature of technology is driving the growth and change within online betting and gaming.

All these factors suggest board members need to be closer to the business to understand its drivers and mitigate risk as well as being more pro-active in their dealings with the executives in order to more ably assess their capabilities in such a demanding environment. They also need to be digitally savvy in themselves to fully comprehend the scale of the challenge ahead.

The challenge of finding non-executives who can commit the time and effort to truly understanding your business continues. We are seeing two reasons for fresh NED appointments, one being governance-led the other being opportunistic and skill-based (largely digital).

There are still a number of listed gaming businesses whose boards and therefore governance structures may not be adequate for such a task and in some isolated cases, are even out-shone by private operators looking to replicate their board structure on a PLC governance model.



Additionally, as organisations diversify, expand internationally and in some cases move towards IPO, the need for NEDs with a fresh perspective and experience in new technology, new geographies and in listed environments (including AIM market for small cap businesses) remains.

Whilst there has been a willingness to add greater diversity to the boardroom with the number of female directors increasing across the FTSE, it remains a challenge to attract female NEDs to the boards of gaming businesses.

From a remuneration perspective, fees for independent NEDs have had to change. There is more time expected, more risk associated with a board appointment in this industry and hence non-executive fees have had to increase accordingly.

Finally, it is worth highlighting that both Audit and Risk committees need to incorporate the implications of technology and data on the business, particularly in respect of Cyber-Security. Much more time is required of non-executives on these committees in order to truly understand what technology issues are most critical to the company to ensure the appropriate framework is in place.

We have supported a number of organisations in 2015 with the development of and additions to their boards and continue to do so.

Corporate/International Development

The appetite for M&A activity in the industry has never been stronger and there have been some truly remarkable and game-changing acquisitions and mergers in the last twelve months. Outside of

multi-billion dollar tie-ups an interesting development is the increased interest in the appointment of senior corporate development executives and/or executives who can help develop new markets/territories for a business looking to be less reliant on their home market.

In corporate development, these roles are largely focused on identifying M&A opportunities to enhance product or platform capability, acquire customers or market share in new territories or to acquire specific IP or talent to improve the capabilities of the business. However, some of these roles are also tasked with conducting due-diligence and strategic planning for international expansion including regulatory planning and licence applications, launch plans and often brokering strategic alliances with local media partners.

In some cases in small to mid-size businesses we have also seen these corporate development positions have an additional internal focus to help identify process and operational efficiencies and hence reduce operating costs. This may be post-acquisition of a business or just on a business-as-usual scope to make an organisation leaner or by reallocating overspend to more worthy, revenue-generating projects.

Within this area of corporate development, the obvious approach for employers is to demand investment banking backgrounds and 5-10 years post MBA experience in deal origination and completion. However as highlighted above, positions in this area are not just externally M&A and business development focused and so backgrounds in management consulting and project management within a corporate environment are also interesting.



Marketing and Related Customer-Focused Roles

Across the industry, gaming companies continue to look for commercially-savvy KPI-driven marketers. Marketers who know how to attract the most lucrative customers at the lowest cost through the right mix of channels and retain them for as long as possible are the bedrock of any credible gaming marketing team. However, whilst we understand that price, promotion and product will always be the key elements of customer choice in the sector – customer experience and brand seem to have been the two areas of increased focus last year.

The importance of maintaining the best experience for customers is nothing new. Optimising the journey from first visit through registration, deposit and ongoing 'play' is key to driving lasting player value and loyalty, however in a crowded market where free bets and promotions are the norm - brand trust, relevance and brand 'personality' are all starting to play a more important role.

This has been evidenced in an increased number of appointments in the sector of brand-led marketers. However, just being a capable brand marketer isn't enough – to survive in this industry, these marketers also need to be commercial, digitally-savvy and have operated internationally. I suspect finding a blend between performance-based commercial marketing and brand/identity marketing will continue in 2016 and may have an impact on the make-up of many senior marketing teams in the sector.

Product Development

In nearly all conversations with directors and c-level executives last year, product was one of the common themes in all discussions.

The growth of the CPO and or Product Director role was in force in 2015. These individuals play a vital role in both the development and marketing of a company's product. Fundamentally, this role is about determining customer needs, developing prototypes and overseeing manufacturing and then in some cases executing a clear marketing and promotions strategy.

This element of understanding customer needs was probably the main reason for these appointments last year. "We need someone who can get into the mind of the punter" was a phrase we heard a lot in briefings. Equally, these posts were hired to create new propositions and in some respects morphed with another area of 'innovation'.

The mission is broadly a commercial one but these people also need to be technically savvy and creative too. Much of the responsibility for developing prototypes falls with the CPO, in conjunction with the CTO and development team. In most cases the CPO will be the voice of the customer in the business and direct the tech team to build a product that absolutely meets customer needs.

Sales and Business Development

Putting aside operators for a moment, we have seen an increased demand for experienced and sophisticated solution-based sales people in 2015 (and actually this trend goes back to 2014).

Many suppliers are looking to find a balance in their sales team between people who are already known and have a good reputation and contacts in the industry, coupled with people from non-gaming software (SaaS) or platform (PaaS) businesses, those that have grown up using sophisticated, strategic sales techniques and can bring these to bear



on this industry in what is becoming a more complex sales cycle.

Given the increasing intricacy of supplier platforms, products and services I see no reason for this trend to abate in 2016.

■ What Hiring Trends Can We Expect in 2016?

New year, new beginnings. This is the time of year when our phones ring hot with calls from 'prospective' candidates, full of the heightened enthusiasm that New Year's resolutions afford!

The phrase rings ever more true at the start of this year though as a number of high profile organisations in our sector embark on a new journey working in partnership with, rather than against last year's competition.

There have been many changes in the gaming and gambling sector over the last couple of years with the introduction of the new Point of Consumption Tax in the UK and of course the ever-changing regulatory landscape across Europe. However, it is the M&A activity that has gained most of the headlines in the trade press and been the main topic of conversation at the plethora of trade shows our industry produces.

From a headhunter's perspective, it will be a fascinating year to see how the structures of these new enlarged businesses pan-out, which individuals will survive and thrive and who will be cast adrift, a casualty of 'synergies'.

Inevitably, there will be new appointments made within the structures of these merged businesses, at all levels of the organisation. The structure at Day 0 following completion (which is still a long way off for some) may

still have holes that need to be filled. As so often happens, within 9 to 12 months of working with the new structure, other gaps appear as the structure adapts or as employees become disillusioned with the new culture; "It's not what I was expecting..." tends to be an oft heard remark at that point.

Broadly, consolidation has meant a brief pause on some senior (CEO reporting) roles in the UK, although there are currently a number of key searches underway with organisations involved in a merger process as well as some senior appointments already having been made prior to the M&A completing.

I would suspect that Q1 and Q2 are likely to be busy periods for senior appointments as merger companies assess the capabilities of their people and as other organisations use new talent as an additional way to compete against their much larger counterparts.

However, the uncertainty of regulation continues to have an effect on the appetite of organisations in their appointment of senior employees and board members. As we know, 2014 and 2015 were the years that many organisations took the decision to pull back to regulated only territories and of course this had an impact on people and structures. I would expect this caution to remain in 2016 and for organisations to try and compete more effectively using their existing teams rather than by buying in new ideas and fresh perspectives with new people.

At this early stage of 2016, I would make the following estimations on what we are likely to see happen this year;

1. There will be a continued demand for commercially-minded but innovative proposition and product development experts. A mixture of industry experts



with the 'mind of a punter/player' and those from outside the sector who have identified ways of leveraging assets, brand and content to drive new products to acquire and retain customers.

2. We could see organisations jumping on the bandwagon of hiring Chief Digital Officers (CDO's), however if this person does not have a clear mandate or the company is not fully committed and the CDO is not fully supported, the hire will become nothing more than a figurehead who will serve as an internal ambassador. There must be some tangible commercial output attached to this individual or they are set up to fail.
3. The introduction of the Chief Marketing Technologist. Gartner predicts that by 2017, a company's chief marketing officer would be spending more on technology than its chief information officer would.

This isn't surprising as digital marketing and e-commerce replace traditional customer touchpoints. Online marketing budgets are expanding at double digit rates. Another recent Gartner study found that 67% of marketing departments plan to increase their spending on technology-related activities over the next two years.

With such a vast array of marketing software providers out there covering social media, apps, content management and CRM as well as bespoke platforms, the importance of choosing the right suppliers and aligning marketing technology with business goals should

not be understated. CMTs drive change to create competitive advantage – finding ways to use technology to create opportunities to acquire, retain and delight customers. They promote experimentation and in some cases, more-agile working practices across the marketing function.

I suspect that many CIOs in the gaming industry could well see themselves working alongside a CMT in 2016 within some of the larger operators.

4. Finally, I would suggest some potential targeting of talent from one or both of the following areas; Virtual Reality and eSports. As we know, some gambling operators have already started to develop VR related products and with the launch of VR headsets to consumers this year (whilst the hardware will obviously improve) operators could conceivably hire talent from this sector.

eSports continues to be a growing phenomenon. Some data suppliers to the sector already have a dedicated eSports business unit, supplying live feeds to bookmakers, eSports as a category itself for some bookmakers, is a top five 'sport' in terms of trading revenues. As eSports continues to gain popularity in Europe, this could be another area to watch.

It will be a fascinating year and a year in which our Betting and Gaming Practice is expanding into the worlds of social and mobile gaming as well as video gaming. We expect there to be significant overlap of all these sectors in the years ahead.



■ Contact

If you would like to discuss any aspect of this paper then we would be delighted to hear from you.



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