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Online KYC Study:
Can the UK industry
really add £1bn
from better KYC
and onboarding?

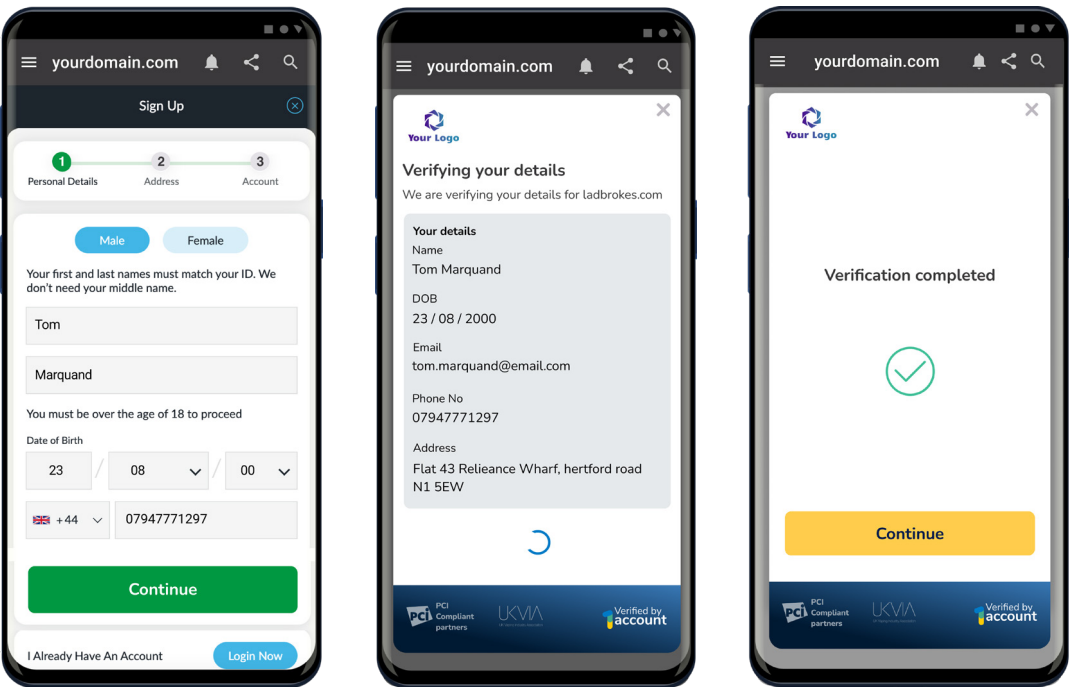
1. Study overview and company background

1account operate an award-winning player onboarding product suite comprising eKYC, IDV & Biometrics, AML screening, player affordability and more recently its Fast Registration solution.

The company is the market leading KYC provider in the UK for eCommerce sites selling age-restricted products and entered the gambling market in 2021 with an industry consultation: “Benefits and use of Digital ID in Gambling” which followed the appointment of two additional members of its advisory board; Ralph Topping, former CEO of William Hill of 14 years and Simon Bazalgette, the former CEO of The Jockey Club.

2023 sees 1account report on key findings from its first year of engagement with the industry that it believes will help the industry to drive better consumer engagement and significantly aid the bottom line of operators; specifically, a study into why players are lost at registration and KYC.

This study suggests that the UK gambling industry could be **losing more than £1bn** annually in failed player onboarding processes.



2. Executive summary: Ben Keirle (CEO)

The latest July 2022 revision to the *UKGC Industry Statistics* showcases an in-depth analysis of key performance indicators about the state of the UK gambling industry up to and including the year ending March 2021.

During the final 12 reported months where the country was in the main grip of the pandemic, it was no surprise to observe significant uplifts in betting turnover (£141bn) and GGY (£6.7bn), both growing YoY by +18% largely as a result of greater spending activity among punters during extended periods of lockdown/isolation. Additionally, with sports and sports stars both being affected by the pandemic, causing fewer sports bets available, casinos saw the largest annual increase.

With the growth the UK has seen over recent years, and GGY to turnover stable at just under 5%, it's also no surprise to see record levels of active licenses making the UK still one of the key strategic markets for operators the world over.

However, commentary from operators often suggests that due to the competitive nature of the market combined with ever-tightening regulation, means margins are slim. As a result, the industry has observed a shift toward more creative ways to engage audiences and drive bigger margins; brand partnerships, new product offerings such as new markets in sports, or new games in casino are now more commonplace than ever as operators try to win the hearts and minds of players.

This increase in choice has worked, be that choice of an operator or the aforementioned incentives offered to players. The UK industry saw a year-on-year increase of more than 10% in the number of new players creating a betting account with the total being a shade under 33m new accounts for the year.

Given 1account's position as an award-winning KYC/AML provider, in this paper, we take a brief look at the effect of player eligibility criteria and the role machine learning has to play in customer onboarding. The report not only reveals how operators can make simple and subtle changes resulting in happier player onboarding processes but ultimately the value of those changes to an operator's bottom line.

	2020 (£,000)	2021 (£,000)	YoY Growth
Betting Turnover (£m)	£119,683.00	£141,376.00	18%
Gross Gambling Yield (GGY) (£m)	£5,787.00	£6,850.00	18%
New account registrations (m)	29.9	32.9	10%

Source: UK Gambling Commission

3. The Study

Background

1account took a detailed look at over 4500 lines of KYC data from players who were seeking to register for a new betting account from one of five UK Licensed operators.

The five operators already had one of three incumbent KYC providers in place, none of them being 1account.

The data captured from the period February to June 2022, was of UK-based players providing name, address, postcode and date of birth.

Each operator was trying to achieve the basic onboarding requirements needed to accept a player to open and fund an account and be eligible to place their first bet. This is achieved by validating on at least one data source:

- First name, Last name, Address, Postcode and DOB

AND on a second data source either of:

- First name, Last name, address and postcode
- First Name, Last name and DOB

eKYC versus eIDVT explained

The above-described check, commonly referred to as a “2+2” to enable compliance with LCCP and AML guidelines issued by UKGC, operators typically attempt to achieve this by utilising eKYC based checks where real-time lookups to reliable data sources are conducted to validate a given player attribute such as if a player has a bank account and if the attributes provided during gambling account application, match the data held by said bank.

If the “2+2” is met successfully, the operator can choose to grant the player an account though it is worth mentioning that further checks are increasingly more commonplace as the industry continues to take its responsible gambling obligations ever more seriously. Indeed AML guidance suggests operators should conduct extended due diligence on players when reaching certain spend level thresholds.

If player attribute data cannot be matched on these data sources, alternative validation methods can be implemented. Typically this involves either a manual process where players send in ID or proof of address documents and more recently by using electronic identity verification technology (eIDVT) solutions; a method of submitting documents electronically.

The primary reason for eKYC use over eIDVT at the initial point of registration largely lies with the former having considerably less friction than the latter and the positive effect that has on registration success rates of applicants; abandonment rate of registration is vastly reduced if a consumer does not need to do anything more after they complete the registration form on an operators website or app.

Over millions of events, such as the 33m account registrations), any reduction in reduced friction in application journeys results in less abandonment of the registration process and therefore more players onboarded. This concept can be well compared with the eCommerce platform Shopify launching their own payment product SHOP where a consumer can pay and set delivery preferences on one site that operates using the Shopify platform, and then on a completely different site and business (but one that still sits on the Shopify platform), pay with the same card and use the same delivery preferences without having to re-enter information, the next time they buy.



This seamless user experience (UX) and focus on reducing bounce rates are especially important where operators are spending large amounts on customer acquisition, often hundreds of pounds per customer.

Operators have continued to innovate in registration UX and KYC companies continue to strive for better performance, so how much more can be achieved?

4. The Value of players lost

The UK gambling industry successfully onboarded almost 33m new players in the year ending March 2021. As these are successfully onboarded players, there will naturally be a significant number of players who applied for an account but were ultimately unsuccessful.

Industry averages put current successful 2+2 KYC rates via data sources (eKYC, not eIDVT) at around 81% meaning the successfully opened 33m new player account registrations came from well over 40m account applications.

Two completely separate departments, equal in their importance to an operator, have their legal obligations, targets and indeed fates, intertwined. To understand the total value of players who weren't able to be onboarded we need to look at the effect and dynamics of both.

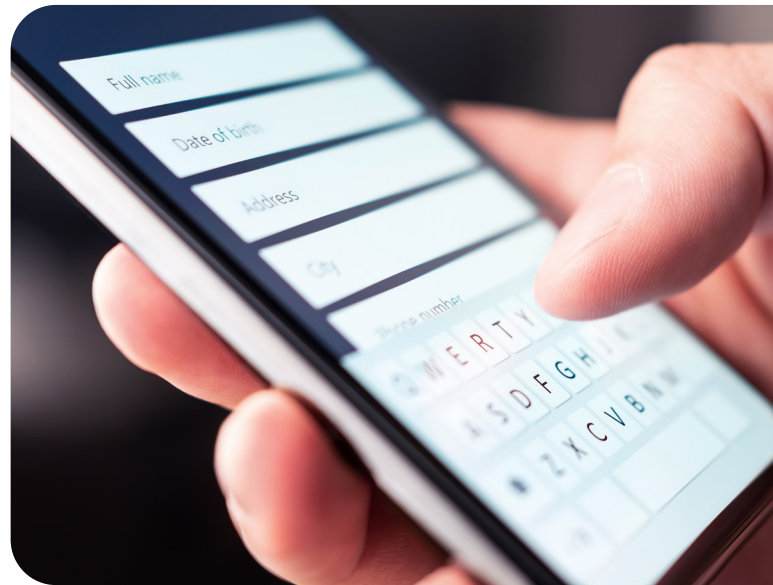
1. Marketing
2. KYC and Compliance

Despite KYC defining if a player is permitted to gamble with an operator, how often do the marketing and KYC teams come together to collaborate for mutual gain? Do executives of these departments in the board room understand how their fates are so closely interdependent? Are both departments incentivised to monitor and improve KPIs?

It would appear that KYC and compliance department heads ought to be targeted not only on the metric of ensuring players are brought in compliantly but that they should be continually striving to onboard more and more of them if they are eligible.

Marketing-based losses:

Dependant on operator goals at any given time, the product focus of a marketing campaign or desired player acquisition drive (sports vs casino or bingo vs poker for example), an operator will often spend on average, around £120 in marketing to acquire the player. Some operators seek a lower CPA, others higher.



Google Ads suggests a CPC (cost per click) price of £40* for the keywords “online casino” on its platform meaning an operator would need to successfully onboard one in every three players who click the ad.

If KYC could be improved to provide an additional 10% more successful applications, the industry would acquire more than 3m extra players for the same financial outlay. An increase of 10% would be an industry average increase from the previously stated 81% to 88%.

This has the knock-on effect of reducing CPA which in turn means a marketing team could afford to increase bid prices for traffic to buy more advertising or keep the reduced CPA amount and add it to the bottom line.

At an industry level, if every successful player were acquired at £120 CPA, buying 3m more players would cost some £360m. This could be achieved for “free” if onboarding rates were increased by this 10%.

Another way to look at it is a 10% saving on CPA for all new customers and thus added to the bottom line is also in excess of £300m.

Player value based losses:

Typical GGY of a UK player account is, on average £250 for the operator's players included in this study.

As in the above example, if improved KYC practices enabled an additional 10% of players onboarded, naturally we would observe GGY uplift generated by these additional players and their contribution.

At an industry level, we can calculate this very simply by multiplying the total uplift in new payers onboarded by the GGY: $£3m \times £250 = £750m$.

Summary:

Simply adding these two types of losses together shows that in excess of £1bn to the industry bottom line could be added if it can crack the code of failed player onboarding.

These are top-level examples, and some may say that an additional 10% on top of existing onboarding rates is not achievable.

This study suggests that 10% is achievable so if you're an operator reading this study you could ask yourself two questions to ascertain how much a 10% uplift is worth to your bottom line.

1. What is the value or impact to your department of such an increase in extra players onboarded for the same outlay?
2. What is better for you, more players at the same price, or reducing the company outlay on marketing for a given number of players?

* Source: Google Ads, 4th Sept 2022

Why are players lost at the point of KYC and what can operators do?

Of course, the above look only at players who complete the registration journey. Various market reports suggest on average that 4 in 10 people who start registration, never even complete it.

Imagine an operators ad campaign is set up on the usual channels, the marketing team have decided upon some clever creatives off the back of the brand partnerships team hooking up with a high street brand to develop a game the targeted players can relate to, and the CEO has sanctioned a multimillion pound spend at the targeted £120 CPA. What next?

We cover some simple and common examples below and while this is not an exhaustive list, it is almost guaranteed to increase player onboarding rates.

User input error

The first of two major reasons account for the majority of failed player onboarding checks in our test.

The user comes to the website and types part of their own information incorrectly. How does this happen? Do they have “fat finger syndrome” and are making typos, are they a foreigner residing in the UK whose home nation happens to put the month before the day in a DOB entry field, is it simply a user who’s recently bought the latest smartphone but is still getting used to the new keyboard?

These may sound like fringe cases only accounting for fractions of percentages but if we look at the Shopify example above, over millions of events, and at an industry level, the impact financially is non-trivial. Remember if industry onboarding success rates increased from 81% to 82%, for every extra 1% of players onboarded (330k) the value is worth almost £100m.

Our study showed that between 1% and 3% of players’ applications enter part or all of their date of birth incorrectly.

Example: In one operator’s case, of 100% of new account applicants, 1.19% of them got a match on

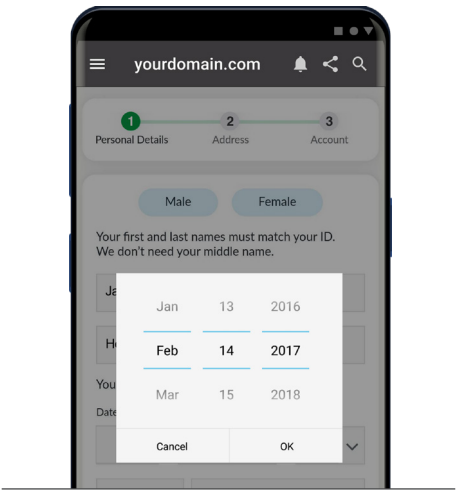
more than one data source for all of their KYC attributes EXCEPT part or all of their date of birth. The incumbent provider gave a “NO” response to the KYC check. 1account procured the correct date of birth for those users and in all cases, the full KYC response was achieved (2+2).

1account has observed a myriad of things operators can do or change to improve the eKYC onboarding rates.

1. Use OS native date pickers and improve UX functionality

Following the Shopify thought process, big tech businesses are turning to research in these areas as the value is great overall. This is why we have seen a shift in old UX of expecting a user to insert their DD MM YYYY as well as the forward-slash (/) that separates them, to intuitive UX that jumps from one number to the next as a field is completed. This evolved further still as studies found that certain devices such as mobile phones responded better to selecting a DD or a month as a three-letter acronym from a scroller which could be rolled down a screen (JAN, FEB, MAR and so on).

The point is, there is analytics now available for all interaction points and over a large enough data source, big tech is currently settling on something resembling the image shown.

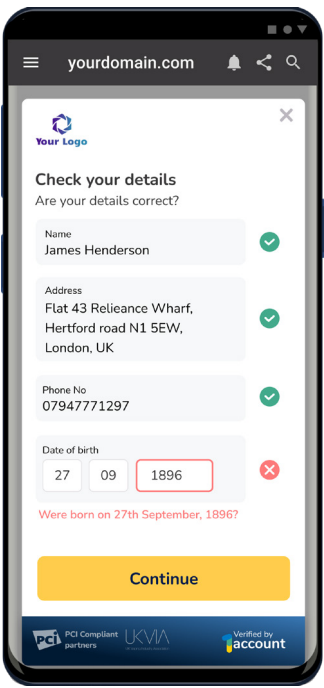


This won't completely eliminate the problem though researching thoroughly what kind of date picker UX works best for each device type accessing your site is an often overlooked area costing the industry millions of pounds, not to mention player dissatisfaction.

2. Ensure you’re reading KYC error responses from your provider effectively.

1account has taken its own data source integrations a step further than most by reading its own error responses from data sources and creating a user experience that is more engaging and important, providing the route of least friction to a resolution.

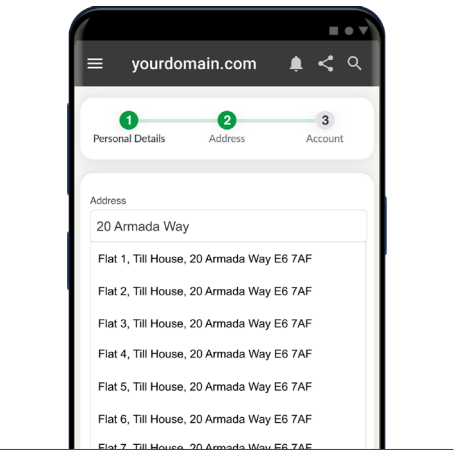
The image shown shows a user how we have managed to validate some player attributes and invited them to correct their date of birth. The alternative would be to send a “no response to the operator or send the user through a more friction-filled journey such as eIDVT.



3. Address lookup tools

A simple addition to any operator’s sign-up process but one that often provides a KYC provider with the attribute data in a format that can be easily parsed by the provider to its connected data sources.

There are numerous products to choose from, many of them free of charge and available as an API that can be easily integrated into registration forms.



User Not Found

The second of the two most common reasons for eKYC failure.

So you’ve sat with the Head of UX Design and ironed out the kinks in application forms to adopt the latest technologies. However, for eKYC checks to work, it must be possible to find player applicants’ attribute data on reliable data sources and many of the population aren’t on one or more of them and for varying reasons.

- In 2021, the UK had over 6 million residents with non-British nationality and 9.5 million residents not born in the UK.
- What number of the population are on the electoral roll, or registered and have an active credit file with lender data that can be used?
- How long does it take when a player changes their name or address, for a data source to update?

Remember, UKGC’s AML guidelines state that operators must validate attribute data on two data sources so be selective in your process of deciding on an eKYC partner.

1. Choose a KYC provider with multiple data sources to draw upon as they are more likely to get a hit than one with less. Multiple data sources also mean you’re more likely to get an up-to-date “hit” when a person changes a name or address.
2. Choosing the right types of data sources to validate specific components of the attribute data. Some data sources are better than others at validating name + address than just say, name + DOB. So select the sources wisely.
3. Many data sources enable multiple functionalities such as being able to not only ascertain a person exists with certain attribute data, but without using an ID document, validate that they are the person presenting themselves for the application in the first place and not a fraudster.

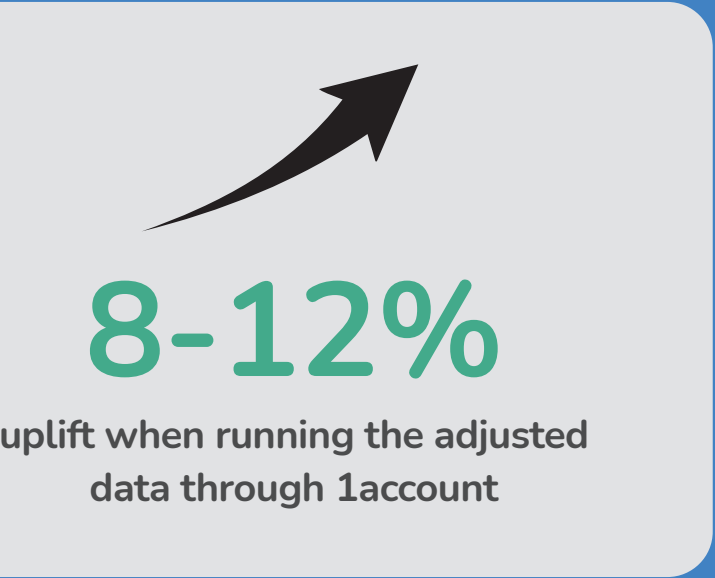
The Results

Purely looking at the above-mentioned suggestions in player registration and the clever use of multiple data sources' APIs, the uplift observed across the 5 operators' 4500 player applicants was marked.

On average, the operators saw an uplift of between 8% and 12% when running the adjusted data through the 1account system.

This means of the 40m+ player applications in the UK last year, operators would have onboarded in excess of 3m more players than they actually did.

The value of these players in GGY and marketing-based losses exceed £1 billion and that is a number every executive should be looking at in times when many factors impacting the bottom line are largely out of their hands. KYC and onboarding methods and processes are most certainly not.



What is the future of player onboarding

Player onboarding

At the time of writing, 1account has just completed a POC resulting in another operator taking on the use of its innovative product suite. This is largely on the basis of buy-in to the future and for increased player onboarding rates in the short term.

Many have opted for keeping their own registration pages, for now at least. Others have decided to enable 1account to complete all elements of player onboarding for them and take over the entire registration process. Given we are able to take the labour intensive and all-too-important tech resource need away from the operator with the latter solution, we expect to see KYC companies begin to evolve to become more focused on end-to-end player onboarding.

Digital Identities

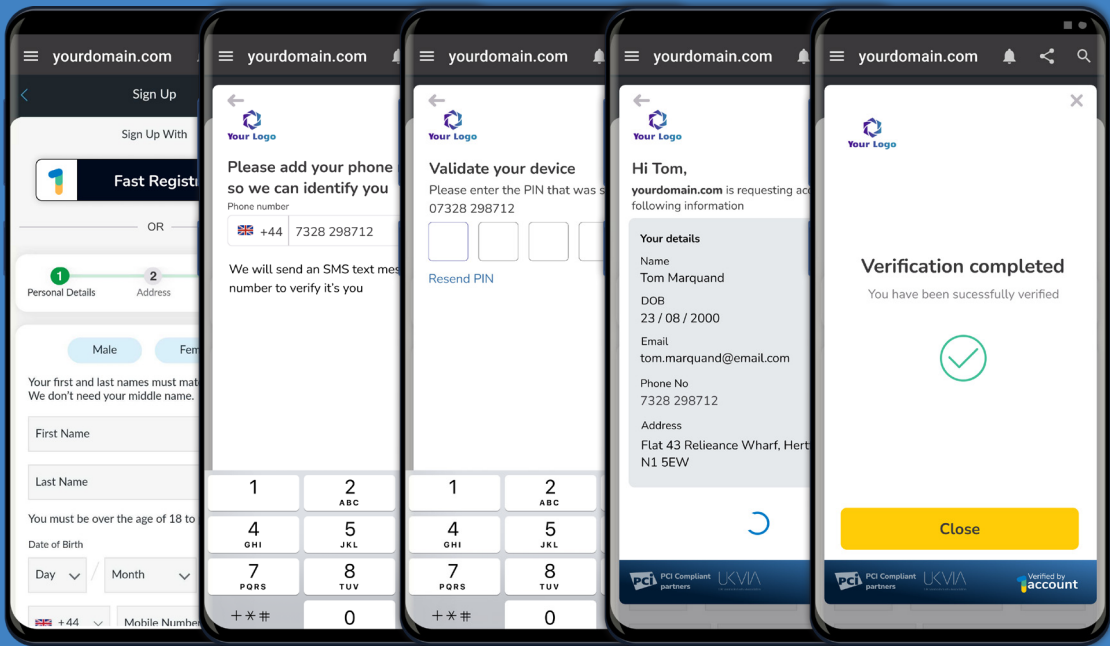
The company operates a smartphone-based Digital ID product which while it recognises will take time to succeed with (the app currently sees around 10k downloads per week), it has demonstrated that it is gaining traction such as the innovative approach it took to the Home Office sandbox trials for digital ID for the sale and purchase of alcohol in 2022, and the approval from Trading Standards, for its use in opening automated retail channels for age-restricted products like vape and alcohol.

Governments around the world are preparing their digital identity strategies, and private companies are using methods such as Open Banking to leverage both ID verification during registration and first-time deposit in a single transaction - something 1account has squarely in its crosshairs for the future.

Rapid registration

Until those technologies are adopted at scale, 1account believes the 5-10 year transition to those fully digital identities is likely to come in the form of a "light" identity product such as the one it currently seeks BETA partners for, Fast Registration.

Leveraging again the concept in eCommerce where consumers want things faster and faster every day, 1account has developed a product that enables all previously verified customers to call up their saved KYC attribute data held by the company, to pass to an operator during registration in a single click, resulting in zero input error and 100% compliance.





www.1account.net/business