

RWWA'S STRATEGIC AND OPERATIONAL REPORT



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A glance at our strategy...

SITUATION

RWWA's revenue in 2022 is significantly lower than in 2021

COMPLICATION

Total Turnover dropped across all three main customer segments

QUESTION

How can we increase customer engagement in betting while also identifying new market segments for RWWA?

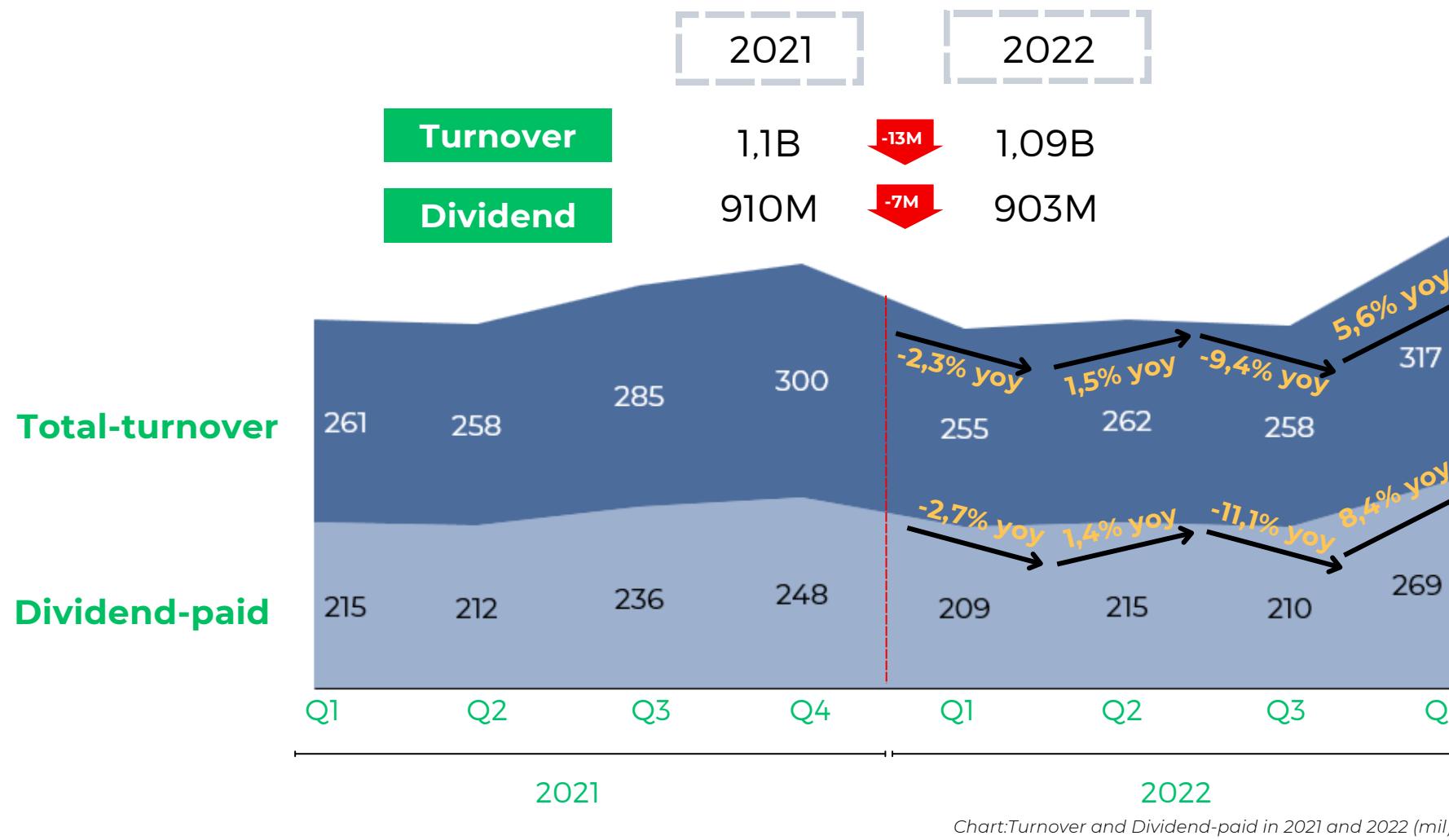
SOLUTIONS

- Try to engage **light customers** to increase frequency and return to betting
- Activate **middle-usage customers** to transfer to heavy customers
- Build long-term relationships and increase CLV with **heavy customers**
- Consider **E-sport** as a new betting segment

RWWA's revenue sharp **decrease in gross margin** due to the **increase in the cost of paying dividend paid to players** in 2021.

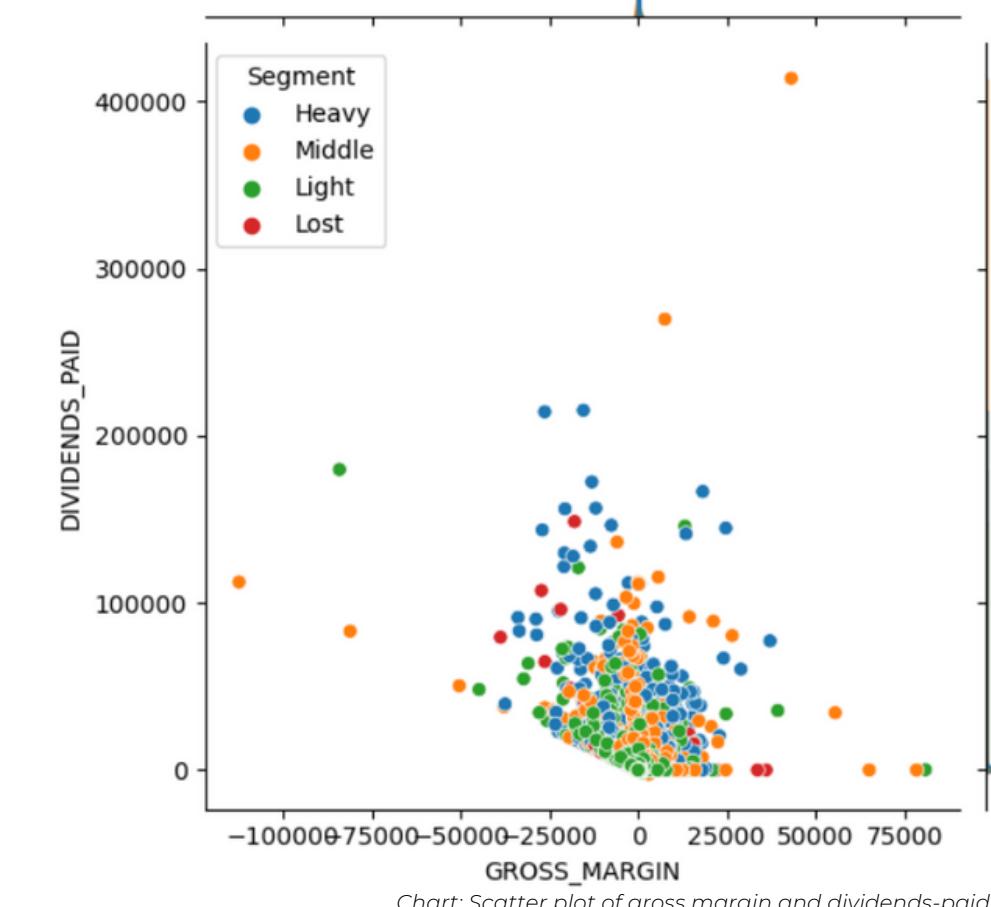
RWWA's Sale Performance 2021-2022

More bets, higher dividend-paid.....



- Total turnover of product categories after a **sharp decrease** ($107M \Rightarrow 78M$) in January 2022, has shown signs of strong recovery after July 2022 ($83M \Rightarrow 111M$)
- Similar to revenue, dividend paid also show a **signs of recovery** ($68M \Rightarrow 97M$) after a sharp decrease in January 2022 ($89M \Rightarrow 74M$).

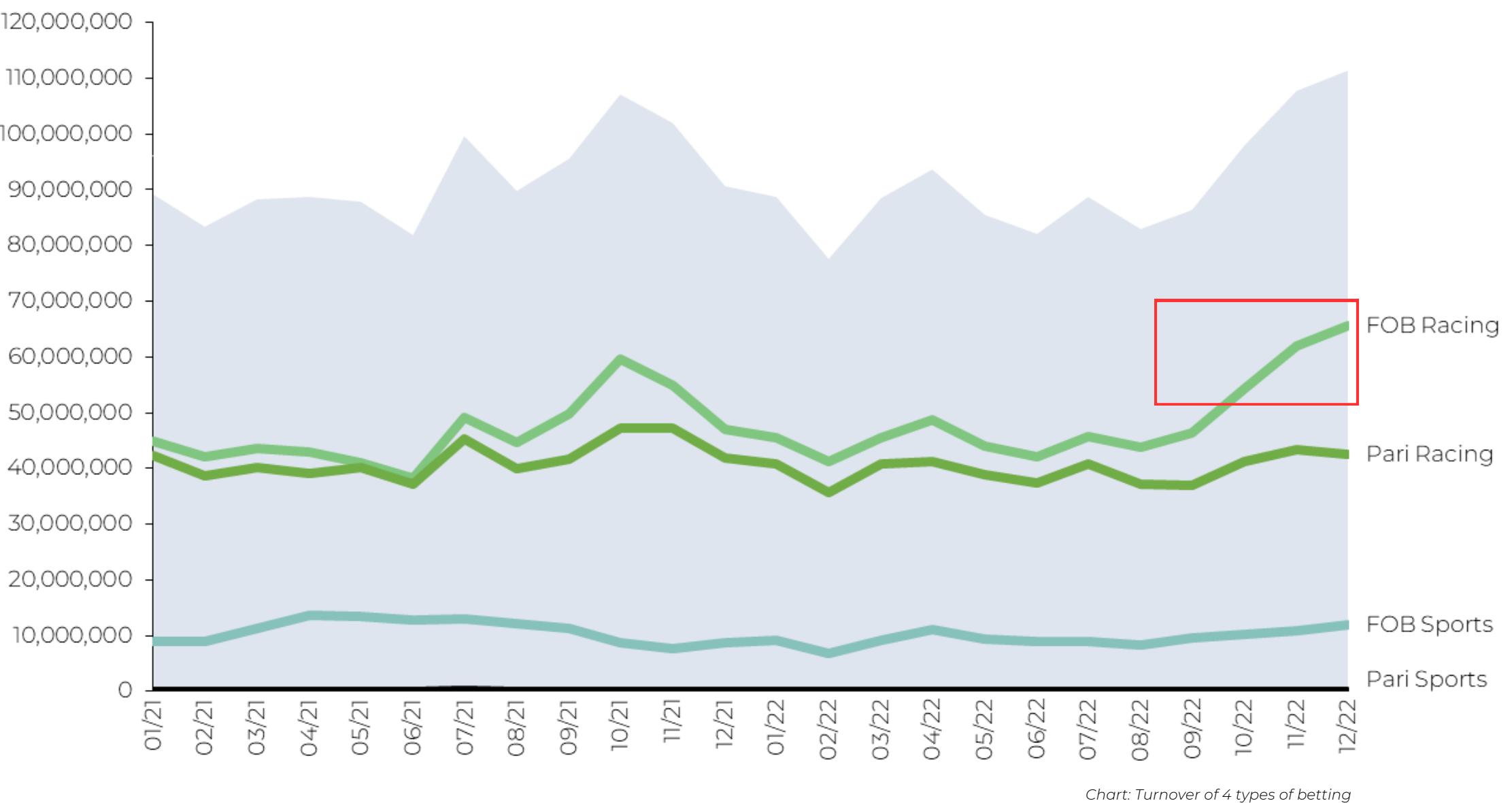
...but this comes with lower gross margin



- Even though the **total of turnovers** has **increased** recently but **gross margin tends to decrease** in the last quarters of 2022 ($15.3M \Rightarrow 12.4M$)
- This is because the dividend paid also shows a **sign of recovery** ($68M \Rightarrow 97M$), almost equal to total turnover ($83M \Rightarrow 111M$), this becomes a **burden** for the brand and causes the received gross margin to decrease.

**QUESTION 1: WHAT CAUSES THE
DECLINE IN RWWA'S REVENUE ?**

Total decline in 3 categories is higher than the growth of FOB Racing it-self



Racing bet is more favorable than sport bet

In general, users tend to **spend less** on sports-related products, sport revenue will **decrease** sharply by **12,44%** in 2022. On the contrary, betting on horse racing product categories **slightly increase** revenue by **0,22%** compared to 2021

Closely, FOB Racing is on the ride...

Specifically, FOB Racing is the **only product category** that shows signs of a **slight increase** compared to the 3 categories (CAGR **4.82%**) and increased % contribution from **46.88% ⇒ 49.72%**

...however, other 3 categories decrease in revenue

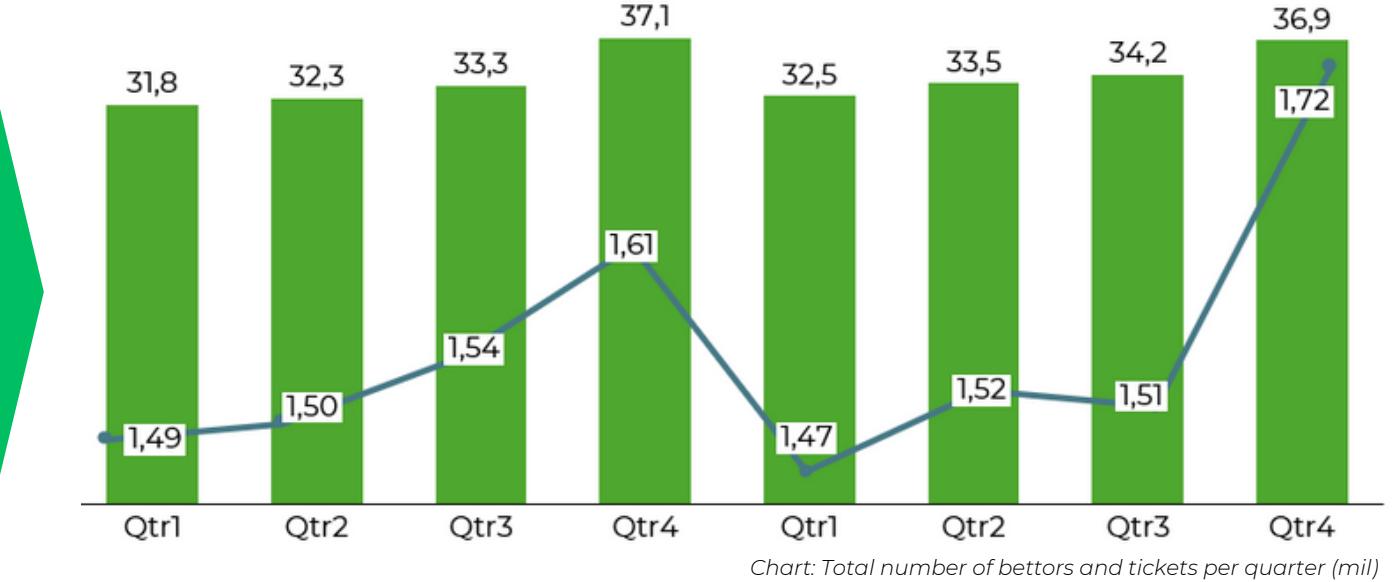
Pari Racing has a sharp **decline** in CAGR (-**4.89%**) and revenue contribution (**-1.59%**), both **FOB Sports** and **Pari Sport** also drop down **-12,44%** and **-11,01%** respectively compared to those of **2021**. All of them **contribute** to the **revenue** less than 2021 (11.02%→9.76%) causing the **total decline** in all categories to be **higher than** the growth of FOB Racing by **4.82%**.

Furthermore, **less betting per ticket** led to **lower revenue**, despite more people and tickets bet in 2022

Number of betting person still increasing

overtime

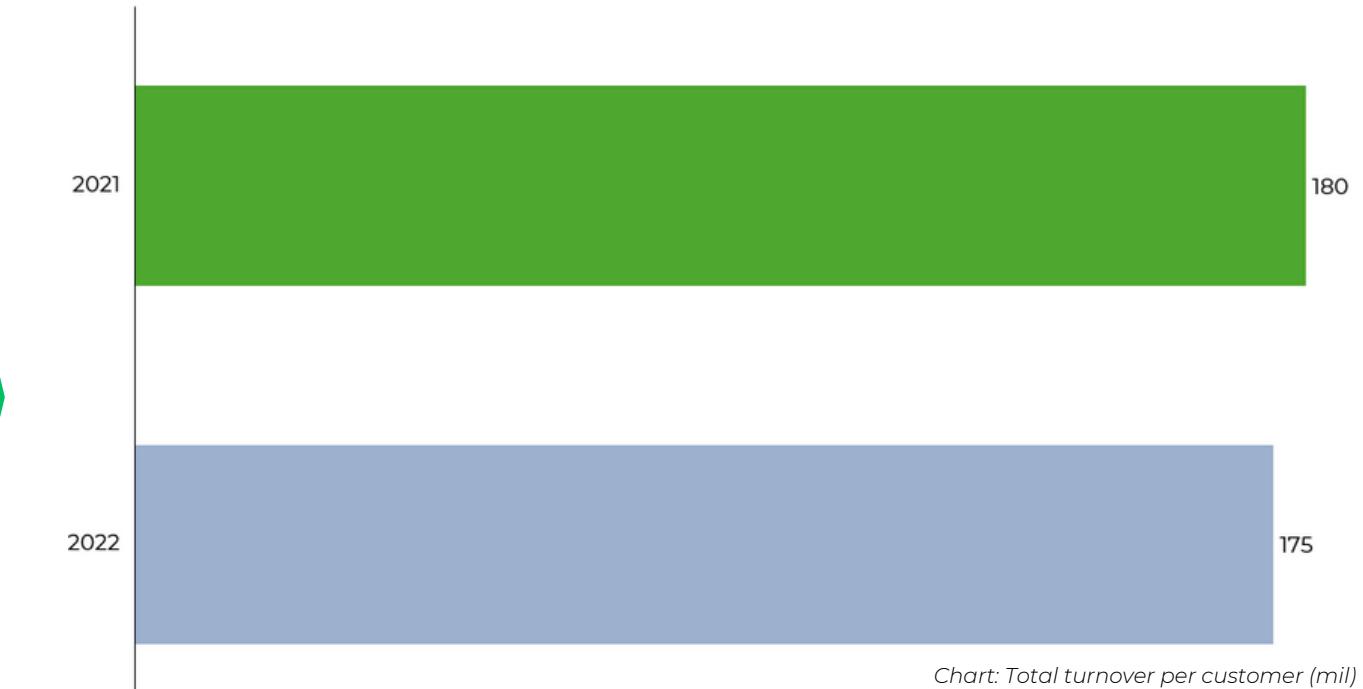
- The number of bettors shows signs of peaking in Qtr4 of each year (**37.1M in 2021 and 36.9M in 2022**) along with the number of tickets increasing at that time (**1.6M and 1.7M**).
- Although the number of people in each quarter is not much different, experiencing both growth and decline in fragmentation (**about 31.8 - 37.1**), the number of tickets in District 1 always drops to the bottom (**1.5M in 2021 and 2022**).



HOWEVER

Average turnover per customer decreased compared to 2021

- Gross margin has strong fluctuations, a sharp decrease in the months of January 2022 (**12.5M**) and Apr 2022 (**12.8M**), then tends to recover strongly in the following month.
- Total turnover **per customer** decreased and **average turnover** decline from **185M -> 175M** in 2022



**QUESTION 2: WHICH CUSTOMER
SEGMENTS ARE THE CAUSE OF
THE DECLINE IN SALES?**

Using K-means clustering, customer are segmented into 3 categories

Segment	Score	Recency	Frequency	Monetary	No. customers	Behavior	Name
Lost	0	267.391557	6.899587	1385.038606	12578	Customer files have been lost for a long time	Lost customer
Low value	1	77.345372	8.848448	1217.282743	34305		
Low value	2	16.153142	24.544872	3079.0308	40727	New customers with low spending and high frequency	Light customer
Middle value	3	4.814198	116.49898	13735.97493	18143		
Middle value	4	1.234169	248.242872	35323.94249	8733	Current customers with low spending and low recency	Middle-usage customer
High value	5	0.890928	277.253802	148069.0851	1907	Long-term customers contribute the most revenue and have the highest frequency	
High value	6	1.063158	285.768421	698319.6729	95		Heavy customer

Light consumers

Light customers accounts for **64.41%** of bettors, have the **lowest** average **frequency (16.69)** and average recency **(46.74)**, which proves that this is the most inactive customer

Middle-usage consumers

Middle-usage customers only accounts for **23.07%** of bettors but contributes **51.12%** to the **total revenue**, having a better average frequency **(65.87)** and a lower average recency **(3.02)** compared to those of Light customers

Heavy consumers

Heavy customers contributes **31.96%** to the **total revenue**, having the most average frequency **(281.51)** and the lowest recency customer **(0.97)**

In general, three customer segments still maintain **good retention rates** from 2021 - 2022

ALL CUSTOMERS IN GENERAL SHOW STRONG RETENTION

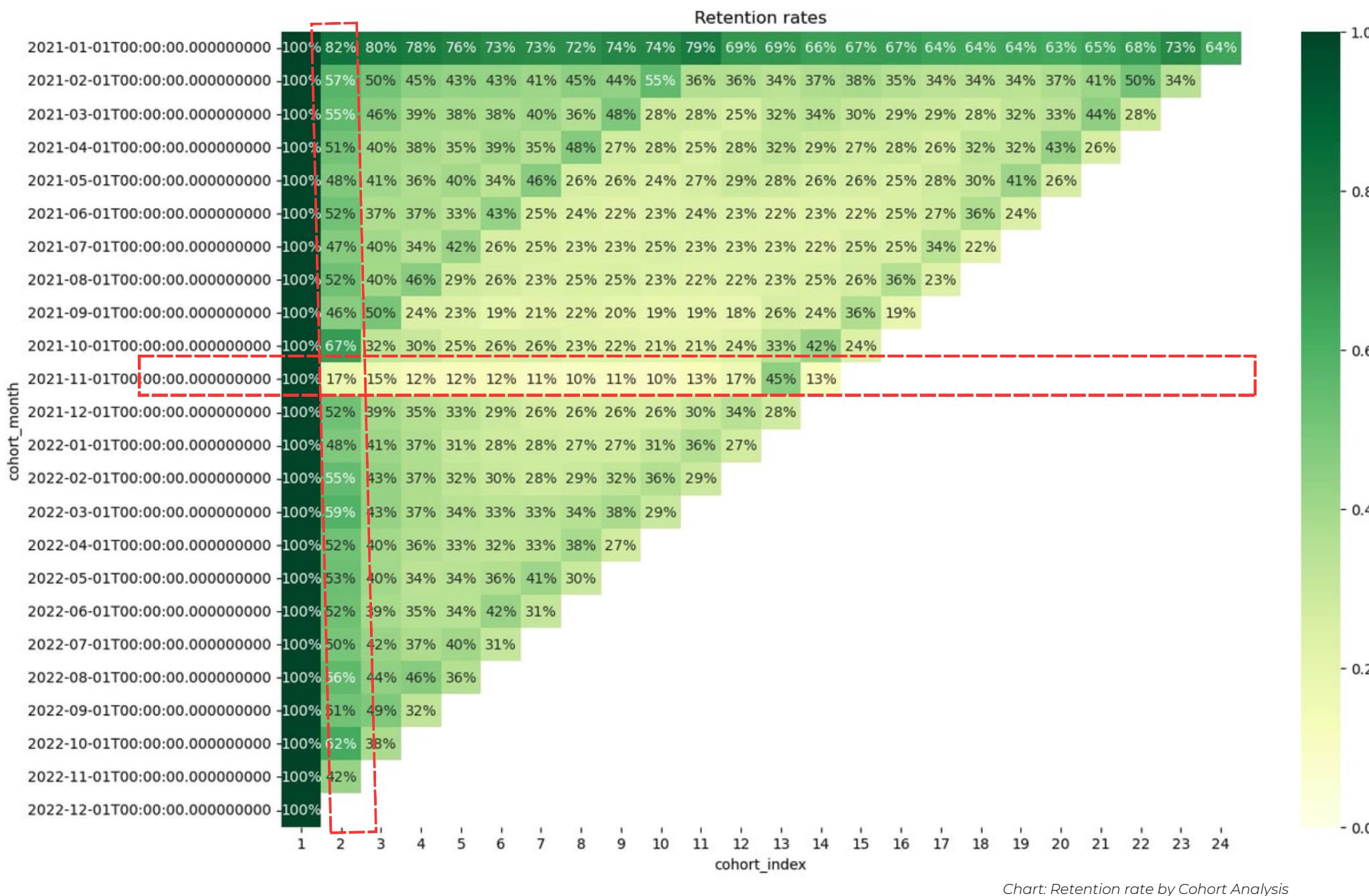


Chart: Retention rate by Cohort Analysis

- New Customers on **Month 1** have the highest retention rate with the smallest fluctuation (**up and down 2%**) with a median of **66%**, range (**64% ⇒ 82%**)
- However, when it comes to new customers on **Month 2**, the **retention rate** tends to decrease **by half** (**100% ⇒ 57%**) and fluctuates **slightly**, ranging from **34% ⇒ 57%**
- The **retention rate** of new customers in the **following days** shows signs of **maintaining sustainability** (retaining **55%** new customers on Month 3 and **51%** on Month 4)

JUST IN SOME SPECIAL TIMES, RETENTION RATES FLUCTUATE SIGNIFICANTLY.

- The **retention rate** of **new customers** on the **11th** month dropped to the bottom of **17%**, other days in this customer group also had a low retention rate, in the range (**10% ⇒ 17%**)
- November 2021 and 2022** have **high** retention rates in all customer groups, between (**42% ⇒ 79%**) in 2021 and (**42% ⇒ 73%**) in 2022.

However, Light customer **all performance** further **declined** in 2022 compared to 2021

More light customer but lower frequency and turnover...

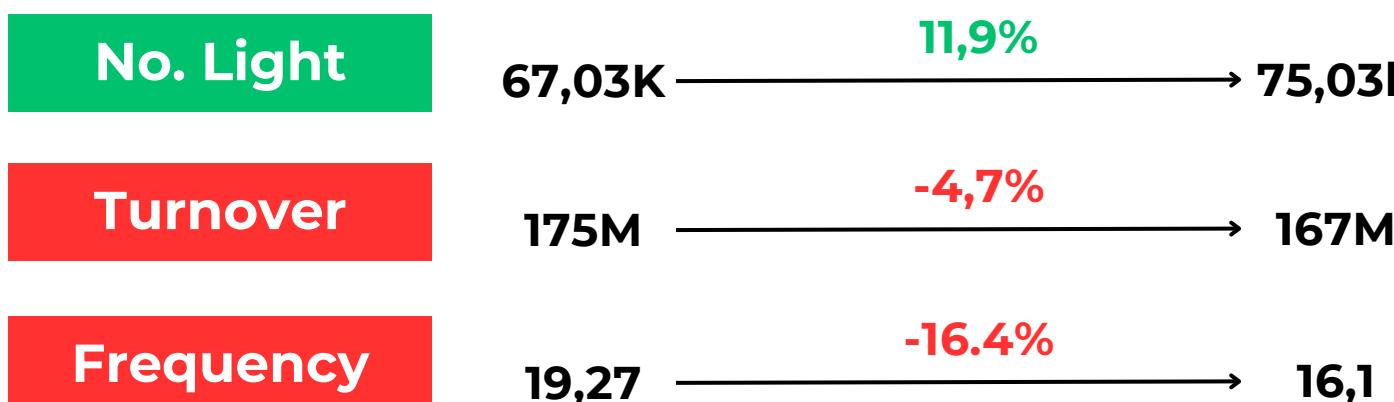


Chart: Light customers in 2021 and 2022

- There are **7998** more in total **light users** compared to **2021**, representing a **11.9% increase** in **light customers** from **new users**
- However, the **turnover** of this segment still **decreased 4,7%** and recorded a **lower** average **frequency**

So light customer turning into lost customer

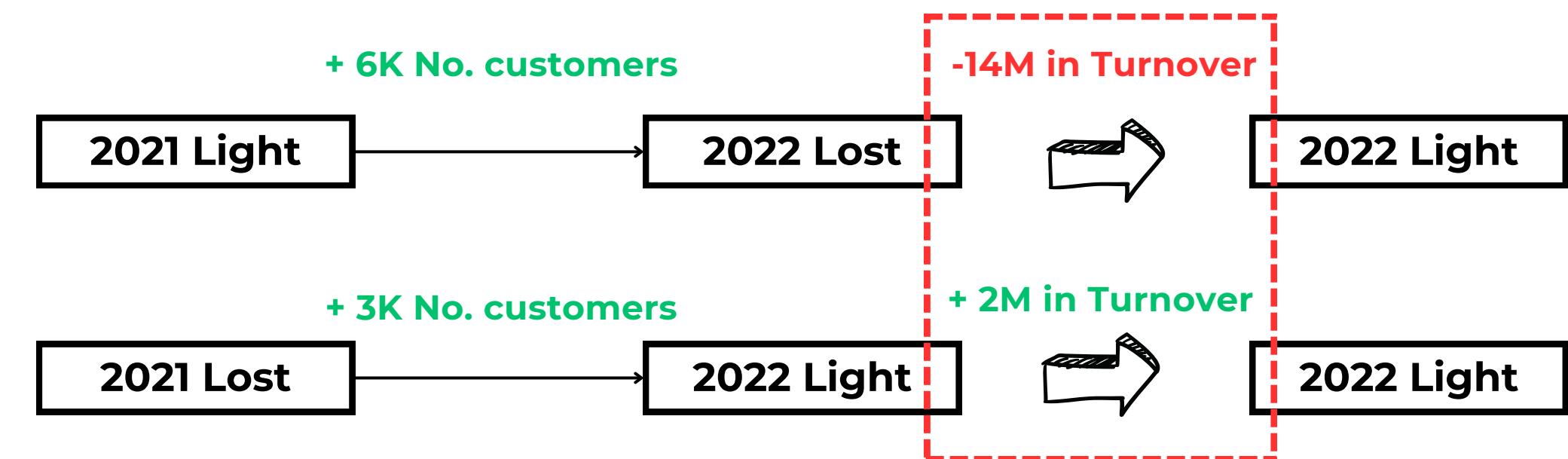
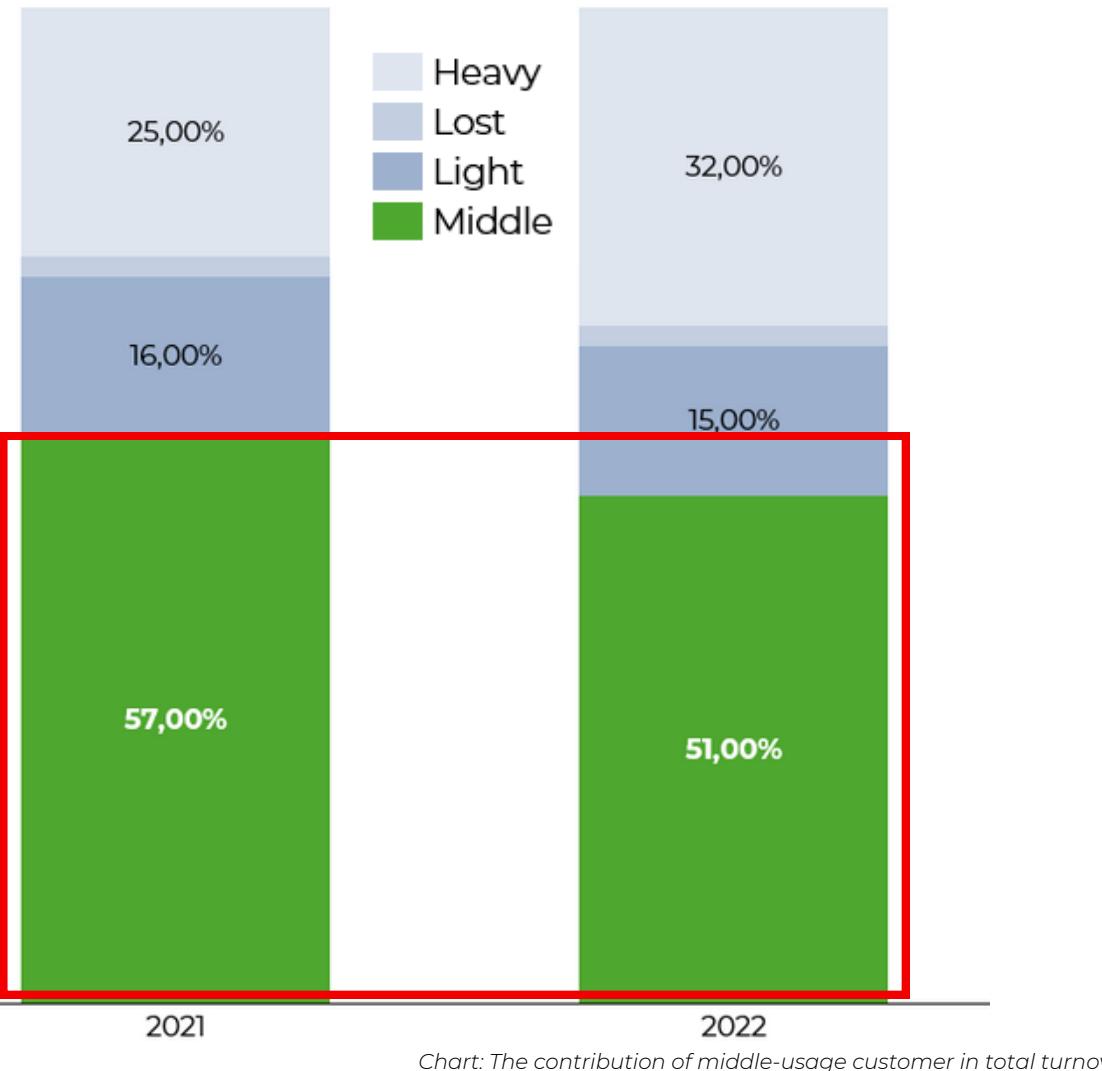


Chart: the transition from light customers to lost customers

- Moreover, **over half of customers** leaving the **2021 Light segment** ended up in the **2022 Lost segment**.
- **This change** resulted in a **net loss of over 14 million** for the **2022 Light segment**, with **only 2 million** recovered from **Lost segment** back into it.

Besides, there is a **significant drop** in total **turnover** of **Middle-usage customers** segments in 2022

While **Middle segment** still **contributes** the **most revenue**, this contribution has **decreased** in 2022...



Despite a **decrease** in their **share of total customers** from **12.30%** to **11.54%** in 2022, **Middle-usage** customers still contribute over half (**51.1%**) of the **total revenue**.

...This is due to a much **larger** outflow of **turnover** to **Low** and **Lost** segment...

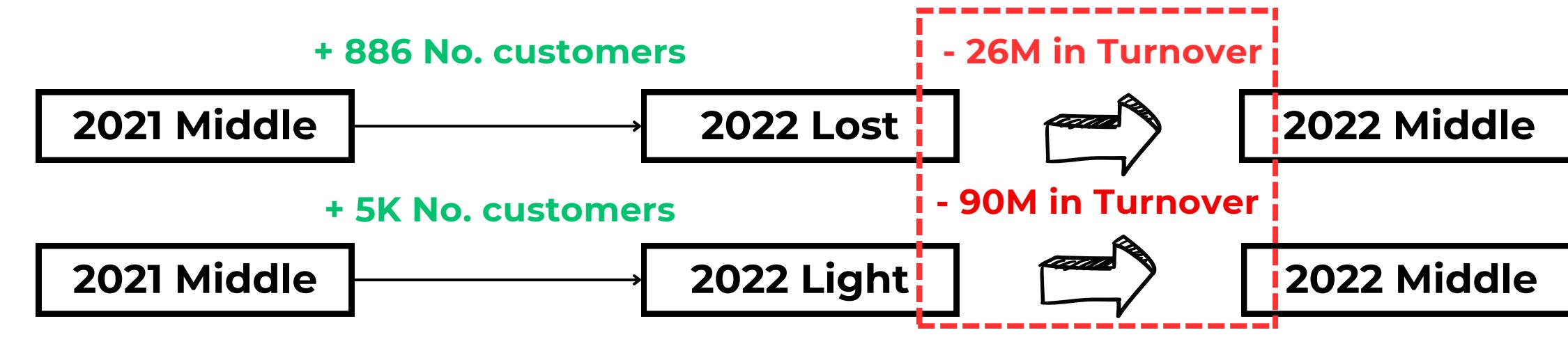


Chart: The transition from middle-usage customer to other segments

Despite only representing **18.5%** of the **2021 middle-usage segment**, departing **customers** accounted for **over 20%** of the **segment's total revenue**, highlighting a **potential** for significant **revenue decline** in this type if this trend **continues**.

....compared to the **inflow** from those types to **Middle**.



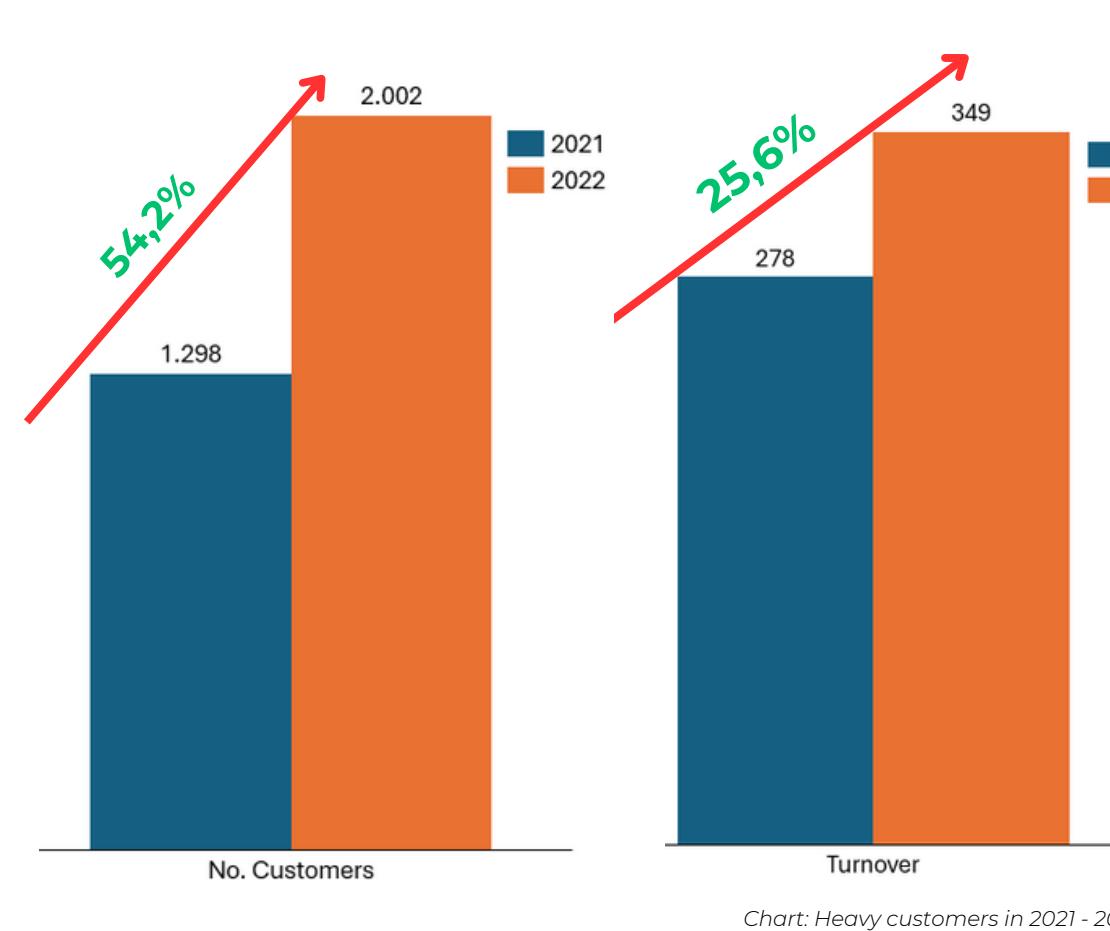
Chart: The transition from other segments to middle-usage customer

While **the change** in customer **numbers** across these segments is **minimal**, **middle-usage** customers' **revenue** in 2022 saw a **significant decline**, recovering only **21.25%** of the lost revenue, indicating a **significant revenue gap**.

Additionally, **lower betting behavior** of heavy customer allows other segments to **jump in easily**

While the Heavy segment is the only one showing growth in both revenue and customer base,....

....this is likely due to a **lower entry** threshold caused by a **decrease in Heavy's betting** activity.



- 2022 **Heavy users** showed an increase of **71,035,148.50** turnover bet on brand and the **number of people** increased by **947** people, mainly from **Middle-usage** customers.
- **Dividend/revenue (%)** return of heavy user **decreased** by **4.82%**, largely due to lower turnover per capita decreasing by **39743.82** and lower **-3.67** frequency

Total Turnover

↓ **-10.9%**

The average turnover of 2021 heavy customer files decreased from **213k** ⇒ **177k**, making the middle customer easily become heavy

Therefore, **2021 middle usage customers** do **not** bet **more to move up**, although **this segment** accounts for **43,7%** in **2022** heavy segment

Avg. Turnover

↓ **-10.9%**

Avg. Frequency

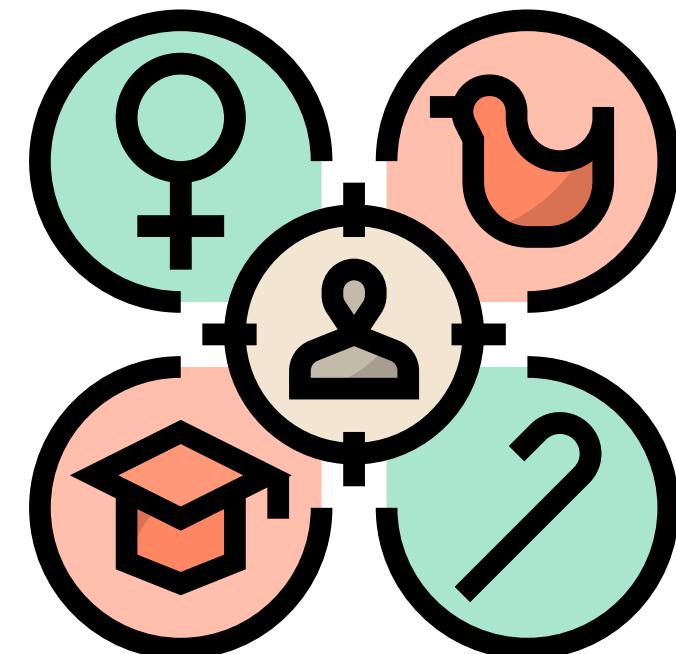
↓ **-0,19%**

2022 middle-usage customers show a decrease in both turnover (68.7M) and average transaction frequency (1.79).

QUESTION 3: HOW TO GAIN BACK THE FREQUENCY OF THE LIGHT AND MIDDLE-USAGE CUSTOMERS AND THE TURNOVER OF THE HEAVY USER?

The 3R strategy will solve all the challenges

REGAIN, RETAIN BY RETRUST



REGAIN

Makes new customers show signs of betting more

RETAIN

Encourage middle and heavy customers to bet more even if they bet less at a time

RETRUST

Customers to have faith that they can gain more than they lose

Retaining heavy customer group, converting the middle-usage customer group, engaging light customers

REGAIN

- Higher rewards when higher frequency
- Good customer support

RETRAIN

- Minimize the risk of losing
- Increase rewards when winning

Light customers

TRY TO ENGAGE LIGHT CUSTOMERS TO INCREASE FREQUENCY AND RETURN TO BETTING THROUGH:

- **The more frequency they bets, the higher the reward program**
 - Enter the voucher code to increase the reward by 5% when adding next times, 10% when betting 3 times, 12% when betting 4 times
- **Gamification with Loyalty points**
 - Offer bonus points for streaks (e.g. placing bets on 3 consecutive days)
- **Provide referral bonuses**
 - Both referrer and referee receive \$10 when the referee deposits and bets successfully

Middle-usage customers

ACTIVATE MIDDLE-USAGE CUSTOMER TO TRANSFER TO HEAVY CUSTOMERS THROUGH:

- **Launch of protection card**
 - High bet player protection card will refund 10% when losing, higher bet more refund the more loss fee
- **Offer deposit bonuses**
 - 50% match bonus up to \$1,000 for the first deposit.
 - 30% match bonus up to \$500 for the second deposit.
- **Organize betting tournaments**
 - Tournaments with prizes up to \$10,000.

Heavy customers

BUILD LONG-TERM RELATIONSHIPS AND INCREASE CLV THROUGH:

- **Increase rewards when winning in sport to boost sport betting**
 - The program gives extra 7% stakes when winning in sports categories
- **Provide VIP service**
 - Dedicated account manager.
 - Personalized betting offers.
 - 24/7 customer support.
- **Invite to join a VIP program**
 - Earn points for every bet placed.
 - Redeem points for rewards or bonuses.
 - Attend exclusive VIP events.

Which category RWWA should focus to expand?

Criteria

Horse racing

Harness racing

Sport

New product

% Revenue Contribution

Occupied 71% revenue

Occupied 21% revenue

Occupied 7% revenue

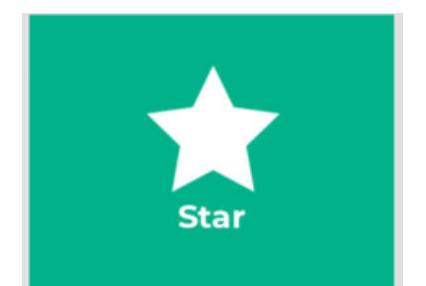
Growth rate

total turnover-increase **0.22%**

total turnover-increase **1.5%**

total turnover decreased **-12.44%**

BCG matrix



New product need to have a **higher growth rate and gross margin** to becoming a Star in RWWA

The Esports Betting is also a potential player in the Australia market

Esports betting is becoming increasingly integrated into mainstream gambling platforms

- Australia's growing **10%** interest in Esports Betting is evident in the rise of dedicated online platforms and the increasing number of tournaments and events nationwide.
- **40%** of consumers aged 18-24 in the Australia are interested in betting on esports

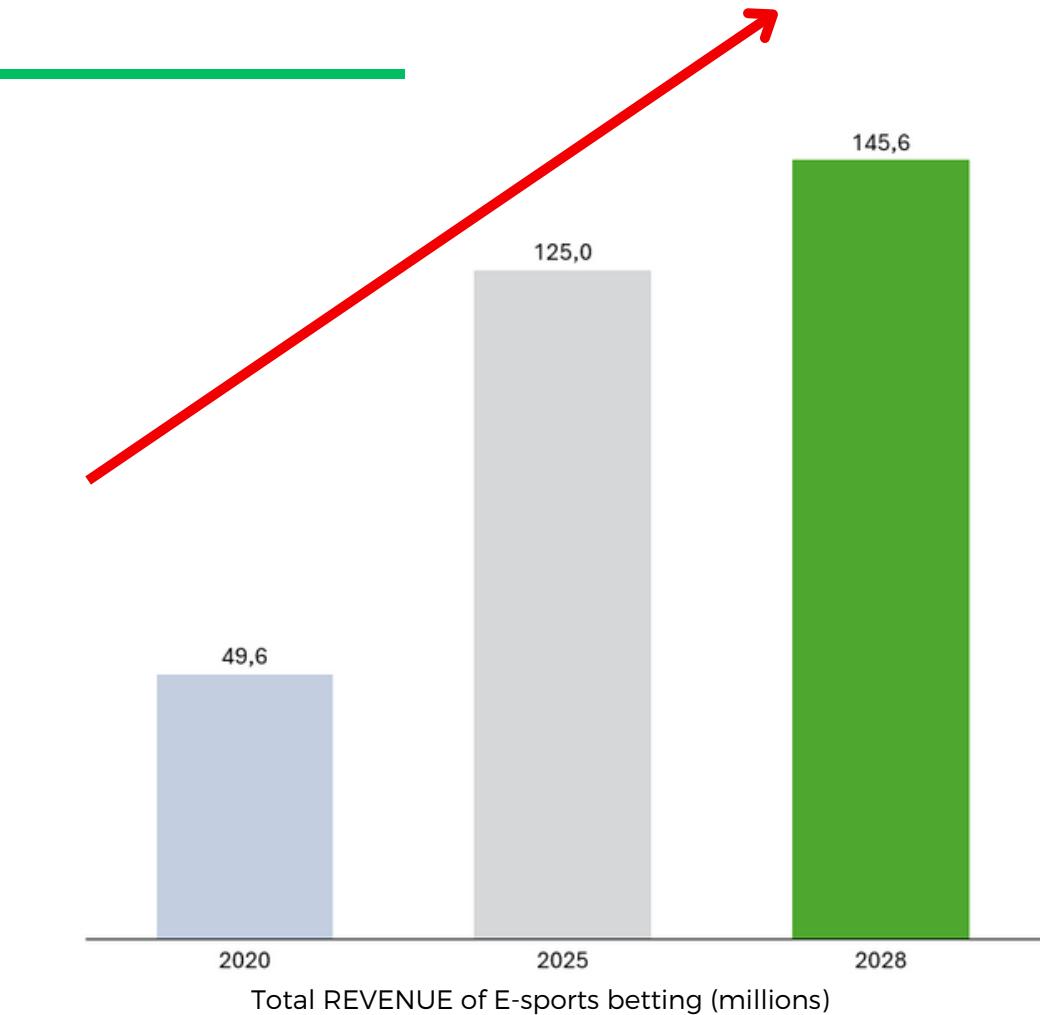


The Esports Betting

6.49%
an annual growth rate
(CAGR 2024-2028)

US\$113.2M
The projected revenue in the Esports Betting

US\$37.0
the average revenue per user (ARPU)

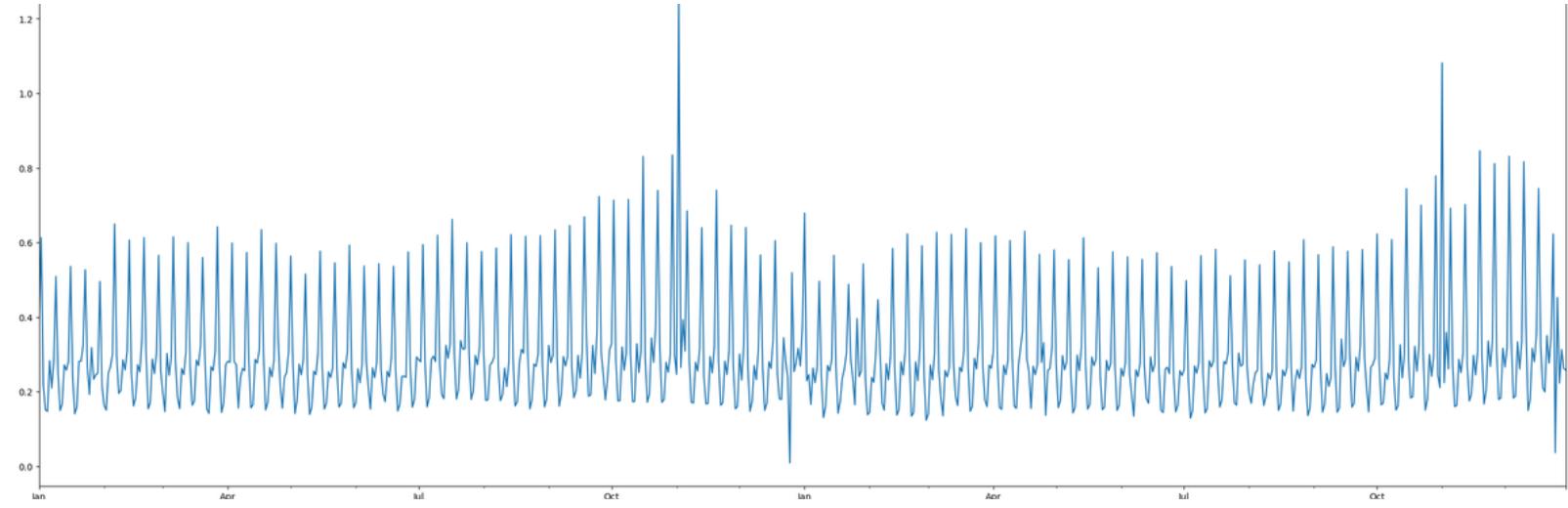


Esports' global gambling revenue doubled from \$49.6 billion in 2019 to \$145.6 billion in 2020.

The Esports Betting will be the most a suitable option for RWWA`s Star BCG Matrix

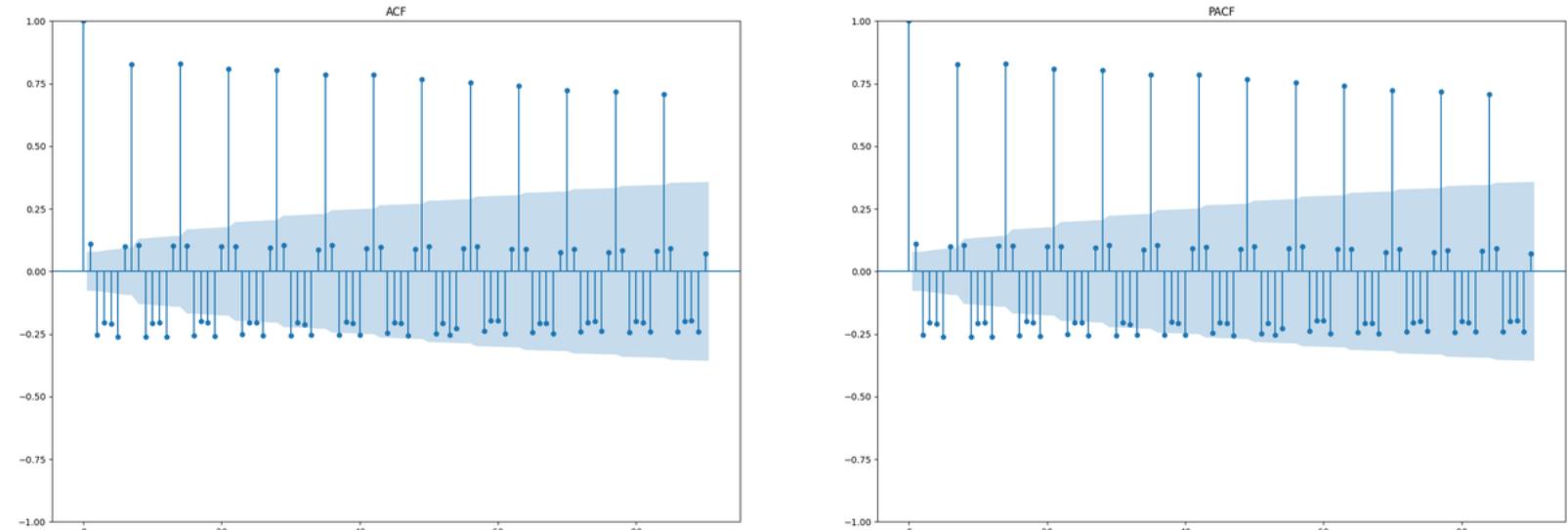
2023 SALES FORECAST

Time series of turnover in 2021 and 2022



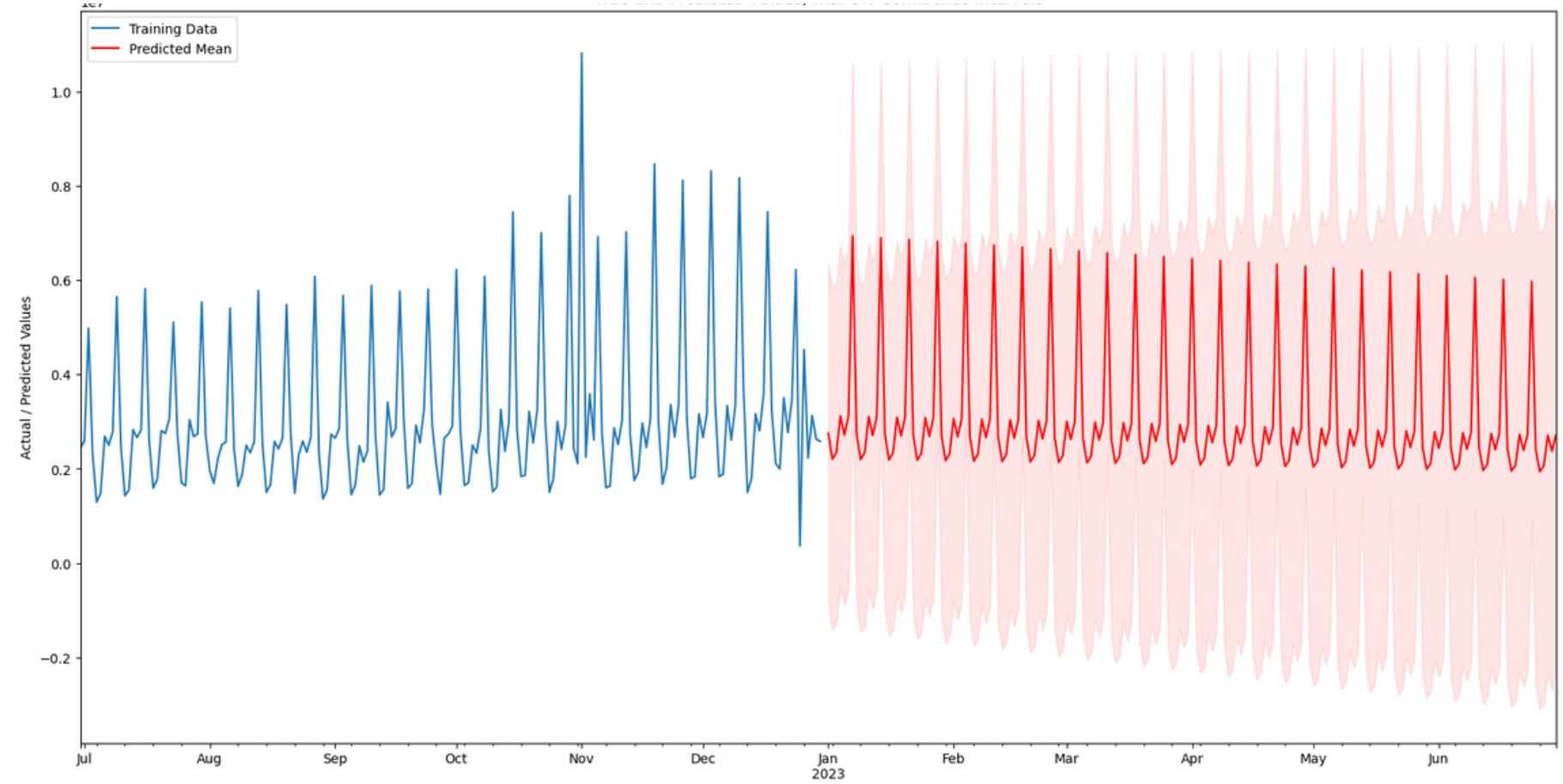
The turnover exhibits minimal variation between months, but significant increases only occurring in November each year. Overall, the data displays **seasonal patterns**.

ACF and PACF



The data shows autocorrelation at every 7 lag. Therefore, it makes sense given its **daily frequency** and the fact that **betting pattern repeats every week**.

The 2023 turnover is expected seasonally as in prior years



Forecasting Methodology

- SARIMAX model, $\text{SARIMAX}(p,d,q)(P,D,Q)m$, uses p,d,q for non-seasonal ARIMA parameters and P,D,Q for seasonal ones, with m as the seasonal period.
- ACF and DACF indicate modeling the seasonal component at **lag 7**
- **Lags 2 to 5** show negative correlation with **lag 0**, implying **an MA order of 5**. Also, with no decaying pattern observed, **the AR order is suggested to be 0**.
- Series stationary, no differencing needed, thus **d = 0**.
- Following condition-compliant model trials, **SARIMAX (1, 0, 1) (1, 0, 1, 7)** was chosen.

This strategy proposed is clarified by clear **implementation timeline, risk management** and **mitigation**.....

