



REALIZING THE AMERICAN DREAM

A REPORT BY

Betting
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UNDERSTANDING THE EXISTING LEGAL SPORTS BETTING MARKET AND HOW THE INDUSTRY CAN UNLOCK ITS FUTURE POTENTIAL



The US sports betting industry will celebrate the third anniversary of PASPA's repeal this year.

As of April 2021, 28 jurisdictions – 27 states plus Washington DC – have legal sports betting in some capacity and the pace of expansion shows no signs of slowing. Morgan Stanley estimates that 38 states will have legal sports betting by 2023, each with a unique regulatory structure and policy objectives.

The result is a rapidly evolving industry with no shortage of questions to consider and answer.

The impact of COVID-19 on the US will continue to affect operators, suppliers, and affiliates for months, if not years to come.

Educating players about black market operators remains a pivotal component to unlocking the US's full potential, with many offshore sports betting sites still operating without licenses.

Slowly but surely, the US is also advancing technologically. Operators face growing demands to diversify payment methods while suppliers develop innovative solutions to speed up the payment process.

Regulations are also ever-evolving.

Sports betting is on the horizon in Louisiana, Maryland and likely several other states, including what look set to be some of the country's biggest markets. Will populous states like California and Florida finally join the party over the next five years?

There is a growing emphasis on player safety and consumer protections in states with legal sports betting frameworks. Operators and affiliates must now contribute more than ever in this respect, and suppliers are tweaking their game mechanics to better protect players.

This is just a sampling of the complicated US sports betting landscape and the challenge operators, suppliers, regulators and affiliates are having to contend with. To get a better idea of how sports betting in the US is evolving, we spoke to those on the front line, gathering insights from some of the most important figures at the country's biggest operators, suppliers and regulatory agencies.

Each stakeholder shared their lessons learned to date and provided insights on the most significant challenges they continue to face in the US sports betting space.

EXPERT PANELLISTS



Patrick Eichner
Director of Communications
PointsBet



Simon Noble
Sportsbook Product Director
Champion Sports



Dave McDowell
CEO
FSB



Douglas Harbach
Director of Communications
Pennsylvania Gaming Control Board (PGCB)



Daniel Graetzer
CEO
Carousel Group



Joe Kustelski
Co-Founder
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Wes Burns
Editor-in-Chief
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THE CHALLENGES FACED BY THE US SPORTS BETTING INDUSTRY

As a developing market, US sports betting is dealing with what can best be described as teething problems – the unavoidable growing pains.

It would be easy to look over to Europe with envy and want to airdrop in one of the continent's successful models. But it's important to remember these are mature markets that already went through this process.

Instead, the US can learn lessons from Europe and use them to ensure the market reaches its full potential. But even more importantly, the industry needs to listen to US operators' current struggles and offer viable solutions.

Dave McDowell, FSB:

“In the rush to go live, many companies did an amazing job just to get the job done with what they had available. Legacy technology platforms that were built back in the dot.com era are a challenge to deploy locally in a cost-effective manner.

“The same holds true with managed trading services (MTS) businesses that were spun out of B2C operations, failing to deliver the flexibility and product differentiation required to stand out. A lack of supplier flexibility has been one of the biggest complaints that we hear.”

Patrick Eichner, PointsBet:

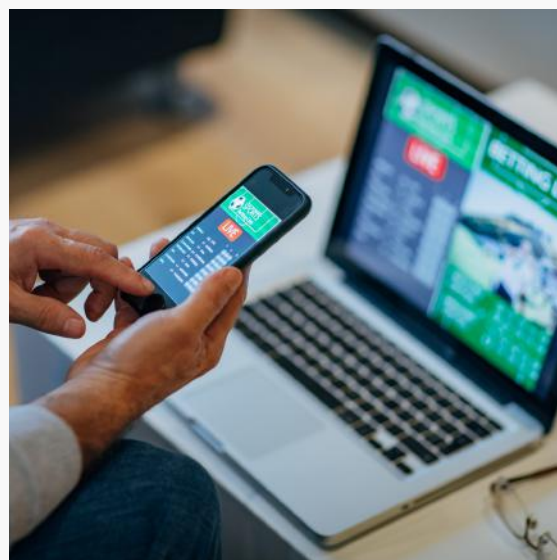
“From an operator's perspective, education has first and foremost been a challenge. This entire space is very, very new for the US consumer – with the exception of folks who might have experienced sports betting in Nevada.

“Education is a big obstacle in every state you launch. And it really plays itself out because sports betting is not a national opportunity; it's very much state-by-state. It's an entirely new process and each time you need to make tweaks to appeal to the consumer. It's always going to rear its head, too.”

Douglas Harbach, PGCB:

“With dozens of online sites, there needs to be an expectation by players that any site they visit and place a wager on has a uniform set of procedures. These must approve their processes for both play and payment.

“Players also want to know that they have options if something goes wrong. They want to know that they can come to the Gaming Control Board with any complaints they may have and have the confidence that these will be looked into.”



WHAT THE EXPERTS' INSIGHTS REVEAL:

- Education is essential in every regulated state. There have already been calls from further afield to better educate US sports bettors, with the American Gaming Association (AGA) being rather vocal on the matter. However, a one-size-fits-all approach to education will not work.
- Access to high-quality technology is still limited. Many operators are doing the best they can with what is available, but a technological revamp is needed to maximize US sports betting's potential. It would also appear that there is significant demand for high-quality B2B suppliers since many current services derive from legacy B2C operations.
- Strong state regulations are essential. They are crucial not only for ensuring that operators and affiliates comply with high standards but also for player protection. Players need to have confidence in state regulators that any complaints will be properly investigated and poor behavior addressed. Moreover, there needs to be an expectation that all websites that players can access are licensed and regulated.



With all the raising-and-spending going on in the US right now, it is no surprise that CPAs are very high. At Carousel we have a great team of digital marketers who continuously optimize every channel and I am very pleased with our progress on optimizing our blended CPA, which is almost an art form when you take into consideration the different player profiles and LTVs per channel. We are also continuing to make significant investment into our proprietary technology and UX in order to improve our ARPU and LTV, which will pay dividends long term.

Daniel Graetzer on the price of CPA



HOW CAN THESE CHALLENGES BE OVERCOME?

Three years down the line from the PASPA repeal, the industry's ongoing challenges are coming into focus and boil down to the two areas mentioned above: education and technology. Addressing these will take time and cooperation to get right.

Dave McDowell, FSB:

"Flexibility will be essential if the US sports betting market wants to continue growing in the long run.

"Right now, there are only two choices – a black-box MTS solution, or to hire your own team of traders and do it yourself. The first option does not give enough control to the operator and there aren't enough

experienced trading resources in the US market for everyone to run their own team, but those solutions will work for some operators.

"I recently gave a seminar on our hybrid trading solutions, where we showed how the FSB platform can be used to give full control over certain aspects of the sportsbook to the operator while we manage the long tail of sports content for them.

"For example, you may want to set all of your own lines for football and basketball, but don't want to touch the derivative in-play markets or other sports."

Patrick Eichner, PointsBet:

“Going into each state is a concerted effort across the board. We inundate ourselves in the local sporting culture to the biggest extent possible prior to launching.

“The consumer changes in behaviors and habits is an obstacle that you must think about before launching. There certainly is no one-size-fits-all approach for the US as a whole.

“Even bordering states like Illinois and Indiana are wildly different in terms of betting culture and sports fandom.

“We also try to be as authentic as possible. It’s important to speak to the local consumer and think about what they’ll care about.

“For example, an app in Illinois should be feeding Illinois clients. This means you’ll need to focus more on local teams they love like the Bulls, White Sox, Blackhawks and Cubs, and less on national sides like the Yankees and Lakers.”

Douglas Harbach, PGC B:

“We don’t have criminal jurisdictions on illegal gaming. This would fall under Pennsylvanian law enforcement, such as the state police or attorney general.

“However, awareness campaigns are something we could deliver. We haven’t yet undertaken any but are exploring options to launch a program of this kind.”

WHAT THE EXPERTS’ INSIGHT REVEALS:

- Operators, affiliates and suppliers eyeing US markets will increase their chances of success through proper research. Understand each state’s betting cultures, as well as the most popular teams in each sport. Once you know these, you can tweak your marketing tactics accordingly.
- Awareness campaigns can channel players towards regulated sites, especially when carried out in the early days of a state’s regulation. By working with regulators and direct competitors, operators can increase awareness and funnel players to legal sites.
- When partnering with suppliers, choosing one with flexibility is essential for operators’ long-term growth. Selecting a platform that gives you as much control as possible, along with various customization features, is extremely important as player attitudes and behaviors evolve over the coming years. Platform migrations will also be important in addressing technological challenges faced by operators.

TAKING RESPONSIBILITY FROM THE GET-GO

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Responsible gambling and safe gaming must be a driving force behind the legalization and regulation of sports betting across US states. While a big motivator is undoubtedly the tax revenues that can be unlocked, regulators and lawmakers must ensure that players are properly protected at all times. They must look to established markets such as the UK and how the importance of responsible gambling has changed over the years. Right now, the government is reviewing the Gambling Act and this will have huge implications for the entire industry both good and bad.

The US is in an enviable position in that it can set a higher standard from the get-go and operators, suppliers and affiliates can also self-regulate to some extent and take responsibility themselves for ensuring they are doing the absolute utmost to protect players.

This includes providing players with the tools to stay in control of their play – deposit limits, loss limits, session limits, the option to cool-off, etc – and to ensure they are properly educated around the risks that gambling can and does pose.

It is very early days for legal sports betting in the USA and it could be argued that the industry is in something of a honeymoon phase with bettors. But as we have seen in the UK and Europe, sentiment can and does change quickly and that is why it is so important to set the highest possible responsible gambling standards from the start.

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Simon Noble
Champion Sports

MARKETING IN A MARKET YET TO MATURE

As sports betting businesses increase their presence across the US, the importance of marketing as a part of their growth strategy will be laid bare.

Creating promotional content when a market is in its early days is not as simple as transferring successful marketing efforts from more mature gambling nations like the UK. In nascent markets, channeling players away from unregulated operators is a primary concern.

So, what has and hasn't worked for US sports betting companies so far?

Patrick Eichner, PointsBet:

“We've found that you need to be very strategic and deliberate with your spend.

For example, in some parts of New Jersey, your TV and radio money will spill over into New York.

In other areas, the coverage will spill into Pennsylvania. If you're not in all three states, achieving maximum return on investment can be challenging.

“In terms of the overall strategy, we're a newer brand. We're therefore part of that sleek, modern aesthetic and premium feel. We see ourselves first and foremost as a tech company; we just happen to be in the sports betting space. A lot of what we do is in the digital space as opposed to spending on billboards and so – though of course we still do this too.

“In the US, operators are learning the same lessons that operators in Europe have learned over the years and that is how to acquire customers effectively and also how to retain them.

“A lot of money is being spent on customer acquisition, but retaining customers is even more important. Marketing expertise, and critically the marketing tools you have at your disposal, will both play key roles in creating value for customers.”

Daniel Graetzer, Carousel Group:

“In theory, the path to success isn’t overly complicated. It’s about engaging sports bettors, educating them as to the products and services we offer and then incentivising them to sign up and bet with us over our rivals.

“The reality however is another story, especially when we are a new brand that US bettors are not familiar with and when going up against established land-based and very well-funded online titans.

“For us, it is a growth process that never ends as we will continue to be “new” in the market for many months, or years to come. This means we have to continue to ensure that we stand out from our rivals.

“We are doing this via our proprietary online and mobile sports betting platform which allows us to offer a huge range of odds and markets combined with bonuses that add genuine value.

“We are also leading the charge when it comes to customer support, with 24/7 voice and chat, and we have a smart and savvy marketing team that are doing a great job of building awareness in each state we target, starting with Colorado.

“As the competition is moving at lightning pace, we are doubling down on product this year, with a significant investment into growing our UX, product and development teams as we grow from a single state operator to a national, multi-state one.”

WHAT THE EXPERTS' INSIGHTS REVEAL:

- Customer acquisition is critical, but player retention is paramount for long-term sustainability and could prove more cost-effective than an acquisition-focused approach.
- Betting companies must be clever with their marketing spend and keep neighboring states in mind when marketing themselves.
- The operators that will succeed are the ones with a technological focus and emphasis on innovation and user-friendliness.

THE ODDS ARE CHANGING

Simon Noble, Champion Sports

“As the US market matures, player demands and preferences will change and this will be reflected in the odds and markets they expect to be offered by land-based and online sportsbooks. In-play betting is huge in the UK and Europe and I expect it to be just as popular in the US over time.

“American sports are perfect for in-play betting, and this combined with the reams of data that is available means that players will quickly come to expect these markets and odds, so long as the enabling legislation in each state allows for them to be offered remotely.

“I also think operators, suppliers and affiliates will need to educate players as to the different odds and markets available to them, especially when introducing new exciting formats such as in-play betting. A test and learn approach would be strongly advisable.”

KEY LESSONS THAT CAN BE LEARNED FROM THE US SPORTS BETTING MARKET SO FAR

Despite the challenges facing the US, there have been plenty of positives. One is the sheer amount players have wagered over the past three years, along with the rising number of states legalizing the vertical. So, what can we learn from states that have already regulated sports betting?

Douglas Harbach, PGCB:

“The market for sports betting is significant and in high demand. It would be foolish to think that we shouldn’t be as serious about sports betting as we are with casino gaming. “Just like casinos, sportsbooks must be tightly regulated to ensure that there is integrity in the system.”

Patrick Eichner, PointsBet:

“Some of the big daily fantasy sports operators had a head start in the US. Not only from their databases being built up before through these offerings, but also their brand name value. Being a well-known brand has given them both trust and capability, making it a little more difficult to begin with for international operators. “Sports fans in some states may never have heard of legacy gaming brands, which might be a little different compared to being over in Europe. DFS brands have been part of US sporting culture for a little longer than sportsbooks, which is something we had to deal with when launching in New Jersey. “Starting with zero brand awareness and having to prove our worth, when being the ninth or tenth operator in a crowded space, was a bit challenging.”

WHAT THE EXPERTS' INSIGHTS REVEAL:

- International operators entering the US market should understand their branding disadvantage compared to well-established sportsbooks and daily fantasy sports operators. They need to prove their worth and that they can be trusted. Foreign operators must also carry out extensive research each time they enter a new state to identify market gaps and understand player behaviors.
- Sports betting is by no means a flash in the pan. In regulated states, the vertical is just as popular as casino gaming. And in some cases, it’s even more popular. Regulators must therefore treat sports betting laws the same as they would with casino gaming and not underestimate the importance of maintaining market integrity.

THE ROLE OF MEDIA COMPANIES IN US SPORTS BETTING

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**Joe Kustelski,
Chalkline**

Media companies will play a critical role in the state-by-state rollout of sports betting in the US and the best ones will stay in their lane to deliver compelling content to betting-inclined fans.

First, media companies have the reach with betting-inclined sports fans. Many of these fans – 30 to 50 million of them, according to the American Gaming Association – will place their first legal sports bet over the next five years. Secondly, engagement is their game. Modern media companies are great at creating and distributing content. They’ll provide sports betting content through their channels and advertisers and sponsors that want to be associated with the new content.

Third, media companies can engage a range of betting segments: from sports fans to horse racing enthusiasts to online casino players. They do face similar challenges as any other affiliates to convert their audience into bettors.

Media companies probably won’t become great sports betting operators. Do they really want to compete with DraftKings or FanDuel? But they should be building their database of bettors that they can engage and monetize by delivering creative content and engagement, which is what they’re good at.

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UNTOLD POTENTIAL: THE REAL SIZE OF THE US SPORTS BETTING MARKET

So, now we know about what the US sports betting industry needs in order to evolve. But just how big can the US sports betting market become if we address the challenges faced?

Dave McDowell, FSB:

“I’ll leave the figures to the experts, but I think the US can be the largest regulated sports betting territory in the world. In order to achieve the potential, customers need to get a better experience and a fair price from regulated operators.

“The offshore competition does not have any gaming duty or licensing costs to pay, so they have a price advantage.

We have to beat the black market in order to achieve the potential and high taxation and poorly thought through regulations will be the biggest inhibitor.

“I think we need help from legislators on this front to open up more states, ensure mobile access is allowed and get casino content included in the regulations. I think a lot of operators are doing a fantastic job with the tools they have available.”

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THE ROLE OF AFFILIATES IN THE US SPORTS BETTING MARKET'S GROWTH

“At present, affiliates are playing an ever-increasing role in our acquisition efforts. Most affiliates are also relatively new into the market so they're also facing growth challenges, but they are doing a great job of educating players and building trust and confidence in SportsBetting.com. Players often search for information about online sportsbook brands through independent sites and this is why it is so important for us to work with a network of trusted affiliate partners.”

Daniel Graetzer
CEO, Carousel Group

Patrick Eichner, PointsBet:

“States are putting themselves in a position to be proactive with the sports betting market’s growth, rather than reactive.

“I think there’s always room to grow, and I think you’ll see that as more states come online and more consumers get a true feel for the space. In terms of the rollout thus far, states like New Jersey have set the light for others to follow with phenomenal frameworks in place.

“The space is going to change a lot as more players come into the fray, be it from the media end of things or prominent international operators that start to realize the sports betting opportunity.

“Moving forward, the inclusion of sports betting in local media is a good idea. One of the most beautiful things about this vertical is that you have so much data and analytics available. This data can either complement current takes and opinions, or shape future angles and visions.”

WHAT THE EXPERTS' INSIGHTS REVEAL:

- While the US sports betting market has done well in its early days, there is still room for improvement. Data can be used to form narratives, educate players and tell interesting stories.
- Storytelling will play a key role as the US sports betting industry matures. The US sports betting market is exceeding expectations and is still on the way up. Data can help form narratives, educate players, and tell stories through local media outlets.
- Until the black market is stamped out to a considerable extent, regulated operators and affiliates will always be at a disadvantage. Regulators must think about the big picture when putting together state laws and find a balance. Higher tax rates will deter the betting companies that play by the rules, and hand over more of the market to unregulated operators who bring nothing to state revenue – nor care about player safety.
- Gambling in general is still considered taboo across most of the world, and sports betting is no different in that respect. The perceptions of sports betting as a ‘dirty’ topic may take a while to shake off, and will need the involvement of everyone in the industry. But with better education, and as more consumers become accustomed to sports betting and the market spreads to more states, viewpoints about sports betting will slowly evolve for the better.

WES BURNS, BETTINGUSA, ON HOW AFFILIATES ARE EDUCATING PLAYERS

“The regulated US sports betting market actively incentivizes affiliates to educate players. Because licensed affiliates may not promote illegal offshore operators, it is in their interest to educate prospective gamblers on which betting sites are legal in each state.

“In this regard, affiliates serve the interests of the public, operators and themselves at the same time by providing accurate and timely information.

“Affiliates also have an obligation to promote gambling responsibly. The incentives for promoting responsible gambling are not as immediate, but affiliates who wish to avoid a UK-style crackdown on the online gambling industry should consider the longer-term benefits of educating players on setting limits, understanding the odds and treating gambling as a form of entertainment.”



CONCLUSION

Although US sports betting has grown significantly since PASPA was repealed, it's important to remember that the market is still in its early days. Sports betting in Europe, on the contrary, is well-established and players are better-accustomed to the activity. To expect the US to be at that level already, or even in the next few years, is unrealistic.

As the market grows in size, we must consider a broad variety of challenges. When it comes to regulation, striking a balance between protecting players and not deterring operators will be essential. Too light and the market will lose its integrity; too heavy and players will head to black market betting sites instead.

Naturally, the growing number of regulated states has led to increased competition amongst sportsbooks. This will only continue to rise in the future. Established US operators with past experience in DFS have an advantage, not only because of their pre-existing databases but also due to their strong brand names.

European operators entering the US must realize that their reputations across the Atlantic might not count for much in America. Getting their foot in the door will be a challenge, but at the same time isn't impossible. To enjoy success in the US, however, they will need to gain the trust of players and do their research.

As the US sports betting market grows in size, operators will also have an obligation to regulate themselves. It's important that they do not resort to irresponsible marketing or unfair practices to gain an upper hand, and they must also understand that trying to do this will actually work against them.

Finally, suppliers must solve the technological question facing many sportsbooks in the US. Operators have done well to launch, considering that a lot of gaming platforms are far behind the European standard. European gaming suppliers have begun moving over to the US and will likely improve the standard of technology available. They will also pave the way for US suppliers to improve their services. Ultimately, the US sports betting market has huge potential. Right now, we have only scratched the surface. Yes, there are teething problems – but this is to be expected from a market still in its infancy. As things continue to progress over the next five years and beyond, sports betting in the US will slowly mature and reach its potential of being the largest regulated gambling market in the world.

ABOUT BETTINGUSA.COM

BettingUSA.com was founded in 2013 by a team of experienced gambling consultants and regulatory analysts. We are a valuable resource to the retail and online gambling community and widely recognized as the first 50 state guide to legal online betting in the United States, several years before the repeal of PASPA.

Our foresight and dedication to providing current legal gambling news, state-specific regulatory updates and analysis of each market on a state by state basis make us a regularly cited source of information by news and industry publications.

Mike Murphy

Founder and President of BettingUSA.com

Mike has spent the last dozen years as a marketing consultant in the gaming industry and is a self-described player advocate. His player-first mindset led to the creation of BettingUSA.com when Mike noticed US bettors lacked a reputable source for news, information and honest reviews of the online gambling industry in the USA. Mike leads daily operations at BettingUSA.com and is often found at conferences or industry trade events, soaking up knowledge, networking with peers and contributing as a panelist or moderator during education sessions.

Wesley Burns

BettingUSA.com Lead Editor, Head of Reviews and Evergreen Content

Wes is the backbone of the BettingUSA.com site development team and has been with BettingUSA since its inception in 2013. Wes frequently works late nights and long hours updating and fact-checking reviews and state pages for accuracy. Wes brings more than ten years of experience in the gambling industry to the table, as an author, marketing affiliate and founder of gambling websites.

Steve Ruddock

Content Director and Lead Analyst

Steve brought his 20-plus years of experience in the gambling industry to BettingUSA.com when he joined the team full-time in 2019. Steve is a highly respected and oft-cited voice in the legal online gambling space, both for his knowledge and expertise, as well as his commitment to bring higher standards of responsible gambling to the industry. Steve moonlights as the Editor-in-Chief of Gaming Law Review, has appeared as a panelist and moderator at gaming industry conferences and events and been cited in industry and governmental white papers and reports.





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