



## Beyond the Margin: What Else Does Sports Betting Do for Your Casino?

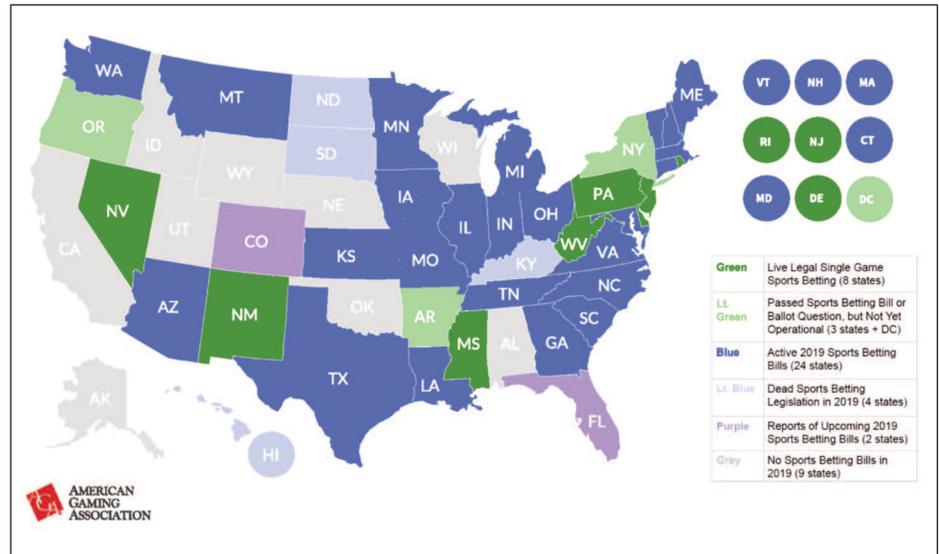
by Gene Johnson

At the 2019 NIGA Trade Show in San Diego, I moderated a panel on sports betting. The objective was to illustrate what added benefits sports betting can bring to the average casino beyond betting gross gaming revenue alone. Betting currently generates a tremendous amount of buzz and commentary both within the gaming industry and also in the nationwide media. CBS' *60 Minutes* recently aired a feature segment on sports betting, and every week we hear about another bill in state legislatures seeking to normalize the practice. At the beginning of April, there were eight states with active sports betting operations, three states that had passed enabling legislation but not yet initiated operations, and 24 states considering sports wagering bills in 2019. Legalized betting on sports certainly seems to be the gaming expansion trend in the U.S. post-PASPA.

At the same time we also hear cautionary tales from casino operators in these new markets voicing a more critical and realistic view that sports betting is a low-margin/high volatility business vertical that should be approached carefully. A speaker in a previous NIGA panel, Steve Bodmer, General Counsel for the Pechanga Tribal Government, characterized sports betting as "a marginal business enterprise with some amenity value," sums up the views of many Indian gaming operators.

In Nevada, the only legal market for single game wagering prior to the Supreme Court overturning PASPA last year, history has shown that betting is a low-margin, high volatility gaming product. Betting revenues hit all-time highs in Nevada last year as drop (handle) totaled just over \$5 billion and win rose to an all-time high of \$301 million. These figures document a win proportion or hold of 6.01 percent in 2018, historically a higher than average win percentage for Nevada sportsbooks.

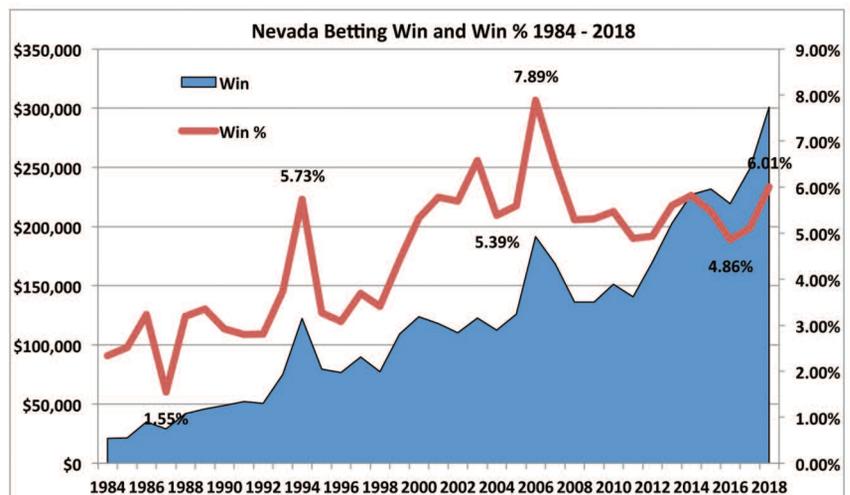
In New Jersey, the largest market outside Nevada and developing over the past nine full months, February statistics show that retail sportsbooks actually lost money as East Coast gamblers bet heavily on the favored New England Patriots in the Super Bowl and generally beat the house lines. Online revenue was positive with handle (drop) topping \$258 million, more than four times the volume generated by brick and mortar sportsbooks.



Despite this greater success, online win was only 5 percent of handle, fortifying the low-margin argument.

So why are so many U.S. states and tribal governments rushing to engage in this vertical? What is so attractive about sports betting when we know that the direct revenue is underwhelming, and at least one jurisdiction recently reported losing money on recent events? To answer these questions, we assembled a panel at the NIGA Trade Show and Conference that offered tremendous experience in sports betting, both domestically and internationally.

**Jay Kornegay**, Vice President of Race & Sports Operations at the Westgate LV Resort & Casino, the largest sports book in the world, spoke about the major impact of the sporting events



Sources: Nevada Gaming Commission, UNLV Center for Gaming Research

calendar on casino operations and how the sports book fills large room blocks as well as the bars and restaurants around major sporting events. His property has built the sports into their seasonal operational structure, staffing up for big events and managing the customer volume regularly brought in by the sportsbook.

**Vic Salerno**, a legendary Las Vegas authority on sports betting and President of US Bookmaking, spoke of the excitement that sporting events bring into the casino. Casinos are supposed to be fun and exciting places, but walking the floor in many casinos today often fails to reflect that charged air of excitement. A sportsbook on the other hand, is a lively addition to the casino floor with active video screens and often cheering fans. Vic illustrated many of his points with examples from his recent experience in bringing sports betting to a mid-sized Indian casino in New Mexico.

**Max Bischel**, U.S. Director for Kambi, a major sports betting platform provider, described his experience establishing sports books in new legal markets at New Jersey and Pennsylvania casinos where the sportsbook brings an added dimension to the gaming product offering that broadens the overall appeal of the casino as an entertainment focus and brings new patrons through the doors.

**Kresimir Spajic**, Senior Vice President, Online Gaming for Hard Rock, described the changes that sports betting has brought to the Atlantic City casino. New Jersey casinos have marketed around sporting events for more than forty years, but in the presence of live betting, these marketing programs are much more effective. He also shared the benefit of his experience in Europe where a more mature and developed betting market allows for higher win margins through mobile and in-game wagering. Kresimir also mentioned how mobile and Internet sports betting complements the Seminole's iGaming offerings in New Jersey, providing a positive correlation that generates additional revenue in both verticals.

All of the panelists spoke about the demographics reflected in the sports betting audience and how different this segment is from traditional casino customers. Jay Kornegay described the "frat boy" demographic observed during March Madness, and contrasted that with the more mature and more female Super Bowl audience. Max described the sports betting average customer as younger, more male, better educated and higher income than the typical casino customer in the Mid-Atlantic region.

Jay and Vic both testified that even with the tight win percentage, sports betting profit margins can be quite respectable, and risk can be minimized through betting volume. More importantly, these experienced operators claim that there is definitely crossover play from the sportsbook to the casino floor, sometimes as much as 30 percent, depending on the sporting event.

Perhaps the single most valuable nugget to come out of this

#### NJ RETAIL SPORTS BETTING REVENUE, FEBRUARY 2019

Operator	Handle	Revenue	Taxes Paid	YTD Total Revenue
Bally's	NA	(\$40,848)	\$1,611	\$236,370
Borgata	NA	(\$715,727)	(\$60,837)	\$635,564
Golden Nugget	NA	(\$159,289)	(\$13,539)	\$27,287
Ocean Resort Casino	NA	(\$280,656)	(\$25,073)	-\$14,287
Monmouth Park	NA	(\$501,873)	(\$42,686)	\$830,792
Meadowlands	NA	\$1,498,037	\$127,452	\$1,168,063
Harrah's	NA	(\$95,617)	(\$8,127)	\$20,615
Resorts AC	NA	\$142,846	\$12,142	\$242,636
Tropicana	NA	(\$69,030)	(\$5,912)	\$98,626
Hard Rock AC	NA	\$103,614	\$8,807	\$103,614
Totals	\$61,496,490	(\$118,543)	(\$6,162)	\$3,127,123

#### NJ ONLINE SPORTS BETTING REVENUE, FEBRUARY 2019

Operator	Handle	Revenue	Taxes Paid	YTD Total Revenue
Borgata / playMGM	NA	(\$40,265)	(\$5,235)	\$1,632
Tropicana / William Hill	NA	\$10,477	\$1,362	\$10,673
Golden Nugget / BetAmerica	NA	\$34,018	\$4,422	\$34,018
Hard Rock	NA	\$18,962	\$2,465	\$44,197
Bally's / 888 Sport / Caesars Sportsbook	NA	\$223,339	\$28,691	\$483,629
Ocean Resort / William Hill NJ	NA	\$1,026,073	\$116,911	\$2,312,249
Monmouth / William Hill NJ / SugarHouse Sportsbook	NA	\$1,276,182	\$179,526	\$2,448,162
Resorts / DraftKings Sportsbook / BetStars	NA	\$3,716,608	\$483,159	\$10,610,591
Meadowlands / FanDuel Sportsbook / PointsBet	NA	\$6,585,289	\$857,005	\$12,435,406
Totals	\$258,871,597	\$12,851,283	\$1,668,306	\$12,851,283

Sources: New Jersey Division of Gaming Enforcement, PlayNJ.com

discussion was an observation by Vic Salerno on a key difference between perceptions of losing between sports betting and casino gaming. "When a player loses in the casino, he is going to blame the house – the games are too tight or the dealer didn't lay down the card needed. When a player loses a sports wager, he or she is going to blame the team, the ref, the coach, that the quarterback didn't hit the receiver or that the guard missed the free-throw. There is no satisfaction deficit for the casino when sports bettors lose."

Questions from the audience at the end of the session clearly showed that NIGA attendees are approaching sports wagering cautiously, and paying careful attention to costs and risk management while continuing to remain aware of the opportunity to augment the casino entertainment offerings of Indian gaming. ♣

Gene Johnson is Executive Vice-President of Victor-Strategies. He can be reached by calling (609) 294-1100 or email [gene@victor-strategies.com](mailto:gene@victor-strategies.com).