

Plug into iGaming.

Plug into Paysafe:

All the ways players pay

How operators can win online
sports bettors in the US



Contents

Introduction	3
Part one: the impact of repealing PASPA	4
Assessing the size of the market	5
A role for European operators?	6
A case for mobile sports betting	7
Part two: the role of payments in player acquisition	10
Security is the greatest concern for online sports bettors	12
In a crowded market, more payment options is a differentiator	16
The impact of declined card transactions	18
About Paysafe	22
About our survey	23

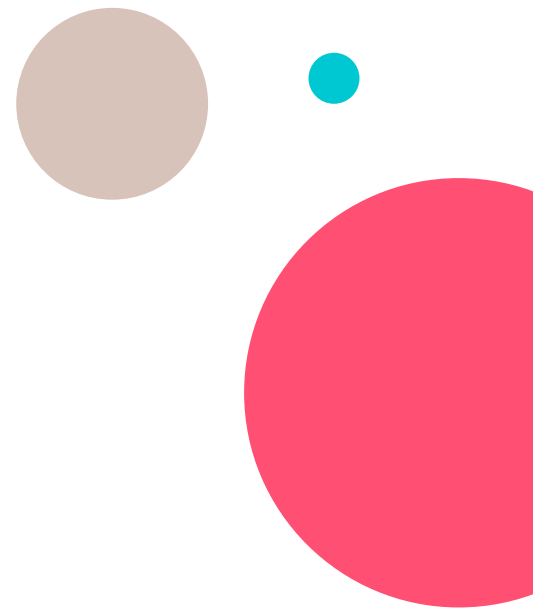
Introduction

The decision by the Supreme Court that the Professional and Amateur Sports Protection Act (PASPA) contravened the United States' 10th amendment made waves across the sports betting industry globally. The repeal of the act prohibiting state legislation on sports wagering opened the door to potentially the most lucrative sports betting market anywhere in the world; all eyes are now focused on where and how this new market will evolve in 2019 and beyond.

Unsurprisingly, European operators are intent on seizing this growth opportunity, but charting a course to success in the US is no easy task for any operator. A complex regulatory landscape and availability of licenses are just two of the issues that new entrants will have to navigate in order to launch and capture market share.

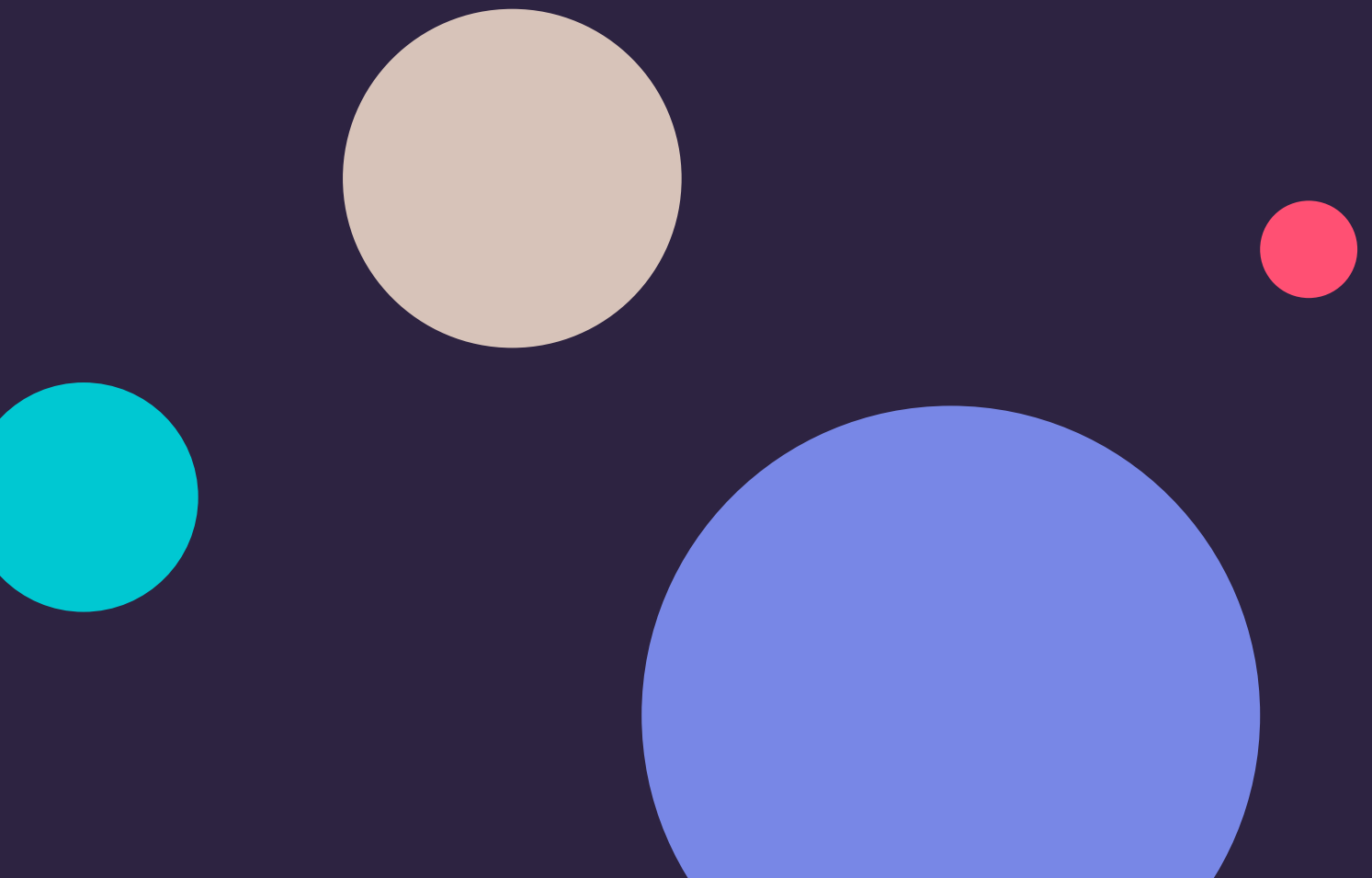
In this report we will examine the potential value of the US sports betting industry in the next five years, as well as the role that payments will play in differentiating operators, and in combating many of the obstacles operators will face.

One other hurdle that operators face is a lack of familiarity with the market, particularly the attitudes and preferences of US sports bettors. To better understand this group we commissioned an independent consumer study, and in this report we highlight our key takeaways from that research. We also interviewed a number of experts from across the US gaming landscape to hear their take on how the industry will develop.



Part one:

The impact of repealing PASPA



Assessing the size of the market

It's now been several months since the repeal of PASPA, and with only eight states including Nevada currently having passed state law to permit sports betting¹, you could be forgiven for assuming that some of the wind has been taken out of the industry's sails.

However, this is far from the case. Belief that the market is going to accelerate its growth in 2019 and beyond is unshakeable, and this is supported by the fact that there has been legislative activity in another 22 states, with Washington D.C. and New York leading the race to become the next state to pass a sports betting bill. Whilst the regulatory path individual states are taking is difficult to predict, some patterns are beginning to emerge, particularly centred on geographical hubs where states appear reluctant to lose ground to their neighbors.

Industry consensus is that momentum is building behind the opening of more state markets in the US, rather than falling away. Much of that confidence stems from a belief in consumer appetite for the product. The success of daily fantasy sports operators such as DraftKings and FanDuel has demonstrated a clear willingness to embrace wagering on sports in the US; both operators are valued over a billion dollars² due to the size of their player bases and research suggests there is heavy crossover between this audience and people that would place traditional sports betting wagers³.

Other indicators of the potential size of the US sports betting market include the estimated annual value of the bets taken in the US currently, which is believed to be in the range of \$50bn-60bn⁴, and comparisons to the UK sports betting market, where consumer appetite for sports betting and disposable income to do so is believed to be equitable.

While falling short of the \$150bn per year handle previously mooted⁵, this calculation suggests the size of the US sports betting market would be as large as \$67bn in bets taken today⁶, within the \$50bn-\$150bn range most commentators predict. This figure, combined with projection for growth, could drive operator revenue to \$5.2bn by 2023⁷, or even surpass \$6bn⁸, according to gambling research and consulting firm Eilers & Krejcik Gaming.

Operator revenue could surpass \$6bn by 2023, according to gambling research and consulting firm Eilers & Krejcik Gaming

¹ <https://stories.paysafe.com/news/us-sports-betting-regulation-state-by-state-which-states-have-regulated/>

² <https://www.legalsportsreport.com/3832/fanduel-or-draftkings/>

³ <https://www.legalsportsreport.com/21383/fsta-study-fantasy-sports-betting/>

⁴ <https://www.bloomberg.com/news/articles/2018-03-05/how-u-s-sports-betting-is-rampant-and-mostly-illegal-quicktake>

⁵ <https://www.americangaming.org/newsroom/press-releases/gaming-industry-urges-united-states-supreme-court-consider-failed>

⁶ <https://theconversation.com/market-for-illegal-sports-betting-in-us-is-not-really-a-150-billion-business-96618>

⁷ <https://gamblingcompliance.com/resource/us-sports-betting-market-be-world%E2%80%99s-biggest-2023-new-report-finds>

⁸ <https://www.sportsbusinessdaily.com/Journal/Issues/2018/04/16/World-Congress-of-Sports/Research.aspx>

A role for European operators?

With up to \$6bn in revenue on the table annually within the next five years, it is of little surprise that sports betting brands from across the globe are taking a close look at how, when, and where they want to enter the market.

Currently only incumbent land-based operators are being awarded licenses to offer sports betting in-person or online and this looks unlikely to change even as new markets open up; but online European operators should see the potential their established history and experience of running successful online platforms has in the market. This can be transformed into significant market share through partnerships with license-holding casinos.

And operators have begun to enter the market through partnerships, but each is taking its own approach to doing this, and at different paces. For example, William Hill was the first operator to take land-based bets in New Jersey⁹ and has continued rolling out partnerships with casinos in other states, with 888sport¹⁰, SG Digital¹¹, GVC¹², and Stars Group¹³ following suit.

DraftKings was actually the first operator to take an online sports bet in New Jersey¹⁴, through its DraftKings sportsbook app. Paysafe is the payment processor for DraftKings and facilitated those first bets.

Paddy Power Betfair, the largest online gambling company in the world by market cap, already had a sports betting market presence in the US through its horse racing exchange in New Jersey, but has further strengthened its position through the acquisition of FanDuel last year¹⁵.

A mobile sportsbook that is already live in New Jersey told us that it is well aware of what an attractive opportunity the US market presents for European operators.

“The US is going to be a very competitive marketplace; there are some great European operators that know the industry extremely well. They have the technology and the operational knowledge to be successful; the key is that they will have to find the right people to run the operation in the US and that is a challenge, because there aren’t many with the required experience.

“We are aware of who the top operators are in Europe, and the ones that can get a foothold in the industry will do well. Given the fact that there will be several states opening up online soon with competitive marketplaces there are big incentives for them to be here, if they are not here already.”

In January 2019 a new opinion was published reversing a 2011 Department of Justice (DoJ) opinion that the Wire Act only applied to sports betting, instead stating that the Wire Act applied to all forms of online gambling.

Following the 90 days’ grace period given to businesses by the DoJ, it may be several months before the full implications of the new opinion is known. Like most of the industry, we are eager to see the DOJ guidelines when they are released to see if they shed any further light on the Department’s position.

DraftKings took the first online sports bets in New Jersey, which were facilitated by Paysafe.

⁹ <https://www.williamhill.us/william-hill-announces-major-expansion-in-united-states/>

¹⁰ <https://totallygaming.com/news/betting/888-launches-sports-betting-new-jersey>

¹¹ <https://www.prnewswire.com/news-releases/caesars-entertainment-launches-sports-wagering-in-new-jersey-and-mississippi-300688197.html>

¹² <https://www.playusa.com/new-jersey-mobile-sports-betting-playmgm/>

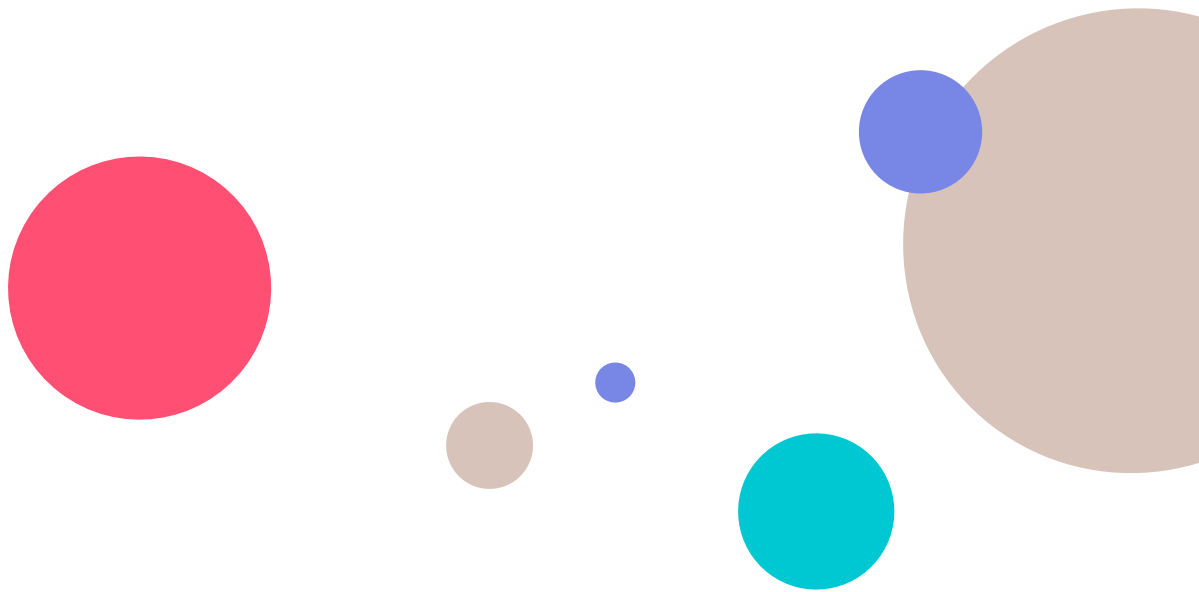
¹³ <https://www.prnewswire.com/news-releases/the-stars-group-launches-betstars-online-sports-betting-in-new-jersey-300712646.html>

¹⁴ <https://www.njonlinegambling.com/draftkings-first-online-sports-betting-new-jersey/>

¹⁵ <https://www.bbc.co.uk/news/business-44227222>

A case for mobile sports betting

Whilst legislative progress is being made with retail sports betting, additional legislation is still required to regulate mobile or online sports betting in many states. Currently only Nevada, New Jersey and West Virginia have live mobile sports betting platforms; Pennsylvania has also regulated online sports betting but no sites have launched yet.



One reason for a hesitance to regulate online sports betting is that legislation might not have the support of the casinos that are the principal license holders. In our research, we found that casinos generate extra traffic when they have a sportsbook, leading to more money spent in other areas of the casino floor. As one regional casino explained to us:

“The major positive [of launching a sportsbook] is traffic. In Las Vegas the casinos moved to a model where traffic is generated by entertainment, but for regional casinos the driver of traffic to the property and 90% of revenue is still slots. Sports betting will bring more traffic to regional casinos that offer it, and the hope for the casinos is once they have people that might have never visited a casino before through the doors those people will also play other games.”

This statement is echoed by a leading casino consultant in the US, who told us:

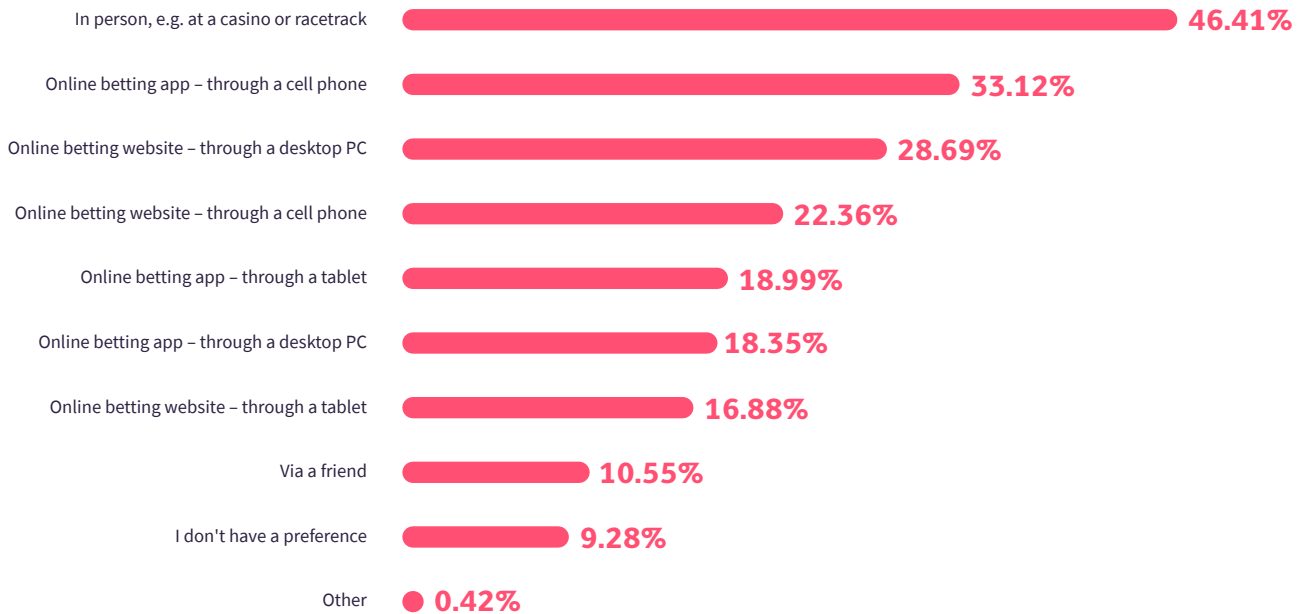
“4-5% of casino revenue in New Jersey comes from sportsbooks. However, casino revenue in New Jersey [since the regulation of sports betting] is up 16% percent. What that says is that people are on casino floors more; if it’s sports bettors or the people that come with them that stay on the casino floor for longer then sport betting becomes an amenity, similar to a bar or a restaurant, or specialized shopping.”

However, our consumer research strongly indicates that casinos would be missing out on a sizeable revenue opportunity by not supporting the legislation of online gambling. 65% of all participants in our consumer survey that were interested in placing a sports bets in the near future said that they would be interested in doing so online. 33% said that they would be interested in placing bets through a cell phone app specifically.

A case for mobile sports betting

How new players want to place bets

Percentage of potential gamblers who would like to make bets using the following methods:



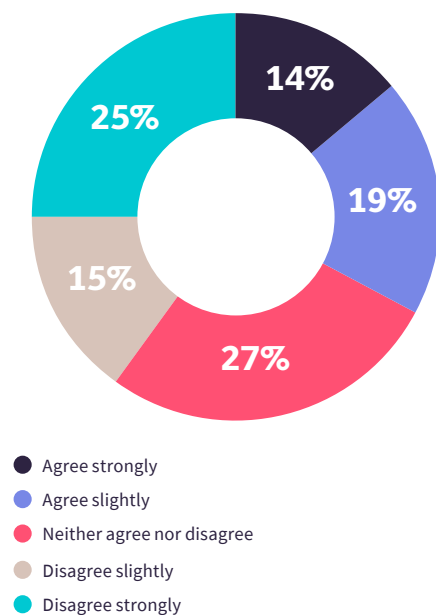
65%

of people who would sports bet in the future are interested in doing so online

And in addition to acquiring more customers, our research indicates that offering mobile sports will also increase the frequency with which players place bets. In Nevada, where mobile sports betting is regulated but retail is very popular, 29% of current sports bettors place bets at least once a week. In New Jersey retail and online sports betting is also regulated, but mobile sports betting is the more popular form of gambling; 40% of current sports bettors place a wager at least once a week.

33% of consumers would gamble more if they could register online

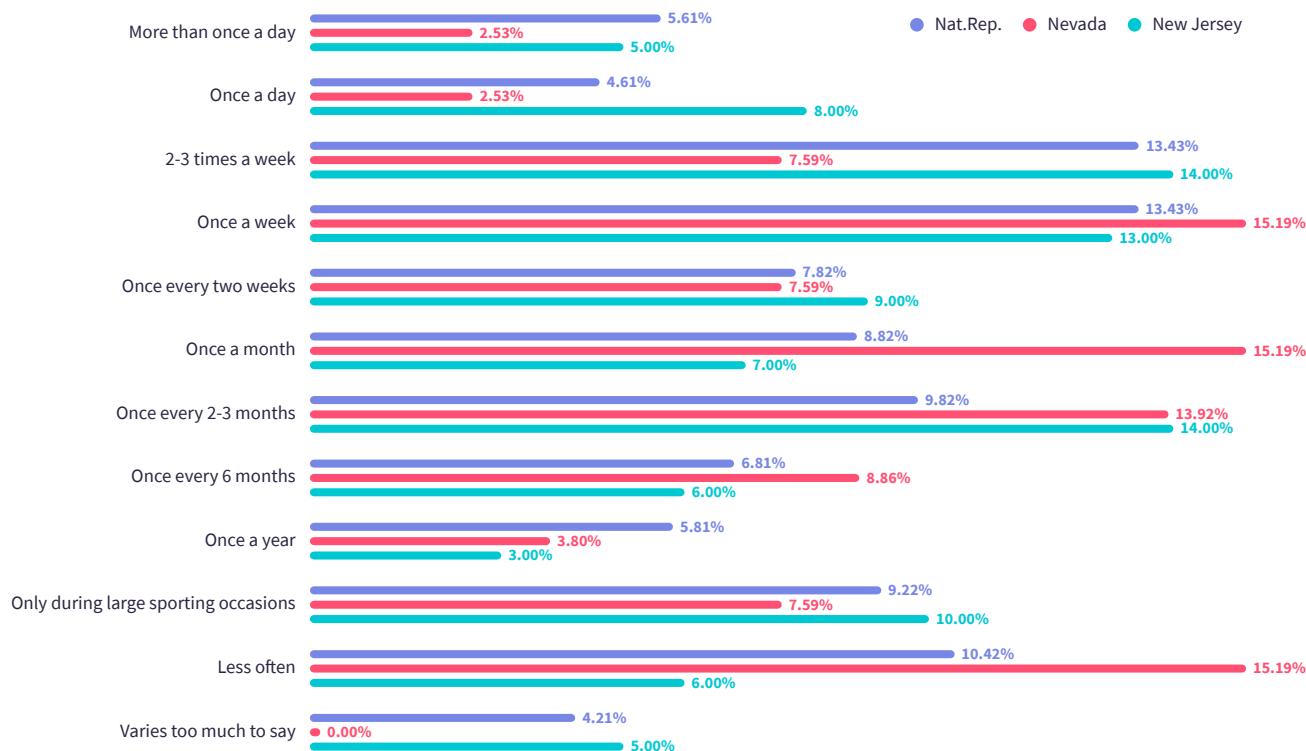
Percentage of consumers that agreed with the statement: "I'd gamble more if I could register online rather than in person"



A case for mobile sports betting

Gamblers in New Jersey make wagers more frequently

Players were asked how often they made sports bets



From this data it is clear that if casinos and states wish to maximize their sports betting revenues they must take online sports betting under serious consideration, and regulate accordingly.

Whilst providing players with the optimum experience must be the objective of operators and legislators where sports betting is regulated, it is equally critical that this is done in a manner that protects the players. In addition to strong Know Your Customer (KYC) protocols and protection from fraud, where online sports betting gives players easier access to wagering operators must ensure that they lean on their responsible gaming experience from European markets to successfully tackle the issue of problem gambling. Taking the greatest possible measures to safeguard responsible gaming has been a key issue for European sports betting operators for several years; this is the standard the US market must replicate.

Studying the effects of legalizing mobile sports betting in New Jersey might be the route many states take. One regional casino tells us:

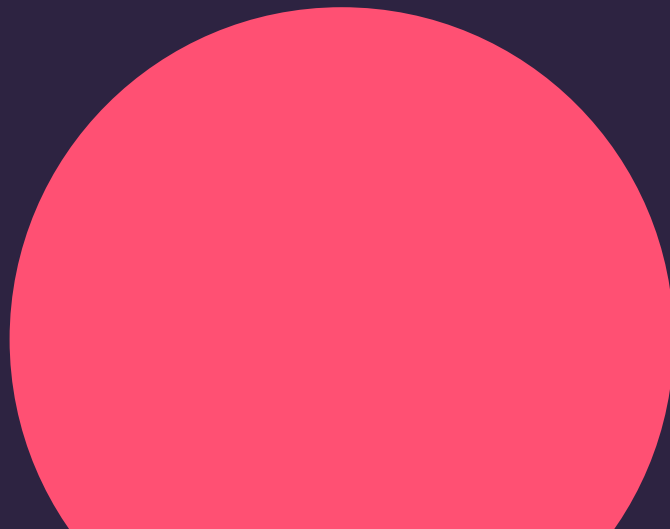
“As soon as sports betting is approved in the state, I am sure we would pull the trigger on launching a product. And the same would be true for online sports betting, but again we’d be waiting on approval from the state. Our state wouldn’t want to be the first to approve online sports betting, but now there is a state that is live online (New Jersey) I’m sure legislators will look very closely at how that is working and speak to the people there.”

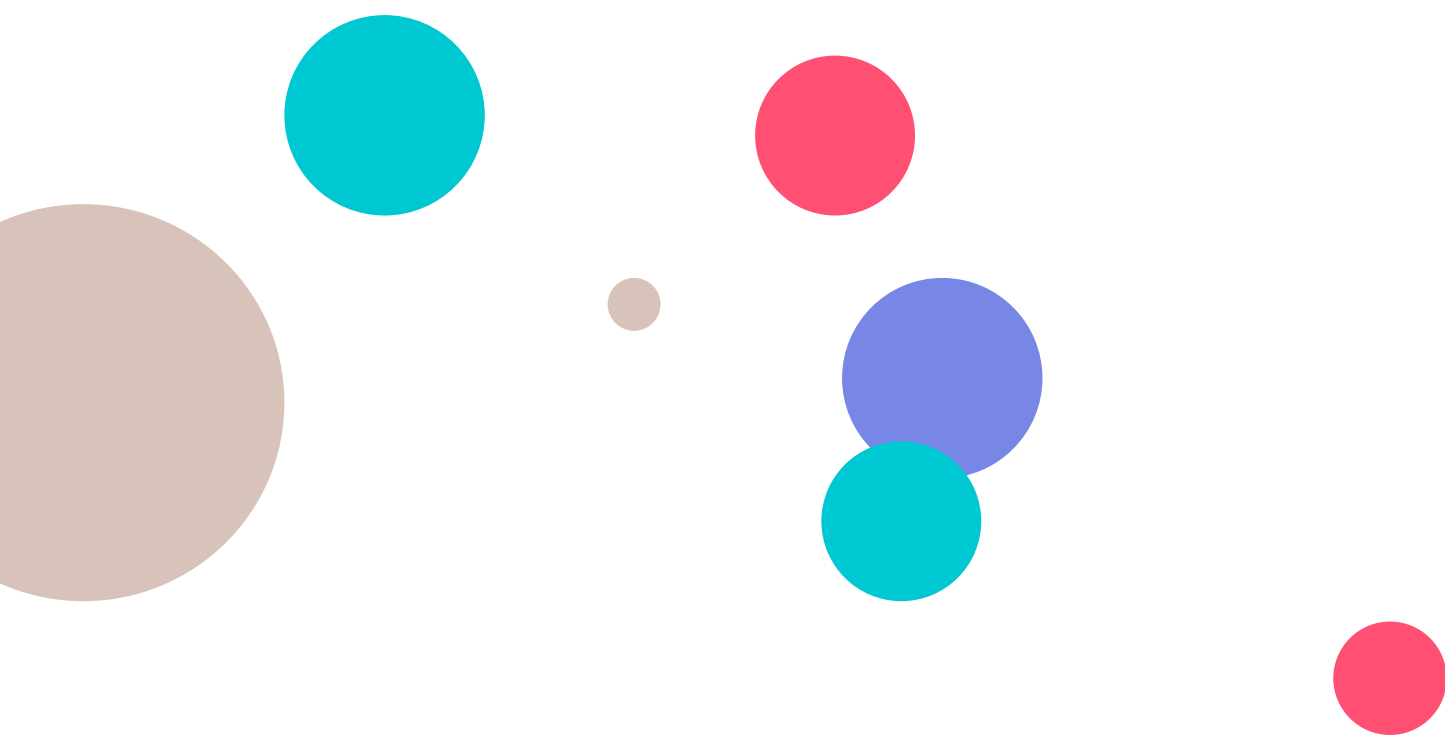
A mobile sportsbook and advocate of further online sports betting legislation echoes this approach:

“New Jersey has set some very good precedents and could be regarded as a case study for how to develop a competitive marketplace through low tax rates and low barriers to entry. Each casino or racetrack licensee can have up to three operators on their license at any one time. That model has worked well for the New Jersey online casino market until now and appears to be working well for the sports betting industry.”

Part two:

The role of payments
in player acquisition





For operators entering the market, understanding how US players view online sports betting will play a key role in determining which brands successfully export their product and which do not.

To discover more about current and potential future online sports bettors' attitudes to digital gambling and the factors they consider most important when selecting a sportsbook, we surveyed 1,749 consumers with an interest in sports betting or gambling from across the US, with particular focus on Nevada, New Jersey, Pennsylvania, and Washington D.C.

The results of this research tell us that payments will play a decisive role in player acquisition and retention. European operators that bring their experience of working with the sports betting industry's most reliable payments providers to the US, and work with those providers to tailor their payment offerings to suit the specific requirements of US online gamblers stand the greatest chance of being successful as the industry matures.

Security is the greatest concern for online sports bettors

The security of payments online is a continual priority for all online businesses and consumers; for US consumers who have had little or no exposure to online gaming it is no surprise that ensuring their deposits and withdrawals are safe is the single greatest concern when making online wagers.

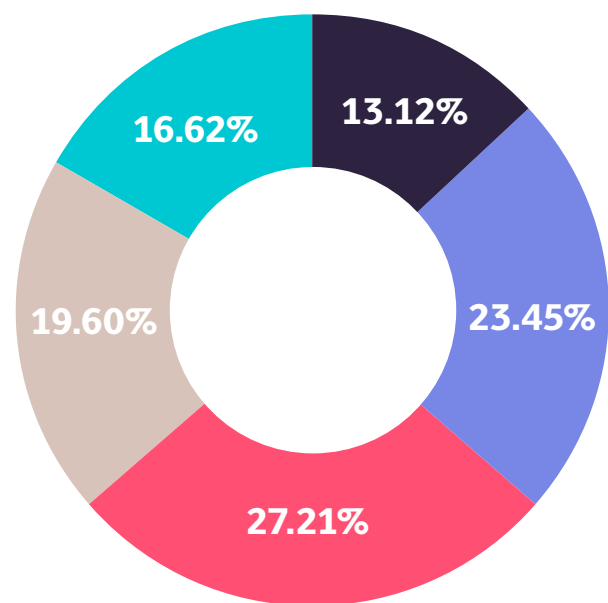
We asked survey respondents whether they believed that deposits to sports betting sites online were as secure as making payments at a sportsbook in-person. Only 33% of those surveyed agreed with this statement.

In Nevada, the only state where both in-person and online sports betting markets are more mature, almost half (49%) of respondents said that they did not believe online payments were as secure.

49% of sports bettors in Nevada don't agree that sports betting online is as secure as in person

37% of consumers worry about making deposits online

Percentage of consumers that agreed with the statement: "Placing a bet online is just as secure as placing a bet in person"



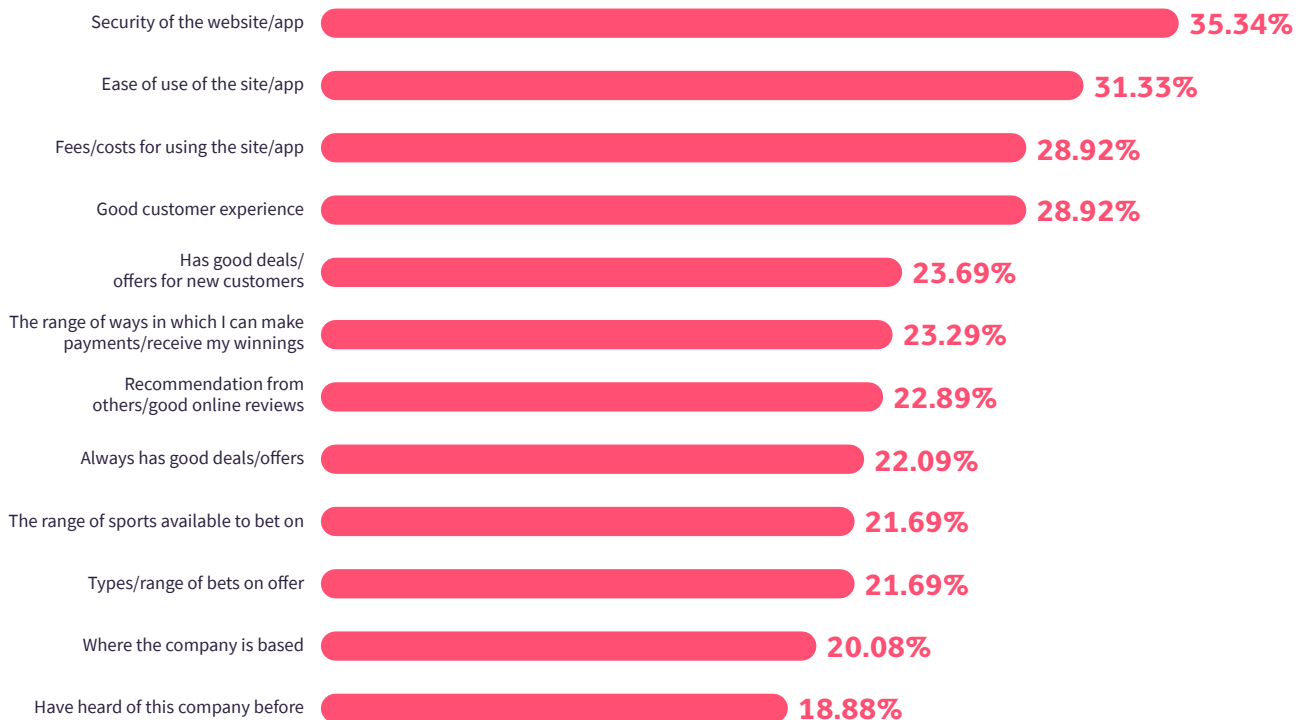
- Agree strongly
- Agree slightly
- Neither agree nor disagree
- Disagree slightly
- Disagree strongly

Security is the greatest concern for online sports bettors

For this reason, security of payments was most frequently identified as a serious consideration for online sports bettors when selecting an online sports betting site or app. 35% of current sports bettors named security as one of their top three factors to consider, ahead of ease of use (31%) and the fees associated with the site (29%).

Security is the number one concern for current online sports bettors

Players were asked to name the top three factors they consider when choosing an online sports betting platform:

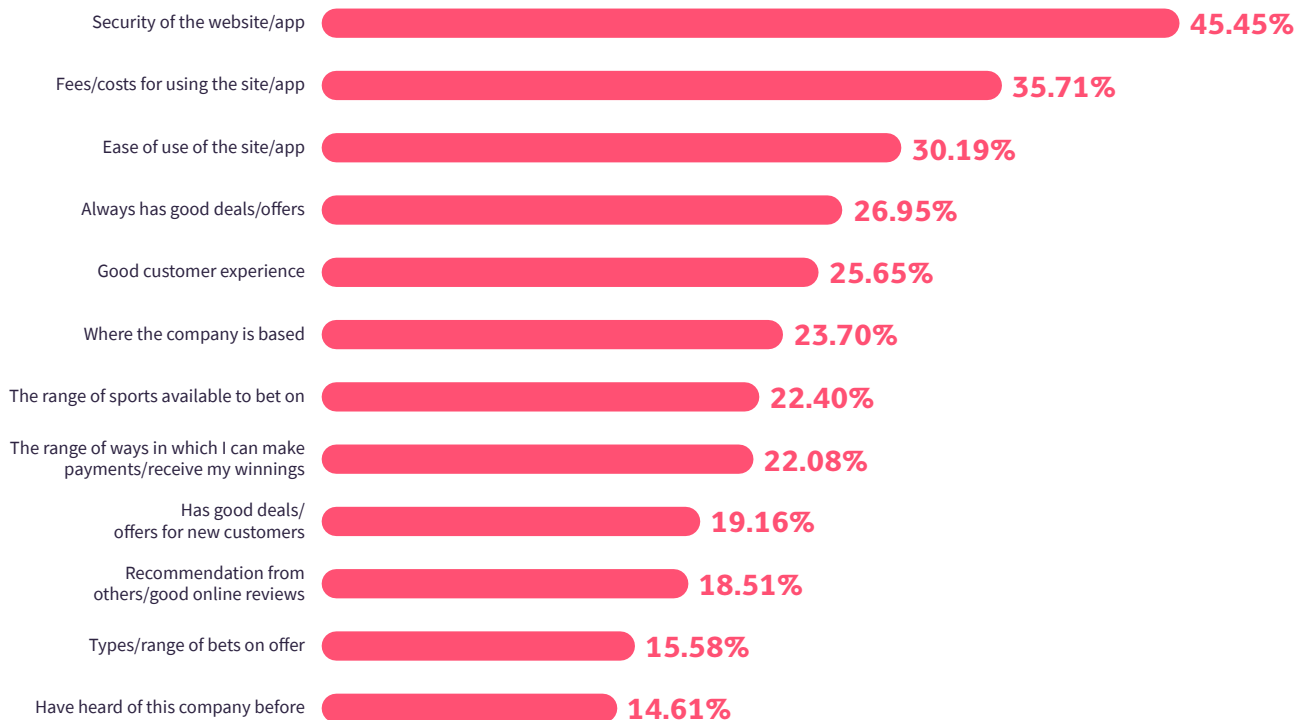


Security is the greatest concern for online sports bettors

For consumers that had not placed a wager online but would consider doing so in the future, this sentiment was even stronger. 45% of survey respondents named security as a primary consideration when selecting an online sportsbook, again followed by the cost of using the site (36%) and an app or website's ease of use (30%).

Security is an even greater concern for potential future online sports bettors

Consumers with an interest in sports betting were asked to name the top three factors they consider when choosing an online sports betting platform:



Security is the greatest concern for online sports bettors

This survey data supports the opinion of one US gaming industry expert that we interviewed to ask for his take on the major hurdles online sports betting operators face in acquiring customers.

“Probably, the biggest challenge for online sports betting is that there’s a huge worry about making financial transactions online.

“What we’ve found so far with online gaming is that the best way of dealing with these worries is branding. If the consumer has a choice between an unknown brand and a reputable brand that they have heard of, then this will always be a differentiator as to where they make their online transactions.”

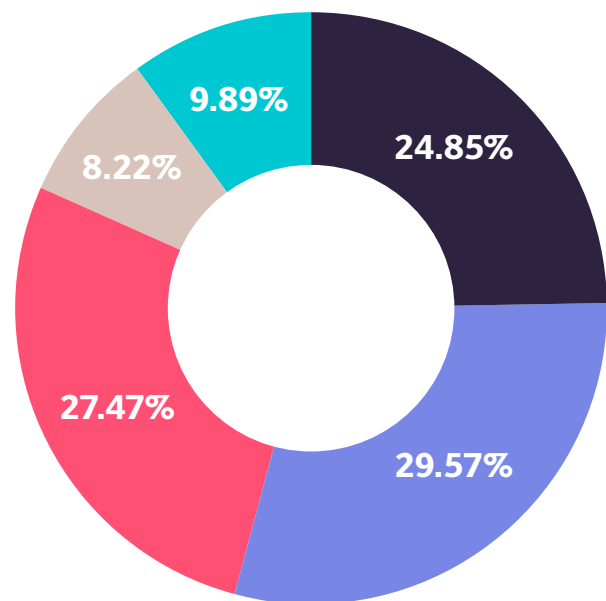
This data underlines how critical partnering with the right payments provider will be for success in the online sports betting market; with payment security being players’ highest priority when selecting which app or website to wager on, assuring players as to the safety of their money online is paramount. Operators must seek out not only a payments provider that has the best-in-class fraud and risk management tools needed to protect players, but also proven experience of delivering secure payment solutions to European digital sports betting operators and iGaming platforms in the US.

As well as wanting reassurances that operators and their payments partners can process their payments securely, US consumers are also open to using alternative payment methods to credit and debit cards when depositing online, in order to protect their financial details.

One example of this type of payment is online cash replacement vouchers; 55% of US consumers surveyed agreed with the statement: “If it was easy, I’d prefer to use a cash voucher than a credit card when placing bets online, as I don’t have to share my card details.”

55% of gamblers want to sports bet online using cash

Percentage of consumers that agreed with the statement: “If it was easy, I'd prefer to use a cash voucher rather than a credit card when placing bets online, as I don't have to share my card details”



- Agree strongly
- Agree slightly
- Neither agree nor disagree
- Disagree slightly
- Disagree strongly

In a crowded market, more payment options is a differentiator

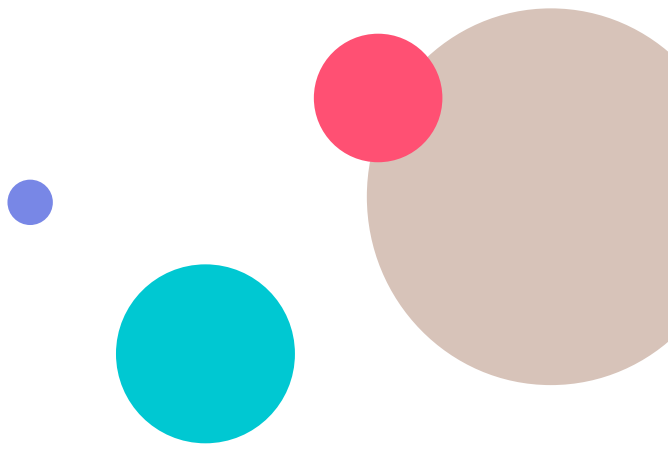
Operators should be strategizing how and where to find a foothold and develop market share in what may quickly become a series of saturated markets; sports betting platforms are homogenous in many aspects which makes a crowded marketplace even more difficult to succeed in.

One area where an operator can stand apart from its competition online will be its payment offering. For consumers, this means making deposits and withdrawals in as smooth a way as possible and having the flexibility to do so using the method that most suits them.

The experience of operators in regulated markets in Europe, where multiple deposit methods are standard, will play a crucial role here. Successful sports betting operations in European markets enable account holders to deposit to the platform using whichever method they find most convenient and secure; this may be via a digital wallet, or a cash replacement voucher as well as by debit or credit card. This approach has already been successful in regulated US iGaming markets such as online casinos and will undoubtedly underpin the most compelling propositions in sports betting.

This fact was reflected in our US consumer survey. 23% of current sports bettors and 22% of consumers who would consider betting on sports named the number of methods that they could use to make payments and receive winnings as a key differentiator when deciding which sportsbook to wager with.

And 42% of consumers said that they would consider making payments for sports betting using a different method to the one that they currently use, compared to only 26% who said that they would not. The top three reasons consumers cited for changing to an alternative payment method were if that method was free of charge (44%), if the ease of use was superior (43%), and if the alternative payment method offered better protection from fraud (39%).

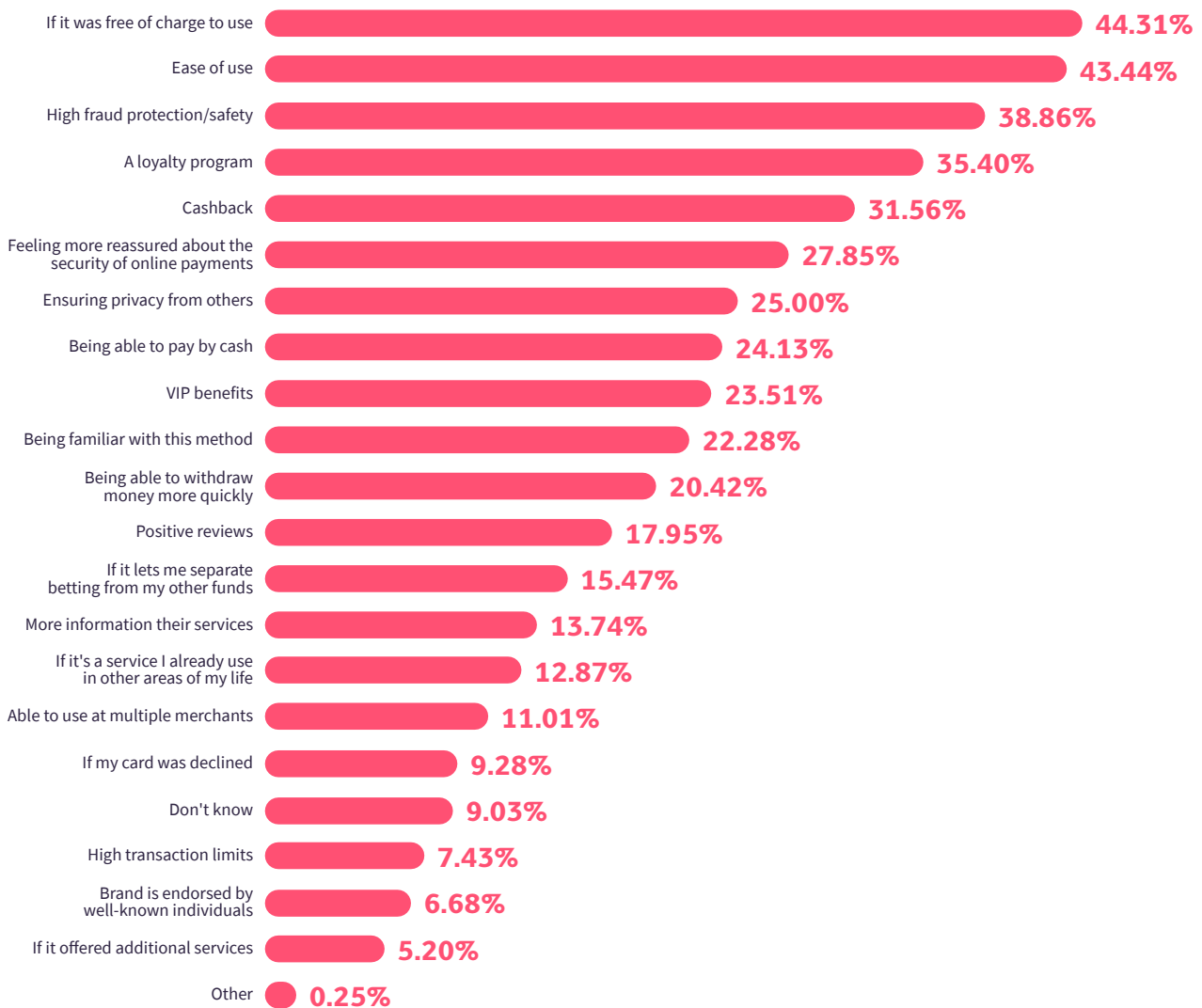


23% of current sports bettors named the number of methods that they could make payments and receive winnings as a key differentiator when deciding which sportsbook to wager with.

In a crowded market, more payment options is a differentiator

Fees, ease of use, and fraud are the main reasons players would consider alternative payments

Consumers were asked: "What would make you consider a different method of payment for betting?"



One in four consumers also highlighted improved privacy as a reason for switching to a different payment method, and one in five said they would use an alternative payment method if it meant that they could withdraw their cash more quickly.

“Our philosophy is that more payment options is better for players”, one executive of a sportsbook that is already live online tells us. As the benefits of each online payment method becomes clear to players this philosophy will have to be adopted by all successful online sportsbooks, as it is evident that consumers are prepared to consider alternative payment methods and will pledge their allegiance to the operators that offer those methods that satisfy their selection criteria.

The impact of declined card transactions

Multiple payment methods offered by a partner with experience in regulated gaming markets has a significant benefit; it provides players with a secondary option to deposit if their first choice is unavailable. As the industry continues to roll out in each state following legislation, the complexity of the evolving market means that secondary payment options will play a critical role in player acquisition.

While card payment remains the most popular method for digital transactions in North America, it is not unimaginable that up to 60% of card deposits to regulated online sports betting accounts will be declined by issuers in the next 12 months, as card schemes familiarize themselves with a completely new regulatory landscape. The variations in state-by-state legislation coupled with the movement of people between states will create a myriad of unclear circumstances that will need to be clarified by issuers that do not want to unintentionally breach the regulations, operators must factor this into their market entry planning.

This added complexity sits atop a card payments landscape that is already averse to gaming deposits. As one regulated online sportsbook operator tells us:

“The biggest area of friction for online sportsbook consumers once they have navigated Know Your Customer (KYC) protocols is payments; specifically depositing and withdrawing money from their player accounts. Currently the top five US issuers of VISA and Mastercard (Wells Fargo, Bank of America, Chase, Citi Bank, Capital One) do not process deposits for online gaming via their cards.

“**The result of these cards being automatically rejected is that we’re still running 30-35% acceptance rate of credit card deposits online five years into legalized gaming.**”

- One US online gaming operator

The impact of declined card transactions

"The result of these cards being automatically rejected is that we're still running 30-35% acceptance rate of credit card deposits online five years into legalized gaming. The acceptance rate of ACH is higher but players have to build up limits over time; they cannot make a large deposit immediately."

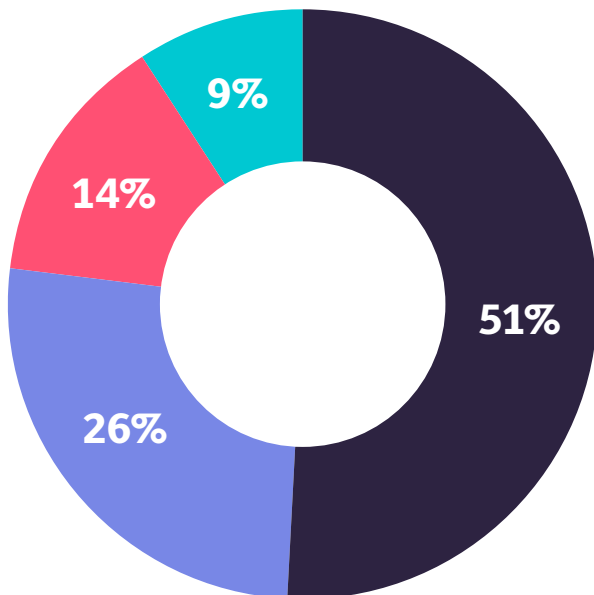
This is clearly a significant issue for regulated online sportsbooks, as respondents to our survey indicated that credit cards (32%) and debit cards (31%) were two of the most popular ways that potential future sports bettors would wish to place their wagers.

The US sports bettors that we surveyed confirmed that card decline rates are a significant issue for online sports betting operators. 19% of consumers that had wagered on an online sportsbook had experienced a card decline, and 51% of players that had experienced a card decline online said that their card was declined most or all of the time.

However, only 28% of sports bettors who had experienced a card decline online said that they had stopped betting because of it. 31% searched for a different site that would accept their card, but equally popular were alternative payment methods to cards.

51% of online card decline sufferers experience this issue most of the time

Frequency of declines for consumers who have had their card declined by sports betting operators



- Most or all of the times I have placed a bet
- Two instances within a short timeframe
- Occasionally
- Rarely or only happened once

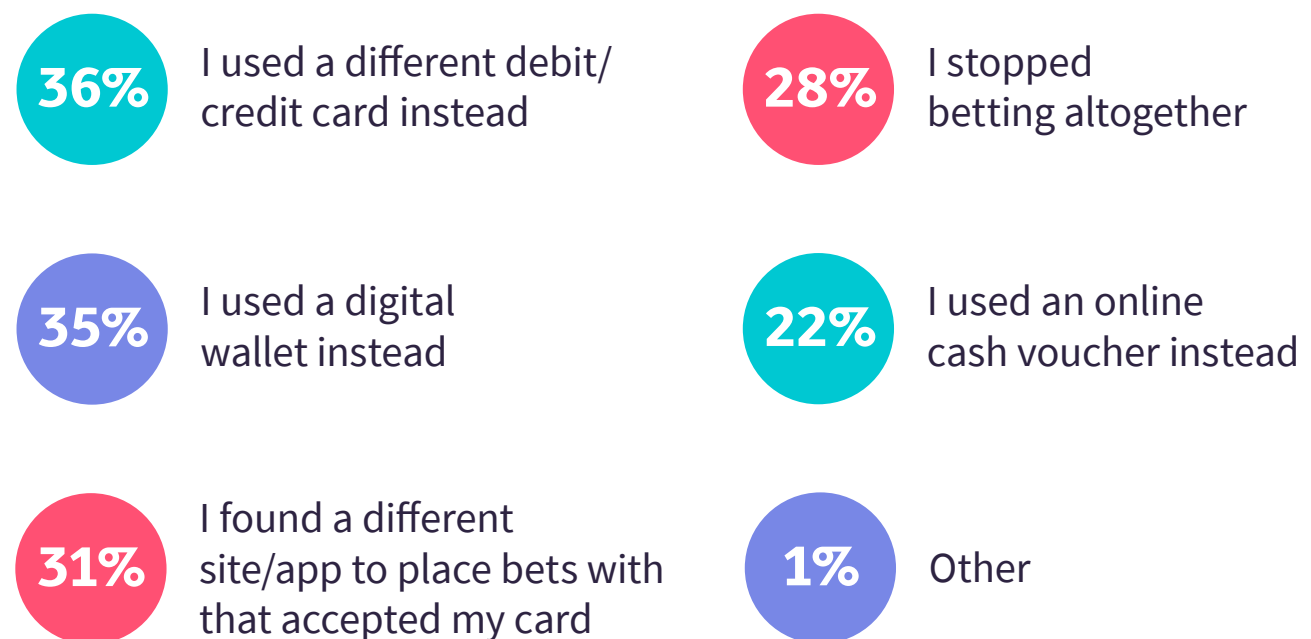
The impact of declined card transactions

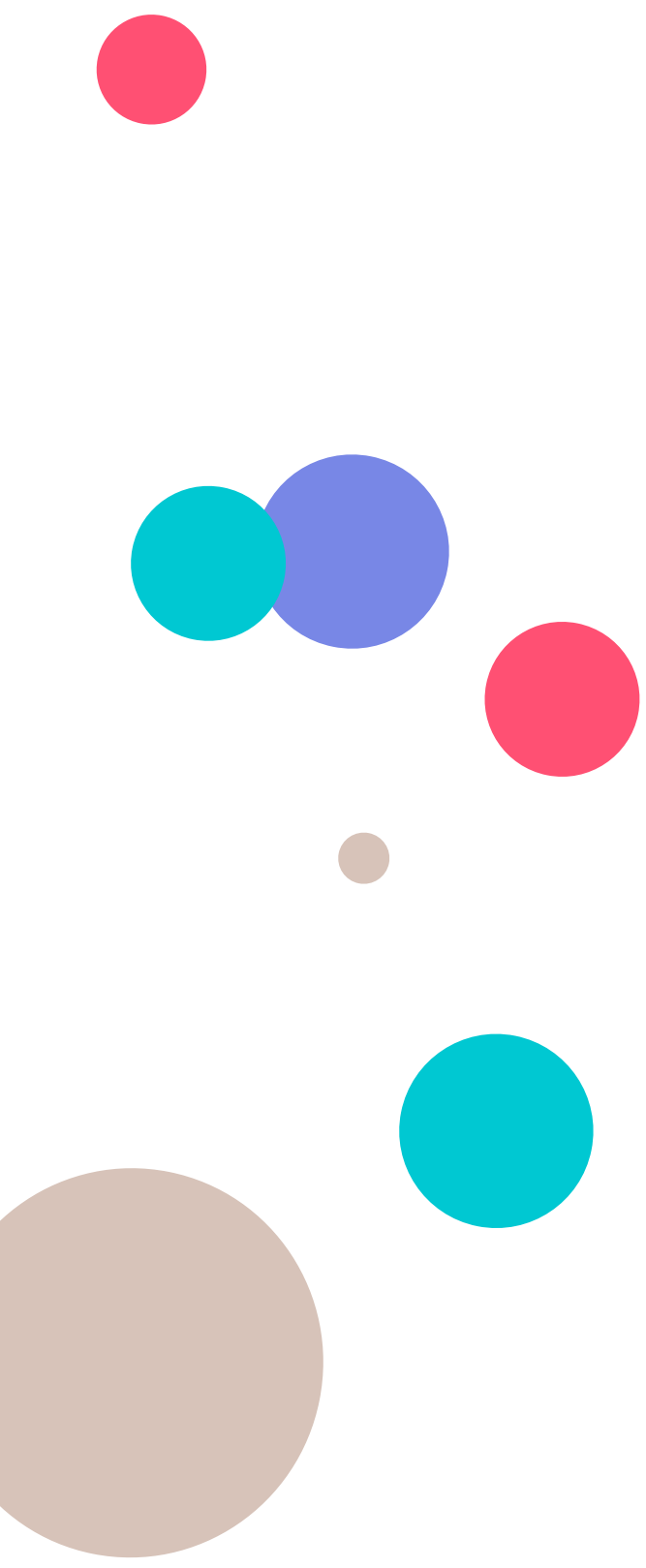
Two methods of payment that are particularly popular with players as a first alternative if their card is declined are digital wallets and online cash replacement systems. 35% of players had used a digital wallet to make a deposit instead when their card was not processed, and 22% had used an online cash voucher.

Where a platform doesn't complement card payments with alternative deposit options, the consumer will have no option other than to abandon the operator in favour of a rival platform. The impact on player acquisition and retention will be severe.

Digital wallets and online cash are popular forms of alternative payment

What consumers did next when their card was declined





All the ways players play: ensure you get your payments offering right

It is clear that payments will play perhaps the most crucial role in the success of the online sports betting industry in the US. Player concerns about security, a lingering issue of high credit and debit card decline rates and its impact on player acquisition and retention, the development of a trusted brand, and understanding why players want to make payments using methods other than cards are all reasons that selecting the right payments partner is pivotal in determining the success or failure of an online sportsbook.

About Paysafe

Paysafe has more than five years experience in providing online payment solutions to regulated state and provincial lotteries in North America, and over 15 years in providing secure payment processing to licensed iGaming operators in Europe. With its suite of auxiliary payment services such as online cash voucher paysafecard, and digital wallets Skrill and NETELLER that have been integral to the gaming since 2001, Paysafe has continuously enhanced and tailored its payment facilities from within the online gaming industry as it has evolved.

That experience of pioneering payments in online gaming extends beyond processing iGaming payments in Europe, including to regulated markets in the US. In addition to processing payments for regulated online gaming in Nevada, New Jersey, and Delaware, Paysafe also processes payments for the country's most significant daily fantasy sports sites.

As one of the few payments companies in the industry catering to both consumers and operators, we are in the unique position to develop innovative products that not only provide value and growth opportunities to local and global businesses, but also offer choices to consumers in terms of how and when they pay. Crucially, we have the unique ability to connect the millions of consumers that use our proprietary solutions around the world with the thousands of merchants that we empower with payment products and services.

Our deep experience in global regulated markets and proven success with provincial lotteries in Canada, state lotteries in the US and regulated iGaming jurisdictions in the US and Europe for over a decade has led us to continuously enhance and tailor our service and product offering. Through a single platform, US iGaming operators receive connectivity to best-in-class payment service providers, and customizable, cutting-edge reporting for seamless reconciliation.

We offer all-in-one comprehensive support that includes Credit/Debit (Acquiring), ACH (eCheck), Risk Services, PCI DSS Compliance, Prepaid Cards, Digital Wallets (NETELLER and Skrill), Cash Vouchers (paysafecard), Affiliate Marketing Experience (Income Access), and Mobile.

This year Paysafe has also launched its unified platform to better enable gaming operators to offer a seamless online payments experience.

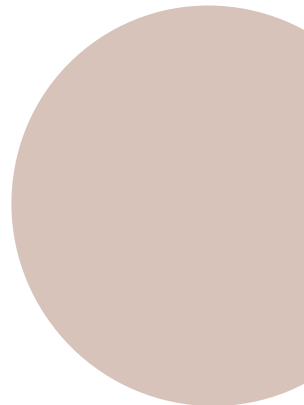
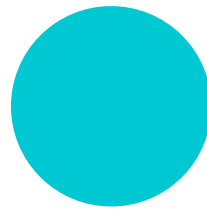
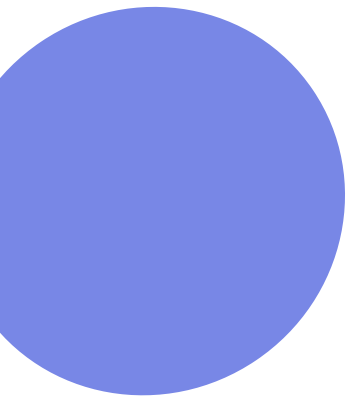
The platform offers operators and the developers they work with a single point of integration to Paysafe's full range of payment solutions using a software API.

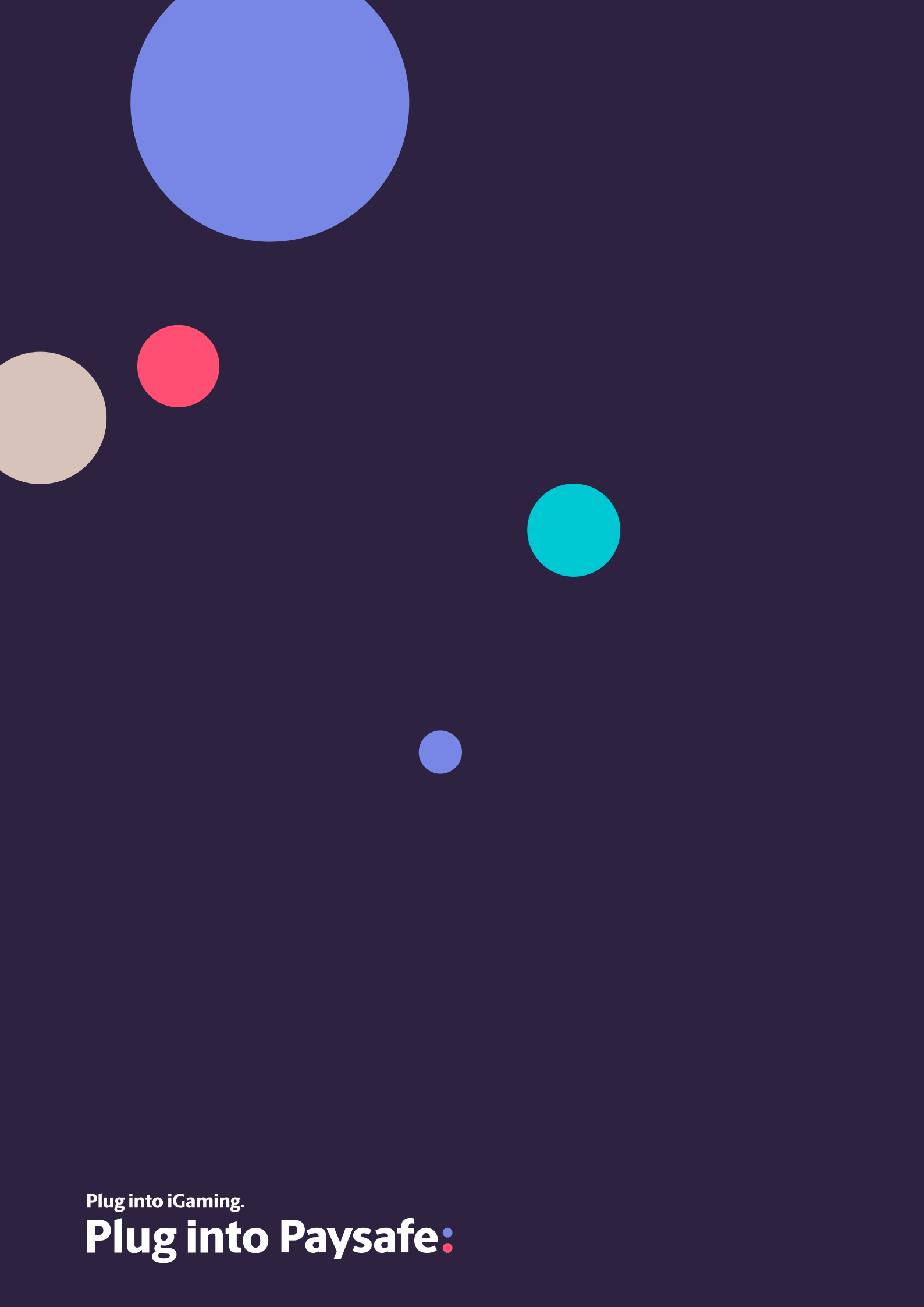
Through the unified platform, operators can access the extent of Paysafe's core, alternative and future differentiated payments services. As well as a hosted checkout for an improved customer experience, the new API includes a business portal and refreshed developer journey for operators to manage their chosen payment solutions effectively.

About our survey

This survey was conducted online in the US via Research Now-SSI's and ProdigyMR's online consumer panels, and lasted 15 minutes. The fieldwork was conducted between January 10-23 2019. There were 1,749 respondents in total, all aged 18+, and who had either gambled in the past or would consider gambling in the future. The sample was split between a nationally representative US sample (1,143 responses), and four boost states: Nevada (150 responses), New Jersey (179 responses), Pennsylvania (197 responses) and Washington DC (80 responses).

This research was conducted by Discovery Research, a UK-based research agency. Discovery is a full service qualitative and quantitative agency, utilising a variety of methodologies across the projects it undertakes.





Plug into iGaming.

Plug into Paysafe: