



An Introduction to Sports Betting Operations

by Andrew Klebanow

With the repeal of the Professional and Amateur Sports Protection Act (PASPA), Indian casinos, commercial casinos, state governments, lotteries, and racetracks are all examining the feasibility of offering sports betting in their jurisdictions and creating legislative paths to bring sports betting to fruition. Sports leagues are also taking an active role, lobbying state legislators and even trying to get Congress to pass legislation that would federally mandate that they receive a cut of total wagering handle.

How Sports Betting Works

As tribes and legislators move down the path to authorizing sports betting in their jurisdictions, it is important to understand how the business of sports betting actually works. Any sports betting operation is comprised of a number of specialists or service providers, each with a unique role. They include the following.

A bookmaker is a person or company that accepts and pays off bets on sporting events at agreed upon odds. A bookmaker can be a person operating outside of the law. A bookmaker can also be a casino enterprise, licensed to operate a sports betting operation.

An oddsmaker is a person or a service that reviews the various sporting events and attaches a handicapping number to that event. An oddsmaker sets the price of the game including the money line, the total over/under, and spread. It is the oddsmaker's job to find the best odds for an event and change the odds based on the amount of money wagered.

Oddsmakers typically start their day by monitoring the sports betting activity in various jurisdictions in the Caribbean. This is done for a number of reasons. Most Caribbean countries are in the Atlantic time zone, so their day starts earlier than in the United States. People who place bets in the Caribbean normally bet on the same sports as in the U.S. and include U.S. sports bettors that have found ways to place bets online directly with these sports betting operations. Also, betting information from sports betting operations from these jurisdictions is readily available to oddsmakers.

These wagers set a daily precedent and tell oddsmakers what they can expect in the United States as the day's wagering activities progress. Oddsmakers then watch data feeds from third party providers to see where money is being wagered.

The feed provider provides information based on an aggregate of sports book operators' betting lines. Feed providers send information to the oddsmakers on what the current odds are in other territories and what the estimated odds lines are in their territory. They also provide oddsmakers with injury reports and relevant statistical information to inform

oddsmakers as to how to set or adjust their lines.

The risk manager makes sure that the sports book operation is mitigating its risk by looking at how much money is coming in on particular events. The risk manager and the oddsmaker work together to optimize their sports book's lines, hoping to attract bettors' wagers while managing the risk with taking those bets.

The customer service manager and his/her staff are there to assist customers. They are there to troubleshoot problems if a player is having trouble with their account or mobile app, confirm that bets have been made, and handle disputes. The customer service manager is integral to maintaining loyalty with bettors.

The compliance/audit department produces and reviews the reports of each day's activities and submits them to their regulatory jurisdiction, if required. They essentially perform the daily reconciliation.

The system provider is the company that provides the betting point of sales system, betting kiosks, applications, and software that transact and settle the bets. Systems have to be capable of providing daily audits, voided tickets, win amounts, loss amounts, and a complete audit trail based on the requirements of the jurisdiction.

The subscription package – All professional leagues and promoters of sporting events sell subscriptions that allow individual casino sports books to broadcast their matches. These packages are very expensive. They are based on the maximum occupancy of the sports book as defined in the property's fire inspection documents.

The Three Basic Sports Betting Operational Models

With a basic understanding of the people, entities and systems that make up a sports betting operation, tribes can examine three basic operational models that they can adopt to set up and operate their sports betting operation.

The turnkey option is essentially a four-wall agreement where a third-party sports book operator builds and furnishes the sports book; provides all of the video displays, electronic displays, point-of-sales equipment, software and related equipment. In this option, the sports book provider staffs the sports book, sets the odds, and provides all of the back-of-house services in the operation of the sports book. The sports book provider pays all expenses including labor and subscription packages. The establishment of odds and adjustment to odds are also the accountability of the sports book provider. The casino (or the venue where the sports book is located) essentially collects rent from the sports book provider.

Tribally owned and operated sports book – In this option, the tribe owns and operates their own sports book. Much like large casinos in Nevada, the tribe would design and build out their sports book. They may choose to build a large-scale operation, complete with premium seating, bar, lounge and VIP seating area or something more modest. They would have the option of selecting their own video monitors, high-resolution displays to post betting odds, and staff the facility with their own employees.

In this scenario, the tribe will also have to buy or lease a sports betting system, subscribe to data feeds and hire professional managers to serve as oddsmaker, risk manager, customer service manager, and audit/compliance. The tribe would also have to pay for television subscription packages. Most important, the tribe assumes all the risk associated with running a sports book.

Blended model – As tribes move forward with developing sports book operations, they may be inclined to develop their own sports betting environments while recognizing that they may be risk averse. To this end, a tribe may adopt a blended model.

In the blended model, the tribe builds their sports book to best match the needs of their market and create a compelling sports viewing environment, built to their own standards. An independent sports book operator would come in and operate the book. Using its own employees, the sports book operator would set the odds for all of the events, take the bets, manage the risk, move the line, handle settlements, and pays their labor costs.

As tribes decide on which model best fits their needs, they should consider forming partnerships or associations with other tribes to share certain operating costs. This may include sharing a central sports betting system as well as professional services that would include a common oddsmaker, feed manager, risk manager, customer service manager, and compliance/audit.

Next Steps

To determine the best option, each tribe must first forecast the sports betting revenue potential for their enterprise under a variety of assumptions. These assumptions would at a minimum include a sports book operating in 1) a zone of exclusivity, 2) non-exclusivity in which there are other competitors including

commercial casinos, racetracks and lotteries; and 3) the ability to operate a mobile app under the aforementioned scenarios. Once the sports betting revenues are forecasted, each tribe can then evaluate each model and see which option would work best for their casino. ♣

Andrew Klebanow is a Senior Partner at Global Market Advisors. He can be reached by calling (702) 547-2225 or email aklebanow@globalmarketadvisors.com.



We know the ins and outs of Tribal Gaming.

In nearly 20 years, we've grown to become the preeminent casino marketing communications agency.

We continue to build some of the biggest and best brands in the industry. See for yourself.

Experience matters.

Call us today at 800-475-2000 • rpmadv.com  