

Batter Up!

How media, sports teams, venues and leagues intersect with legal sports betting

By Brendan D. Bussmann

It has been a little over four years since the United States Supreme Court heard *Christie v. NCAA* (now known as *Murphy v. NCAA*). Over that time, sports betting has made evolutionary strides in how states look to legalize and regulate the market, as well as how stakeholders continue to evaluate their options and assert themselves into the market. It continues to be a fast and furious ride as over 30 jurisdictions now have legal sports betting operations.

Looking toward the future, it is important to understand the evolution over the past three years in terms of additional stakeholders, various models for regulatory structures, and market access. All of these have evolved significantly over the course of the last three years that have brought an end to Nevada's exclusivity in the sports betting market, bringing a series of "record-breaking" months as jurisdictions continue to advance the legal marketplace and transition those gamers who have been participating in illegal books or are new to the market.

From the early adopters in states like New Jersey and Indiana that set up solid regulatory structures and robust marketplaces, they have allowed competition and open markets in both land-based and mobile operations. This has been critical in maximizing revenue, offering multiple convenient options to consumers, and allowing a dynamic marketplace that advances technology and the user experience. In the same time period, the industry has seen some less than desirable regulatory setups that have not maximized the opportunity for consumers or operators.

In 2021, states across the country have proposed various models that have in many instances ignored some of the strongest regulatory examples, due to other interests becoming involved and wanting other stakeholders to have access to sports betting.

This has included professional teams that first started to see access to sports betting licenses in Illinois and Virginia but took a much heavier and more direct approach with the Arizona bill. Other states have taken the "Oprah" approach: Everybody gets a license! Too often, licensure has been granted to entitled groups aside from the known, suitable and experienced



At the Wynn Field Club at Allegiant Stadium in Las Vegas, a nightclub atmosphere is created

operators that exist across the country, as has been the case in Maryland and most recently in Ohio.

As one looks into 2022, many of these aspects can lend insights into what to expect going into the next round of legalization and reform opportunities as most legislatures go back into session. Other market players have also come into focus as sports betting has evolved so rapidly.

This includes media and numerous professional and college teams and leagues that continue to have an interest in being a part of the action. Other states are even considering a further step toward the ability to offer a full



DraftKings has opened a fantasy sports bar at New England Patriots' Gillette Stadium



Caesars has reached an agreement to operate a sportsbook at Chase Field in Phoenix for baseball's Arizona Diamondbacks

casino gaming experience online as a handful of states have done to complement their existing land-based gaming and sports betting products.

Merging Forms of Media

Media has always played a significant role in sports, particularly in the way that fans engage with sports outside of the arena, stadium or other venue. Media rights interests have grown over the years in terms of market players having an interest in controlling as well as in the monetary value of these partnerships. This will only continue to accelerate as the sports betting market continues to mature.

Some of the first activity came from ESPN when it selected its sports betting partner, Caesars Entertainment. Fox Sports has gone all in with FoxBet. The industry has seen Barstool take off not only as a medium but also as a brand that brings its community along for the action.

Other brands like theScore, which was acquired at the end of 2021 by Penn National Gaming, bring the community of gamers and other fans into the media experience. The industry has also seen strides with the Bally's partnership with Sinclair and the former Fox Regional Networks to bring their brand into the sports experience. This is in addition to FuboTV, which is incorporating sports betting into its live streaming experience.

As 2022 comes into focus, the rights that each league holds will become more important as they have signaled their partnerships with data providers such as Sportradar and Genius Sports. The widescale effort to "cut the cord" continues as consumers look more toward streaming, and it will be not just a matter of who has rights to content in what will likely end up being a new category of media, but also how efficiently live streams and data feeds can be delivered to the consumer.

Companies like Streaming Global have developed cost-effective platforms to deliver content while addressing the latency factor. This allows fans a nearly in-venue experience and enables a lean-in vision of sportsbooks and media companies in a content consumption and betting experience. Market players, including Amazon and Apple that are outside of the traditional networks, will also likely look to make a foray into sports content that may in turn lead to their interest in sports betting.

However, one of the biggest trends to watch in 2022 is the movement of the Mouse. Disney already has a foot in the door with its ownership in ESPN. It was reported in 2021 that they wanted to have a piece of the pie. Gaming has always been held in a delicate balance for Disney and the family-friendly image it has portrayed over the years. Some believe that sports betting may sway that, but with it becoming as mainstream as it is, this may not be the case.

First and 10

As teams and leagues continue to play a more active role in the sports betting process, one must remember two key aspects of how their relationship and now acceptance into the gaming world have evolved over time. First and foremost, whether it was the professional leagues or the NCAA that got us to this point, they were the ones on the other side of New Jersey in the original court case to argue that sports betting was a harm to all sports.



The sportsbook at Washington, D.C.'s Capital One Arena debuted in May 2021

Caesars Sportsbook is now on the jerseys of the NHL's Washington Capitals



Now, some three years later, it has almost become a rewrite of history or a selective memory issue that this was the first shoe to fall before sports betting could reach its current status in the U.S.

Even before the Supreme Court had ruled, states began to hold debates on how sports betting may look for some of the earliest adopters. This was also when the leagues were advocating for an “integrity fee” that would have taken as much as 1 percent off of sports betting handle.

The feeling was that this fee would help “protect” the leagues from integrity issues as well as compensate them for their product. Major League Baseball and the National Basketball Association even paid for a study that portrayed integrity fees as a positive aspect for sports betting. The report stated: “A royalty fee to the leagues could create a partnership among leagues, operators and states that could accelerate the passage of legislation and create a larger regulated sports betting market and therefore more revenue for all parties.”

While the leagues have learned how sports betting works and the difference between revenue and handle, they have moved on to other opportunities for revenue including data feeds. This has now morphed into outright licenses for sporting venues. This was first done in the District of Columbia that utilized Capitol One Arena as a venue, which is really the only revenue model that works in the district from a land-based perspective.

Illinois was the next to legislate stadiums and arenas as opportunities for teams to cash in on the action. This then went to full-on licenses, as was seen with Arizona earlier this year as tribes gave up some of their sovereignty in exchange for sports betting outside of the tribal communities. While other states have looked down this avenue, including Virginia and Maryland that are in the process, it is a completely different take on the side of the leagues and teams from their initial stance on sports betting.

As the industry heads into 2022, look for more evolution through the teams. The word has spread among all of the leagues and teams to look at how wagers are conducted throughout the state and allow opportunities for in-game wagering to full-on retail sportsbooks that enhance the experience for the fans at specific venues.

The likes of Wynn Field Club at Allegiant Stadium or the new book in development at Chase Field, home of the Arizona Diamondbacks, will likely become the norm and not the exception. As seen with Capital One Arena in D.C., these can present significant opportunity not only during contests but also other events held in these venues, or even serving as year-round sports bars to wager and enjoy a good in-game experience to complement the venue's home team experience on off days.

Strong professional sports states like Minnesota, Texas, Florida, North Carolina and others will likely make a push not only to get sports betting venues in-house but also to have official licenses held by the teams. The question becomes, for those states that have legalized, whether they will go back to allow these venues to be included with additional partnerships or licenses. There are plenty of teams across plenty of states where one or more of these stakeholders will likely advocate for these additional opportunities to enhance the fan experience.

Legalization and Reform

The coming year also presents the opportunity for several states to take sports betting to the voters in a major election year. States like Alabama and Georgia will likely face that issue in the months ahead as their legislatures meet to see if the voters will have their say in the matter. Both states have polling that show a plurality of voters supporting sports betting.

Other states have been debating this for years, such as Massachusetts, Kansas and Missouri, that have yet to work through a legislative compromise between houses. However, there will be new states that will finally make a strong push for legalization.

One thing that has started to be debated in jurisdictions is whether or not there is too much advertising of sports betting platforms, with each operator taking a different approach to marketing and player acquisition. Some pushback has been developing with the volume of advertisements and promotions surrounding sports betting. The cautionary tale that exists today in the United Kingdom should be further warning as to what may happen if the envelope is pushed too much and too far.

The backlash is typically worse than the initial action. Legislators may start to take exception to this either by limiting the number of promotional deductions or limiting levels of spend on advertising. However, the industry is in growth mode, and it is competing against an illegal market that has operated for many years with sophisticated platforms that do not generate tax revenue for states. A certain level of spend is needed to convert those customers to the legal market while introducing new players as well. However, the U.K. may offer insight into how much is too much and what could cause that backlash to occur.

The next real opportunity that exists is in iGaming, and this push is just beginning. Offering a complete gaming experience on one device provides further opportunity for the industry and opens up to a new set of customers. Data continues to show little to no cannibalization of land-based operations after iGaming has been introduced. New Jersey has led the way, with newer states like Michigan now offering an example of how quickly a market may ramp up with a wide scope of diverse operators. These provide strong examples for a host of states that may start down the iGaming path to complement their casino, sportsbook and other gaming offerings.

With just over three and a half years since the launch of sports betting outside of Nevada, the market has moved fast and furious, but it is still in its infancy. Very few would have predicted such a fast approach while bringing media and teams into the sector. Merger and acquisition activity continues to move the market and will likely start to blur more as operators, media and others take their share of this expansion opportunity. All of these will play a factor in 2022 and beyond, and the game has only just begun.

Brendan D. Bussmann is a partner and director of government affairs with Global Market Advisors (GMA).