



2021 STATE OF THE SPORTS BETTING INDUSTRY

EXECUTIVE PERCEPTIONS VS. USER REALITIES

**HOT
PAPER
LANTERN**



EXECUTIVE PERCEPTIONS VS. USER REALITIES

The growth of the sports betting industry in America seems limitless. Every day there is news propelling the industry to new heights: new acquisitions, new legislation, new SPAC formations, new funding announcements, new states coming online, and more. That is in addition to the best news of all— fans are starting to get back into the stands.

With the wind in the sails of the sports betting industry, we at HPL Digital Sport sought to learn more about how sports betting executives view the 2021 market and beyond. Unlike industries like financial services, healthcare and technology, where executive data is collected regularly, there isn't any data, report or study collecting the opinions, plans and projections of sports betting executives. So we remedied that.

In conjunction with SBC Americas, we surveyed nearly 200 sports betting executives to create the first collection of data reporting on their opinions, goals, growth strategies

and opportunities/challenges that face their organizations in the latter half of 2021, as we move past the pandemic.

But understanding the thought process behind sports betting executives is only partially complete without understanding the evolving expectations of their main audience, the sports bettor. We also surveyed more than 800 American sports bettors regarding their opinions on the sports betting market, including how they feel about future betting capabilities like social betting and in-play betting, as well as their views on the importance of influencers, current offerings and the growing importance of content.

Simply put, our findings are insightful, and some are unexpected. In fact, while the industry is expanding faster than anybody ever expected, there is a divide between the strategic priorities of the executives and what sports bettors told us is important to them and will make them engage more.

CONTINUED ON PAGE 3

EXECUTIVE PERCEPTIONS VS. USER REALITIES

(continued)

WE IDENTIFIED SIX MAIN THEMES:

EXECUTIVE FOCUS ON PRODUCT VS. THE USER'S EMPHASIS ON IDENTIFYING WITH STRONG BRANDS

FUTURE BETTING CAPABILITIES

THE RETENTION ROADMAP - THE DRIVE FOR DIFFERENTIATION

UNDERSTANDING WHAT IS IMPORTANT TO UNIQUE DEMOGRAPHIC AUDIENCES

THE RISE OF WOMEN BETTORS - A MISSED OPPORTUNITY

THE MAINSTAY OF BLACK AND GRAY MARKETS

HOT PAPER LANTERN



THERE IS NO DOUBT that the sky's the limit for the future of sports betting in America. But, based on our study's insights, it's clear that opportunities are being missed. As we move into a pivotal Fall 2021 sporting season, separation through consolidation and market share will truly take shape as operators continue to develop strategies to own a larger share of American sports bettors' wallets.

THE
Z
O
N
E
A
N
D
G

HPL

PART ONE

FINDINGS FROM OUR STUDY

HOT PAPER
LANTERN

01 PRODUCT CAN ONLY TAKE YOU SO FAR

BET ON YOUR BRAND

According to our data, the majority of American sports bettors (38%) use two to three sports betting platforms to fulfill their betting needs. This reality shows that building new relationships with users won't be easy given the number of betting sites/platforms they intend to use isn't limitless.

When it comes to the opinions of how to acquire and retain new users in 2021, executives feel that having a superior product (55%) is the main way to do so.

Having a superior product is by far the most popular answer among executives who then ranked Superior Customer Service (13%), Superior Content (12%) and Superior Brand (11%) as the next most important elements.

In fact, executives reiterated multiple times in multiple questions that the product trumps all other variables to



IF YOU COULD STRENGTHEN ONE DEPARTMENT WHAT WOULD IT BE?

Technology/Product Development	31%
Marketing/Social Media	20%
Sales	10%
Operations	10%
Communications/PR	7%
Executive Level	6%
Finance/payment	4%
Regulatory	4%
Customer Service	4%
Trading	2%

WHAT ARE THE KEY VARIABLES OF YOUR COMPANY'S GROWTH STRATEGY?

Products that are clearly unique for your audience	72%
Brand/marketing approach that rises above the competition	62%
Having unique geographic/digital presence	29%
Clout of parent/investors/partners	20%
More competitive pricing	20%
Still figuring this out	14%
Customer Service	4%
Trading	2%

WHAT WOULD MAKE YOUR COMPANY MORE ATTRACTIVE TO A POSSIBLE ACQUISITION?

Strength of your products/tech	32%
Positioning in the marketplace	21%
Brand awareness in the market	11%
Growing customer base	10%
Market access in key states	6%
Retention of customer base	6%
Trading	2%

CONTINUED ON PAGE 6

01

PRODUCT CAN ONLY TAKE YOU SO FAR *(continued)*

BET ON YOUR BRAND

This is in direct contrast to users, who were asked to rank the importance of each element that would make them frequently use a particular sports betting site or app. **While brand ranked low among the thoughts of executives, brand reputation and trust (47%) was the most important factor users wanted in order to frequent a sports betting site or app.** Having a high-level product and experience (45%) ranked second with users in wanting to repeatedly use a sports betting app or site. This shows that while the strength of the product is important, it's the combination of product and brand relevance that will influence the bettor.

The dominance of your product or visibility of your brand is only as strong as how you communicate it to your audience. Many executives felt that they are ineffective at communicating their value proposition to bettors. In fact, 72% of those executives stated that they're ineffective at communicating their value proposition because they haven't been able to spend the time or resources to do so. In a market where users use on average two to three betting sites/apps, communicating that value proposition and promoting your value through product and brand has never been more important.

EXECUTIVES

WHY DO YOU FEEL THAT YOUR COMPANY IS INEFFECTIVE AT COMMUNICATING/MARKETING YOUR VALUE PROPOSITION TO END USERS?

72% WE HAVEN'T BEEN ABLE TO SPEND THE TIME/RESOURCES ON COMMUNICATIONS/MARKETING

28% WE DON'T HAVE ADEQUATE/SKILLED RESOURCES TO DO THIS WELL

22% WE DON'T TRULY UNDERSTAND OUR END AUDIENCE WELL ENOUGH

13% WE CAN'T ARTICULATE OUR MESSAGE CORRECTLY

TAKEAWAY

Having a strong product is extremely important but it can't be at the expense of a trusted and valued brand. The combination of having a strong product and **creating real brand relevance** with users allows companies to compete better.



02 FUTURE STATE AND ROADMAP FOR RETENTION

Three-fourths (75%) of executives state that they are planning to launch new products, innovations, technology or gameplay in 2021. Technology providers, content producers and data providers are all signaling a major push towards in-play betting and in-stadium/arena lounges.

Bettors showed that while they are excited about elevated betting experiences like in-play betting, when asked about future sports betting capabilities, having more social betting experiences rose to the forefront.

Social betting (31%) and retail betting (31%) outpaced more popular media talking points like in-play betting (26%), loyalty programs (25%) and in-stadium/arena betting (24%).

EXCITEMENT OF FUTURE BETTING CAPABILITIES



Bettors even spoke to the dire need for differentiation and tailored promotions (30%) as a major need for the future. We've discussed before the idea of the "sea of sameness" in sports betting. We're all awash in the same messages about acting on specific bonuses to make a deposit and make a bet. "Put in \$50 and get \$50" or "Risk-free bet on NBA playoff games." The challenge with these promotions is that they don't differentiate any one brand. As we stated in the section above, demonstrating the platform, service or app's value proposition by elevating the brand and showcasing the product's value proposition can create that differentiation users are seeking.

This point becomes clearer when we look through the lens of how users ranked the importance of different aspects of their betting experience. When all the data is put forward, it provides us with a definitive roadmap for how users want to choose the betting platforms they use and elements that will retain them. And it all starts with the brand.

GENERAL PUBLIC RETENTION ROADMAP

1. Brand reputation/trust - 47%
2. High level product/experience - 45%
3. Ease of financial transactions - 43%
4. Better odds and promotions - 38%
5. Expert content - 35%
6. Referred by friends or family - 34%
7. Social media content that drives me to engage with the brand - 33%
8. I like their advertisements/celebrity endorsements - 30%

TAKEAWAY

The retention roadmap clearly lays out what bettors prioritize as important and what must be leveraged by operators to increase their user base. Each one of these elements is an important part of the marketing mix and operators can clearly look to see how to accentuate these elements to elevate the overall brand experience.

03

NOT ALL ROADMAPS ARE CREATED EQUAL

UNDERSTANDING THE PREFERENCES OF DIFFERENT DEMOGRAPHICS

NOT ALL BETTORS ARE CREATED THE SAME. WHILE IT'S GREAT TO SEE WHAT BETTORS ARE GENERALLY LOOKING FOR, THE FOLLOWING INSIGHTS ILLUSTRATE HOW PREFERENCES CHANGE BASED ON AGE AND GENDER.

Take Gen Z for example. Gen Z is the largest emerging market for sports betting, but this audience has much different likes than the general market. While every other age and gender demographic listed brand reputation/trust (Millennials – 46%; Gen X – 53%; Boomers – 56%) as its most important retention factor, Gen Z views referrals by family or friends (42%) as more important than brand (39%).

The social experience of sports betting for Gen Z and Millennials is heightened even more when looking at how they view social media content compared to the Gen X and Boomer markets. Both Gen Z and Millennials (38%) noted social media that drives them to engage with the brand is a leading retention factor. Gen X (22%) and Boomers (14%) however don't see the value in social media and listed it at the bottom of their priorities.

Boomers and Gen X audiences follow traditional thinking surrounding sports betting, which is more functional and practical than the social experience prioritized by Gen Z and Millennials. Both Boomers (50%) and Gen X (47%) feel that odds and promotions are an important part of their experience, while odds seem to be deprioritized by Millennials (38%) and Gen Z (28%).

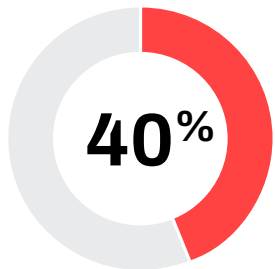
Nuances within these roadmaps by age group can be leveraged to create more tailored products and brands that communicate stronger messaging and targeting aimed at these groups. There is one main factor that unites all of these groups: the ease of financial transactions. All bettors want to know that they can easily deposit money, their money and data is secure and that they can withdraw their winnings when they want.



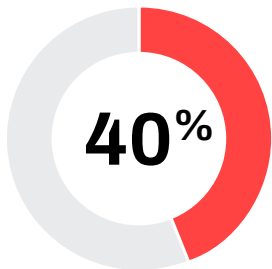
TAKEAWAY

Sports betting as a market is maturing. As with any category that matures and expands, the ways that companies communicate and target audiences becomes more strategic. There is now a clear roadmap for how to tailor your brand and offerings to meet your customers where they are. That tailoring will provide any operator with a significant competitive advantage.

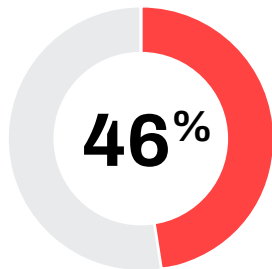
EASE OF FINANCIAL TRANSACTIONS



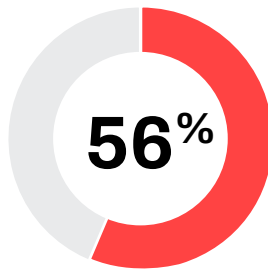
Gen Z



Millennials



Gen X



Boomers

04 THE RISE OF WOMEN BETTORS

AS A MAJOR ACQUISITION TARGET



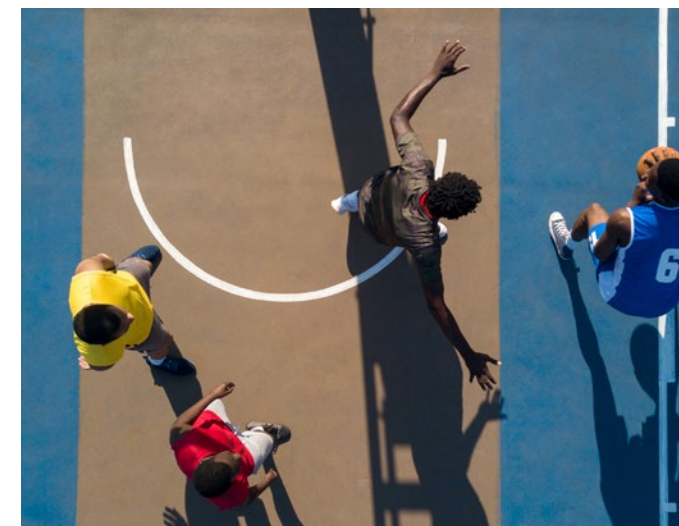
Continuing the theme of differentiation brings us to a truly underrepresented demographic – women bettors. **Our study found that one-in-three (33%) bettors are women.** While still smaller than the male demographic, the market for women has actually grown. Our State of the New Sports Bettor Study, published in May 2020, found that 28% of bettors were women, which shows a 5-point increase. Not only do women represent a third of the market, when looking at bettors that make daily bets, men (18%) and women (17%) are effectively evenly split.

In looking at the retention roadmap for women, it closely mimics the roadmap for men, as both genders prioritize brand, product and ease of financial transactions in top succession. But preference deviates for women when it comes to the importance of friends and family referrals (41% women vs. 31% men) and the use of engaging

social media content (38% women vs. 30% men). Social media and the importance of trusted referrals is key for the retention of women bettors.

Women bettors tend to lean towards social betting, whether that be with others on social media or with others for big events. We also know from the State of the New Sports Bettor study that women bettors are more likely to bet during tentpole sporting events that have more social betting aspects to them like boxing, the Kentucky Derby and the NCAA Tournament.

Even more than everyday betting, we found that women bettors were more likely to pay for access to betting analytics tools to guide their handicapping (20% female to 15% male). As content providers are looking to further diversify revenue streams, women bettors seem like a natural avenue.



TAKEAWAY

The growth of women bettors will only continue to expand and should not be an overlooked market. An operator looking to break the mold and take this demographic seriously will create true brand differentiation.

05

PROMINENCE OF THE BLACK MARKET

WE’VE GOT A LONG WAY TO GO

Illegal sports betting continues to be a significant channel for bettors. When asked how they made their bets, the majority of bettors gravitated towards legal channels but black and gray markets are still thriving. More than a third of bettors are using illegal channels to place a bet (20% of bettors use offshore sportsbooks and 17% use a bookie).

Messaging for sports betting is primarily focused on creating awareness of the actual sports book/casino and the targeted promotions to entice bettors to deposit money. However, education/awareness is still so minimal that even seasoned bettors need targeted messaging about the availability of legal options in their states, product offerings, pricing analyses, etc.



There will always be a segment of the market that uses offshore sportsbooks or bookies for any number of reasons—including but not limited to the availability of superior prices, access to credit, the ability to put down larger amounts of money—but revenue can be developed by directing attention to why betting with the legal sportsbook is important. In fact, the State of the New Sports Bettor found that 60% of bettors would be more interested in sports betting if they knew where the taxed revenue on the bets were being allocated in their state.

TAKEAWAY

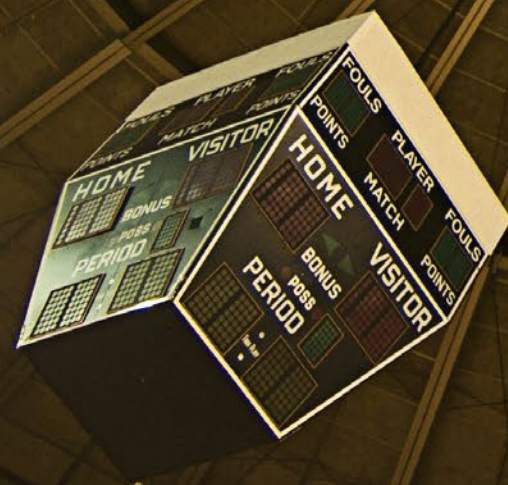
Sports betting is gaining popularity and familiarity across the country but the industry still has a long way to go in converting users and educating them about the value and benefits of legal sports betting options.

WORLD

HPL

PART TWO

APPENDIX



EXECUTIVE OUTLOOK APPENDIX

AS IT RELATES TO SPORTS BETTING IN THE US, FOR THE REST OF 2021 THE PRIMARY GOALS OF YOUR COMPANY ARE (PLEASE PICK TOP THREE CHOICES)...

- Grow Revenues – 54%
- Create the Best Product – 46%
- Obtain New Users – 43%
- Build Brand – 43%
- Gain Market Share – 35%
- Secure Third Party Funding – 11%
- Drive Down the Cost of New User Acquisition – 7%
- Be Acquired – 7%

IS M&A A SERIOUS PART OF YOUR GROWTH STRATEGY FOR 2021?

No – 51%
Yes – 28%

IN 2021, YOUR COMPANY WILL BE INVESTING IN (SELECT ALL THAT APPLY)

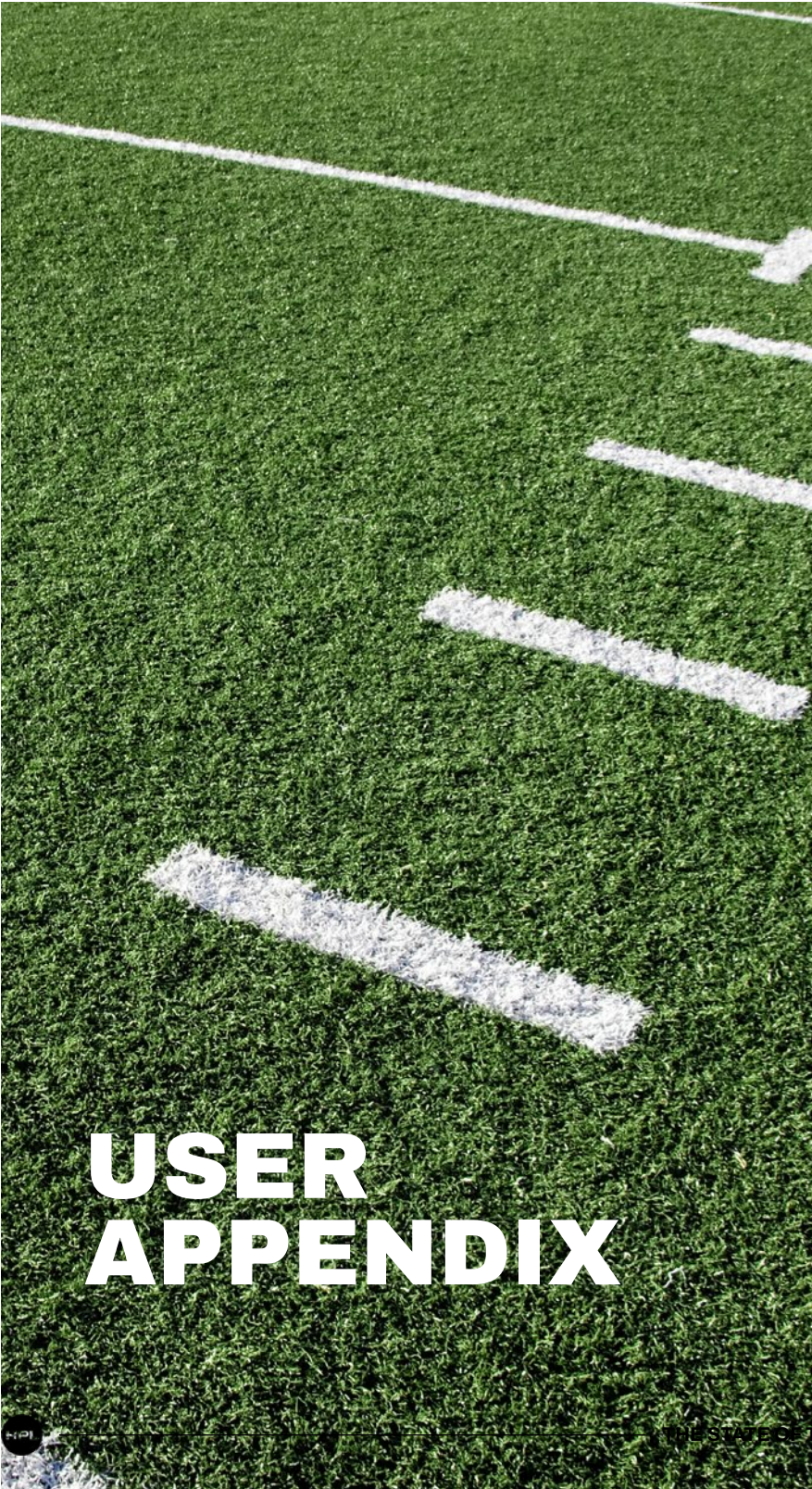
1. Technology (software) – 61%
2. Talent – 61%
3. Brand Building/Marketing/ Communications – 52%
4. Strategic Partnerships – 50%
5. Data & Analytics – 47%
6. Customer Acquisition/ Retention – 46%
7. Online User Experience/ Upgrade Platform – 42%
8. Content (Digital, Social, Partner, etc.) – 37%
9. M&A – 16%
10. Brick & Mortar Locations – 13%
11. Community and Charitable Giving Initiatives – 10%
12. No Plans to Invest in 2021 – 6%

(OF THOSE THAT SAID YES TO M&A BEING A PART OF THEIR GROWTH STRATEGY) WHAT IS YOUR PRIMARY GOAL AROUND M&A FOR 2021?

Purchase/Acquire Another Company for Growth – 53%
Sell to Another Company – 32%

WHAT ARE THE BIGGEST OBSTACLES/CHALLENGES TO YOU FULFILLING THIS STRATEGY (SELECT ALL THAT APPLY)?

1. Lack of Investment and Capital – 30%
2. Brand Strength and Relevance – 28%
3. Product Offering/Experience Needs to Improve – 24%
4. Understanding Your End Audience/ Reaching Them – 24%
5. Lack of Talent – 23%
6. Lack of Technological Resources – 20%
7. Reliance on Underperforming Third-Party/B2B Solutions – 16%
8. Poor Management/Leadership – 7%



USER APPENDIX

WHICH, IF ANY, OF THE BELOW BEST DESCRIBES WHAT KIND OF SPORTS BETTOR YOU ARE? PLEASE SELECT THE OPTION THAT BEST APPLIES.

I place a sports bet daily	17%
I place, at least, one sports bet once a week	19%
I place, at least, one sports bet once a month	22%
I only bet during large sporting events (e.g., Super Bowl, NCAA Tournament, Kentucky Derby, World Series, etc.)	35%
I'm new to sports betting and made my first bet in the past six months	7%

WHICH, IF ANY, OF THE BELOW DESCRIBES HOW DO YOU MAKE YOUR BETS? PLEASE SELECT ALL THAT APPLY.

Legally through the available sports betting apps/sites within my state	32%
I place my bets through a friend who lives in a state with legal sports betting	32%
I use offshore sports betting apps/sites	20%
I physically place my bets at a casino/sportsbook	28%
I bet using a bookie	17%
Other	5%

WHICH ONE OF THE BELOW RESOURCES DO YOU TYPICALLY USE TO HELP INCREASE YOUR ODDS OF WINNING BETS? PLEASE SELECT THE OPTION THAT BEST APPLIES.

I often use one or more expert content sites to educate/inform me	22%
I pay for access to betting analytics tools to guide my handicapping	17%
I listen to one or more sports betting analysts prior to making bets	20%
I go right to sports betting sites to obtain this information	23%
I don't know where to find that information	4%
Not applicable - I don't use any resources to help me bet	13%

METHODOLOGY

The Executive portion of the study was conducted by SBC Americas and surveyed 178 sports betting executives from March 2020 to April 2021.

The user/consumer portion of the study was conducted by YouGov, on behalf of HPL Digital Sport and surveyed 822 sports bettors across America in April 2021.

HPL





LET'S TALK



ADDRESS

470 Park Ave. S., 4th Fl.
New York, NY 10016

212.931.6100
www.hpldigitalsport.com

CONTACT

For more information or a deeper
look into a particular audience
breakdown, please email:

MIKE ADORNO
madorno@hpldigitalsport.com