

SPORTEL Study: examining the International online sports betting market



Drawn up by

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Under pressure from the European Commission, the majority of countries across Europe are in the process of liberalising online gaming. In fact, most other countries around the world will follow suit. The market share of online sports betting alone amounts to some 25 to 30% of online gaming – it is a significant market, accounting for several tens of billions of dollars. The **sporting movement and rights holders are affected by the emergence of this new market** because bets will be placed on their sporting events. As a result, the problematic issue of their remuneration arises.

David Tomatis asked me to draw up a study examining the international online sports betting market so that those attending Sportel learn about the significant impact that this market represents, both, as I suggested, **in terms of online sports betting operators paying for rights** and in terms of the **sponsorship market created for sports events by online sports betting**.

SUMMARY

The French online sports betting market

- Online sports betting as it currently stands (the monopoly of the Française des Jeux)
- Measures in the French governmental bill related to online sports betting
- Projected turnovers in the French online sports betting market
- Who will use online sports betting?

The French online horse race betting market

- Online horse race betting in France as it currently stands (the PMU monopoly)
- Online horse race betting in France after the market opens up

The English online sports betting market

The Italian online sports betting market

The Spanish online sports betting market

The advertising and sponsorship market for online sports betting

- The French governmental bill and how it will affect advertising for online sports betting in France
- Reasons why online sports betting operators need to invest heavily in sponsorship over the next two or three years
- The huge sponsorship market created by online sports betting
- The advertising market created by sports betting
- The vast increase in sports betting assistance services (TV programmes, radio, Internet sites and printed press)

The sweeping changes brought about by online sports betting on mobile telephones (mobile Internet)

- In the medium term, Internet use will mainly be through mobile telephones betting
- Live betting adapted for mobile telephones makes up 70% of online sports bets
- Market potential for mobile Internet online sports betting

The liberalisation of sports betting in Europe

- European countries that have legalised sports betting, those that will do and those that refuse to do so

The liberalisation of online sports betting around the world

- Out of the 226 countries in the world, 28 have legalised online sports betting (only 7 major markets)
- Countries around the world that have accepted legalisation, those that will do and those that refuse it

The sports betting market in the USA

- The current situation: UIGEA (Unlawful Internet Betting Enforcement Act)
- International pressure
- The market opening up in the USA (likely)
- Potential turnover for the sports betting market in the USA (the leading international market)

International turnover from online sports betting

Problems created by the issue of online sports betting operators remunerating rights holders

Conclusions of the study

The French online sports betting market

- **Online sports betting as it currently stands in France**

- **The Française des Jeux online sports betting monopoly:** 630 million euro turnover
- **Users of illegal sports betting sites:** 900,000
- **Bets placed on illegal sites:** 230 million euros bet on the Roland Garros French tennis Open at one online betting site alone

- **Measures in the French governmental bill related to online sports betting**

- **Allowed:** online odds-based sports betting and live betting
- **Explicitly prohibited:** Spread betting and sports betting on non-real events
- **Licences for sports betting operators:** only operate within France
- **Tax rates for sports bets:** 7.5% (Malta: 0.5%, Italy: 4,5%, Great Britain: 15%, Spain: 10%)
- **Marketing and sponsorship:** will be managed
- **Remuneration for sports activities:** 1.8% on sports bets going to amateur and top-level sport
- **Operators must draw up agreements with rights holders:** unique in Europe

- **Projected turnovers in the French online sports betting market**

- **2010 :** 800 million euros
- **2011 :** 1,4 billion euros
- **2012 :** 1,8 billion euros

- **Who will use online sports betting in France?**

- **Market potential for those using online sports betting:**

- **Number of players of money-based games in France:** 31 million
 - **Number of people with Internet subscriptions:** 27 million
 - **Potential number of sports gamblers in France:** 30 to 35% of online game users
 - **Sports gamblers on illegal sites:** 900,000

- **Typological information about online sports gamblers:**

- 65% of sports gamblers are between 18 and 45 years old, 35% are more than 45 years old

- **Breakdown of the sports betting market in terms of users:**

The market will consist of:

- **A large group of sports gamblers currently playing on illegal sites:** Excluding those who are not satisfied with what the French market offers them (limited forms of betting and return rates for users...)
 - **A particularly large number of new users (18 to 45 years old):** who will add to this market, which is the most significant market alongside online poker
 - **A group of online horse racing gamblers (30 to 35%)**



The French online horse race betting market

• The online horse race betting market as it currently stands in France

- The physical horse race betting market in France is the largest in Europe and the second largest in the world
- Only pari-mutuel systems are allowed
- The *PMU* monopoly: 6.5 million clients and a 9.2 billion euro turnover in 2008 for physical horse race betting
- 8% of horse race bets going back into equestrian activities
- 'Online horse race betting' as it currently stands:
 - The *PMU* 'online horse race betting' monopoly: 548 million euros
 - The current number of online users of the *PMU* site is 220,000

• Online horse race betting in France after the market opens up in 2010

- Monopoly ends, market opens to online horse race operators
- 8% of online horse race bets to go back into equestrian activities
- Particularly slow transfer of 6.5 million physical horse race betting users to online horse race betting (the majority are not part of the Internet generation)
- Horse racing betting and sports betting are intimately linked markets, *PMU* and Zeturf move into the sports betting market
- Emergence of a significant number of new horse race gamblers, young people (new supply)
- Potential turnover for online horse race betting in France:
 - Initially: around 800 million euros
 - In the long term: a large portion of the 9.2 billion euros currently spent on physical horse race bets

The online sports betting markets: England, Italy, Spain

• The English online sports betting market

- **Established in:** September 2007
- **Types of bets allowed in England:** all types
- **Types of licence:** English licences and white list licences (licences for other countries)
- **Sports betting operators:** 72 English licences
- **Market share:** 10 operators control 80% of the market
- **Tax rate:** Increased from 1.5 to 15% in 2008 (English licences)
- **Number of sports gamblers:** 800,000
- **Most popular sports:** football, rugby, cricket, golf, boxing, tennis, motor sports...
- **Turnover for sports betting in England:** 3.5 billion euros

• The Italian online sports betting market

- **Established in:** January 2007
- **Types of bets allowed:** online odds-based sports betting
- **Types of licence:** Italian
- **Tax rate:** 4,5 %
- **Number of sports gamblers:** 700,000
- **Turnover for sports betting in Italy:** 1 billion euros



• The Spanish online sports betting market

- **Spanish market opened:** At the start of 2007, partial opening, by region
- **Types of bets allowed:** All types of bets, betting previews, live betting, simple bets, multiple bets
- **Licences:** European licenses for sports operators
- **Operators:** 14 operators sharing the market, three of them Spanish
- **Tax rate:** 10%
- **Number of users:** 200,000 in 2008 (30% annual growth)
- **Most popular games:** football, tennis, basketball, NASCAR Racing
- **Turnover for online sports betting in Spain**
 - 2009: 1.10 billion euros
 - 2010: 1.35 billion euros

The advertising and sponsorship market in France

- **Managing online sports betting advertising in France (parliamentary bill)**
 - Operators have to have a licence in France
 - Advertising will be managed according to content
- **Sports betting operators need to invest heavily in advertising and sponsorship**
 - With this type of service, supply is relatively uniform and differences are based on notoriety - it is imperative for any group to position itself as a market leader
 - 80% of the market will be concentrated around ten or so operators
 - Over a period of two to three years, investment in advertising will be extremely important
- **The enormous sports sponsorship market in France**
 - The appeal of sports sponsorship is due to the fact that through different competitions, it extends across Europe
 - Prices for appearing on a football team's shirt vary, from 4 to 12 million euros each year
- **The sports betting advertising market in France**
 - The online sports betting advertising market will provide a considerable boost to the advertising market, across all media, especially those dealing with sport
 - However, the advertising market will naturally be closely linked to online sports betting assistance and advice services' – dozens of television programmes, radio, a great many Internet sites, the general printed press and specialised publications...

The online sports betting market switching to mobile phones (mobile Internet)

- **Mobile Internet**

Viewing 'Internet content' on 'mobile telephones'. As a result, users have access to sports betting Internet sites (freeing them of the need for a PC)
- **The market switching to mobile Internet**
 - According to forecasters, over the next three to four years, 'Internet' access will mainly be through mobile telephones
 - **Mobile Internet is ready for sports betting across the board:**
 - 3G networks with high speed telephone connexions are available
 - compatible mobile telephones, notably the highly popular iPhone
 - content providers (adapting to the size of telephone display screens),
 - sports betting operators who see this area as a development opportunity...
 - **Adequacy of mobile Internet games in line with the expectations of sports gamblers:**
 - Play on the move ; bet in real time, at any time
 - Betting from a stadium when a match has begun (live betting) ; live betting makes up 70% of sports betting
- **Market potential for online games on mobile Internet**

The European market for mobile Internet sports betting is valued at 1 billion euros



Online sports betting in Europe – the situation

- **The current situation in Europe**

Out of 27 countries, 7 have liberalised online sports betting and 13 others will do so in the next two to three years.

- **European countries**

Austria	Online sports betting within a State monopoly
Belgium	Online sports betting currently being legislated
Bulgaria	Online sports betting currently being legislated
Cyprus	Online sports betting allowed
Czech Republic	Online sports betting currently being legislated
Denmark	Online sports betting currently being legislated
Estonia	Online sports betting currently being legislated
Finland	Refuses to open its market
France	Online sports betting currently being legislated
Germany	Refuses to open its market
Great Britain	Online sports betting allowed
Greece	Refuses to open its market
Ireland	Online sports betting allowed
Italy	Online sports betting allowed
Malta	Online sports betting allowed
Netherlands	Refuses to open its market
Poland	Online sports betting currently being legislated
Portugal	Refuses to open its market
Spain	Online sports betting allowed
Sweden	Online sports betting currently being legislated



Online Sports betting in major countries around the world – the situation

- **The current situation around the world**

Out of the 226 countries in the world, only 28 have liberalised online sports betting. A number of countries will liberalise online sports betting in the next two to three years.

- **List of countries around the world**

Antigua	Online sports betting allowed (won a legal battle against the USA for restrictions)
Argentina	Opening up in the next few months
Australia	Online sports betting allowed
Brazil	Law specifically banning online sports betting
Canada	Market is not open but there is no effort to repress users
China	Refuses to open its market (second biggest global market)
Cyprus	Online sports betting allowed
Dominica	Online sports betting allowed (for resident operators)
Dominican Republic	Online sports betting allowed
Gibraltar	Online sports betting allowed
Hong Kong	Online sports betting monopoly
India	Not regulated
Israel	Refuses to open its market
Jamaica	Online sports betting allowed
Japan	Market will open soon
Liechtenstein	Government monopoly
Macau	Government monopoly
Malaysia	Refuses to open its market
Mauritius	Online sports betting allowed
Mexico	Online sports betting allowed
Norway	Refuses to open its market
New Zealand	Government monopoly
Panama	Online sports betting allowed
Philippines	Online sports betting allowed (major figure)
Russia	Refuses to open its market (2009)
Seychelles	Online sports betting allowed
Singapore	Refuses to open its market
South Africa	Online sports betting allowed
South Korea	Refuses to open its market
Tanzania	Online sports betting allowed
Thailand	Refuses to open its market
Turkey	Refuses to open its market
Ukraine	Refuses to open its market
USA	Banned, opening is likely
Vietnam	Opening is likely



Online sports betting in the USA – the situation

- **The current situation**

- The UIGEA (Unlawful Internet Gambling Enforcement Act) law was passed in 2006, and regulations governing its use were published in January 2009
- Several operators have been subject to lawsuits in America – in 2008, PartyGaming accepted a 300 million dollar fine
- PricewaterhouseCoopers estimates that in the next ten years, the USA will lose 52 billion in state revenues from online gaming

- **International pressure**

- Antigua took the USA to court through the World Trade Organization (WTO) for restrictions on the free circulation of products and services – the USA were forced to pay 21 million dollars per year
- The European Union is preparing to press charges against the USA through the WTO for the same reasons, with damages estimated at several billion dollars

- **The market opening in the USA – a likely possibility**

Franck Barney, Chairman of the US House Committee on Financial Services, and Senator Menendez are in the process of submitting a parliamentary bill on regulations to this sector

- **The potential turnover of the online sports betting market in the USA (leading global market)**

Projected turnover for sports betting in the USA when the market opens: 4 to 5 billion dollars

International projected turnovers for online sports betting

- **Reminder: Turnover for online sports betting in Europe, 2010**

- **France:** 800 million euros (market opens)
- **England:** 3.5 billion euros
- **Italy:** 1.5 billion euros
- **Spain:** 1.35 billion euros

- **Projected turnover for sports betting in Europe**

- **2010:** 8 billion euros (including France and Belgium...)
- **2011:** 10 billion euros (with seven European countries likely to open)

- **Projected turnover for the international sports betting market**

- **2010/2011:** as markets open, between 15 and 20 billion dollars



Problems between online sports betting operators and rights holders

- **The facts**

- In France's parliamentary bill, there is an obligation for sports betting operators and sports rights holders to reach a commercial agreement
- France is the only country in Europe to have introduced this measure
- The European sports movement hopes that this measure is accepted internationally

- **The effects of the measure developed in France**

- Operators with licences to operate in France will be obliged to reach agreements with French rights holders, but online sports betting operators in the rest of the world will not
- Operators will only reach agreements with rights holders for sports that have the most media coverage

- **How to respond to the expectations of the international sports movement**

- As with sports rights, international regulations need to be established



Conclusions

- **The French online sports betting market**

- A market share of 30 to 35 %
- Rapid growth in the first two or three years
- Around ten operators will share 80% of the market.
- To be market leaders, operators will have to invest heavily in marketing and sponsorship over a period of two or three years
- A sudden transition to mobile Internet online sports betting (on mobile telephones) should be expected – it allows real time betting even after an event starts (live betting allowed in France)

- **The online horse race betting market in France**

- Currently, the number of gamblers involved in physical horse race betting is 6.5 million (highly traditional) – this will only change very slowly in the move to 'online horse race betting'.
- In terms of turnover based on the physical market in France, the online horse race betting market has a market potential of two or three times that of online sports betting.

- **Online sports betting in Europe – the situation**

- Most countries in Europe (apart from the seven that refuse) are in the process of legalising online sports betting: seven countries have already done so and 13 will do so in the next two or three years

- **Online sports betting around the world – the situation**

Out of the 226 countries in the world, only 28 countries have liberalised online sports betting. A number of countries will liberalise online sports betting including the USA, but important countries such as China and Russia are opposed to this liberalisation.

- **Agreements between online sports betting operators and rights holders**

This measure will apply only to operators with a licence in France. Other operators around the world will be able to continue to use French sports events without any obligation to create commercial agreements. To be fully effective, this measure should be established within an international agreement.



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