



# Capitalizing on the convergence of sports, media, and gaming

**How companies can plan a winning strategy**

[kpmg.com](https://www.kpmg.com)





# Here's the deal: Legalized sports betting is creating a growing opportunity

**P**articipants in the sports, gaming, and media industries all stand to benefit from the legalization and rapid growth of sports betting.

The key is to move quickly while managing risks.

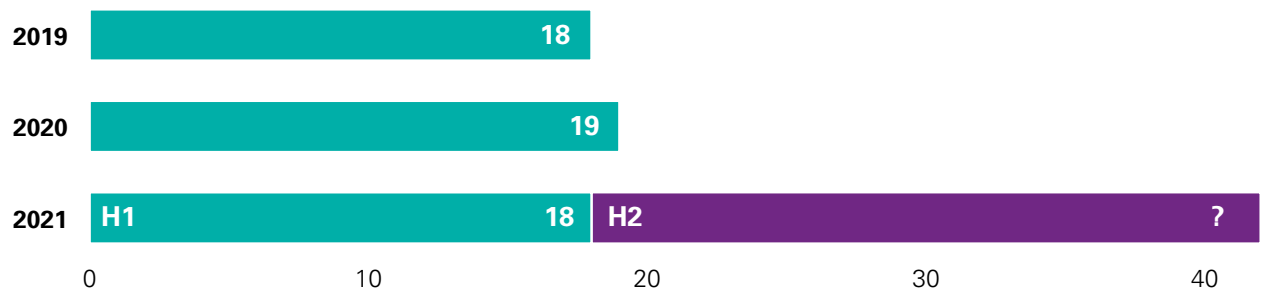
**Betting on sports is on the rise, driven by broader legalization of gaming, a growing acceptance of sports wagering of all types, and the conveniences afforded by online and mobile sports betting apps. This perfect storm is creating massive opportunities for gaming companies, sports leagues and teams, and media firms.**

This fast-growing market offers big benefits to multiple industry sectors: Gaming companies gain access to valuable new customers; sports teams gain new revenue-producing licensing and media-rights opportunities and ways to engage with fans more regularly; and media companies can retain and increase viewer interest, driving advertising revenue growth and an array of new content opportunities.

To fully realize these benefits, the players will need to move both rapidly and strategically to create a well-executed sports-betting ecosystem through deals and partnerships to share technology, data, and brand resources. This convergence has the potential to tie

together industries, creating a \$135 billion ecosystem across advertising, media rights, gambling, and others.<sup>1</sup> Already, several sports, gaming, and media companies have begun to pursue these partnerships. The number of convergence deals has been increasing over the past two years. The pace is accelerating, with 18 deals in the first half of 2021 alone compared with 18 deals in all of 2019 and 19 in 2020. While speed is essential, preparation is also key. Participants must be aware of “hidden” risks and other issues—gaming licensing requirements, the state-by-state nature of legalization, social stigmas related to gambling, and the overvaluation of investments—to name a few.

## Deal volume for identified “Convergence” deals 2019–June 2021



# Here's the deal *(continued)*

Given the scope, rapid growth, and risks associated with the sports betting market, companies looking to participate in this emerging space should consider a number of strategic and tactical moves. We'll discuss more later in the report, but these might include hiring a "chief gaming officer" or creating a team solely devoted to managing gaming-related opportunities. This role has already emerged among some U.S. sports leagues and will likely be commonplace among all U.S. major leagues by the end of 2021.

*In this paper, we'll look at key convergence trends and how companies can move with purpose to capitalize on these opportunities.*

## Sports betting comes out of the shadows



As recently as a few years ago, sports betting in the United States happened in the shadows, without the benefit of regulation and protection for the consumer. Until even more recently, major sports leagues lobbied against

legalizing sports wagering, and sports broadcasts were strictly prohibited from discussing betting odds for upcoming or in-progress games. Today, the landscape couldn't be more different.

In 2018, the industry changed forever when the U.S. Supreme Court overturned the Professional and Amateur Sports Protection Act, removing the federal ban on betting on sports and allowing states to permit and regulate sports betting activity.<sup>2</sup> Seeing potential new sources of revenue, states have been quick to take advantage of this ruling. People no longer need to travel to a casino to play table games or the slots. Instead, all they need is their phone to make a wager.

## How sport betting links the gaming, media, and sports industries



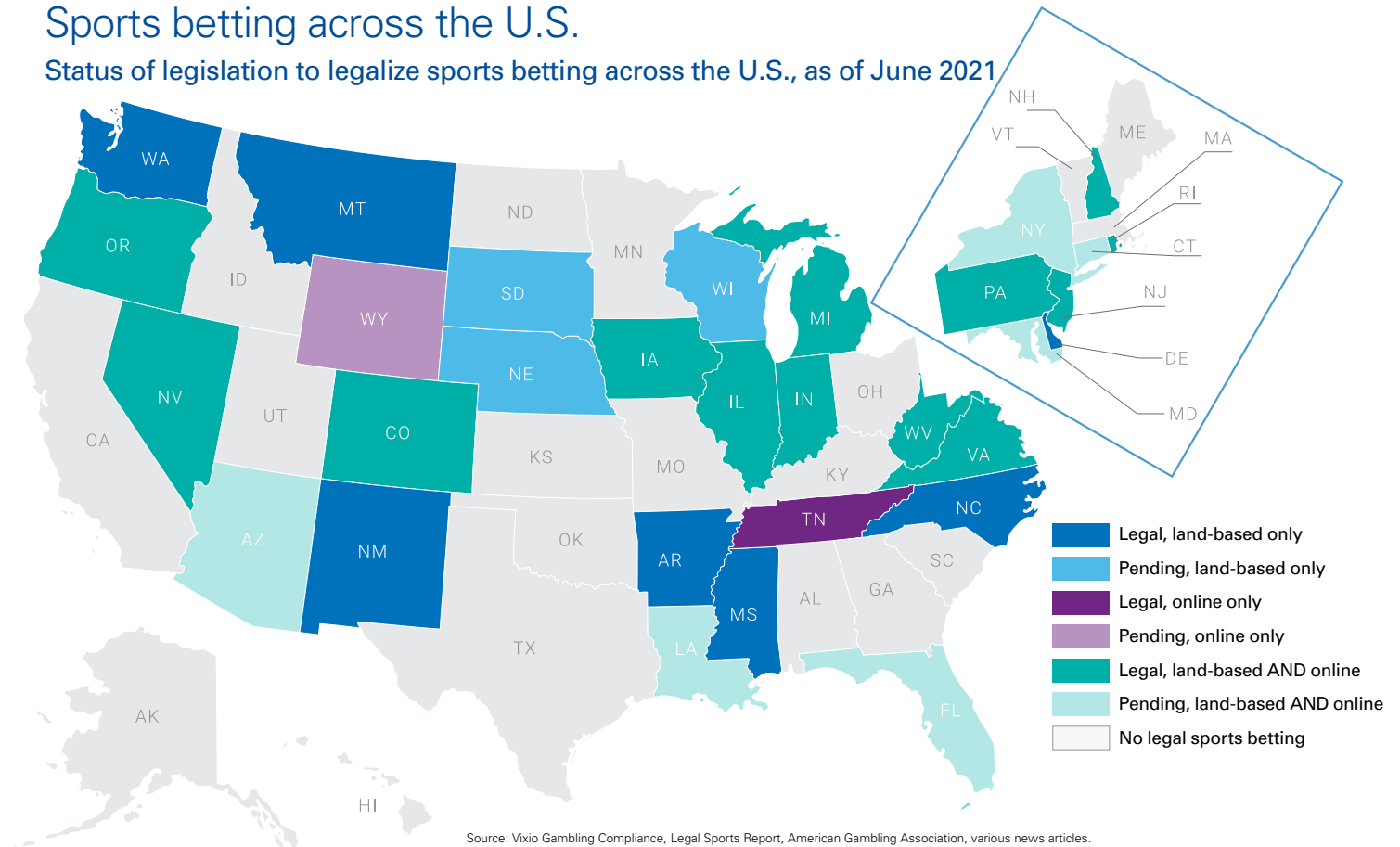
While technology and the lifting of legal bans have created more opportunities for gaming companies, another important factor influencing the sector's growth is people's attitudes towards gambling, which have been increasingly trending positive. For instance, seven out of 10 people surveyed in October 2020 in the U.S. reported that gaming has provided a positive benefit to the economy.<sup>3</sup> Prior to COVID, 92 percent of sports fans said they would bet on at least one of the top 20 U.S. sports or leagues (the NFL garnered the most interest).<sup>4</sup> Even with that high baseline, betting is still poised for further growth, with 22 million fans betting on sports in 2020.<sup>5</sup>

Another contributing factor to the rising tide of sports gaming is the huge popularity of fantasy sports leagues. Some 15 percent of U.S. adults over the age of 21 have played fantasy sports at least once in the past 12 months.<sup>6</sup> Fantasy leagues can be seen as an entrée to sports betting, in that fantasy sports leagues allow fans to compete against each other based on players' actual performances.

Ultimately, the convergence play relies on the belief that sports betting leads to greater fan engagement. A fan who has a bet at stake will be more likely to watch a game until the end or at least until they know the outcome of their wager.

## Sports betting across the U.S.

Status of legislation to legalize sports betting across the U.S., as of June 2021



Source: Vixio Gambling Compliance, Legal Sports Report, American Gambling Association, various news articles.

# Scoring at sports betting: It takes partnerships and deals

## What will the new world of sports betting look like?



The fan looking to place a bet will have various choices. But to create the best customer experience, the players in the gaming, sports, and media sectors will need to participate together—each providing their piece of the puzzle.

Gaming companies will provide online apps as a source for wagering opportunities, odds, and marketing resources. TV networks will offer information on betting

opportunities and content dedicated to sports wagering, along with access to customers. Sports franchises and leagues will provide the data needed for odds making and can encourage their fans to place bets at partner gaming sites or casinos, or even provide the ability to place bets while physically at the game.

To achieve this convergence, the players will need to turn to cross-sector deals and partnerships to gain

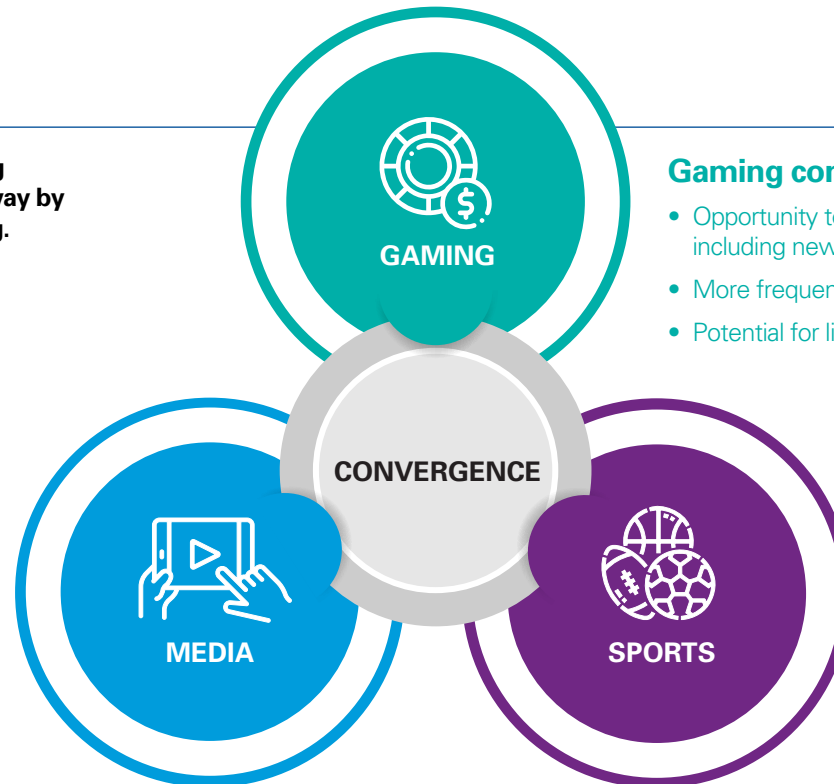
market share, expand geographical presence, and access technology. For example, gaming companies buying the rights to use sports-related brands (and data) for their betting and gaming offerings; media companies acquiring sports and betting data (and brand licenses) from gaming companies; and sports teams and leagues partnering with TV networks and gaming companies to create the face of sports betting for the franchise.

## How each player benefits

**Sports teams, media companies, and gaming companies all stand to benefit in their own way by pursuing opportunities around sports betting.**

### Media companies

- New avenues for media and broadcast rights
- Expanded advertising revenue opportunity
- Expanded viewer demographics as well as a stickier audience
- Share of gaming revenue



### Gaming companies

- Opportunity to reach a broader set of customers, including new demographics
- More frequent and deeper customer connections
- Potential for licensing deals for established brands

### Sports teams

- New opportunities for sponsorships
- Greater rights revenue driven by rising ratings and increased advertising
- Increased ancillary revenue (from branded merchandise, etc.) driven by deeper and more frequent fan engagement
- Share of gaming revenue



# Risks: playing the odds

While offering several benefits, sports betting presents its own set of risks to all participants. These risks fall into three main categories:

- 1) Regulatory risk
- 2) Social responsibility
- 3) Cyber and financial risk.

## Regulatory risk



The regulatory framework governing gaming and sports betting is complex and varies from state to state. Sport franchises, gaming companies, and media firms will need to look closely at each set of regulations and be aware that changes may have an adverse impact on their operations.

For example, states' tax rates on gambling operations may be high and unpredictable. Seeing revenue opportunity, a state may increase rates to match other states, leading to a race to the top. A potential unintended consequence of high tax rates on gambling is a shift to illegal gambling that can operate outside the reach of state law, further eroding legal gambling market opportunities.

One of the other challenges identified by industry players is the Wire Act of 1961, which criminalizes a gaming operator's use of a wire communication facility (including the internet) to make interstate or international transmissions of information assisting in the placing of bets or wagers for sporting events.<sup>7</sup> The application of the Wire Act to online gaming has been an area of uncertainty given varying opinions issued by the Department of Justice and conflicting court rulings.<sup>8</sup> In fact, the Wire Act of 1961 was identified as the biggest regulatory challenge impeding market growth (27 percent of respondents), followed by the lack of offshore enforcement (18 percent).<sup>9</sup>

Moreover in the current regulatory environment, sports teams, leagues, and media companies will need to either procure the necessary gaming licenses in the relevant jurisdictions, or structure their partnerships or other deals in ways that ensure that they are clearly not owning or investing in or operating gaming activities.

## Social responsibility



Regulators and the public will expect companies in the gaming sector to show a strong commitment to social responsibility. Entities involved in sports betting will need to strike a balance between advertising their gaming opportunities while promoting messages and imposing restrictions that can help bettors not get in over their heads.

U.S. companies involved in sports betting will want to avoid a situation that occurred in the U.K. After the legalization of betting, the industry witnessed an uptick in advertisements, which subsequently led to a backlash from the public and the government, leading to advertising and other restrictions.<sup>10</sup>

In addition, sports franchises and media companies will want to protect their brands from the reputational risk associated with gambling addiction or match fixing if their stadiums or programming become too closely associated with gaming.

## Cyber and financial risk



Like everything else on the internet, the expansion of online sports betting and gambling increases the risk of cyber-attacks, such as data theft, hacking risk, ensuring gaming integrity, and money-laundering activities.



In addition, companies will need to be compliant with applicable data-privacy regulations as well as ensure the customer funds are managed properly and transparently.

Any breach or misstep in these areas may lead to monetary losses, legal action, and brand damage.



# Planning a winning strategy

Capitalizing on the massive opportunities created by the expansion of sports betting, especially in online and digital channels, will require speed and preparation. A leader will need to consider four key strategic areas to pursue these opportunities.

Strategic Consideration 	Example Action 
<p><b>What are we trying to achieve and how are we positioned in the broader, converging ecosystem?</b></p>	<ul style="list-style-type: none"> <li>▶ <b>Define strategic objectives</b> for any cross-sector sports betting opportunities</li> <li>▶ <b>Scan the market</b> to understand relative positioning and make yourself a more attractive partner</li> </ul>
<p><b>Do we have the right operating model to execute on our strategic objectives in sports betting?</b></p>	<ul style="list-style-type: none"> <li>▶ <b>Appoint a “Chief Gaming Officer”</b></li> <li>▶ <b>Launch a new business unit</b> or group to specifically pursue business development, partnerships, product development, and M&amp;A</li> </ul>
<p><b>How robust are our proprietary data streams and analytics proficiencies?</b></p>	<ul style="list-style-type: none"> <li>▶ <b>Assess data, IP, and capability gaps</b></li> <li>▶ <b>Evaluate new monetization strategies</b> for proprietary data</li> <li>▶ <b>Build processes to validate and ensure</b> the reliability of data</li> </ul>
<p><b>Are we prepared to engage with and retain new customers that convergence deals will bring to our organization?</b></p>	<ul style="list-style-type: none"> <li>▶ <b>Map the customer journey</b>, especially if launching a direct-to-consumer offering</li> <li>▶ <b>Consider impact on brand image</b> and other partnerships; responsible gaming implications</li> </ul>



# Planning a winning strategy *(continued)*

**Beyond the strategic considerations, the steps that follow will differ for each subsector player.**

**For each vertical, we suggest the following keys to success as your strategies in this space continue to mature and evolve:**

## Gaming companies



- ▶ **Know your customer** and make deals to access customers that reduce acquisition costs and increase retention.
- ▶ **Optimize loyalty programs** and other marketing for digital transactions.
- ▶ **Know the players** in the sports, media, and entertainment sectors and which companies align with your jurisdictions, target customers, brand, and culture.
- ▶ **Maximize your value** to others by expanding jurisdictional access.

## Sports leagues and teams



- ▶ **Look for ways to engage** fans at home and in the stadium through bespoke betting opportunities.
- ▶ **Explore new opportunities** for licensing, e.g., sponsored lounges.
- ▶ **Build D&A (data and analytics) capabilities** so you can be a more valuable contributor to your ecosystem partners.
- ▶ **Create content** that will resonate with both current fans and general sports bettors.

## Media companies



- ▶ **Take steps that are consistent** with brand and potential public reaction.
- ▶ **Pursue deals that offer increased revenue** potential via advertising uplift, broadcast fees, revenue-share agreements, new products, and services.
- ▶ **Create synergy** with other services and products in the portfolio.
- ▶ **Fully evaluate key risks**, regulations, and compliance issues associated with approaching or entering the regulated gaming market.



# Final thoughts

**A**s the number of states legalizing sports gaming increases, placing a bet on who wins the big game is becoming as easy as a few taps on your smartphone for more and more sports fans.

Sports teams and leagues, gaming companies, and media outlets all stand to gain from this growing opportunity. But they will need to pursue the right deals and partnerships to create the mutually beneficial ecosystem needed to fully realize the market's potential.

This deal activity has already begun and will likely continue to accelerate. But these partnership opportunities are limited. That means companies grappling with how to best get into the game will need to move quickly or else be closed out.

Companies that have carefully and thoroughly explored where their organization can most benefit from this convergence and have moved quickly and purposefully to capitalize on those opportunities will be most likely to succeed.

# How KPMG can help

**Our KPMG Sports professionals help leagues, teams, and venues** reach higher levels of performance and enrich the fan experience. Our dedicated advisers are ready to help sports organizations achieve greater business success, reach new levels of efficiency, and form stronger bonds with fans.

**Our KPMG Media/Entertainment practice works with media organizations** to solve their toughest business and operating model problems. Our professionals combine a global perspective with in-depth industry knowledge to help companies navigate a fast-changing market.

**KPMG Gaming & Hospitality professionals combine their experience with specialists** across the firm to help navigate the issues critical to industry success. Our teams can assist across operations, customer experience, technology enablement, employee relations, internal audit, risk management, and more.

## References

- 1 KPMG Analysis; \$135 billion is the aggregate 2020 market size for (1) online and land-based sports betting; (2) online casino gaming; (3) sports league and team licensing; (4) broadcast media rights; (5) sports-related television advertising; and (6) supporting technology and data/analytics.
- 2 Source: The New York Times, "Supreme Court Ruling Favors Sports Betting," May 14, 2018
- 3 Source: American Gaming Association, "American Attitudes on Casino Gaming 2020," October 26, 2020
- 4 Source: Global Web Index, May 2019
- 5 Source: Sports Business Research Network, March 2021
- 6 Source: YouGov.com, "Fantasy sports in the US: who is playing?," February 8, 2021
- 7 Source: Steven A. Engel, Assistant Attorney General, OLC, "Reconsidering Whether the Wire Act Applies to Non-Sports Gambling," November 2, 2018
- 8 Source: SBC Americas, "Wire Act threat fades as DOJ allows deadline for appeal to lapse," June 23, 2021
- 9 Source: VIXIO—Gambling Compliance Survey, November 2020.
- 10 Source: The Guardian, "UK betting faces bigger threats than losing its sport shirts," February 1, 2021, and House of Lords, Select Committee on the Social and Economic Impact of the Gambling Industry, "Gambling Harm - Time for Action, Report of Session 2019-21," July 2, 2020

## Special thanks

Special thanks to KPMG professionals Dan Chelel, Evan Browne, and Chris Liquin for their contributions to the paper.

### [kpmg.com](https://www.kpmg.com)

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities

KPMG LLP does not provide legal services



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

## Contacts



### **Scott Purdy**

National Media Industry Leader, KPMG LLP  
M: 646-457-8167  
slpurdy@kpmg.com



### **Rick Arpin**

Office Managing Partner, Las Vegas, KPMG LLP  
M: 702-498-7663  
rarpin@kpmg.com



### **Shawn Quill**

National Sports Media Leader, KPMG LLP  
M: 201-294-7481  
squill@kpmg.com