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Mobile Sports Betting Marketing Plan

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Chapter One

Introduction

From day one, the hospitality industry in Las Vegas has been innovating and evolving to develop one-of-a-kind experiences for customers from all around the world. Over the decade's hospitality corporations have been shaped through mergers and acquisitions with the end goal of growing land-based assets, improving income statements and balance sheets for shareholders, and trying to own every dollar that a tourist spends while in the city (Bussmann, 2021).

When looking at a Las Vegas headquartered hospitality company's 10-K Form, one can see that there are many revenue streams, including table games, slots, rooms, food and beverage, shows, nightclubs, spa, and race & sports book (see, e.g., MGM Resorts International, 2020; Wynn Resorts LTD, 2020). All of these different revenue streams require a customer to be on property, so marketing is geared towards getting customers to walk through the front doors (Marathovounoitis, 2020).

These different departments show great diversification; however, COVID-19 has taught us a lot about the volatility of the hospitality industry as it is the first industry to close and the last to reopen. As the saying goes, history repeats itself. The terrorist attacks of September 11th, The Great Recession of 2008, and now COVID-19 have all negatively impacted the City of Las Vegas. The question continues through each event, how can integrated resorts in Las Vegas continue to generate sufficient revenue to cover expenses during times of hardship?

In 2018, the sports gambling industry had a huge macroenvironmental breakthrough when The Supreme Court of The United States of America issued a ruling against the federal ban on sports betting in a landmark case, *Murphy v. National Collegiate Athletic Association* (*Murphy v. National Collegiate Athletic Association*, 2018). The main topic in this case was the

debate around the Professional and Amateur Sports Protection Act of 1992 which reads that it is unlawful for, “(1) a governmental entity to sponsor, operate, advertise, promote, license, or authorize by law or compact, or (2) a person to sponsor, operate, advertise, or promote, pursuant to the law or compact of a government entity, a lottery, sweepstakes, or other betting gambling, or wagering scheme based, directly or indirectly (through the use of geographical references or otherwise), on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games.” (Professional Sports Protection Act, 1992).

The Supreme Court found this act to be unconstitutional and this opened up the flood gates for Las Vegas based hospitality organizations to begin capturing more revenue from their already existing customers and acquire new customers in an industry of sports betting that has been a laggard from a revenue and profit standpoint. The race was immediately on as states were also incentivized as well!

With Las Vegas corporations having a long-standing presence in the gaming industry, the best talent of casino marketers is assembled in and around the Greater Las Vegas area. More states will continue to legalize gaming, specifically sports betting, for the potential economic impact on the jurisdiction. In the face of this increased competition, how will publicly traded Las Vegas-based hospitality corporations innovate to maintain a sustainable market share?

Purpose of the Study

The purpose of this study is to lay the groundwork to better understand how Las Vegas based gaming corporations can diversify their product offerings to capture a significant percentage of the new total available market given the recent legislation effecting the sports gaming industry, diversify their product offering to capture revenue from customers that are off-

property, and leverage an online based gaming strategy to market their land-based assets to encourage re-patronization. This study aims to answer the following research question:

1. What marketing strategy can Las Vegas based gaming corporations take to stand out among other app-only based companies in the online sports gaming industry?

Companies like DraftKings and FanDuel have entered the sports betting industry with no land-based assets. Their apps make it easy for customers to gamble with fun tournaments and large prizes. The objective in this professional paper is to take a 360-degree view of the sports betting industry to determine what strategies can be developed to make large investments in gaming technology pay dividends in the form of immediate ROI.

There is an abundant amount of research about the online sports gaming industry from domestic locations where sports gambling has been legal in the United States for decades and a plethora from international countries. As we have learned from other aspects of the diverse hospitality industry, customers from various countries have different needs and expectations when it comes to choosing hospitality brands.

The majority of sports betting research focusing on handicappers (Durham, 2003), stock market comparisons (Pankoff, 1968), and why customers choose to bet on sports over other areas of the casino (Killick & Griffiths, 2021). This paper will build on already existing research about sports betting and take the perspective of proposing a business strategy on how to strategically market to customers looking to partake in sports betting.

Conceptual Framework

This paper will utilize already existing research, primarily from secondary data, to help develop a roadmap for capturing market share within the United States online sports gambling

market. The secondary data will include sources from international and domestic markets to formulate the best plan of action for gaming corporations moving forward. Furthermore, research will be conducted to better understand current casino marketing principals in the online sports gaming industry and how these can be leveraged as a way to grow a source of revenue directly and indirectly through a diverse portfolio of offerings.

To answer the question, where is the online sports betting industry headed in 5-10 years, a BCG Matrix will be used to identify how the market will move over time. We will look at prior research from industries that operated in and transitioned throughout the Star, Cash Cow, Question Mark, and Dog stages to predict how these corporations can position themselves for years to come.

Problem Statement

Due to the recent landmark ruling by The United States Supreme Court, the race is on for both states and hospitality gaming organizations to drive revenue from the online sports betting industry. The hospitality industry is forever evolving, and it is important for corporations to continue to adapt to changing market conditions. The latest change opened up an area of opportunity to continue to bolster the balance sheet and income statements to impress shareholders and increase enterprise value. However, there are plenty of sharks in the water!

More recently, we have seen app-based companies pivot quickly to run marketing campaigns in attempt to get a step up on the competition. These app-based companies have very little overhead that allows them to focus specifically on the newly available online sports gambling industry. In attempts to keep up, we have seen Las Vegas-based hospitality corporations use mergers and acquisitions and partnerships to transition into a new industry.

Summary

The hospitality industry is on the comeback from COVID-19, one of its biggest setbacks in recent history, but much is to be learned to ensure that corporations are able to keep their heads above water in bear and bull markets. New legalization passed from The United States Supreme Court impacting the online sports betting industry has opened up the door for a large addressable market to become available overnight. From a 360-degree approach, consumers are now able to engage in another form of entertainment, jurisdictions are incentivized to encourage sports gambling to increase revenues for their annual budgets, and gaming organizations are able to grow enterprise value by capturing more gaming win from new and current customers when they are off-property.

The purpose of this paper is to address the research question related to a potential growing segment in the online sports gaming industry:

1. What strategy can Las Vegas based gaming corporations take to stand out among other app-only based companies in such a competitive industry?

This paper can be used to assist hospitality executives, casino marketers, and gaming researchers to shape the way the casino industry operates in the future. As generations continue to have different wants and needs from a casino property, answering these research questions will help the entire gaming industry innovate as desperately needed.

Limitations

Given the recent legislation, the purpose of this study is to provide forward looking statements for Las Vegas-based hospitality organizations to consider when expanding into the online sports betting industry in the United States of America and provide context behind the recommendations for casino marketers, hospitality executives, and gaming researchers to

consider. The recommendations will leverage prior research and data collected from the gaming industry; therefore, all available data and research related articles to this topic cannot be taken into consideration. Further research can be done to build on the recommendations made in this professional paper to confirm or suggest a separate plan of action.

Definitions

In-Play Wagering/Betting: In-Play sports betting comprises the wagering of money on something within a sporting event once it has started and up to its conclusion (e.g., who will score next in a soccer match) (Killick & Griffiths, 2021).

Parlay: Bets that consist of multiple games (Fox & Mayer, 2007).

Proposition (Prop) Bet: A proposition bet is one that involves the use of probability –both estimated and actual –where an individual makes an apparently attractive bet to someone who is easily deceived by the odds, which are at first glance in his favor (O’Shea, 2021).

Total RevPAR: Total Revenue, across all sources, divided by the number of rooms available (Lee, Pan, & Park, 2019).

Sports Gambling: Refers to wagers made on the outcome of sporting events; it includes sports lotteries and head-to-head sports betting as well as pastimes such as hockey drafts and fantasy baseball leagues (Smith, 1990).

Total Gaming Win: Total amount won by casinos on all games and devices during the calendar year (UNLV Center for Gaming Research, 2021).

Superstition: Salient belief given the desire of individuals to control outcomes in daily life, particularly in the context of gambling. (Fong et al., 2018).

Chapter Two

Literature Review

This section will detail already existing knowledge from researchers and trade publications in the hospitality industry pertaining to casino operations, gamer profiles, and recent changes in the industry. This literature review will focus on casino marketing, technology in hospitality, product differentiation and legislation & taxation.

Casino Marketing

Player Profile

Due to the product offerings within an integrated resort such as table games, slots, food and beverage, shows, and spa, we can conclude that the hospitality industry has a diverse set of consumers that value different things throughout the resort. When making business decisions it is important to thoroughly understand who your customers are and what target market are you looking to capture. Focusing on sports book customers, gamblers have favorite teams and will bet with their heart instead of their brain (Lopez-Gonzalez et al., 2018). For example, 45% of college football fans turned down a free bet against their favorite team (Morewedge et al., 2018).

Superstitions are used by sports fans rooting for their favorite team (or against a rival) and casino gamblers hoping to beat the odds that are stacked against them. Casino marketers use a variety of different strategies to pull at consumers superstitious activity such as fortune gods, lucky numbers, lucky teams, and lucky colors, to influence gambling activity (Fong et al., 2018). Carlson (2013) explains that although superstitions are present for both slot players and sports bettors, slot players are playing a game of chance whereas sports bettors are more similar to poker and blackjack players due to there being other elements of skill involved in the game.

With the research question revolving around making a recommendation to casino marketing professionals on how to stand out among other app-based casinos, understanding gambler profiles and their different superstitions will be important to consider prior to launching a casino marketing campaign to boost sports book revenue and profit. Knowing who your target market is and how to get messages in front of them to influence a desired behavior will increase conversion rates.

Casino Floor Space

Researchers and hospitality professionals have developed new methods to predict consumer behavior when on property to better design the casino floor (Lucas & Dunn, 2005). Efficacy studies are important to determine if there is a correlation between how certain aspects of the casino impact financial performance and the customer experience.

Past research suggests that sports books are not an optimal use of casino floor space due to the lack of indirect profit contribution to other areas of the resort (Abarbanel, et al., 2011; Lucas, 2014). Multiple departments (sports book, spa, bingo, poker room) have been built on the notion that their existence is to produce marginal profit and aid other high revenue and profit producing areas of the resort (table games & slots) (Lucas, 2013b).

This research from the past 10 years contradicts prior research that concluded that state-of-the-art sports books bring customers to the property and positively impact revenues and profits from other areas of the resort (Eng, 2008). Furthermore, prior research suggested that major sporting events throughout the year, such as the Super Bowl, March Madness, and the Kentucky Derby increase guest count in the casino and these sporting events positively impact the other areas of the resort like Table Games, Slots, and Food & Beverage (Pugmire, 2009).

Circa, a Downtown Las Vegas integrated resort, opened up in 2020 with a different theory on the customer experience. Circa features a 3-story stadium style seating sports book for customers to place their bets and sit back to enjoy the game. Taking the customer experience to the next level, Circa also built Stadium Swim. Stadium Swim is an arena designed 3-level, 6-pool amenity that features a 143-foot screen for everyone to watch sporting events while enjoying the Las Vegas sun.

Research discussed above debates if sports books are the most optimal use of space within a casino, but instead of just writing them off, casino executives are taking note of this and designing experiences that encourage the customer to place their wager and enjoy the day on property taking advantage of all the integrated resort has to offer.

According to the Nevada Gaming Control Board, Gaming Revenue from August 1st, 2020 to July 31st, 2021 surpassed \$11.25 billion in Total Gaming Win (Nevada Gaming Control Board, 2021). Of that \$11.25 billion in Total Gaming Win, \$7.87 billion came from Slot Machines and \$468 million came from the race and sports books combined (Nevada Gaming Control Board, 2021). From a corporate business strategy standpoint, market valuations for casino organizations are higher for firms that have more table games when compared to slot machines (Goh et al., 2019). Second, casino marketing activities within a casino can amount to over 20% of the gaming revenue (Klebanow, 2001). From this research, we can conclude that getting and keeping customers is expensive due to the amount of money spent on VIP marketing for high value players.

Siu and Eadington (2009) conclude that table games generate more revenue per square foot compared to other areas of the resort. Formally, research suggests that free play casino

marketing campaigns create negative cash flows for the casino, but the counter argument is that it increases brand loyalty (Lucas et al., 2005).

Although the race and sports books provide stable profit for casino resorts in Nevada, recent research and real-world data shows that it is not the most efficient use of space on the casino floor. This data will assist this professional paper in making a recommendation to either invest in a technology platform to service sports book customers or keep everything the same with blocking off space on the casino floor for guests to place wagers on-property. Furthermore, the sports book makes up a small percentage of Total Gaming Win, this can either be an area of opportunity for growth or a department not worth investing in.

Free Play

Casino marketing departments across the world have their fair share of strategies to improve the customer experience, the image of the brand, and the engagement with customers. One of the oldest strategies in the book is to offer customers “free play” to entice them to visit the property to gamble and incentivize them to continue to be loyal to the brand. However, this costs money to implement. Lucas and Nematy (2020) suggest that free play does not increase a guests spend per trip. Therefore, the casino is using its own marketing dollars to create loss aversion. We can conclude from this literature that free play does not positively impact financial performance.

Although free play has been shown to create loss aversion, Caesars Entertainment recently integrated their Caesars Rewards Program with their sports betting app for customers to collect points (Escobar, 2021). Rewards programs can be used in a variety of different ways to engage with customers and collect data to see what each consumer values. Eldorado Resorts is

using the Caesars Rewards program to promote travel and patronization to their land-based assets.

Another simple way to promote the brand is to incentivize current customers to do it through word-of-mouth advertising. Business principals suggest that it is more expensive to gain new customers than it is to retain current ones. Using referrals is a great way to increase perceived quality through friend-to-friend marketing, customer-brand engagement, and brand trust from new customers (Zhang et al., 2019). Research gathered proves that referral bonuses can be integrated into a rewards program to grow the customer base on a sports betting app and should be something highly considered by industry professionals.

Technology in Hospitality

Advancements in technology are allowing hospitality organizations to be more efficient and potentially improve the customer experience. Being on the cutting edge of technology allows organizations to create lasting impressions for customers to continue to be loyal to that brand. However, the Diffusion of Innovation Theory tells us that it will take time for the general public to catch on, especially for the late majority and laggards.

Brands should survey customers to see how technology can be used to make the customers life easier and their orders more accurate (Hwang et al., 2021). Order accuracy and ease of placement is important across a variety of industries to get customers on board with a new way of doing things. Creating value for the customer will help accelerate the adoption of a new way of doing things such as placing wagers on a sports betting app.

New technology, better operating devices, and improved internet access around the world have opened up the door for an increase in digital entertainment consumption. Netflix impacted the movie industry by allowing customers to consume content from the comfort of their own

home (Tefertiller, 2017). Casinos must note that with giving consumers the ability to use mobile technology for sports wagering, casino guest count may drop. However, as stated above, Abarbanel et al. (2011), shows that there is no correlation between sports book write and slot coin-in, thus concluding that the sports book may not be the best use of casino floor space.

Technology Partnerships

MGM & Entain

According to the 2020 10-K Annual Shareholder Report by MGM Resorts International (“MGM”), in July 2018, Entain PLC (“Entain”) and MGM formed a 50-50 venture called BetMGM LLC (“BetMGM”) (MGM Resorts International, 2020). MGM provided land-based and online sports betting, poker tournaments, and online gaming operations (MGM Resorts International, 2020). Meanwhile, Entain provided exclusive access to the technology within the United States (MGM Resorts International, 2020).

It is important to note that integrated resort operators are not technology developers. Instead of developing the app in-house or licensing the product from Entain, MGM has chosen to take the partnership route. This partnership allows Entain to use the MGM brand and \$220 million in marketing planned for 2021 to grow the business. Furthermore, the partnership with Entain allows MGM to capture revenue from customers located anywhere in the country where online sports gaming is legal. The 10-K report provides forward looking statements on the Entain and MGM partnership, however the report does not talk about how this partnership will help the two companies create a product that stands out in the crowded online gaming industry when compared to the competition.

Caesars & William Hill

Caesars announced on April 22nd, 2021, that the company completed the acquisition of William Hill PLC (“William Hill”) for approximately \$4 billion (Caesars, 2021). This acquisition catapulted Caesars into the online sports betting industry through the mergers and acquisitions strategy, compared to MGM Resorts which choose the partnership strategy. Caesars did announce in the report that they plan to sell off the non-US businesses owned by William Hill.

Caesars now plans to integrate its Caesars Rewards program, which is used across its wide range of properties across the United States, to its sports betting app. At this present time, Caesars has not completely rebranded the William Hill name to Caesars, as you can still download and place wagers on the William Hill US Sports Betting app. Caesars now has its own sports betting app as well that is available on mobile devices called “Caesars Sportsbook”.

Wynn & BetBull

In a November 2020 report, Wynn Resorts introduced Wynn Integrative, their sports gaming, iCasino, & social casino businesses (Wynn, 2020). Wynn Integrative now runs WynnBet, BetBull, & Wynn Slots, this includes three areas of revenue streams:

- WynnBet - U.S. Sports Betting / iCasino
- BetBull - U.K. Sports Betting / iCasino
- Wynn Slots - Social Casino

Unlike Caesars, Wynn Interactive has chosen to hold onto the assets that generate revenue from the United Kingdom. In the November report, Wynn Resorts states that the investment in Wynn Interactive allows the company to retain a world class brand, market access, corporate support, industry expertise, technology & product knowledge, and expertise in online gaming.

Wynn Resorts invested ~\$80m into Wynn Interactive to give the company the adequate cash flow to fund a robust growth and expansion plan. Wynn Resorts currently owns 71% of Wynn Interactive with the remaining 29% belonging to Former BetBull shareholders.,

Product Differentiation

Traditionally, for casinos to capture revenue there was an overwhelming need for land-based assets with diverse product offerings to entertain customers that walk through the doors. To add on, gaming licenses were limited to a few organizations in a limited number of locations throughout the United States which made the entry barrier for new competition extremely difficult to penetrate. However, online gaming does not require the need to build a \$4.3 billion resort like Resorts World Las Vegas (Review-Journal, 2019).

Online gaming now requires a gaming license and an app with the ability for customers to deposit funds, place bets, and cash out at any time. Therefore, the competition is fierce to capture a brand-new market share of customers looking to engage in a newfound source of entertainment. Given that all transactions are made from an app, product differentiation is low due to the ability to create similar experiences through coding by companies like Entain that have operated in the online gaming industry for decades. Highlighted below are a few different ways companies are choosing to differentiate their product offerings.

In-Play Wagering

Given the most recent updates in technology, sports books have been able to innovate by offering in-play wagering. In-Play wagering is defined as the wagering of money on something within a sporting event once it has started and up to its conclusion (e.g., who will score next in a soccer match) (Killick & Griffiths, 2021).

Prior to offering in-play wagering, customers would need to place their bets before the start of a sporting event. It was originally thought that allowing in-play wagering would give the player an advantage over the house, however, programing and data analytics have allowed gaming companies to launch a different way to experience entertainment through in-game wagering that does not subject the casino or the customer to a significant advantage over the other. Bet365 announced that 80% of all sports betting revenue has come from in-play bets (Jackson, 2015).

The current strategy from sports books around the world is clear to give customers the ability to place a larger number of wagers. When we compare table games to a sports book, data collected from casinos across the United States signal that a roulette table can spin anywhere from 20-45 games per hour for customers to wager on (Davis, 2021). This means that customers are making 20-45 different wagers per hour if they play consistently. Assuming the player is making \$100 wagers per spin, that equates to \$2k-\$4.5k per hour. If a sporting event takes 3 hours to complete this means that a roulette player would make a total of \$6k-\$13.5k in wagers during the same time it takes one sporting event to elapse. Instead of being limited to only accepting wagers placed prior to the start of a sporting event, sports books have used technology to innovate and accept numerous wagers from customers throughout a game looking to bet based on the pace of play.

Looking at the above example from a theoretical win standpoint, a double-zero roulette table has a theoretical win percentage of 5.26% and a sports book has a theoretical win percentage of 4.55% (Hannum, 2019). This shows us that sports books must write 15% more than the roulette tables drop.

Traditionally, sports betting was built on predicting the outcome of a match, however, with the growth of the industry, demand from consumers, and advancements with in-play technology, gamblers now have the ability to wager on outcomes outside of who wins the game (Killick & Griffiths, 2018).

Data

Data has become core to the world of hospitality and sports. Hospitality organizations are using technology to allow track customer spending on property, automate marketing messages, and use trends to set pricing strategies. In the world of sports, data is being used to track win probabilities, predicting future outcomes, and help coach players on areas of strength and opportunity.

Combining the two, the sports gaming industry has used data analytics to set odds lines for customers to wager on and uses live tracking technology to give their customers the ability to place wagers during the game. Partnering with Amazon Web Services, sports organizations such as the NHL and NFL have partnered to change the way the public views the world of sports. This includes designing team schedules with the environment top of mind and providing stats in real time to viewers as the game takes place to enhance the viewing experience.

In a recent experiment, for example, the NHL attempted to use real-time data tracking technology in hockey pucks and on players jerseys to aid broadcasters, fans, teams, and specifically gamblers. Increasing the amount of data collected during a specific sporting event will allow gamblers to wager on more proposition bets such as how far the puck travels in a game and who skates the fastest (Lage, 2021).

Proposition Bets

As discussed in the introduction to this section, due to multiple companies offering the same technology that allows customers to place wagers from anywhere at any time through an easy to access interface limits the amount of product differentiation available. Therefore, integrated resort operators must use branding, marketing, and any other possible product differentiation available to stand out in a competitive market. One-way integrated resort operators are achieving this is through increasing the amount of proposition bets on a daily basis. A proposition bet is one that involves the use of probability –both estimated and actual –where an individual makes an apparently attractive bet to someone who is easily deceived by the odds, which are at first glance in his favor (O’Shea, 2021).

The Super Bowl, better known as “The Big Game,” in Nevada, is a popular sporting event known for a long list of prop bets. Super Bowl LIV saw 3000 different betting options for customers to wager on spanning across, which team will arrive to the stadium first, what brand will the first Anheuser-Bush commercial be, over/under for the national anthem time, what color will the Gatorade bath be at the end of the game & which team wins the coin toss to name a few (Jones, 2021).

Offshore casinos are increasing the amount of proposition bets available to wager on by giving the public the ability to wager on sports and reality related events (Eckert, 2021). Given the nature of the industry being limited to sporting events, offshore casinos are stepping outside of the box to include proposition bets for Saturday Night Live, Presidential Debates, and reality TV shows to name a few (Eckert, 2021). Although it is not currently legal for companies like BetMGM or WynnBet to offer these types of wagers, this allows casinos to engage with customers who are not sports fans and generate more excitement around the sports book.

Daily Fantasy Sports

Fantasy sports has improved the customer entertainment experience and boasts over 46 million players over the age of 18 as of 2019 (Fantasy Sports & Gaming Association, 2019). With a year-over-year growth rate of 15%, fantasy sports allow customers to have skin-in-the-game for sporting events that do not include their favorite/hometown sporting team (Billings & Ruihley, 2014). Furthermore, daily fantasy sports incentivize customers to continue to watch games that are blowouts to see how their fantasy players do against the competition (Rose, 2016a). Customers choose to take part in fantasy sports for the competition, ownership of feeling like a general manager, entertainment, and proof of sports knowledge (Davis et al., 2006).

Companies like FanDuel (founded in 2009) and DraftKings (founded in 2012) have aimed to take advantage of this growing market by using a first mover advantage by integrating daily fantasy sports within an app to develop lotteries that pay out large prizes. Similar to poker, participants that choose to gamble in fantasy sports contribute a buy-in fee that goes into a “pot” which is then divided up at the end of a season, week, or game with the winner determined by strategic decisions and luck (Bernhard & Earle, 2005).

Fantasy sports players are an important target market to win business from in the sports betting industry with 78% of fantasy sports players betting on sporting events and 75% of sports bettors playing fantasy sports (Fantasy Sports & Gaming Association, 2018). Furthermore, 80% of sports bettors are male, 50% are between the ages of 18-34, and 67% are employed full-time (Fantasy Sports & Gaming Association, 2018).

When developing a marketing strategy for integrated resort operators it is important to understand everything about the macroenvironment to target players with strategically designed campaigns. Past and present research shows that gaming companies are currently experiencing

something that has never happened before, gambling expansion taking place at a significant rate that is not happening within the 4 walls of the casino (Bernhard & Earle, 2005; Machado et al., 2021). In more recent times, online gaming took a huge spike due to the COVID-19 pandemic limiting the ability to visit a casino (Machado et al., 2021).

When discussing product differentiation at this present moment, integrated resort organizations in Las Vegas do not offer daily fantasy sports to compete with companies like DraftKings and FanDuel. DraftKings and FanDuel currently enjoy a near-duopoly in the daily fantasy sports industry.

Legislation & Taxation

Sports Gaming Legislation

The Supreme Court of The United States of America's decision in *Murphy v. National Collegiate Athletic Association* (2018) played a huge role in setting up the gaming industry for future growth, thus requiring the need for integrated resorts to develop a strategic marketing plan to position the company for success. This macroenvironmental change gives power to state governments to regulate the sports betting within their jurisdiction. As more states begin to offer sports betting, regulation of the new industry must be established. Regulation needs to include integrity, who operates sports books, licensing and service providers, mobile wagering, cash reserve requirements, and collegiate sports wagers (Waddell et al., 2019).

Focusing on the State of California as one state that is considering legalizing online sports betting, features numerous tribal casinos and racetracks where gambling has occurred for decades. As of 2021, legislation in the State of California regulates gambling on specific tribal lands, however, the recent legalization of sports gambling by The United States Supreme Court has the tribal casinos worried. A 2022 ballot measure will be voted on by the citizens of

California that will allow sports betting in the state, but tribal leaders are worried that there can be legislation that allows sports betting to include mobile wagering (Wargo, 2021). If mobile wagering is legalized in the state of California under this measure, that will allow brands such as DraftKings, WynnBet, and BetMGM to compete with the tribal casinos for market share, thus making brand loyalty and casino marketing strategy significantly more important.

The tribal casino domination of the gaming industry in the state of California is a great example of how important oligopoly regulation is to the gaming industry for both governments and corporations. An oligopoly is a state of limited competition, which is ideal to the gaming industry due to the ability to regulate the number of operators controlling a large addressable market. If the citizens of California vote to allow companies such as DraftKings, FanDuel, BetMGM, and WynnBet to enter the market, this will increase customer acquisition costs, decrease brand loyalty, and impact the customer lifetime value. For these reasons, it is important to establish a strategic marketing plan to understand which markets are attractable and make the best use of marketing dollars allocated for acquiring new customers.

In exchange for oligopoly protection from the government, gaming organizations have been willing to accept higher tax rates if their industry is guaranteed to be limited to a select group of organizations through permitting and licensing regulations (Benar & Jenkins, 2008). This limits competition for companies and allows jurisdictions the ability to regulate the gaming industry by putting the main focus on a core group of key organizations.

Gaming revenue provides a substantial amount of tax revenue for the state and opening up the legalization of sports gambling will allow state and federal governments to increase their budgets to spend more on things like infrastructure, education, climate change, healthcare, policing, and public welfare. For example, the Major General Fund Revenues for the State of

Nevada receives 17.4 percent, approximately \$1.6 billion from Gaming Percentage Fees (Guinn Center, 2019).

In the past, governments have opposed the legalization of gambling due to increases in crime, problem gambling, and scandals around fixing sporting events (Kang, 2008). Although, the simplest way for a government to provide legal sports gambling is to license casino operators (Smith, 1990). Gambling releases dopamine into the brain which is common with drug addiction and causes the brain to require the dopamine to become satisfied (Boileau et al., 2014). Research states that the most high-risk gambler profile is younger aged, male, lower income, more frequent sports betting, and higher psychological distress. (Hing et al., 2017).

Taxation

The lengthy precedent on the gaming industry from the federal and state levels has allowed law makers to view the industry as a clear way to increase annual revenues for the public's benefit due to strict guidelines and licensing. Gaming has more exposure to tax increases than any other sector of the economy (Christiansen, 2005). However, these increases in taxes don't go without repercussions. Christiansen (2005) studied the impact on increasing taxes rates and found that capital investments decrease as taxes rise, and gaming-related employment falls as gaming privilege tax rates rise.

On the Nevada 2022 ballot there is a question that states:

“This measure would increase the rate of the tax on monthly gross gaming revenue above \$250,000 to 9.75% for nonrestricted gaming licensees. Currently, the Nevada Gaming Commission collects a tax on monthly gross revenue from nonrestricted licensed gaming facilities. The tax is imposed according to the following tiers:

- 3.5% on gross revenue of the licensee which does not exceed \$50,000 per month,

- 4.5% on gross revenue of the licensee which exceeds \$50,000 but does not exceed \$134,000 per month, and
- 6.75% on gross revenue of the licensee which exceeds \$134,000.

This measure would add another tier for the gross revenue of the licensee which exceeds \$250,000 at a rate of 9.75%.” (NVSOS, 2021).

Casinos in Nevada produced \$1.13 billion in gaming revenue for the period of August 2020 to July 2021, with most properties producing gross gaming revenue of over \$250k (Nevada Gaming Control Board, 2021). Based on \$1.13 billion in gaming revenue this would amount to around \$33.9 million in extra tax revenue generated from the new bill.

Academic research and precedent in law show that the gaming industry will always be a target for increases in tax rates. Gaming companies must be ready to adapt to macroenvironmental changes that happen in the industry with new legalization coming online on a state-by-state basis. The sports gaming industry is on the rise and growth across the country and into new markets may open up the opportunity to make up for increases in tax spending.

Industry Growth

As discussed above, Las Vegas based hospitality organizations are making big investments and forming strategic partnerships to expand into the online sports gaming industry. Their outlook is bright with hopes of growing revenue and profit to impress shareholders and improve the overall customer experience. When looking at the total addressable market for the gaming industry domestically and internationally, Matt Maddox stated on CNBC, “Online sports betting and iGaming is going to be a \$30-\$40-billion-dollar market,” (CNBC, 2021).

The online sports gaming industry has taken strides over the last few years due to the diversity of sports betting products, availability of online betting opportunities, and sports betting

and viewing being complementary goods (Rodriguez et al., 2017). Sports betting products have improved the customer experience because customers can now easily place wagers from anywhere, at any time on their mobile device within a legalized state. Furthermore, there has been an increase in opportunities to place wagers over the past few years through in-game wagering and an increased number of proposition bets. Finally, trends show that viewing sports is becoming synonymous with eating, drinking, and sports betting.

The positive outlook gaming executives have on the digital gaming industry is evident by the steps taken to try and build a brand and partner or acquire technology partners to diversify the product offering, however, the need for product diversification and establishing brand recognition by Las Vegas headquartered hospitality organizations extends far past online sports betting. Gaming companies have always looked to diversify the product offering of their brand across the world. For example, MGM Resorts, Wynn Resorts, Las Vegas Sands, and Caesars have operations in the United States, Macau, Dubai, and the United Kingdom. Online sports betting has grown to 37% of the annual online gaming market in Europe (Killick & Griffiths, 2019).

Cost of Growth

Although research and data show that the online sports betting industry is growing, the race to capture and retain customers comes at a cost. The cost to acquire and retain a customer is extremely important to consider when developing a strategic marketing plan in a competitive industry of entertainment producers that have a multi-billion-dollar market cap. One false investment can be a major cost to a company, which gives the competition a step up and could limit the ability to invest in other areas. Conversely, one successful investment can propel the company above the rest.

Gaming organizations currently operating in the online sports betting industry have taken note that sport leagues across the United States have opened up the door to exclusive contracts that allow sports betting advertisements during events via TV, radio, and mobile device media. Rodriguez et al., (2017) shows that sports betting and viewing are complementary goods, therefore sports leagues have identified this as an opportunity to keep fans engaged in events that they normally would not have interest in. Furthermore, this goes beyond interest in games that do not feature a sports fans favorite team. Having money on the spread of the game can keep fans engaged late in a game where the winner is obvious.

An NFL deal worth \$1 billion, for example, labels FanDuel, Caesars and DraftKings as official sports books, with others such as BetMGM and WynnBet being approved sportsbook operators (McCarthy, 2021). Sports bet advertising has been increasing with \$84 million spent in 2019, \$314 million spent in 2020, and \$109 million spent in the first quarter of 2021 by FanDuel, Caesars and DraftKings alone (McCarthy, 2021). From a return-on-investment standpoint, that \$1 billion dollars has to come from somewhere and gaming organizations are making a large investment in capturing customers from these partnerships to produce a return for the business.

Big money is being spent to capture a new market, but the questions remain: is it a race to the bottom with low margins, high acquisition costs, and low product differentiation? Or is there a way to stand out in such a competitive industry?

Conclusion

The above literature suggests that sports fans are extremely loyal to their teams, technology will continue to innovate the way consumers experience entertainment, certain promotions create loss aversion, and governments will be at the forefront of the success or failure in sports gaming investments made by hospitality organizations. In attempt to answer the

research question - what marketing strategy can Las Vegas based gaming corporations take to stand out among other app-only based companies in such a competitive industry? - casino researchers and industry professionals have been debating about the efficacy of casino marketing strategies. Some say that it builds brand loyalty, while others suggest that it creates loss aversion (Lucas & Nemati, 2020). However, the gaming industry expanding at a rapid pace due to the use of mobile gaming as a result of the recent decision from The Supreme Court of The United States of America (*Murphy v. National Collegiate Athletic Association*, 2018).

Academic and trade literature has a gap in its findings due to identifying if large amounts of spending for marketing and forming strategic partnerships with technology providers is truly the right path to take. It is important to develop a marketing strategy to efficiently target the new market of customers in an efficient way to stand out in a competitive industry with low ability to differentiate the product offering. Studying the effect of growth in online sports betting will allow integrated-resort hospitality organizations to develop a robust 360-degree marketing strategy to get new customers and keep existing customers to improve financial performance.

Chapter 3

In the literature review section, a plethora of academic and trade literature was reviewed on the gaming industry with an emphasis on online sports betting industry. With the understanding of all this literature, a strategic marketing plan will be created to recommend a plan of action for Las Vegas based hospitality organizations looking to improve the customer experience while growing revenue and profit. This strategic marketing plan can be used by integrated resort executives and research professionals in the gaming industry to better understand customers and position the company for expansion. The Strategic Marketing Plan will be broken up into 4 parts.

Marketing Plan

Market Analysis

Industry Description

To properly analyze the online sports gaming industry, one must dive in and get a better understanding of the overall industry, which in this case is the integrated resort hospitality industry. The hospitality industry includes a broad mix to entertain customers and create exciting atmospheres, which can be broken own into different subcategories such as entertainment (e.g., table games, slots, sports book, shows), leisure (e.g., spa, pool, rooms & suites), and food and beverage (e.g., room service, quick service restaurant, fine dining).

Integrated resorts are typically located and nurtured in large urban cities with large populations. The large and diverse populations provide a customer base who is interested in multiple different forms of entertainment. Highlighting that integrated resorts are commonly found in large urban cities is extremely important, however, we learned in Chapter 2 that over the past few years integrated resort operators are quickly looking to diversify the product

offering from land-based gaming to cloud-based gaming. This requires a new understanding of the addressable market, target market, and how to transition the marketing strategy from trying to convince customers to visit the property to downloading an app.

Target Market

With online gaming being relatively new to a plethora of new markets across the United States it plays an important role in the need to identify the target market. As discussed in Chapter 2, integrated resorts have combined to spend hundreds of millions of dollars in advertising. When spending large sums of money, it is important to do so efficiently to ensure a return on investment. To do this, companies must identify key characteristics of the ideal customer.

The American Gaming (2019) shows that the sports betting market is significant & diverse with core bettor profiles of:

- 45% being 23-34 years old
- 69% identify as male
- 41% are multi-cultural
- \$50k+ annual income
- 53% with a bachelor's degree

Market Needs

Market needs are factors that influence the wants and needs for a product or service and must be emotional or functional. Online sports betting meets the emotional needs of customers by allowing customers to feel emotions towards an event that otherwise would not have been significant if money was not wagered. Furthermore, online sports gaming meets the functional needs of customers by providing them with a monetary reward for winning.

Companies currently operating in the online sports gaming industry are meeting the needs of the target market and do so in a way that provides convenience. Convenience is achieved by allowing customers to wager from a smart phone or tablet at any time from the comfort of their own home.

Customer Analysis

Casinos that feature the ability to wager on sports from a mobile device from anywhere in a legalized state are operating in the diverse hospitality industry from a cloud-based app.

Understanding the target market allows us to break it down into the following segments:

- Age
- Gender
- Multi-Cultural
- Income
- Education

With almost half of the core sports bettors falling in the 23-34 age group, this provides valuable insight to make a final recommendation on what strategy to take to acquire customers in this age bracket of the target market. Initially, we can classify these age groups as Millennials and Gen Z to identify entertainment consumption patterns of these customers.

Furthermore, on top of the final recommendation made in this paper, integrated resorts can take the recommendation a step further and leverage the already established rewards programs and data analytics departments to identify which customers in their already existing database are likely to wager on sports to identify patterns that may influence a customer to sign up for a sports betting account.

Building off of the age segment, customers that identify as male represent ~69% of the of the core sports betting player profile. This allows us to conclude that initial marketing resources should be spent on capturing as many male customers as possible. However, it cannot be ignored that a first mover advantage opportunity can be created to stand out amongst the competition by differentiating the product offering to influence female sports bettors to enter the market.

Approximately 69% of the core sports bettors are male and we can conclude that marketing communications should be geared towards attracting this gender to sign up for a sports betting account, ~41% of the core sports bettors are multi-cultural, therefore, it is important to develop marketing messages that do not focus on one specific culture.

The education segment ties in with the income segment and consists of those that potentially earn more money after graduating from college as evident by the average age of the core sports bettors being 23-34 years old that makes more than \$50k per year.

Industry SWOT Analysis – Figure 1

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> - Sports Betting Legalization is on the rise in the United States - Market penetration is fairly easy w/ technology partners - Win % has increased to 6% in recent years (UNLV, 2021) - Large database of existing customers 	<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> - Increase in E-Commerce & Social Media Businesses - Marketing Land-Based Assets - Remove the need for consumers to bet illegally
<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> - Nationwide legalization will take time - Low product differentiation - Limited ability to set pricing - Harder to track addictive gambling behavior - Technical difficulties 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> - New Entrants - Increase bargaining power of buyers - Potential increases in taxation - High marketing costs

Marketing Strategy

Create a Loyal Fanbase

The first step in the marketing plan is to engage with customers to make a loyal customer base and use cross-sell marketing strategies to build value around choosing to sports bet with the brand. This can be achieved by putting the customer experience as the number one priority, and with developing an attractive product following closely behind. To create a loyal fanbase, engage with customers, and develop an over-the-top customer experience, brands can use betting competitions and subscription services to encourage customers to sign up for a sports betting account.

The purpose of professional sports is to compete at a high level with a team or individually to achieve the goal of winning the championship and being undisputedly the best of the best at that time. With those that gamble at the sports book tracking each team or individuals progress in the given sport they are competing in to make a prediction, or simply choosing a wager based on a gut feeling or hometown preference, casinos can leverage this competition characteristic by using a mobile app and a website to allow customers to compete against each other in betting contests.

The idea is to have a promotion that encourages guests to sign up for daily, weekly, monthly, or annual sports betting competitions to see who can win the most bets, who can win at the highest percentage, who can win the most money against the spread, etc. Similar to poker, the casino would take a cut off the top of the buy-in fee and allow players to compete against each other. Also, these competitions can be categorized based on the type of bet including straight bets only, parlays, prop bets, and over-unders. This would be equivalent to poker tournaments including Texas Hold 'em (no limit & limit), Omaha (no limit & limit), etc.

These sports betting competitions will leverage simple data about a customer's picks to view a real-time leaderboard to see where they rank against the others based on how the contest is structured. For example, if the competition is to make 25 straight bet picks throughout a week from Monday-Sunday from a set list of games, customers will be able to see where they rank on the leaderboard from start to finish with categories such as wins, winning %, # of remaining picks, etc.

Furthermore, having competitions would allow customers the ability to better recognize themselves as novice, amateur, professional, and icon. In the digital age, this would allow for sponsorships with professional and icon level players to promote on social media that they prefer to gamble with a specific brand because it allows customers to track data about their play and win big prizes. Also, it will allow customers that perform well in these competitions to go from novice, to professional and the positive media coverage and increased following of these players will introduce new potential customers to the world of sports betting.

At this time, DraftKings and FanDuel offer similar fantasy team style competitions where customers can sign up and create their own team to win large prizes. However, the concept proposed above is different due to allowing customers to showcase their sports betting skills rather than their fantasy team development. The first mover advantage of allowing competition between bettors can give a Las Vegas-based hospitality organization a step up on the competition in the sports betting industry by differentiating the product.

Subscription Services

DraftKings and FanDuel have a unique position in the sports gaming industry where they are able to allow customers to play in contests where they create their own fantasy teams to compete for cash and prizes. At this time, these are the two main players in that specific space of

the sports gambling industry which would be hard and costly to penetrate given the overwhelming market share they have. Las Vegas-based hospitality organizations must consider what DraftKings and FanDuel do not have that can open up the opportunity to take market share away. One of the areas of opportunity is the billions of dollars in land-based assets that Las Vegas hospitality organizations possess.

Outlooks currently show more legalization of sports betting around the United States, thus making it important for companies to leverage all they can to get and keep customers within the brand. As discussed in the Literature Review, integrated resorts are diverse properties with many different forms of leisure and entertainment for guests to experience.

To create value around these billions of dollars in Property, Plant, & Equipment (PP&E), hospitality companies can create subscription service packages for sports bettors signing up or using the app. This can include free competition sign ups, airfare, dinners, room comps and entertainment while on property. Giving customers incentives and promoting the visitation to land-based assets will allow hospitality organizations to create a loyal fanbase and potentially stimulate re-patronization for subsequent trips.

The subscription service business model stems from gyms and massage parlors with the majority of customers paying for the subscription but not using it. Therefore, hospitality organizations can make the subscriptions enticing for the customer with a bundle that includes a high overall value for a low price with the assumption that not every single customer will take advantage of the airfare, dinner, room comps, and win the sports betting competition. In the end, this will allow the hospitality organization to realize more profit and encourage guests to stay loyal to the brand.

Conclusion

Las Vegas-based hospitality companies that are known for their integrated resort properties are taking steps to continue to diversify the product offering by allowing customers to wager on sports from anywhere in a legalized state within the country. Instead of developing their own software in-house which can be costly and take significant time to perfect, different strategies have been used by the organizations to expand into the online sports betting industry through partnerships and mergers and acquisitions. The current issues facing these gaming organizations is the low barrier to entry, inability to differentiate the product, and extremely high marketing costs.

It is proposed that local gaming organizations with sports betting apps do all they can to create a loyal fanbase by keeping the customer experience a top priority and continue to experiment with new ways to stand out amongst the competition. It is recommended that in order to achieve this gaming organizations should invest in creating a customer experience that encourages competition among players to identify who is the best in the different areas of sports betting (e.g., most wins, highest win percentage, highest bankroll against the spread with an even starting bankroll).

The current marketing strategy being implemented today by gaming organizations includes signing contracts worth billions of dollars with sports leagues to market commercials during primetime games despite this strategy having no promise of a return on investment in such a competitive industry with increasing bargaining power of customers. Commercials may get brand recognition, but marketing is more than just acquiring new customers with celebrity advertisements.

Once the customer is acquired, integrated resort operators must use a cheaper way of marketing by leveraging already existing assets that allow the brand to stand out amongst other technology related gaming organizations. Achievement of this can be done through marketing land-based assets to encourage the customer to travel with the brand that they gamble with on a consistent basis. To increase the likelihood that the customer remains brand loyal, casinos can create an exclusivity feeling for customers that frequently gamble using the sports betting app by allowing customers to sign up for subscriptions that are only available to sports betting customers.

Future Research & Limitations

The next logical step would be to implement the above strategies and collect data to determine if the marketing plan improves the customer lifetime value and generates a higher return on investment for the business. As the legal landscape is guaranteed to change over the next few years, the recommendations in this professional paper can be revisited to expand on which marketing strategy is the best to utilize to get maximum efficiency out of the billions of marketing dollars spent per year. Furthermore, expanding on high marketing costs and low costs for consumers to switch brands, further research can be done to determine how much cash flow is needed to ensure that a corporation in the mobile sports betting industry remains in business.

The recommendations in this paper are leverage against the already existing knowledge from the Literature Review chapter and personal recommendations made on how to improve the mobile sports betting industry. The professional paper is limited by excluding raw data from gaming organizations that are already operating in the mobile sports betting industry. Raw data could be used to make a marketing plan recommendation on how to become more efficient and improve financial performance.

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