

# Values or Profit?

## An Analysis on the Impact of Legal Sports Betting on Sports Business



Stephen Carr | A Data Analysis Project for Programming Humanity (Fall 2022)  
Prof Elkins and Chun, Kenyon College

### Abstract

This project looks at the effects of the surge of sports betting on the business of sports, and the financial effects felt by the specific leagues, teams, and the sportsbooks. What business model will the leagues begin to follow following betting's implementation into everyday life? Is there integrity incorporated, is there awareness of the dangers and lives ruined by addiction? Or is it all thrown out the window in favor of profit? The operating hypothesis is that the influx of sports betting will decrease the attendance of fans at stadiums, but will not affect the revenues for leagues and teams due to the partnership deals.



### Introduction

In 2018, the Supreme Court eliminated the federal ban on sports betting that had been in place since 1992, putting the decision in the hands of individual states. Since then, the big sports betting companies have taken an 'in-your-face' marketing approach, striking deals with most major sports leagues, broadcasting networks, and DraftKings alone has partnered with over 40 professional teams in the US. The presence is unavoidable. Among these deals, the MLB is partnered with gambling giants BetMGM and DraftKings, despite their lifetime ban on Pete Rose – Rose allegedly wagered on games while he was a player-manager for the Cincinnati Reds in the 1980s. In similar fashion, the NFL is partnered with six sportsbooks, while many of the individual teams are also partnered with these books. Despite these deals, WR Calvin Ridley of the Jacksonville Jaguars was suspended for the entire 2022 season for placing a bet on his team while he was injured. Deshaun Watson was suspended 11 games with over 20 allegations of sexual harassment on him. In spite of the clear precedent that these leagues have set with their stance on sports betting, they still stand to earn ungodly amounts of money with the official deals they continue to sign and renew. These are stances incompatible with each other, and this paper will dive into the timeline and monetary impact of these deals. It is also expected that due to the easy access of sports betting and the increase in streaming services, fans may be encouraged to stay at home as opposed to attending games to maximize their engagement, with as many bets and as many games as possible. We will see how the influx of sports betting has affected attendance numbers across markets and sports.

### Methodology

To analyze the relationship between betting and the attendance and revenues of the teams and leagues, I first collected the attendance numbers for all teams in the New York, Philadelphia, and Pittsburgh markets, but then limited the charts to the NY and Philadelphia teams that are partnered with DraftKings, the biggest sportsbook. Data were collected from a number of sources, including ESPN, and Statista, and Forbes.

The attendance numbers capture the total amount of people that attended the games over the course of the season, but they were thrown off due to the pandemic. I included data as early as 2015 to try and see the trends that were developing prior to the pandemic and legalization, and then also the years after these events to see the resulting trends.

There was initially a wide range of revenue numbers, from \$2 million to \$170 billion, so the numbers were logged so that we could actually see the trends on a scale where significant changes were visible. Gambling handle captures the amount of money wagered by bettors in total, while sportsbook revenue captures the amount of money retained by the books, after paying the bettors their winnings.

### Results

Based on the data shown in Figures 1 and 2, it appears that attendance had already been on somewhat of a decline prior to the legalization of sports betting, but there is definitely a decrease seen in Philadelphia in Figure 2, with total attendance dropping nearly 200k from 2018 to 2019, right after the legalization. It is unlikely that it is solely due to the legalization of sports betting, but important to note. The timing of New York's legalization in relation to the pandemic shown in Figure 1 makes it hard to see a clear cause and effect relationship, and the data is not clearly seen post pandemic either, unfortunately.

Looking at the financial numbers, biggest thing that stands out is the sheer volume of bets that are placed after legalization, and how rapidly it grew and continues to grow. The stars in both Figures 3 and 4 represent the signing or renewal of a deal between a team and DraftKings, and it is a consistent trend that after one of these deals, there is a similar spike in revenue for not only the teams that signed the deals, but also the leagues and sportsbooks. It is fascinating to see that despite the attendance numbers taking a huge hit during the pandemic, gambling handle and sportsbook revenue continued to rise, and team and league revenues, slightly decreased, but not by a significant margin.

### Conclusion

The biggest takeaway for me from this data is just comprehending the wagon that is the sports betting business. Sports were on pause during the pandemic, teams were losing money, but people continued to place their bets and the books continued to make their money. No wonder the teams and leagues are abandoning their values to follow what these companies are doing, because all it does it generate revenue. Kenny Gersh, the executive vice president of Major League Baseball's Business Development [said](#) after signing a new partnership with FanDuel, a DraftKings competitor, "we're looking forward to the creative sports betting and fan experience innovations FanDuel will develop." Most of what these business are worried about is the fan experience, creating entertainment, and it seems to pull from the actual nuance and tradition of the game. Oftentimes, the bets that people are placing do not have to do with any team affiliation, but the opportunity to make money: finding some individual player or team or point total to follow. It is no longer a sport, but a purely entertaining money making machine, which saddens me.

It is also disappointing that these leagues seem to have lost their values, after having been so strict on the players previously mentioned, Pete Rose and Calvin Ridley, and are doing an about face to chase profits. Of course, that's how you create a sustainable business, and that's what has been shown here is the immense sustainability and potential yet to be tapped into in the sports world, but I don't think these leagues can have it both ways. Either they need to alter their values and decisions regarding those players, or they need to alter the business model, because this gambling-centric model does not align itself with the precedent that has been set.

### Future and Ethics Statement

Due to the newness of sports betting and the limited data available, it is difficult to draw clear cause and effect relationships, but it would be fascinating to revisit this analysis 10 years down the road, with much more data and information available. There will also likely be plenty more deals and teams that are partnered with sportsbooks, so there will be a better understanding of the effects.

I also hoped to find data on viewership, because it would have been interesting to see if viewership has declined with the surge in sports betting, but that data is not readily available. I believe it is limited to the networks alone, so I am not sure if that will ever be data that can be analyzed.

The bias that could possibly be present could be tied in with the markets that I looked at, and I wonder if the trends will carry over across cities. Dealing with sports is also tricky, due to the incorporation of social issues into the narrative surrounding leagues and their players, so those could be factors at play regarding revenue and attendance.

### References/Acknowledgements

- Rush, Cole. "Howdy, Partner: The Proliferation of Sports Betting Partnerships." *IGB North America*, 20 May 2021, View [here](#)
- [NFL Attendance](#)
- [Team and league revenues](#)

A huge thank you to Professor Chun and Professor Elkins for their help, creativity, and support throughout this project and thanks for a great semester!

### Charts

NY Market Attendance

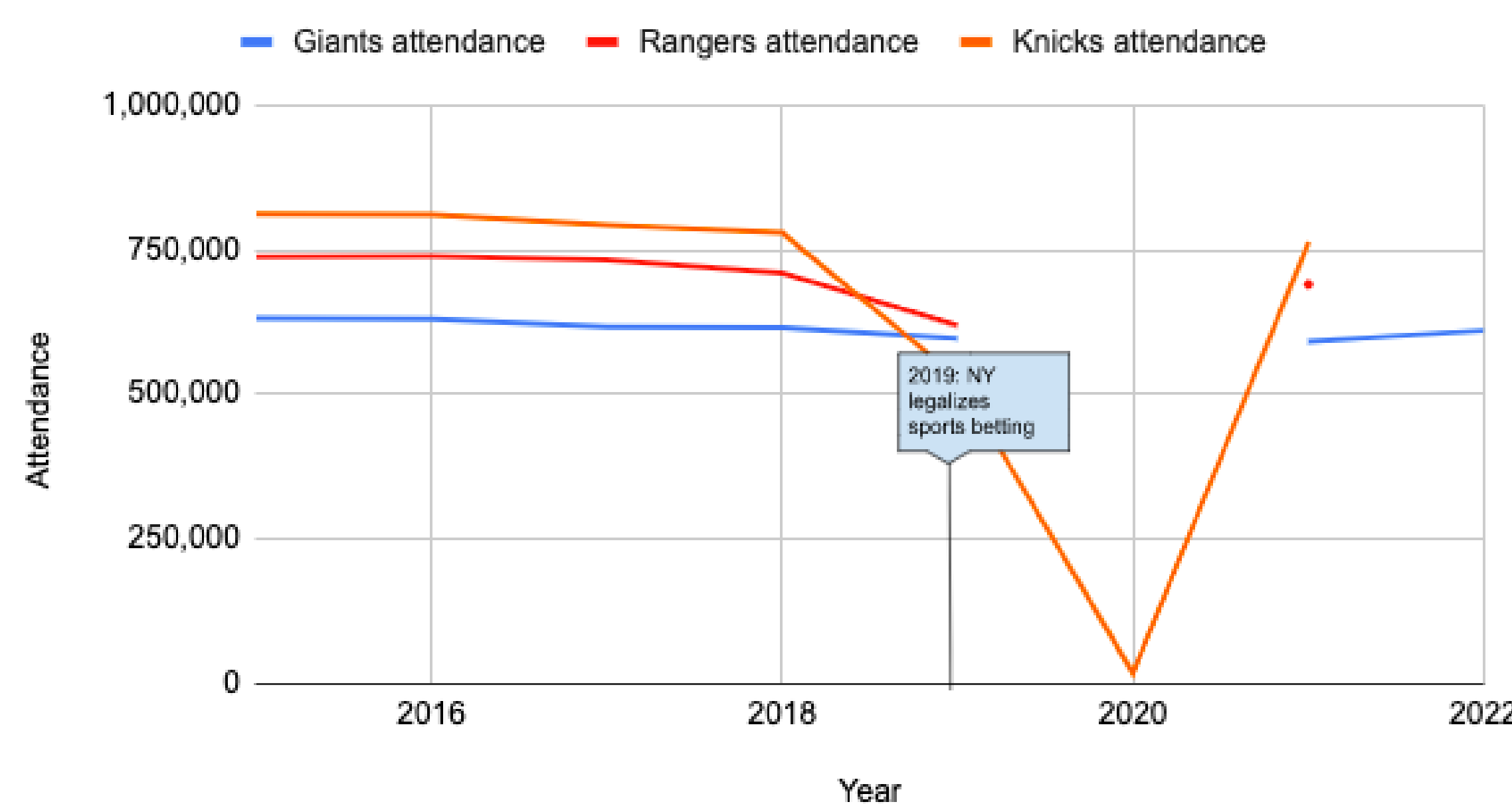


Figure 1. New York Attendance

Philadelphia Market Attendance

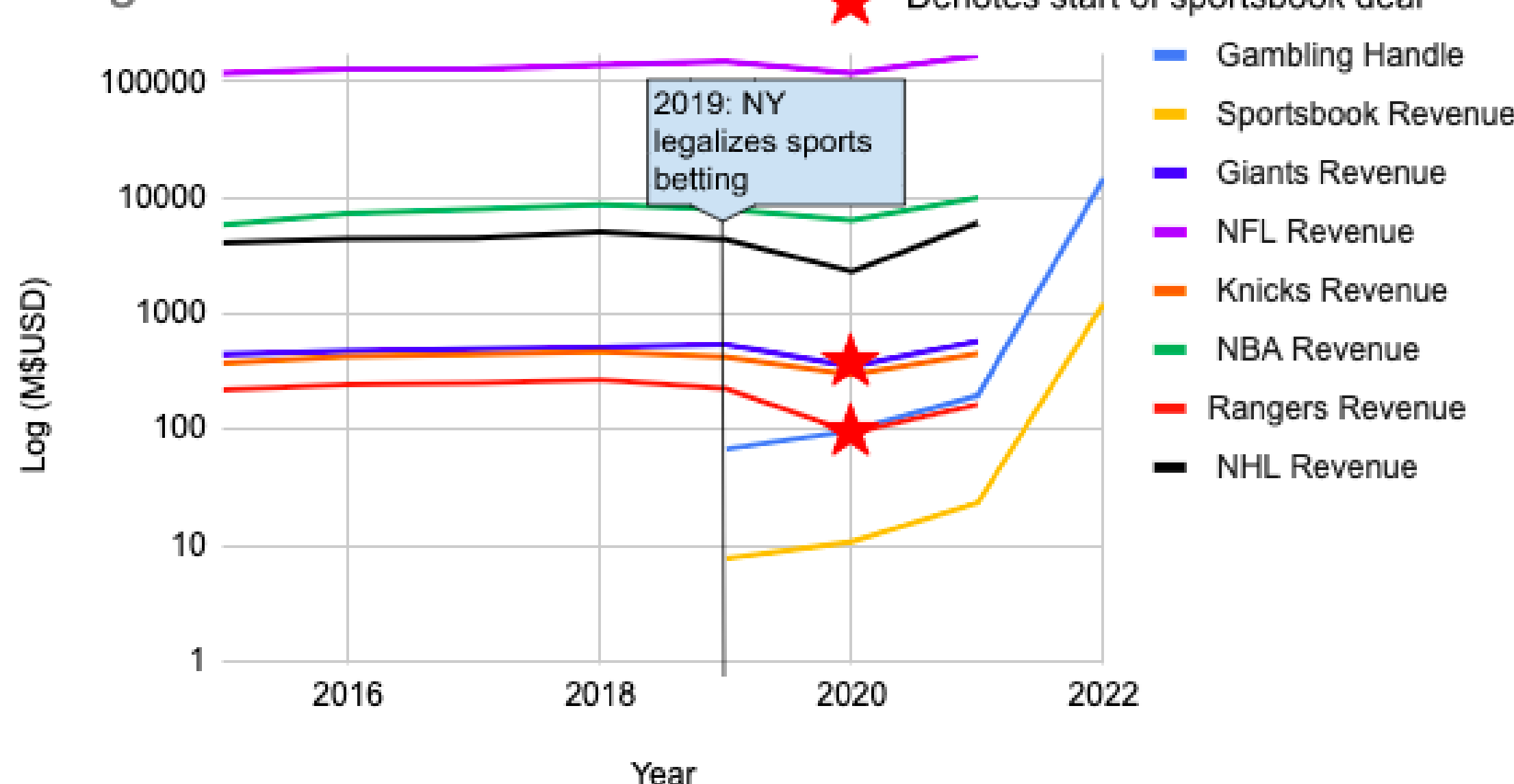


Figure 3. New York Financial Numbers

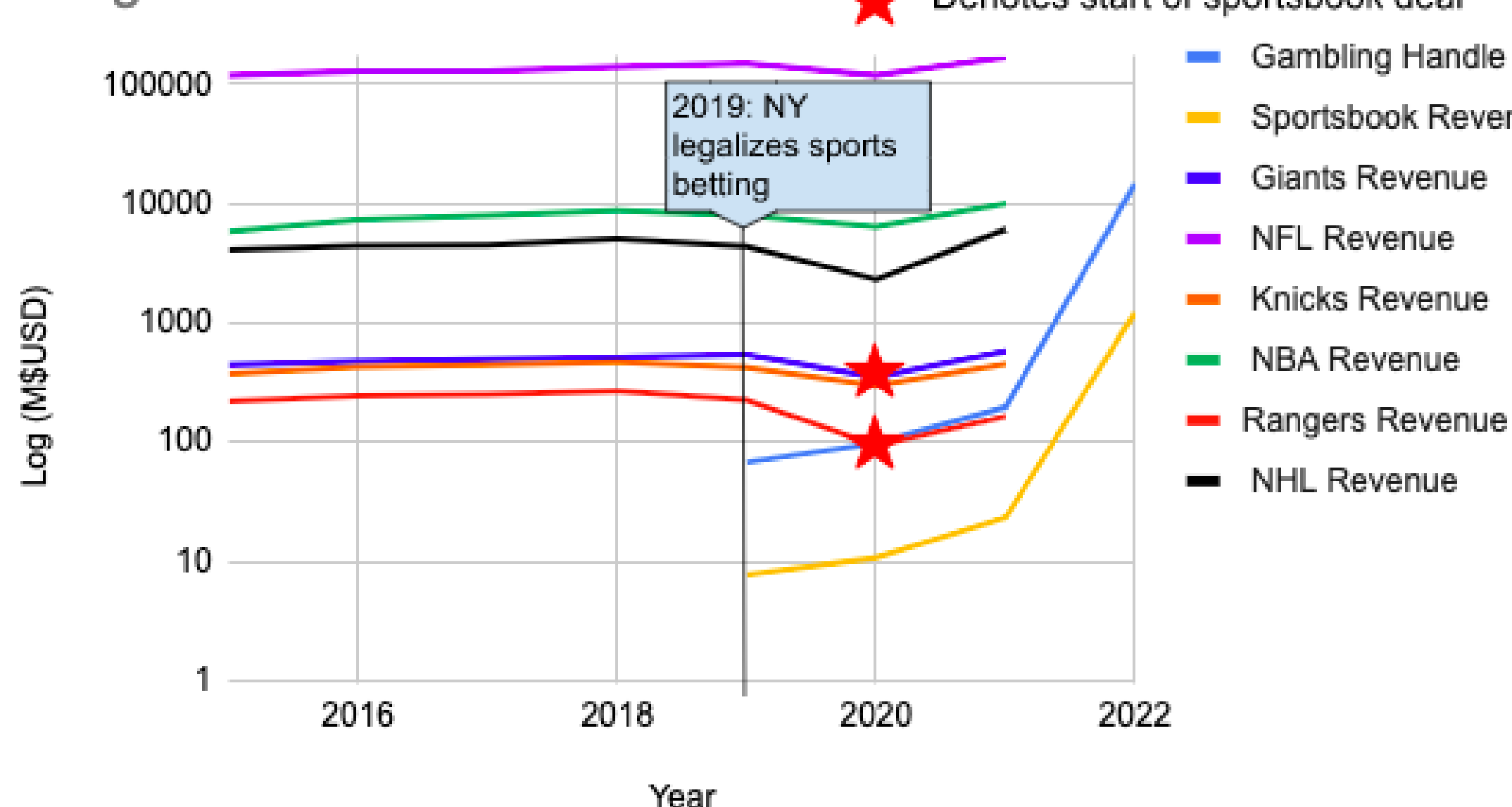


Figure 3. New York Financial Numbers

Philadelphia Market Attendance

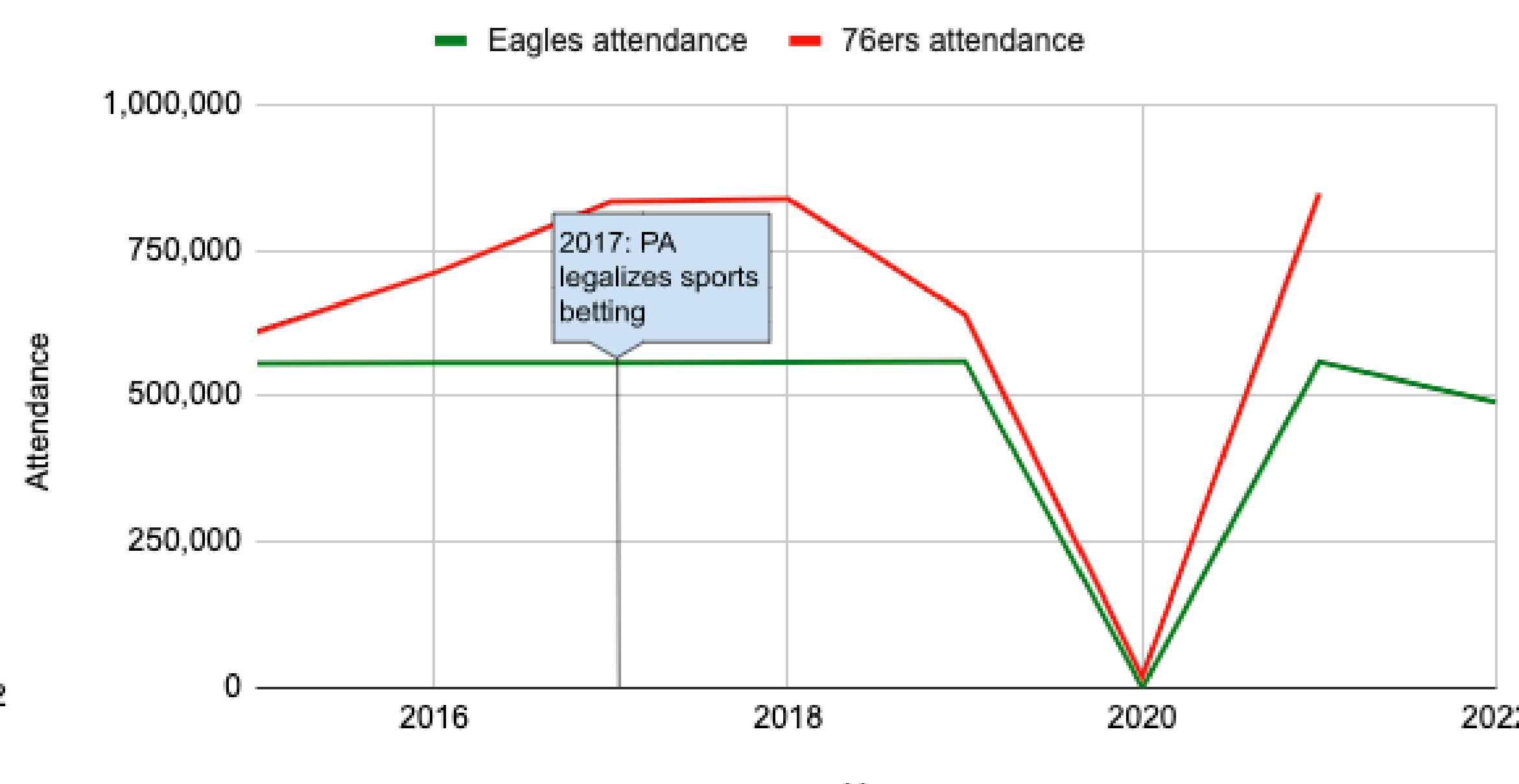


Figure 4. Philadelphia Financial

Philadelphia: Financial Analysis of Gambling Volume, Team and League Revenues

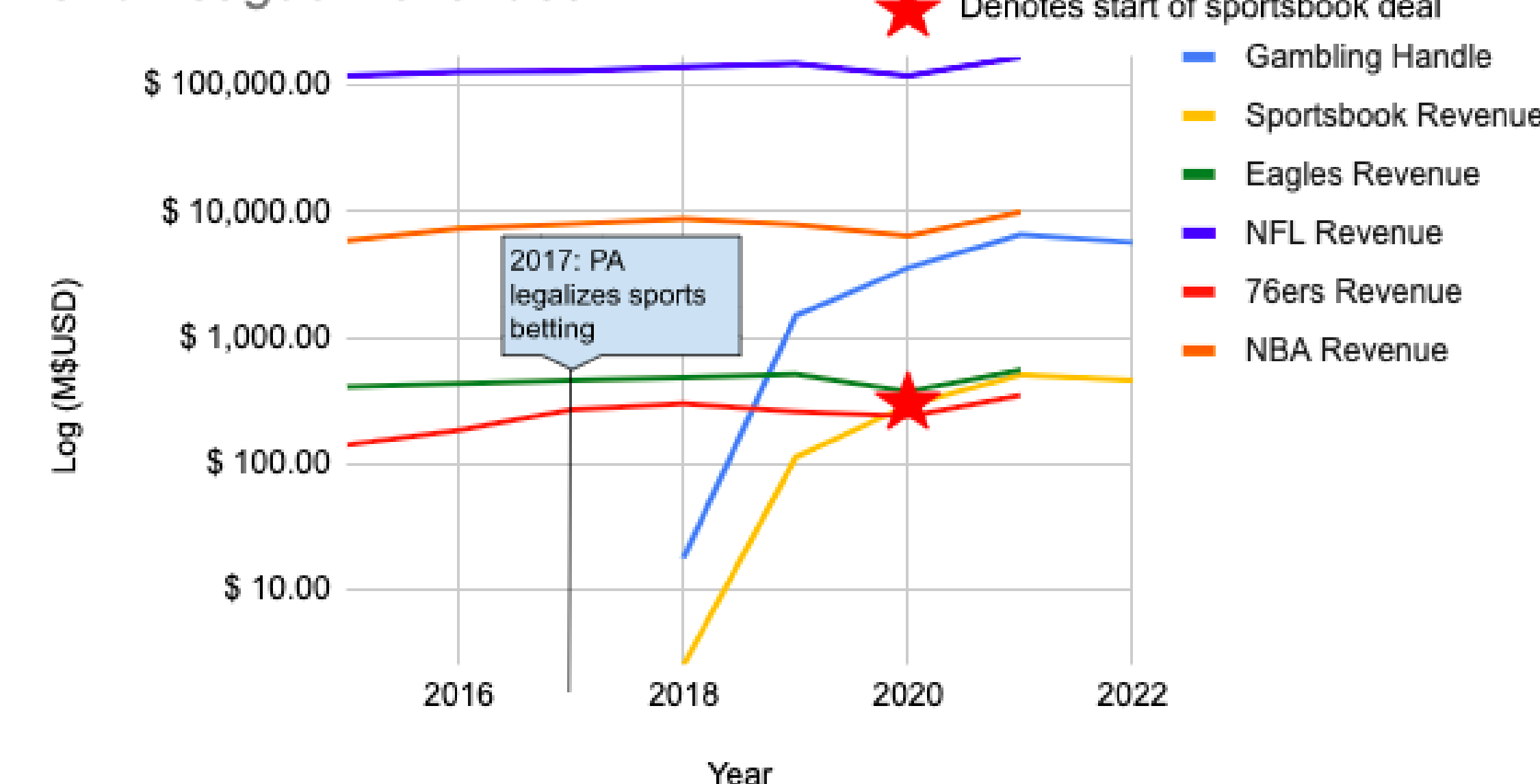


Figure 4. Philadelphia Financial