

THE BIG DEBATE

This month, we ask: Will Betfair's New Jersey Exchange prove to be a success?



YES

Ed Comins

President of WatchandWager.com LLC

The recent launch of the Betfair exchange is in my view one of the most important and exciting innovations to hit US horseracing in recent years. Despite being a licensed pari-mutuel specialist with a large stake in the great sport in the US, I actually welcome the exchange as a complementary product – not a competitor – to help grow the market.

The exchange is of course confined to New Jersey residents only, but the co-mingling of wagers with non US liquidity is a major boost. As we have seen with poker, liquidity is an issue with just one state. New Jersey regulators have recognised this and effectively expanded the market. Betfair performs best – and provides the best value for punters – when there is significant liquidity. If more states join the network then all the better, the most important of course being California.

Although still over a \$10bn market - US racing needs a new form of bet-

ting. The only growth in the US is in computer assisted wagering and rebating – an area WatchandWager specialises in – and vital for the market. However the smaller retail type punter is badly serviced in the US. Take out rates and lack of flexible betting opportunities make it tough for a regular punter to win in the US. The lower commission rates (although still quite high compared to the UK) on Betfair US will help the small players and force innovation from other operators, perhaps in the form of takeout reductions.

I was a gambling executive in London when Betfair launched and there was much doom and gloom. Over the years the sceptics have largely been proved wrong. This is especially true in the professional and arbitrage markets that WatchandWager specialises in. The wider market options available to players just grows the market, especially as liquidity and value propositions build.



NO

Jessica Feil

Associate at Ifrah Law

Exchange wagering gets a few things right. Yes, the platform is fast, fun, and web-friendly. Young Americans ought to like something like that. The problem is that they don't know a thing about horseracing. The Sport of Kings needs to become the Sport of Americans before exchange wagering can take off Stateside.

Proponents of exchange wagering like to point to its success in Europe. No doubt it has done well there, but that's no guarantee of success with American horseracing. Europeans have exchange wagered for years on sports, like soccer and tennis, which are mainstream there and familiar to everyone. In America, gaming on sports is popular too: see the rise of daily fantasy sports. But horseracing is just not that popular among young Americans.

As for the people among whom it is popular, they are unlikely to be won over by the commonly touted strengths of exchange wagering. The long-time racing enthusiasts will need to start monitoring their

smartphones during races along with their Daily Racing Form. Plus, before getting in on the action, they must load the website on their mobile device, navigate identification verification requirements, and set up a payment account. The technological barriers to participation are significant.

Other issues include the industry's cut; exchange wagering delivers a lower commission to the hosting tracks than typical pari-mutuel betting. If the tracks are more concerned with adoption, then that's no big deal, but if it's revenue they want, it could be a problem. A higher proportion of exchange wagers could feasibly decrease a track's revenue.

People who work in the horseracing industry aren't wrong to hope that exchange wagering works. I'm hoping that it works, because I'd love to see horseracing do better. I don't denigrate exchange wagering in principle, nor its application to American horseracing, I only want to monitor this union with the reality of American sports and gambling in mind.