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FINDING A BUSINESS MODEL FOR A SPORTS BETTING PLATFORM

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Abstract

The purpose of this thesis is to document the research on finding a solid business model for the creation of a startup in the sports betting investment market. Having worked closely in this market with professionals and companies, as well as having access to data from more than 175 players, it was possible to study and measure the existing problems, to look for possible solutions, test different initiatives, conceive a possible prototype and finally design a more robust business model for a platform to make investments in sports betting. This thesis will document the journey of developing from idea into a startup project, using and exploring the lean startup and costumer development process for it.

Keywords: business model sports betting investment

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1. Introduction

97% of the people who place online sports bets lose money over time (Vlahos, 2014). Annually, more than 8 billion euros are accepted by all *bookies* (= companies whose websites accept bets), generating in annual results 1.25 billion euros (Wood, 2016). There are many motivations to be a sports bettor, but the most common are these 3: the adrenaline felt in watching an event where the person placed a bet, the social currency of placing bets and sharing astonishing winnings, and the belief the jackpot will knock on the door one day and the person will become millionaire (Gluck, 2015). However, the major part of these individuals relies on the belief that there is a positive relation in the risk / reward relation, which will bring them profits from the very short beginning till the long run. Unfortunately, this mind-set does not correspond to the reality, as bettors need something extra to be profitable in the long term, as there are very few that make consistent profit from sports betting. Even though, the perception that it is possible to gain money from sports betting usually keeps in mind and the search for specialists that would be able to help these individuals gaining money from sports betting is started.

Online sports betting is an industry with few years of existence, as it just came out several years after the invention of the internet. Yet, the demand for websites that establish the connection between *tipsters* (= specialists in picking the best selections to bet, who send betting *tips* via email) and *investors* (= individuals who are willing to pay *tipsters* to receive their betting *tips* to place those bets) has been increasingly exponentially, followed by the creation of new platforms with this purpose almost every year. As an example, the biggest platform - blogabet.com - is home of 1,200 *tipsters*, who paid €25 to be allowed to accept paid subscriptions for their *tips* - there are almost more than 15,000 *tipsters* that insert their *tips* in this website for free, with the motivation of building a solid history, which would allow them to become paid *tipsters* in the future. In total, blogabet.com has over 130,000 active users and it is the #119 gambling website with more traffic worldwide.

As nothing is perfect, a relevant problem is affecting this market: there is a gap in the process of investing in online sports betting, as the moment of receiving the *tip* by the *investor*, sent by the *tipster*, is not the same as the moment the *investor* places the bet that comes in the *tip*. Therefore, as *tipsters* usually have more than one *investor* subscribing their *tips*, when the first *investor* places the recommended bet, that action will make the *odds* (= the pay-out of the bet) drop, meaning the value of the investment for the subsequent *investors* will be lower than the value for the first *investor*. If this situation happened few times, it would certainly not be a market problem, but as 63% of the *tips* are not placed at the recommended *odds*, all the process of investing in online sports betting is in danger. As this problem might be hard to understand for people who are not familiar to this industry, let's take the example of the financial markets: if Warren Buffet, a proven specialist in this area, recommends buying Facebook shares for $100 to 20 *investors*, probably they will try to be the fastest to make that action. Unfortunately for many, as soon as the first *investors* start buying Facebook shares, their price will rise and Buffer's recommendation loses its value - in sports betting, the process is the same.

For this thesis, 3 stakeholders are extremely important to be kept in mind: the *tipsters*, the *investors* and the *tips*. *Tipsters* are common individuals that due to their betting histories are considered specialists in this market - they can be found in several platforms related to online betting as well as in social networks. *Investors* are people who want to rely on numbers to bet, instead of trusting guts. Therefore, they search for and are willing to subscribe services from *tipsters* who account for solid tracks, to receive their *tips*, placing bets as an investment. Lastly, *tips* are predictions in form of recommendation sent by email, in which there is a betting selection for an event with the *odds* the bet should be placed. One extra stakeholder is the category of *bookies*, which are the websites people use to bet.

2. Methodology and Research Question

Finishing last section by detecting a market problem, there is an opportunity to explore, test, iterate and build a possible solution to turn the process of investing in online sports betting a reality without major problems, with the needed flow to be considered a valid alternative for traditional financial investments, as the ones who are made through stocks, indices and forexes. With this goal in mind, this thesis has its starting point in the contextualization of the online sports betting and the online sports betting through specialists' advices industries, before this section where the used methodology and the research questions / hypotheses considered were covered. In the last section of this thesis's introduction, some literature review was done to identify and get the right guidance to better select the steps to take after. Subsequently, it was possible to start the Business Model Design, which will be aligned with the motivations for this work. This market's stakeholders were studied, from *bookies* and *brokers* to *tipsters* and *investors*. In consideration were also the current providers of services that allow individuals for investing in online sports betting through recommendation of specialists, followed by a section of successful examples of organizations that are building bridges between specialists and people willing to invest in the financial markets. Finally, the main idea is introduced, which supports the entire work conducted in this thesis. On this stage, the presentation of the fieldwork done is started, aiming to find and validate a solid business model that might turn this paper idea into a successful venture. This process is divided into 3 parts, starting with the efforts to reach a Problem / Solution Fit, evolving into a Product / Market Fit, finishing with an analysis to the feasibility of this venture. With all this work done, the business model is presented, using the Business Model Canvas framework, describing every part of it with the data gathered in the previous sections.

There were established contacts with 5 companies, 4 full-time professionals in this area and over 400 stakeholders in this market. In the end, the reader should be able to identify the answer

to the question "what is the best business model execution for a sports betting idea?", as to all the questions related to every section of the suggested business model - from the value proposition till the cost structure and revenue streaming. Is it necessary to invest and allocate many resources so this idea is a potential success? Which examples should be considered from what is seen on financial markets? Are market decisions aligned to what stakeholders think they actions are? What is the best revenue model for the value delivered to the potential customer? All these questions will be answered throughout this paper, with practical examples to apply the final business model in a real-life venture. Several hypotheses were tested in this research, as a core stage in the lean startup method, testing the real traction of the market, understanding if earnings can be obtained from the investment in online sports betting, if the problem detected and explored is relevant for the stakeholders, as well as if the solution conceived to face it fits the real problem and afterwards the market.

3. Literature Review

In order to take the right steps to find and validate a differentiated business model in the sports betting market, past studies are crucial in terms of the options they provide to better answer this question. Therefore, the beginning of this thesis is concerned to the understanding of the online sports betting landscape, its problems, players and context, as well as the identification of current needs from customers, mapping them against the services provided from existing companies, represent core tasks to find a business model for a product solution fit (McGrath and MacMillan, 2000). While companies are battling in intense competitive rivalries and the importance of the traditional sources of competitive advantage is decreasing (Srinivasan et al., 2012), there were considered not only the current market leaders in the online sports betting industry, but also the ones which are performing well in a very similar environment, the financial markets. One step further, their good practices were studied to get inspiration and a solid basis to design an appropriate business model. Despite competitive advantage can emerge from a better product market fit, the business model may also be determinant to obtain that positioning (Christoph Zott and Raphael Amit, 2008), while firms can set them apart as differentiators and cost leaders at the same time (Michael Porter, 1985).

As for the next steps, per Peter Yannopoulos, Seigyoung Auh and Bulent Menguc (2012) studies on new product performance, proving that when learning is complemented with market orientation, new products have better chances to be better succeeded, there were conducted initiatives including hypotheses, testing and the decisions to pursue or pivot - having a strong market orientation also impacts positively on organizational performance (Day, 1994; Jaworski and Kohli, 1993). The very lean startup method helps entrepreneurs finding customers before conceiving a product. Working out different variants of the product, to identify customers, their demand and their motivations, ends up in a solid plan to build the best possible solution (Aniruddha Gupte, 2015). Thus, fieldwork was done with several tests aiming to validate some

hypotheses in the building of the business model, gathering data from insiders and testing traction at the same time.

Finally, as business models are associated with securing and expanding competitive advantage (Johnson et al., 2008), the Business Model Canvas framework was used to take the most out of the existing theory (Teece, 2010), designing a structured management tool, which is determinant to be successful as company (Magretta, 2002). It was also used to make the presentation of the business model as simple and intuitive as possible, covering every part of what is considered as a solid business model structure.

This study is particular relevant for the individuals interested in online sports betting investments, the landscape of this market or even just for the ones looking for valid options to financial investment products. Also, for all the key stakeholders and players in this industry, the research might be useful to gain knowledge about their clients, providers and partners. Finally, for all the entrepreneurs aiming to turn their ideas or early startups into lean ventures, there are detailed here some risks, experiments and learnings from the process of finding a business model for a sports betting platform (Darlene Fichter, 2015).

4. Business Model Design

4.1. Stakeholders

There are two categories of players in the online sports betting industry: on one hand, the people who place bets, known as bettors; on the other, the websites that show odds and accept those bets, known as *bookies*. While these categories might be well explained this way, it is possible to go further and find subsections, identifying more stakeholders in each part.

As stated in the introduction, bettors are not only the key individuals of this industry, but also the starting point to other two new players: *tipsters* and *investors*. As in the financial markets, where it is common to invest through hedge funds ran by specialists in these markets or through the copy of their actions, *investors* are always looking for new ways to diverse their portfolios, lowering risks, finding in the online sports betting market *tipsters* able to play the role of the soldiers of Wall Street. Aiming to elaborate a profile of these 3 stakeholders, there were gathered over 200 answers to tailored questionnaires, beyond the continuous contribute of 2 *tipsters* and 2 *investors* in this and in the following analyses. A bettor is a male person, aged between 18 and 40, resident in Europe, with an average annual income between 15,001 and €40,000, placing bets since 2012. A *tipster* is a male person, aged between 18 and 40, resident in Europe, with an average annual income between 25,001 and €40,000, placing bets since 2009. An *investor* is a male person, aged between 25 and 40, resident in Europe, with an average annual income between 40,001 and €75,000, placing bets since 2007.

In what concerns to the platforms that are used in this market, 82% of the respondents stated they use the platform that serves them the best, without any loyalty that would stop them to move to other platforms that would appear with better conditions. 91% of the respondents also revealed they were introduced by other people in a platform related to betting, while 78% already introduced someone in a platform of this kind.

On the other side, beyond *bookies*, there are the *brokers*. *Brokers* are simple websites that gather data from different *bookies*, allowing their users to place bets in the several *bookies* (websites that show odds and accept bets - examples comprise betfair.com, bet365.com and williamhill.com) through the same platform. As value proposition, *brokers* provide their users the best odds for the bet they want to place, without the need to search and compare odds offered by different *bookie*. The usage of a *broker* usually does not mean an addition cost for the bettor, even though some *brokers* charge a low percentage of the betting volume.

At sportsbookreview.com, the biggest website with information regarding *bookies* and their credibility, there are ratings attributed to 207 *bookies* - only 10 A+ ratings were given. In the conducted study, *tipsters* and *investors* were unanimous considering pinnacle.com as the best *bookie*. The motivations behind this pick were 3: the maximum value accepted per bet is the highest from all *bookies*, the odds are also the highest from all *bookies*, and it is a website known for resolving with celerity every situation with its customers, situation that not always happen within this industry - with no surprise, pinnacle.com is a *bookie* with the rating A+ at sportsbookreview.com.

Other *bookies* used by the different *tipsters* and *investors* are betfair.com, betdaq.com, sbobet.com and bet365.com. However, they are only used when the odds are higher than the ones offered by pinnacle.com, which does not happen frequently.

4.2. Competition Review

98% of the respondents indicated blogabet.com as the best platform to search for *tipsters* and sell *tips*. To understand the quantity and quality of the existing platforms with the same purpose, searching for "professional betting tipsters" on Google, blogabet.com only shows up in the 5th results page. For this analysis, betadvisor.com, the second-best platform to search for *tipsters* and sell *tips* is also considered.

As in the introduction, blogabet.com counts with almost more than 15,000 registered *tipsters*, being paid over 1,200, who spent €25 to allow their profiles to accept paid subscriptions. In total, the platform has over 130,000 users and it is the #119 website related to gambling with more traffic worldwide. In terms of operations, it is a very simple platform: it works as Facebook, where every user has an individual profile, submitting and publishing *tips* - there is also a feed where the last free tips inserted are shown. A market section gathers all the valuable information regarding paid *tipsters*, where the *investors* can filter and find the *tipsters* they are more interested in. An *investor* who wants to receive some *tipsters' tips* just needs to enter its personal page, hit the button subscribe and make the payment for a given timeframe. In case of a negative performance from the *tipster*, the price of the subscription is refunded to the *investor*. *Investors* receive the *tips* on their emails, so the platform has nothing to do with the betting placement. As revenue stream, beyond the fixed €25 charge for new paid *tipsters*, blogabet.com commissions between 10 to 30% *tipsters'* revenues. To generate demand, blogabet.com does not show significant efforts, having a solid user base who brings in more users to the platform.

In what concerns to betadvisor.com, this platform is similar in almost every point to blogabet.com, having as differentiator elements the difficulty to become tipster and the fact it does not work as a social network. On their website, there are shown more than 700 paid *tipster* profiles, while the free ones that want to become paid must participate in a private platform to prove their ability to work as *tipster*. As there is no feed, betadvisor.com is a display website with no interaction between users, being very similar to the market feature of blogabet.com.

The major problems identified in these platforms are 4: the drop in the odds as soon as a *tip* is sent, the hard task of placing the bet that comes inside the *tip*, the resellers and the *tipsters'* remuneration system. Blogabet.com was the first platform to introduce a time-consuming process, through the captcha concept, to see each *tip*, in an attempt to fight resellers, who forward *tips* for their clients - something that is against the rules -, but the initiative was not

very successful. In the forums and discussion places of these platforms, several *tipsters* already questioned their remuneration system, as it is usual to be unprofitable in a couple of months per year, which means currently they should not earn any money - an impossible premise for a full-time position.

Smartbet.io - another website that can be seen as a competitor to the venture based on the main idea - provides its users a software that needs to be downloaded and installed, which accounts for the part of the process of placing the *tips*. Through this software, an *investor* selects the subscribed *tipsters* and the used platforms, and as soon a *tip* is received, bets are placed automatically. Smartbet.io is a very recent company, with some interest from the online sports betting community, despite its service not working in the cloud - it is impossible to think of a solution that is not accessible in every computer, tablet or smartphone, at any time, everywhere. With almost 1 year of existence, the software provided by smartbet.io is still far away from efficient and with some bugs, not allowing the company to gain a relevant market share.

4.3. Inspiration - Financial Markets

The concept that is behind this thesis - an individual investing through the recommendation of a specialist in a specific market - already exists in the financial markets. There are many companies that aggregate histories of specialists in stocks, indices and forexes to show potential *investors* ways of making money through the copy of these specialists' actions. For this analysis, there were considered two companies: zercatto.com and copyop.com.

Zercatto.com is a Portuguese company, whose website displays several profiles of professional investors in financial markets, audited independently by Zercatto, to guarantee the validity of the presented results. With the selection of the experts, a user will be eligible to receive, through their website or mobile app, the trades submitted by them. After that reception, the user can copy that action in the desired institution (bank or brokerage company for instance), never

having to deposit funds in Zercatto's website. When it comes to the pricing, Zercatto charges its users a fixed rate per week or per trade, not charging when the user accounts for losses.

Copyop.com is a Cyprian company, whose website shows different profiles of experts in the financial markets. Its platform can be easily described in 3+1 steps: after completing the registration, users can search for specialists that meet their filters, being able to enter in a private profile with more information of each expert. To select the specialist and allow the platform to copy and do the exact same action they pursue, users need to deposit in the platform. Additionally, each user can become an expert, needing only to submit movements and the website will compute the history and some useful stats, displaying this user profile in the results when people search for experts. Copyop.com offers this service for free, getting its revenues from the commissions when *investors* buy stocks or other products, as any brokerage company. As for the demand generation, both platforms work mainly through effective affiliates programs and social media marketing.

Etoro.com is also a very known company, which offered only the possibility to buy and sell stocks, indices and forexes through their website, but soon introduced the feature to allow *investors* to copy experts, being now one of their biggest revenue streams. Etoro.com also sponsors one of the best English football teams, employing over 150 people.

4.4. Idea

Once the stakeholders and the platforms are explained in detail, as similar companies that connect experts with investors in the financial markets, the main idea, which is behind everything in this thesis, is found and ready to be structured.

Identified the market problem in the automatization of the process of selecting *tipsters* and placing online sports bets, this thesis will go through the finding and validation of a business model for a web-platform that will face every single problem here detected, turning the process of placing online sports bets through the recommendations of *tipsters* more efficient and

providing *investors* - bettors and non-bettors - a new product in the financial investments, totally devoid of the adrenaline felt by bettors. Thus, this platform should be a database of *tipsters*, as blogabet.com, gathering profiles and displaying them for selection, apart from accepting deposits from *investors*, who will be able select *tipsters*, set up management models, allowing the platform to place *tips* inserted by *tipsters* for the *investors*. Therefore, besides playing the role of blogabet.com in the *tipsters'* side, it will also be a *broker*, as it will make the connection between the *investor* and *bookies* - with the bot that will start with the input of the *tipster* and compute the output in the placement of the bets on *bookies*. In the end, an *investor*, who is used to select *tipsters*, receive *tips* and place bets, will be able to cut the second and third tasks (the harder ones), simplifying the investment in online sports betting.

5. Business Model Validation Fieldwork

5.1. Problem / Solution Fit

In the 2016 edition of Web Summit, Gary Vaynerchuk stated that nowadays there are thousands of companies that call themselves the Uber of their markets. Even though the secret of success of Uber may be its business model, it is not an extraordinary business model that makes every common product an outstanding one. Consequently, before going to the building of the business model of an idea - which is fundamental - it is necessary to identify a market problem and work on it, finding the Product / Solution Fit, and afterwards, the Product / Market Fit. With the help of 2 *tipsters* and 2 *investors*, besides the more than 200 answers to the tailored surveys to bettors, *tipsters* and *investors*, it was possible to gain knowledge and validate a possible solution for this opportunity. There were identified 5 main problems, written in detail and ordered from the most relevant till the less relevant: the placement of the *tips* at the recommended odds - when the first *investor* places the bet, the others will be shown lower odds than the recommendation; the workload of placing the bets - it is a must to be online with a computer at every time, as *tips* are received without warning and they have to be placed as fast as possible; the existence of resellers - there are users that subscribe *tipsters* to sell their *tips* to other users, increasing the problem of the dropping odds, apart from the steal of some potential clients to *tipsters*; the money back guarantee clause - if a *tipster* is not profitable during the period of the subscription, the *investor* is 100% refunded, leaving that professional without income; and the difficulty of adjusting stakes - an *investor* cannot place the same amount per bet in a *tip* from a *tipster* that sends 10 *tips* per month and in one from a *tipster* that sends 100, as the performance of the investment would be heavily dependent on the *tipster* that sends more *tips*.

To prove the Problem / Solution Fit, 92% of the *investors* said they would use a platform that would place *tips* automatically when these were inserted (solving the first and second problems), while 88% of the *tipsters* stated they would use a platform that would reward them

according to their activity and performance, not allowing them to be punished drastically if the performance was not the desired (solving the third one). 62% of the *investors* would recommend the *tipsters* they follow a platform with such characteristics, while 68% of the *tipsters* would invite their *investors* to subscribe their services through this platform. As this market involves a payment from the *investor* to the *tipster*, with a commission to the third party that is providing the connection, it is possible to generate revenue from this idea and all the requirements for the Problem / Solution Fit are met.

In the next section, an informal "fund" created to test the traction of this idea, which became a solid basis for this project, will be explained in detail, but for now, there are some indicators that show how this solution can make the transition to the Product / Market Fit. According to Sean Ellis (2009), if 40% of the users state they would become really disappointed if they could not use a product or service anymore, that would mean there was Product / Market Fit. For the effect, from the *investors* that participated in the "fund", 92% stated they would not invest in online sports betting if they had to place the bets and the only 2 *tipsters* who were subscribed directly - without the reliance on any third party - said they would be disappointed if they had to do it through a platform that would oblige them to offer the money back guarantee.

5.2. Product Market Fit: Part 1

Regarding the informal "fund" presented in the last section, it was developed with the goal to test the traction of the main idea of this thesis and therefore validate the Product / Market Fit. With a duration of 5 months, this "fund" purpose was to collect and invest savings into online sports betting. After collecting the investment, there were chosen the *tipsters* whose *tips* were placed. *Investors* received a weekly report, having nothing to do with the operations part of the investment in online sports betting - they just needed to invest and monitor results through the reports. In what concerns to the collection of investment, every potential *investor* was only contacted once, and if interested, invested on the moment or in the following days - the

conversion rate of the sales pitch was around 75%. After those 5 months, 2,500 *tips* were placed, getting a Return on Investment of 4% per bet - placing 1% of the investment in each bet, an *investor* got a valuation of the investment of 75%. The population of *investors* could be divided into 3 main categories: 5 were active bettors (placed at least one bet in the last month), 4 had never placed a bet and the other 15 had some knowledge on the betting industry, but were not regular bettors. Regarding *tipsters*, there were subscribed 21 of them, being possible to place around 50% of the *tips* at the recommended odds (for this to happen, it was necessary to be available to place bets through a computer, from 8am till midnight every day). Each *tipster* sent a different number of *tips* per month and given the hard task of calculating the right stake to place in each *tipsters' tips*, every *tip* had as its stake 1% of the "fund" money - the final result of the "fund" was higher than the expected as the *tipsters* who sent more *tips* had, fortunately, better months than the expected / average. Finally, 100% of the *investors* would recommend this "fund" to a friend and the 2 *tipsters* who were followed without the reliance on a third party said it was a very good experience to have worked with this "fund".

5.3. Product Market Fit: Part 2

Apart from the creation of the "fund" as a Minimum Viable Product (MVP), which aimed to test some features as possible solutions to the main idea's execution, this thesis had the close contribution of 2 *tipsters*, 2 *investors* and over 200 respondents to online surveys, which were tailored to the different stakeholders. Other than that, it was created a landing page at drivenbet.com, 250 messages to competitor platform users were sent, as well as an Instagram page dedicated to the idea. The landing page got 98 unique views and 19 users registered their email to receive more information about the platform - in total, there were gathered over 100 emails of potential users. Through the surveys links on the landing page and messages sent to existing users in other platforms, 74 bettors, 66 *tipsters* and 33 *investors* filled in their surveys.

The Instagram page dedicated to the platform reached almost 300 followers and over 60 likes per post, with just 40 posts and effective hashtags.

5.4. Feasibility - Technical and Legal

Once the market and its problems are studied, besides the willingness to solve them, it is crucial to understand if and how it is possible to build a platform with the required characteristics to face the demand of the market.

With the support of a professional web developer, there were studied several forms to develop a platform of this kind. The right way to pursue, as final decision, was through the creation of a social blog, where every user can register an account, set up a profile and publish to the network. From there on, an Application Programming Interface (API) must be included, providing the platform the events in which bets can be placed as well as its odds - allowing the users to pick and share their selections. Furthermore, the API is also fundamental to make the connection between the platform and *bookies*, as with the insertion of a *tip* by the *tipster*, the platform must place automatically that bet for the *investors*. As the API allows to place bets, it must belong to a *bookie* or a *broker*. There are two main differences between the service provider: the number of *bookies* that will accept the bets and the commission. As expected, a *bookie's* API only shows the data from that *bookie*, while one from a *broker* delivers the data from all *bookies* that *broker* works with (usually, between 5 and 10). Regarding the commission, *bookies* offer between 0,25 and 0,5% of the turnover - accounting for a revenue stream for the platform - while *brokers* charge a minimal commission or a fixed rate for their software. As the usage of a *bookie's* API means another stream of income for the platform, as well as pinnacle.com was the pick of the stakeholders for the best *bookie* award and the needlessness of inclusion of a third party in the platform, there are no dangers on relying only in the API of pinnacle.com, including or not more APIs in later stages - as an example, smartbet.io is available for over 1 year and it still does only include the API of pinnacle.com.

These APIs are available to everyone, and with established contacts, a platform with the characteristics described here can be developed without any barrier from pinnacle.com.

If technically the risk and the uncertainty of the building of this platform are reduced, legally, online sports betting might account for a bunch of problems - since the moment of its creation, over 15 years ago, there has been a legal emptiness in this area in almost every country, being extremely easy to set up companies whose activity focuses in online sports betting in some of them, and really hard in others. Aiming to have clear options for the development of this platform, there were considered advices from an attorney and a consulting company in this area. With the help of the attorney, Turismo de Portugal - the institution accountable for the supervision and exploration of the online sports betting segment in Portugal - was contacted, stating it was against the law to build such a company in Portugal. Even though, a second contact was tried, which is still missing an answer, with a more solid approach to the possibility of establishment of this platform in Portugal. As this option seems hardly impossible, or time consuming if possible, another very decent way to establish a company with this purpose is through the creation of an offshore company - very common situation in this industry. Almost every competitor, *bookie* and *broker* are established in countries like Curacao, Island of Man, Malta and Gibraltar, where the barriers and requirements are very short. In an attempt to gain knowledge about this option, an extensive search for companies that help others establishing themselves in these countries was conducted - having in consideration reviews from clients and ex-clients. That being said, Offshore Advisor - isla-offshore.com - was contacted, which presented a valid option for this project, as it is the setting up of an offshore company in Dominica, under the form of an International Business Company. There are any requirements in terms of gambling licenses in Dominica, as the website will not be accepting bets, as it will forward them to the available *bookies*. The cost of this option, where Offshore Advisor oversees every situation regarding the establishment of the company, is valued in €4,000.

6. Final Business Model Canvas

As soon as everything from the market until the how to establish this platform is covered, it is possible to start designing a business model aware of the requirements and challenges the investment in online sports betting might bring up. Hence, the Business Model Canvas framework was used, aiming to develop a solid business model by describing every part of it.

o *Key Partners*

Considering the fieldwork and all the testing, this platform can be so simple that it would be able to only require one main key partner: the *bookie* that shows the available selections and accept the bets made through the platform - pinnacle.com. It would be a key partner as its API would be used, besides the need of its operation to be secured 24 / 7. Several *brokers* and other gambling websites use pinnacle.com as a provider, so that might be enough to market prove the ability of pinnacle.com to partner with. On the user part, Pinnacle has over 18 years of operations, being one of the most reputed brands in the industry, which would be even seen as a quality stamp for the platform.

Another possible key partner, if that option is the pursued one, is the consulting company to establish the platform overseas, as an offshore company. Once Turismo de Portugal does not allow the creation of a company with this purpose in its territory, Offshore Advisor might be determinant to the establishment of this platform. Despite contributing only in a first stage, along with the creation of the company and its bank account, Offshore Advisor would be able to keep maintenance functions and legal counselling in Dominica. Even though they can be "fired" as there are many more companies playing the same role, it would be positive to develop a strong relationship to take core of the legal affairs of this platform.

o *Key Activities*

The evaluation of the performance of a web-platform focuses on the ability to provide the user whatever it asks for, avoiding misinformation, bugs and down servers. Therefore, the

development of the platform would be the first crucial activity, from which more activities might be follow. Firstly, building a functional platform with the main features to face the problems previously identified is determinant. As soon as the API is friendly integrated, a MVP is conceived and new features that would add even more value to an already market solution can be the focus.

Operationally secured, other two key activities would emerge: attracting users and getting a strong relationship with them. If there are no *investors*, there are no *tipsters,* and vice versa. Aiming to grow the user base, marketing efforts need to be conducted - good manners include an effective affiliate program and social media marketing. Getting good reviews and close relations with users would be important to increase the credibility near potential users, and so a customer service available to solve any situation shortly through email and live chat is crucial.

o *Key Resources*

If the first key activity is to bring to the cloud a platform fully operational delivering every aspect of its value proposition, that same platform would be the main key resource of the venture. It would be this platform the accountant for providing the value to the user, facing the challenges that are currently present in the process of investing in online sports betting - a user would use this platform as a service, doing everything with simple clicks.

A quick note for the human resources, who will also be fundamental to deliver the value proposition, firstly in the programming of the website and further in conducting the marketing and customer service efforts.

o *Value Proposition*

Despite considering two main users, the value proposition of this platform might affect 3 stakeholders in the online sports betting market: *investors*, *tipsters* and bettors.

For the *investors*, this platform would solve the problem of placing *tips* at the recommended odds, guaranteeing every *tip* is placed. An *investor* who subscribes several *tipsters* must deal

with their schedules of sending *tips*, while through this platform, the *investor* has its life simplified as the need to place *tips* is covered by the automation of the platform - remaining to the *investor* just the task of selecting *tipsters*.

For the *tipsters*, this platform will redefine their remuneration system. Being *tipster* is a very recent profession, with few years of existence, which means the concept is still to be refined. As shown before, the money back guarantee if the *tipster* accounts for losses in the subscription period is unreal for a full-time position. Through a reward formula that considers both the performance and the activity (earning a minimum value for the regular work and a bonus per the performance), this platform would set up itself as the most wanted platform for the *tipsters*. This would also be a possible way to combat resellers, which category of users has been growing - they subscribe several *tipsters* and resell their *tips* -, as all *investors* will have their *tips* placed as soon as they are inserted by the *tipsters* in the platform. Lastly, this would be a solution for the hardly task of calculating different stakes for the *tips* that come from different *tipsters*, as this process would be made by the platform automatically.

Finally, for the bettors, this platform would provide a new way to generate money without the need to put it on the table, becoming *tipsters*, besides allowing the creation of a personal track and get useful data regarding their selections. In other subject, they are also able to become *investors*, joining an activity they like with a way to get an income.

As the platform would be forwarding new customers to pinnacle.com, negotiation power over that *bookie* would be increasing day after day from the very beginning of its operations.

    o   *Customer Relationships*

As any website, service or company, maintaining good and fruitful relationships with its customers, being recognized by the market, is crucial for any platform to be well succeeded. Therefore, the team behind this platform should be available over different forms of contact, such as email, mobile phone or live chat. Even more important, the existence of a forum in the

website, where the users would be able to interact with the entire network of other users and professionals from the supporting team, increasing the levels of confidence of all stakeholders. These initiatives would be lean and cost effective, as the potential benefits exceed by far the costs of setting them up - the development of a feature through coding and the availability of the customer service team.

Regarding the relations with *bookies*, the initial agreements usually are taken under general conditions, as it would only be possible to get a better and tailored offer when the platform delivers its *bookies* a certain level of turnover.

o *Channels*

A company defined by its web-platform, just like Facebook, will always be simple in terms of distribution channels. Firstly, in what concerns to the awareness and customer acquisition, it is crucial to have an effective affiliate program, as the user introduction in platforms of this kind by existing users is a common practice. On other hand, leveraging social media marketing would also be relevant, as this market is still in a young stage, being unknown almost for everyone.

o *Customer Segments*

Considering the turnover forwarded to *bookies* and the commission they are willing to offer, there are two main customer segments: the one that comprise *bookies* and the other that comprise all the stakeholders of the investment in online sports betting. In a later stage, it is possible to discriminate the stakeholders, considering *tipsters* and *investors* as the main target. As it will be described in one of the following sections, both segments will be determinant as they will generate revenue individually - this is only possible as the platform will bring value for everyone individually too, needing both parts tailored focus. This means there should be a tailored assistance per the category of the stakeholder, not giving preference to any of them over the others.

o *Cost Structure*

Rents, machinery and raw materials are not taken in consideration when studying a web-platform. In this case, as the revenue stream - that will be covered in the following section - happens mainly through commissions, there are no costs implied to sales, allowing for scaling. Regarding the costs of maintaining the platform online, hosting and the Secure Socket Layer do not cost more than €200 annually. Hence, the relevant part of the costs with the platform are due to its development and the work behind it. Therefore, human resources would account for the bigger part of the costs of running this platform, as apart from the platform development, customer service and marketing would be the most expensive subjects. In case of the team behind the platform starts with one person responsible for the technical part and another one responsible for sales and management, it would be possible to develop a MVP in less than 3 months and deal with every situation that might arise. Given that, in a later stage of this venture, the costs would be shared between marketing and human resources, as more money would be entering in would mean more money to be spent in customer acquisition. Even though through the affiliates program the customer cost of acquisition should be lower than the customer lifetime value, in social media marketing some testing should be conducted in order to have data to better understand and define the initiatives to carry on.

o *Revenue Streams*

Without this platform, an *investor* subscribes a *tipster* for a given price (usually between 30 and €300), for a given timeframe (usually one month), while *tipsters* must accept the commissions charged by the platforms (between 10 and 50%), plus the money back guarantee clause imposed by them.

With the platform being set to create value for every stakeholder it holds, everyone should be willing to contribute to its revenues. Starting from *bookies*, this revenue stream is the most solid, given the pre-established agreements from *bookies* with their affiliates - between 0,25

and 0,5% of the turnover, with changes in these numbers only if the affiliate brings volume over the average. In what concerns to *tipsters*, these players should be commissioned on their earnings - they are usually subscribed if their price equals to not more than the sum of 1% of the stake used by the investor and the number of *tips* sent within the timeframe. Used to be paid the same price by every *investor* they send *tips* to, while in months with negative performance the *investors* must be refunded, this platform would allow *tipsters* to charge a value tailored to the dimension of the *investor*, as only the smallest *investor* would be paying the maximum amount it would be willing to do with fixed rates. *Tipsters'* revenues would be set per their activity (volume of *tips*) and performance (results), while the platform's revenues should account for between 15 and 25% of *tipsters'* earnings. In what concerns to the *investors*, their commission is presented as the *tipster's* payment, being a common practice in this market values around 25% of the earnings - which is 5% above the 20% revenue rate *tipsters* earn from *investors*, as they are paid 1% per bet with the *investors* getting a ROI of 4% per bet.

Therefore, if there are considered the 24 *investors* the "fund" had in the end of the 5 months, using an average stake of €50, with each one subscribing 21 *tipsters*, who submit an average of 25 *tips* per month, with a ROI per bet of 4%, €630,000 would be placed in sports bets in a month, generating €1,890 in revenue from *bookies* (0,3% of the turnover), €1,260 in revenue from *tipsters* (20% of 1% of the stake) and €1,260 in revenue from *investors* (5% of their earnings). With two full-time employees, this venture would be profitable right from this point onwards - with monthly revenues of €5,000 and costs excluding salaries around zero.

7. Conclusion

After finding and validating a business model for a potential venture and conclude that in less than 3 months it is possible to develop and run a web-platform that generates more money than its expenses, the potential of the main idea that is behind it is verified.

Starting from the identification of a market problem and the need of solving it through the automatization of the process of investment in online sports betting, the integration in one platform of the *tipsters'* selection stage and the sports bets placement achieved Product / Market Fit. Through the experience with the "fund", the contacts with several stakeholders and the data generated from the landing page and the Instagram profile, a solid basis was built to elaborate a business model aligned to the original idea. Using the Business Model Canvas framework, it was conceived a structure that should support a successful platform capable of making its venture a winner within its industry: firstly, through the integration of the API of pinnacle.com, which will pay the platform for the usage; secondly, establishing the venture in Dominica, meeting all the legal requirements; thirdly, forming a team able to develop the platform and grow its user base; and finally, setting up a venture that would have a lean structure, with very little fixed costs, making money from the right beginning, with an unlimited scaling potential.

The "fund" was also a fruitful testing to answer some pre-questions and hypotheses considered, attesting the idea that it is possible to be profitable when investing in online sports betting, apart from securing the relevance of the problem the idea and this thesis are focused in. Finally, a description of a recommended business model is presented, even though the execution of it should stick to the way this thesis was elaborated: even in the smallest situation, feature or characteristic, testing and iteration should be conducted in order to better meet the requirements of the market.

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