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‘Cashing out’ in sports betting: Implications for problem gambling and regulation

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“Cash Out lets you take profit early if your bet is coming in, or get some of your stake back if your bet is going against you - all before the event you're betting on is over. Cash Out offers are made in real time on your current bets, based on live market prices. Whenever you are ready to Cash Out, simply hit the yellow button. Cash out is available on singles and multiples, on a wide range of sports, including football, tennis, horse racing, and many more! You can Cash Out of bets pre-play, in-play, and between legs” (Definition of ‘cash out’ betting on Betfair website, 2017)¹.

“CashOut is a feature offered on single and multiple bets on various sports including horse-racing (both win and each way), football and golf. CashOut gives you the opportunity to settle your bet early at the value displayed, without having to wait for the event to finish. The amount you are offered to CashOut is based on your original bet, the status of any selections which have already completed, and the current market price(s) of your unsettled selection(s). The CashOut amount may be more than or less than your original stake. Whenever you are ready to CashOut, simply hit the CashOut button to lock in a profit if your bet is coming in, or cut your losses if your bet is going against you. You can choose to accept the CashOut amount offered at any time, or let the bet continue to its natural conclusion” (Definition of ‘cash out’ betting on BetFred website, 2017)².

Most European sports betting operators now feature ‘cash out’ functionalities in their online platforms. This means (as outlined in the examples above) that bettors can withdraw their bets

¹ Betfair, SPORTSBOOK: WHAT IS CASH OUT AND HOW DOES IT WORK? BETFAIR, https://en-betfair.custhelp.com/app/answers/detail/a_id/4/~-/sportsbook%3A-what-is-cash-out-and-how-does-it-work%3F (last visited Mar 13, 2017).

² Betfred, WHAT IS CASHOUT AND HOW DOES IT WORK? BETFRED, <http://www.betfred.com/help/faq/CashOut> (last visited Mar 13, 2017).

before the event bet upon has concluded, obtaining a smaller but guaranteed return if the outcome of the bet is going their way, or, conversely, cutting down the monetary impact of a foreseeable loss. The ‘cash out’ functionality has rapidly become popular among sports bettors that bet in-play (i.e., during the game on things such as soccer matches and horse races) as a way of maximising value on the bets they have made.

Industry voices such as David O’Reilly, from *Colossus Bets*, have identified four major benefits of cash out features for bookmakers: (i) reducing the volatility of the operator’s revenue; (ii) increasing the recycling of player returns, with more players banking smaller amounts; (iii) enabling players to avoid their ‘near miss’ frustration; and (iv) improving the player engagement with the platform by introducing a mechanism that promotes constant checking³. However, for sports bettors, cashing out strategies might typically involve cutting down the profit while being ahead but rarely reducing the loss when going behind⁴. In this regard, cashing out does not appear to differ greatly from other new internet-based betting forms (e.g. so-called ‘exotic’ or multiple bets), which have been found to possess, in general, higher expected losses for gamblers and greater profit margins for operators⁵.

However, beyond the feature’s financial rationale, cash out affects the nature of sports betting in more meaningful ways. It is, arguably, a game-changer, that leads (along with other new features such as ‘edit my acca’ features in which specific bets can be removed from ‘accumulator’ bets) to the transformation of sports betting from a discontinuous to a continuous

³ *In-play focus 2016*, iGAMING BUSINESS (2016).

⁴ Sports Trading Life, IS “CASH OUT” ACTUALLY BAD FOR BETTING PUNTERS? SPORTS TRADING LIFE, <http://sportstradinglife.com/2015/03/is-cash-out-actually-bad-for-punters/> (last visited Mar 13, 2017).

⁵ Philip W Newall, *How bookies make your money*, 10 JUDGMENT AND DECISION MAKING 225–231, 225-231 (2015). Philip W Newall, *Behavioral complexity of British gambling advertising*, ADDICTION RESEARCH & THEORY (2017)

form of gambling⁶. Here, our contention is that cash out is a key component of the contemporary bettor-bookmaker interaction, and that the widespread adoption by devoted sports bettors merits a closer look into the implications of such an interaction from a problem gambling perspective. Such an examination also suggests that regulators and policymakers need to think about how to protect gambling consumers from the potential harm caused by this new type of betting.

The structural characteristics of the cash out feature

Structural characteristics have been proposed as a determining factor that can influence problem gambling behaviour⁷. Structural characteristics are those associated with the design of a gambling product that shape the way gamblers interact with it. Typical structural characteristics include, but are not limited to, bet frequency, bet duration, event frequency, near misses, stake size, jackpot size, probability of winning, and interface design (e.g., the use of music and colour stimuli in the design of slot machines)⁸.

The internet has altered significantly the structural characteristics of gambling⁹ and sports betting more specifically. For example, in a number of European countries, the football (soccer) pools used to comprise bets placed during a weekday on the outcome of a game played typically on a Saturday or Sunday (i.e., a once a week wager). This reward delay was a major protective

⁶ Mark D. Griffiths & Michael Auer, *The irrelevancy of game-type in the acquisition, development, and maintenance of problem gambling*, 3 FRONTIERS IN PSYCHOLOGY 621, 621 (2013).

⁷ Mark D. Griffiths, *Fruit machine gambling: The importance of structural characteristics*, 9 JOURNAL OF GAMBLING STUDIES 101–120, 101-120 (1993). Mark D Griffiths, *A biopsychosocial approach to addiction*, 26 PSYKE & LOGOS 9–26, 9-26 (2005). Abby McCormack & Mark D. Griffiths, *A Scoping Study of the Structural and Situational Characteristics of Internet Gambling*, 3 INTERNATIONAL JOURNAL OF CYBER BEHAVIOR, PSYCHOLOGY AND LEARNING, 29-49 (2013).

⁸ Jonathan Parke & Mark D Griffiths, *The role of structural characteristics in gambling*, in RESEARCH AND MEASUREMENT ISSUES IN GAMBLING STUDIES 211–243, 211-243.

⁹ *A Scoping*, *supra* note 9

factor against excessive gambling, which on a psychobiological level has been theorised as an imbalance in an individual's dopamine receptors¹⁰, and therefore, highly sensitive to shorter bet reward periods. Betting via the internet has reduced such delays in receiving rewards from gambling, thus modifying a major structural characteristic of betting from once a week to (in some instances) every few minutes¹¹.

In parallel to the increased uptake of Internet betting in many jurisdictions¹², a second dynamic, namely globalisation, has further widened the possibilities of betting across countries, sports, and time zones, ultimately transforming sports betting into a 24/7 activity where the bookmaker never closes the shop any day during the year. For the first time, if a gambler has a craving to bet, the market is able to respond to that demand anytime and anywhere via a range of Wi-Fi enabled portable devices (e.g., smartphone, tablets, laptops, etc.). Virtual sports have expanded the availability of betting options even more, eliminating the need to bet on real world sport events.

Although the time between bets (i.e., bet frequency) was effectively reduced to near zero, the time within bets (i.e., bet duration) changed little until cash out functionality was first introduced by the gaming operator *William Hill* in December 2012. With cash out features, sports betting has become a potentially continuous gambling activity, one that resembles the playing mechanics the stock market. As with investing in stocks, bet values in in-play sports betting are re-calculated seamlessly. The outcome of a sport event might not be as relevant for many bettors as the value their bet will acquire in the next few seconds, even if that bet turns

¹⁰ Anna E Goudriaan et al., *Pathological gambling: a comprehensive review of biobehavioral findings*, 28 NEUROSCIENCE & BIOBEHAVIORAL REVIEWS 123–141, 123-141 (2004).

¹¹ *The irrelevancy*, *supra* note 6

¹² Sally M. Gainsbury, *Online Gambling Addiction: the Relationship Between Internet Gambling and Disordered Gambling*, 2 CURRENT ADDICTION REPORTS 185–193, 185-193 (2015).

out to be erroneous at the end of the game. As in stock market investing, betting becomes continuous because non-actions also qualify as actions in themselves. Every single second that a bettor decides not to cash out, a new bet takes place. Eventually, cash out features introduce the notion that it is the bet itself the commodity that is being traded in the sports betting market. This new continuous type of sports betting raises questions concerning the gambling-related harm that could be associated with it. It also suggests that the kinds of regulation found widely in the stock market investment sector might have some utility if applied to this new form of gambling.

Implications of cash out betting for problem gambling

Sports betting has been gradually converging with other forms of gambling, and more recently, with stock market trading (e.g., binary options or foreign exchange). This can be prominently seen in the jersey sponsorship of some European soccer teams such as Atlético Madrid in the Spanish La Liga, and Tottenham Hotspur and Swansea City in the English Premier League¹³. One of the dangers of cash out popularity, and the subsequent convergence of betting with stock market dynamics, is the conception of gambling on sports as an investment. Within the European Union (EU) it is illegal to market or advertise sports betting as a form of investment¹⁴. Betting advertises typically capitalise on the self-perception of bettors as connoisseurs of sports, promoting the game analysis as a way to beat the bookmaker. The transition from bettor to investor builds on the rational motivations to gamble, promoting a

¹³ Hibai Lopez-Gonzalez & Mark D. Griffiths, *Understanding the convergence of markets in online sports betting*, INTERNATIONAL REVIEW FOR THE SOCIOLOGY OF SPORT (2016).

¹⁴ European Commission, Recommendation on Principles for the Protection of Consumers and Players of Online Gambling Services and for the Prevention of Minors from Gambling Online, July 14, 2014, 2014/478/EU

self-image of bettors as professionals that can improve their winning probability by means of experience acquisition and training.

Such a characterisation is arguably at odds with the real experience of using cash out features. Cash outs generally occurs in the context of in-play betting, a type of betting that in some EU jurisdictions accounts for 70% of the money played on sports betting¹⁵. In-play betting has led to the simultaneity of live sport viewing and live sports betting decisions. Such scenarios arguably describe an atmosphere of enhanced emotionality, often fuelled by strong sentimental bonds between bettors and the sporting event that is being watched or witnessed, and is far from the rational planned behaviour that the stock market metaphor evokes. On the contrary, live betting is more likely to promote impulsive behaviour, although (at present) there is no empirical evidence available on this relationship.

From a marketing perspective, cash out functionality is often advertised as a control-enhancing mechanism for bettors. The fact that bets can be monitored and edited instantaneously conveys a sense of security that operators emphasize. This arguably leads to a subversion of the classical purchasing sequence. Instead of following the traditional Learn, then Like, then Do (i.e., buy), triadic model¹⁶, cash out entails a different approach to buying, one that starts right away with the purchase and only later is followed by the learn and like (or dislike). Given that cashing out is typically presented in television advertisements as a risk-free operation, the product is likely to be perceived as reimbursable if the client is not happy with it, arguably promoting less planned gambling behaviours. Some gaming operators use the alternative name of “edit my bet” to refer to cash out, focusing on the capacity of bettors to correct later possible errors of

¹⁵ Directorate General for the Regulation of Gambling, Detailed Data on the Online Gambling Market in Spain (2016).

¹⁶ JM ADAM & M BONHOMME, L'ARGUMENTATION PUBLICITAIRE: RHETORIQUE DE L'ELOGE ET DE LA PERSUASION (1997).

judgement. The problem is that (and as happens in stock market investing), cashing out is only possible at the current value of the stock (which may be inferior to the purchasing price). Additionally, and contrary to what happens in stock market investing, betting operators automatically devalue the bet price immediately after the purchase. For example, a bookmaker will typically offer to cash out for \$0.95 or similar a \$1 bet placed one second ago, a price devaluation unmotivated by any new information or event actually affecting the predicted value of such a bet.

Concluding remarks

Beyond its most apparent attributes, this brief article has demonstrated that cash out within in-play gambling is a pivotal feature that has been introduced by the sports betting industry to transform sports betting from what was traditionally a discontinuous form of gambling into a continuous one. It is contended that, although cashing out presupposes more engaged gamblers that feel more in control of their bets, the emotionally charged context in which it is often used and the structural attributes of the product itself might actually make some bettors lose control over their gambling wagers. Consequently, gambling policymakers and regulators should be cognizant of the challenges of this transformation of sports betting and consider the implications for the protection of gambling consumers.