

SPREADEX – NATURAL EXPERIMENT

DEMONSTRATING SUBSTITUTION BETWEEN

SPORTS SPREAD BETS AND FIXED ODDS BETS

[REDACTED]. As spread betting and fixed odds betting are governed by different regulators (the Financial Conduct Authority (the "FCA") and the Gambling Commission ("GC") respectively) [REDACTED].

GC AND FCA

[REDACTED]. This is because the GC has [REDACTED] guidance on the extent to which operators should trust the information each customer provides about themselves. [REDACTED].

This situation provides Spreadex with a helpful opportunity to assess whether its clients treat sports spread betting and sports fixed odds betting products as substitute goods by observing their behaviour (rather than asking them). This experiment allows Spreadex to ask:

When clients [REDACTED] and are therefore prevented for a period of time from placing fixed odds bets, do they place spread bets instead, using these products as substitute goods?

DATA SET

The data set comprises all clients who have [REDACTED]. In each case the data considers betting activity on sports spreads and fixed odds in the 30-day period prior to the client [REDACTED] as the period during which the [REDACTED] and the 30 day period after the [REDACTED].

The data-set comprises [REDACTED] cases [REDACTED] different clients so is a significant and meaningful sample.

[REDACTED]

1. [REDACTED]

[REDACTED].

Figure 1

[REDACTED]

2. [REDACTED]

[REDACTED].

3. [REDACTED]¹ [REDACTED]

[REDACTED].²

¹ The time period during which the [REDACTED]

² [REDACTED].

Figure 2

[REDACTED]

[REDACTED]

4. [REDACTED]

[REDACTED].

Figure 3

[REDACTED]

FIXED ODDS BETTING ACTIVITY

5. **How many people had placed a fixed odds bet in the 30 days prior to the [REDACTED]?**

See Figure 4 below. In March, this figure was [REDACTED]. In total [REDACTED] placed at least one fixed odds bet in the 30 days prior to [REDACTED].

Figure 4

[REDACTED]

6. **What was the effect on these clients' fixed odds betting activity when the [REDACTED]?**

When clients experienced [REDACTED], the number of clients placing a fixed odds bet in the [REDACTED] fell by [REDACTED], but the total number of bets and bet value placed both fell by [REDACTED]. This is because many clients would [REDACTED].

The total number of clients placing a fixed odds bet in the 30-day period **after** [REDACTED] fell by [REDACTED] and the total bets placed and gross bet value ("GBV", the value of the bets) received fell by just over [REDACTED]. This is likely to be because, (i) some of these clients will have naturally churned (i.e. closed their accounts), (ii) some will have moved their sports betting business to other providers following [REDACTED], and (iii) some may have moved their business to sports spread bets, [REDACTED].

Figure 5

[REDACTED]

SPREAD BETTING ACTIVITY

7. **In these cases, how many people had a sports spread bet in the 30 days prior to [REDACTED]?**

See Figure 6 below. In March 2024, this figure was [REDACTED]. In total [REDACTED] clients placed at least one sports spread bet in the 30 days prior to [REDACTED].

Figure 6

[REDACTED]

8. **What was the effect on the spread betting activity of clients who faced a [REDACTED]?**

As can be seen from Figure 7 below, when clients experienced [REDACTED], **both the number of clients placing a spread bet ([REDACTED]) and the total number of spread bets placed ([REDACTED]) increased by [REDACTED].**

The total gross bet value of spread bets placed from these **clients also increased, by [REDACTED].** This is

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despite the [REDACTED] being roughly three quarters as long as the period of comparison before [REDACTED]. The true effect then would have been a larger increase in spread betting business as a result of the [REDACTED].

Figure 7

[REDACTED]

It is also worth noting that:

- Not all clients who [REDACTED] will have had spread betting activated on their account, therefore if they wished to use this product as a substitute good there would be an extra level of friction for them (in terms of the requirement to answer additional questions ensuring they understand the risks of the product and also provide additional financial information if this has not already been provided).
- There will have been some natural churn from spread betting clients in these figures as well so the switch from fixed odds will be more pronounced than these figures imply in reality.
- Some clients in this dataset may also have been [REDACTED] so would not have had the opportunity to switch.
- As set out in Figure 8 below, in roughly a quarter of the observed cases, clients were [REDACTED]. This will have naturally led to reduced activity and lost business, so the substitution effect seen above must be even stronger than it appears.

Figure 8

[REDACTED]

Given all of the above, Spreadex believes this to be substantial evidence from a significant sample size of clients [REDACTED] over a sustained period of time [REDACTED] that sports betting customers use sports spread betting and fixed odds betting as substitute goods, not complementary goods, [REDACTED].

The total number of clients placing a spread bet after the [REDACTED] fell by [REDACTED] again [REDACTED]. During this period the total number of spread bets placed fell by [REDACTED] and the total spread GBV from these bets fell by [REDACTED]. Again, the true difference is likely to be higher here as the average [REDACTED]. Again, Spreadex believes this to be strong evidence of these products being substitute goods. [REDACTED], there was a clear change in behaviour back the other way where customers switched business back from spreads to fixed odds; i.e. evidence of substitution is apparent in both directions.

Figure 9

[REDACTED]