

MGC Research Snapshot

Feasibility Study: Prospective Sports Wagering Kiosks in Massachusetts

November 2024

What you need to know

The purpose of this feasibility study is to provide the Massachusetts Gaming Commission with information it can provide to the legislature for use in its consideration of implementing retail kiosk sports wagering. This project was approached from a commercial feasibility perspective, determining whether retail sports kiosk wagering would, in the big picture, be financially beneficial for kiosk hosts and for the Commonwealth, then weighing any potential financial benefits against anticipated social impacts brought by the kiosks. Spectrum recommends that the Commonwealth not implement kiosk sports wagering because, in the big picture, they conclude that there is little to no economic upside for kiosk hosts and the Commonwealth itself while there is an increased risk of negative social impacts.

What is this research about?

As part of the legalization of sports wagering, the Massachusetts legislature required the Massachusetts Gaming Commission (MGC) to conduct a study concerning the feasibility of allowing retail locations in the commonwealth to operate sports wagering kiosks. The MGC contracted with Spectrum Gaming Group, in collaboration with the Massachusetts Council on Gaming and Health, to conduct the study.

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What did the researchers do?

Spectrum used a multi-pronged approach to address areas of focus for this study:

- **Interviews:** Spectrum interviewed 123 people for this study, including regulators, kiosk hosts in other states, sports betting operators and suppliers, Massachusetts restaurant and bar owners and managers, public health experts, faith leaders, and 13 people in recovery from disordered gambling. Interviews elicited information on areas of focus for this study such as experiences of kiosk hosts in other states; impacts of sports wagering on MA

- establishments that serve alcoholic beverages; regulatory costs; impacts of sports wagering on public health; sustainability, compliance, and generated by kiosks; and impact of sports wagering on lottery sales.
- **Secondary research:** Spectrum sought and analyzed academic, professional and industry research related to all aspects of retail kiosk sports wagering. Secondary research provided insights on areas of focus for this study including regulatory costs; impacts of sports wagering on public health; impacts of kiosks on potential crime and black-market recapture; considerations for compliance and commercial success; and impact of sports wagering on lottery sales.
- **Data analysis:** Spectrum collected and analyzed data from relevant jurisdictions and research sources, including kiosk performance results, from state gaming and lottery regulators.
- **Online survey** of 167 Massachusetts residents age 21+ who had gambled in the past year.
- **Professional experience:** Each of the lead Spectrum professionals working on this project has multiple decades of experience in gaming-related regulation, operation, analysis, health and welfare, advisory work, gaming-related consulting, or journalism. Spectrum relied heavily on its experience as well in preparing this report.

What did the researchers find?

Experiences in other jurisdictions

- In Ohio, which would be most similar to MA if kiosk wagering were implemented, kiosks generate only a sliver of total statewide sports wagering gross gaming revenue (GGR). In 2023, the kiosks in Ohio generated only \$1.3 million in GGR from an average of 892 kiosks available throughout the state. The retailer's share of this was less than \$200,000, amounting to an average of less than \$225 in revenue per retailer annually.
- Kiosks are expected to have a de minimis impact on statewide sports wagering performance and would have varying minimal impacts on the host establishments themselves.



- Perhaps further limiting the upside potential for kiosk hosts is that digital sports wagering will have been well entrenched in consumer behavior before the first kiosk is installed.
- Despite low volumes of wagering at kiosks in the subject jurisdictions, Spectrum found that most of the 60 kiosk hosts interviewed had a favorable opinion of the devices.
- In Ohio, the regulatory costs exceeded the revenue from the kiosks.

Social and Community Impacts:

- Health and human service interviewees were unanimous in their expression that expanding gambling to sports wagering kiosks would have a negative impact on public health. The pervading sense from the experts interviewed is that the most vulnerable community members will bear the burden of expanded gaming, with any economic benefits being unlikely to reach those who are doing the helping.
- A primary concern as well was that the three subject jurisdictions had not integrated voluntary self-exclusion systems with the retail kiosks.
- Similar to lottery kiosks, sports wagering kiosks could offer easy accessibility to gambling, potentially attracting vulnerable populations like youth and those who are managing recovery from disordered gambling and other types of addiction. Kiosks in public places are likely to increase youth exposure to gambling behavior among family members and other role models. Integration of gambling kiosks in public spaces would shrink the number of gambling-free spaces for families and people in recovery, and it would increase youth exposure to gambling advertisements. These factors are understood to increase the risk of future gambling harm for those exposed youth.
- To address and prevent the risks and harms associated with gambling in public retail settings, it would be essential for the Commonwealth to consider a range of individual, socio-cultural, environmental, and industry conditions.

Impacts on Other Forms of Gambling

- **Lottery:** Thus far, the effect of sports wagering on lottery sales is neutral, or at least unclear. If sports wagering kiosks were to have a negative impact on Massachusetts Lottery sales, Spectrum believes it would be on keno at bars and restaurants. Given that keno has a lower prize payout percentage than other high-performing games such as instant tickets, the impact on the net revenue transferred to the cities and towns as unrestricted local aid could be disproportionate if retailers offering both keno and kiosk sports wagering results in a significant number of players choosing sports wagering over keno.
- **Black Market:** The amount of black-market recapture that can be expected with the introduction of sports wagering kiosks is expected to be nominal at best and likely immaterial to reducing the use of black-market operators.

About the researchers

This study was conducted by Spectrum Gaming Group, an independent consultancy founded in 1993 that specializes in the economics, regulation and policy of legalized gambling worldwide, in partnership with the Massachusetts Council on Gaming and Health. For more information about this report, please contact Joe Weinert at weinert@spectrumgaming.com.

This report also provided operational and security considerations for operating sports wagering kiosks.

Conclusions and Recommendations

Spectrum recommends the following actions to the Commonwealth of Massachusetts in its consideration of authorizing kiosk sports wagering in retail locations:

- **Spectrum recommends that the Commonwealth of Massachusetts not implement kiosk sports wagering because, in the big picture, they conclude that there is little to no economic upside for kiosk hosts and the Commonwealth itself while there is an increased risk of negative social impacts.**
- Should the Commonwealth proceed to implement kiosk sports wagering, Spectrum provides a series of recommendations related to expectations; considerations related to prompting use of kiosk vs phone wagering; rollout; licensing eligibility; the gaming system; considerations related to retailer buy-in and success; regulatory integrity and security; considerations related to competition with other sports wagering channels, including the black market; public/stakeholder engagement; and responsible gaming.

Citation

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<https://massgaming.com/about/research-agenda-search/?cat=social-impact>

Key Words

Economic Impact; Social Impact; Sports Wagering

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About this Snapshot

MGC Snapshots are intended to translate lengthy and sometimes technical reports into an easily understandable overview of the research. The findings and recommendations in the Snapshot are those of the researchers and do not necessarily reflect the position of the MGC.

