



Why the TV ad industry is unlikely to settle on new measurement in 2022

Next in Marketing – Season 3, Episode 03

Mike:

Hi, everyone. Welcome to Next in Marketing. My guest this week is Patrick Keane. He's the CEO of Action Network. Hey Patrick, what's going on? Thanks for being here.

Patrick:

How's it going? Thanks for having me.

Mike:

Thank you. I'm excited to talk to you because we have wanted to have somebody on... You're someone I know for a long time who knows the media advertising industry extremely well, you're also one of the leading Twitter wise crackers that I know about. So I'm excited to have you in general, but your company is in this moment, which is fascinating to watch and you can hopefully speak to all the macro trends that are going on in sports gambling, sports media consumption, and then just specifically like the battle for attention that is happening amongst sports apps and sports gambling products.

Mike:

So, anyway, that's a long way of saying, why don't we just start with... because I think people may maybe have a sense of your company, but they might lump it in with other companies that have emerged in this space that are advertising like crazy, that do difference things or complimentary things. So maybe just give me the skinny on what Action Network is and what you guys are up to.

Patrick:

Yeah, absolutely. Action Network, we're essentially best described as a media company. We have content creators and writers, and those people create content to inform sports betters on how to bet, where to bet, the best prices, giving them ideas and offers with sports books who are ultimately our partners. And how we generate revenue is through two means, we are a subscription platform where premium subscription for betters of different levels of sophistication. Then we also have an affiliate platform. So we convert our users to sports books.



Patrick:

One simple way to describe this would be almost the Expedia or Travelocity of sports books. You see lots of unique offers from those books, you convert to that book, you make a deposit, become a customer, and we get paid by two means. First is by a CPA, we get a cost per acquisition for that user, and then also LTV for the lifetime of the better that's betting in that platform of whatever book you're able to convert to. And that's part of the business that we're getting into now. We've been purely CPA and subscription with a modest amount of advertising.

Patrick:

We have podcasts and we do video for other channels, but mostly we are a content company and a subscription platform and driving customers to sports books through an affiliate model.

Mike:

So when you refer to sports books, for the layman, tell me if I'm describing this right, you're not the place where you go and have an account and make bets-

Patrick:

That's right.

Mike:

Those are the companies you're talking about that you have partnerships with or send people to.

Patrick:

That's right. We work with the sports books on all the markets that they operate in, and those are the places where you're able to deposit, take wager, place a bet. We don't ever place bets or take bets. We work with them seamlessly in a lot of ways. And one of the big parts of our platform is tools for bettors, where you can actually, as an example, track your bets. And we've had that done to hundreds of millions of bets over the course of our three, four years as a business. So you place a bet on the NFC Championship this weekend, or AFC Championship, you can track your prop bets, you can track any kind of different models of the bets. That's one of our most important assets, is the ability to track your bets.

Mike:

Okay. I was actually trying to think of an analogy and I thought of the, this is extremely old, man, the newspapers that you might get if you go to the track that would break down the races, but the bets were done by Belmont. No one under 50 knows what



we're talking about. Is it a good analogy, like the publications that focus on fantasy sports that people subscribe to but the fantasy leagues are handled by another property? I'm trying to think of a good analogy.

Patrick:

Racing Post is an interesting analogy, that's a big UK business, a little different because you can actually place a bet through the Racing Post. And a lot of the models that are being built in the US today were originally built in Europe where sports betting has been part of the culture for a long time. Sports betting has been part of the US culture for a while, it's just been in the shadows. And now that it's become more prevalent, Turner Group, which is one of our investors, thesis was that more and more states are just going to make sports betting legal.

Patrick:

And most importantly, not just legal, but mobile and legal. So the Professional and Amateur Sports Protection Act called PASPA, which was overturned three and a half years ago, created an opportunity for states. Remember, that was a federal loss, so states could create their own models for going legal depending on their desire for tax income or politically however they wanted to operate. So New York has been the most recent, but New Jersey and Pennsylvania and Colorado and Louisiana, hopefully this week. More and more states.

Patrick:

Now we have about 14, what we call SWOBA states, states where online betting is available. And that's where we generate real revenue is when we can convert someone to a mobile sports book, DraftKings, FanDuel, Caesars, MGM, those businesses, because the most convenient place and the best way to bet is at home or in a bar or wherever you are. Mobile is most convenient and that's going to be the future of sports betting, it's going to be mobile.

Mike:

Okay. So the mobile factory is important just because of the ease or is it be literally because of the location based targeting with your phone, it lets people know whether you're in the right state, or why is it so important?

Patrick:

It's a whole combination of factors. One is exactly that, you're geo fenced to a location that you're in, based on the state parameters. There's a company called GeoComply that gives you a sense of exactly where a user is. So the New Jersey user is demarcated from the Pennsylvania user, the New York user, the Connecticut user. Connecticut is



now legal. Mobile is just also the easiest way for us to make real money. So it's as simple as, we are a digital business, we have an app, you get a unique offer for bet \$20 on DraftKings get \$150 in a deposit bonus.

Patrick:

And that's what's happening in New York now that New York went legal a couple of weeks ago, is this rapid investment to try and acquire customers and the most seamless, convenient, and best way to acquire those customers is to do it digitally. There's tons of television ads, we see them all the time, but for us, it's about a digital conversion from a user in our platform to a sports book.

Mike:

All right. You hinted at this how this was pretty commonplace in Europe and the UK, places like that. But in the US, the US had this weird relationship with gambling for a long time, and I wonder if you can speak to why it changed. Like we were kids, the newspaper would print point spreads all the time and people talked about it on television, but people had bookies and it was really underground and the sports leagues were very freaked out by it. Remember for years, it was, there was never going to be a team in Las Vegas because that would scare the hell out of association with gambling, and now you've got two and maybe more. What do you trace this back to? How did this shift happen?

Patrick:

I think it's a number of factors. I think we've talked about it before, but gambling has been part of the culture of the planet for millennia and will continue. But for someone who maybe just did box polls for the Super Bowl in a few weeks or an NCAA tournament bracket or betting individually with friends, that has really changed. And I think one of the biggest changes that's really pushed the sport is fantasy sports. Fantasy sports, you look at DraftKings and FanDuel, and their first entry into the business when they were fighting each other on the daily fantasy component.

Patrick:

But depending on what daily fantasy or if you were in a season long fantasy, I think in many ways, that's the training wheels to sports betting, and that was 10, 15, 20 years ago when that really started to grow. But the dawn of the internet, and you could point to lots of different things that the internet has accelerated and disrupted and created opportunity for, but I think the internet as an opportunity has really moved that forward. And I think also, it's interesting to see, there's also over the past several years, there is a correlation from the sports better to the stock investor, to the crypto investor, to the cannabis legalization enthusiasts.



Patrick:

There's this voyeur base of things that has happened that I think have made all of these theoretically former vices become a little bit more commonplace and a little bit more above board. And now that these things are legal and highly regulated, I think those components, I think, but I think it's really been the internet and the original fantasy sports enthusiasts moving into where they want to have action and they want to be more vested as a fan.

Mike:

Cannabis is a good analogy. The stigma was probably stronger about 20 something years ago, but there was a time when it would be unimaginable, oh my God, a time it will never going to be legal in our country. And now the horse is out of the barn, or whatever.

Patrick:

Yeah. And it comes down to all these things, if we can get to capitalism, it's money. There's just a massive opportunity for leagues, a massive opportunity for teams-

Mike:

For states.

Patrick:

... a massive opportunities for rights holders. Exactly, for states on the tax situation. So there there's a honey pot of financial opportunity with lots of stakeholders that want to play in the game.

Mike:

Speaking of, and speaking of budgets, it's created a monster advertising category seemingly overnight or over a short period of time, which you're seeing play out in a lot of different forms of media, including right now, if you live in New York, especially, you're getting bombarded, especially folks who are on Twitter are complaining, every other ad is a sports gambling app or some sort. How much are you guys involved? It seems like there's a battle for app installs among the gambling apps where you actually execute bets. How much are you guys involved in that? What is that world like right now?

Patrick:

Yeah, we're a huge, huge source of conversion for these books in all of these markets. I won't name the books, but all of the majors would tell us we're number one, if not



number two, in terms of the source of acquiring customers. We are as a platform action, we have millions of users a month and those users are arguably the most fertile ground for acquisition that there is. These are people that are avid bettors, that are looking for great offers. And they've already raised their hand and said, "I want to download the app. I want to subscribe." Even if they don't subscribe or don't download the app, we can still hit those users because these are people actively via search, the majority of our audience and the majority of audiences for just about anything on the internet fast forward a bunch of years is still search?

Patrick:

It's an SEO jump all every night, every weekend, every day to try and acquire customers who are looking for Chief's odds. Those kind of searches are happening at scale, particularly as more of this is legal, and the dollars are going to Google, they're going to Twitter, they're going to Facebook and they're going to us to try and acquire these customers. And in some ways, we're further down the funnel than you would trying to find a user through Fox on a normal weekend or through the general places that users are trying to be acquired through other means in other distribution platforms.

Mike:

Are the bidding wars for the right keywords and positioning on different platforms just furious right now? Is that marketplace just crazy? Is it comparable to anything you've seen in your career in the past?

Patrick:

As a former Googler, I saw lots of crazy fees being paid for hardware recovery and things like that. Those are days of yore, but at the same time, it is acquisition time. You think a credit card company is-

Mike:

It's land grab time.

Patrick:

Exactly. And what's it worth a credit card company to acquire customers? It used to be three, four, \$500 to acquire that customer. These are not too dissimilar, the prices on the CPA side to acquire a sports betting customer because you want to get the lifetime value for that person in perpetuity as they bet. And the great thing about this is too, just like people might have two or three credit cards or maybe less or maybe more, people are going to have more than one sports book that they ultimately use



because people want gravitate towards who has the best price, who has the best odds, who has the best user experience.

Patrick:

In Europe, the avid better has like five and a half apps on their phone, third party research says. In the US, it's like 1.6, and that's only going to grow because there are more and more-

Mike:

Because we're just early.

Patrick:

Yeah, it's early. And New York is an interesting microcosm. New York is a different... All these markets are different based on a lot of different things. One of them is New York has the highest tax rate of any of the states, so they get 51% of revenue from the books as they're part of that platform, Pennsylvania is about 30-plus percent in new Jersey's in the single digits of percentages. So each state is going to try and encourage books to come in based on a lot of different parameters and factors, but those costs have to be passed on to the book or to the consumer. So figuring out how to do that is the alchemy of the budgetary constraint of acquiring customers.

Mike:

You mentioned New York and that we were talking about how you're seeing so many ads if you're on certain platforms, if you're of a certain age. For you guys, for a while, you'd hear about your people literally getting on the PATH train from Manhattan to go to Jersey to place bets. And, when is gambling coming to New York? We finally know it's coming. What is it like, or now it's here, but in the weeks leading up to that for you guys, is it all hands on deck, crazy planning? Are you putting together like nine different scenarios to try and... when the light gets turned on, or what is that situation like for your company?

Patrick:

The last two weeks have by far been the biggest in the history of the company. New York is the fourth most populous state in the country. And we had assumed that maybe there was going to be a higher degree of, I don't know if the right word is cannibalization, but that more, the New Yorkers like me who love to bet were actually getting on the PATH train and going to Hoboken or Jersey City and betting or riding their bike across the GW Bridge and going into New Jersey, which I've heard many people do, myself included, hit the parking lot and bet.



Patrick:

GeoComply, the company I mentioned that we work with and a lot of the books do, found that 83.7 or 84% of the book's conversion in New York state over the first weekend were net new and not people who had New Jersey accounts. That to me says that this market is even bigger than I would've thought because maybe they're just the degenerates that are going over to New Jersey to bet. And I think that data really proves that out because New Jersey is so close to Pennsylvania or Connecticut that are already legal, yet close to 85% of these new book creations and generations in New York where people that weren't in other states that they had generated. We'll see. There are other huge state still to come, we'll see about California and Florida and Texas, but New York was Christmas, Hanukkah, New Year's, Thanksgiving all rolled up in a one for us.

Mike:

So even though it was pretty doable for a lot of people, that was too much friction for a lot of folks to shoot it for New Jersey, and this just shows how much bigger the pool is right now.

Patrick:

That's right. And it's just like I said, the mobile side, it's just a heck of a lot more convenient to bet on your couch or in your kitchen or wherever you might be engaging in a game. So that just says a lot, versus the person who's going to put in the extra effort necessary to be able to do it. In the past, it was you had to go with your buddies on the weekend to Vegas to place your wagers, just a very different environment.

Mike:

It's funny, you reminded me, I remember it being a big innovation that my dad could call in to Belmont and then had his bank account, he could just knock out a bet from his couch. That was such a breakthrough however many years ago, and now this is so much beyond that. So, when this Christmas, Hanukkah, New Year's thing happens for New York and you guys are going crazy and so much of the category is like, do you have a sense of what is it like for the rest of the advertising ecosystem? I know certain keywords are only going to be for this category and things like that, but is this shutting out the advertisers from inventory on Twitter and YouTube and places like that? Is this having an effect on the overall ad market temporarily?

Patrick:

It could. I think there are a lot of demographic and psychographic attributes of the better that lots of non-endemic advertisers would want to reach, the non-sport



betting operators. There's travel, there's finance, there's crypto exchanges, there's lots of, I think, deep pocketed advertisers that want to address and acquire users in this market that are sports betters. But in the reality of the competition in the marketplace, it's really between books. The books that are in that market, all trying to whether they hire JB Smoove or whether they hire the Manning brothers, if you're Caesars, or Drew Brees for PointsBet, they're all trying to use, whether it's celebrity or former athletes or comedy or data, there were more winners on our platform than yours.

Patrick:

There's lot of different creative tactics and strategies to acquire these customers, but what I'm really interested in and one thing we're building on the, speaking of the sponsorship and advertising side, is, how do I create an opportunity for the non-endemics that want to reach betters? Because they're a different kind of user, they're highly liquid. And I think there's lots of different marketers who would want to reach that audience.

Mike:

You're saying you want to reach that audience, not with just betting advertisers, but just like you reached certain brands who want to target travel enthusiast, not just travel agencies. That's going to be a desirable audience.

Patrick:

That's exactly right. I think the sports better is a desirable person, and trying to introduce them to brands and trying to acquire them or shift them into other categories is, I think, going to be a next frontier for advertisers and marketers.

Mike:

I know it's early, who are they? Or I guess, can you draw any conclusions from Europe? Is there a natural ceiling? Is it mostly going to be young men? Is it going to be a mainstream thing or not. Can you generalize like who this audience is going to be?

Patrick:

It starts at the 25 to 45 demographic, is I think the most narrow part of the bull's-eye, but that aperture continues to increase and grow as net new betters enter. I use this analogy of different depths of the pool, there's the shallow end of the pool, the medium end and the deep end, I think Action Network does a very good job of appealing to the deep end of the pool that's a more sophisticated better, someone who understands parlays, teasers, spreads, etc, knows the vernacular. Medium end is maybe a degree of comfort, but not quite deep, deep end, maybe not betting every



weekend, maybe only betting around big games, maybe just wants a little bit of data to inform how they bet.

Patrick:

And then the shallow end, which is the person who does the box poll for the Super Bowl. And I think we, as a business, create a much bigger opportunity when we appeal to all of those depths of the pool. And the biggest opportunity is going to be in that shallow end where someone might be new to betting and they don't need to bet entire large sums of money, betting is about entertainment and needs to be done responsibly. So I just think it's the person who might want to drop five or 10 bucks on the chiefs this weekend versus the person who's going to do a \$250 parlay across all the NFC and AFC games and do crop bets and all the things that are maybe a greater and higher degree of depth of insider knowledge necessary to be able to execute in that way.

Mike:

So you're talking about using means to segment your audience in more sophisticated ways. You're talking about the science of app installs. I imagine this is a complex formula to try and this right, and it probably is. It's reminding me of gaming app installs or other markets with similar dynamics. The New York law just changed, so this is recent, but how much have you guys have been affected by Apple's ID changes or what's gone on with a cookie? How much does that rock your company or not?

Patrick:

Not too much. We play in that ecosystem pretty aggressively. As a subscription product, we do have to share fees with Google Play and with people, and we do, but those are also marketplaces to acquire customers. That App Store is its own advertising ecosystem that we participate in to try and beat other like-minded or even sports books that are trying to gain that user who wants to download an app.

Patrick:

And that's daily tactical battle we continue in, just as we are a great source of acquisition, I spend a lot of money on Twitter, I spend a lot of money on Facebook and Google Ads to try and acquire customers because we do have an award-winning large scale app that we want people to engage in and subscribe and sign up for sports books. So we need to know how to play in those ecosystems and how to invest. And we're a very large investor in those categories, well, well in excess of six figures every weekend.

Mike:



Wow. And obviously we know that by nature, you're in the first-party data business, that you're all about signing customers up. I would think that place you at advantage that you're not having to try and find lookalikes out there or less precise measures to try and reach your audience that would get you into difficult situations.

Patrick:

That's an interesting and not so subtle point that I talk about often and it goes over the heads of a lot of people, but when you look at why are Amazon, Google, Facebook is successful as they are, they have more first-party data on anyone. And we have a ton of first-party data from our users because they can subscribe, they can sign up for our app. Plus, there's a couple of other factors that are really important across this notion of being a deep first-party data source. People track their picks in our app to the tune as I mentioned earlier, hundreds of millions of picks. And we also have a product that's a little bit insider, but we're growing it more and more called BetSync.

Patrick:

And this works in such a way that if you are a user of Caesars, well, not Caesars, hopefully since Caesars, if you're a user of BetMGM Parks or PointsBet, we have a partnership with those books where you place a bet in their platform and it automatically gets synced into the Action Network, similar to Clad or Robinhood or one of these places where you're able to link your sports book to Action. And that kind of seamless integration is really valuable. But again, it says more to us having a lot of data on users and knowing habits, etc, all anonymous. KYC is something we care a lot about, we're very careful and very thoughtful about the walls that are between us and our customers and books, but that's where the future is and the one that we're investing heavily in.

Mike:

Interesting. What about, this is a little bit of a tactical question, but you see the podcast market, obviously podcasting has gotten huge the last couple of years. If you listen to any sports related podcast, you're hearing a gambling ad of some sort. I have two questions. I imagine that's crazy competitive right now, but it does not have the qualities you're talking about inherently, or it's harder, I think, to use first-party data and know what happens when people download and they're not listening live. Can you talk a little bit about that marketplace?

Patrick:

We're a huge creator in podcasts, we don't necessarily advertise a ton of podcasts, but we work with a lot of advertise that come into our platform and want to reach these sports better. So we have award-winning podcasts around, we have a podcast, the



favorites. We have our Action Network Podcasts. We have them in every category. We have golf podcasts, we have basketball, depending on the sport. So we see that as a great audience for conversion. And if you look at some of the QSR companies, if you look at some of the beer businesses that are, again, seems fairly obvious that these are some of those users that they're trying to reach, but we think that the podcast opportunity is only growing in sports betting either as an advertiser or a publisher like us.

Mike:

Is it much harder though to attribute downloads leads, whatever, through that channel?

Patrick:

It's near impossible. It still is. The Apples And the Googles and others that have the clients, the podcasting clients, just have all the data, we really don't. I learned this from my time I was on the board of Gimlet Media, which was sold to Spotify three years ago. And that was another place where we created great content and super compelling for advertisers and users, but we didn't know squat about those users. So you can try and do third-party surveys and lots of other things, but you're always going to be beholden to the gatekeeper to give you the data to better understand your users unfortunately.

Mike:

Yeah. It's an odd aspect to a primarily a digital medium that is just not consumed on digital channels all the time. I want to maybe go up a little bit in terms of our point of view here, but there was a really good post... I want to talk about what's going on with sports fandom overall and there's a really great post recently Bloomberg on Pat McAfee, this former NFL punter who's like this personality who blew up in social media and he is on TV and video all the time. And he was talking about how this different generation of sports fans is less serious, view sports differently, it's more of a lifestyle, gambling is a big part of it. You see this with bar stool.

Mike:

I don't think I exactly put my finger on how different it is generationally, but I wonder if you see that from your end in terms of the way that sports is viewed and consumed between gen X and gen Z perhaps and where things are going maybe.

Patrick:

And I think it's a good thing to discuss. McAfee obviously got a ton of money from fan duel. He's been in this market for a while, retired early, retired young. And I think that it



started with fantasy sports where fandom has moved oftentimes from a home team to where you have action. And we're fortunate, our company is named Action Network, I'm a lifelong rabbit Eagles fan, but if I was able two years ago and my fantasy drafts get Emmett Smith, I'm going to have this weird reality where I'm going to be rooting for Emmett Smith as a cowboy fan because I could win a couple gland in my fantasy team.

Patrick:

So users and fans have a vested interest I think that goes beyond their local affinity for teams into more where they have personal currency in, started with fantasy, moving to sports betting-

Mike:

Red Zone, throw that in there.

Patrick:

Yeah. Red zone is a good one, exactly. I think that it's created this fan who wants currency and action and a vested interest in outcomes in a different way than when my dad or your dad or other people even growing up, myself included that have a narrow affinity for their local team and their local team in perpetuity, but now it's about having a vested in just in characters. I think the NBA was a huge part of this as well. The NBA is as much team drama as it is the sport itself.

Mike:

The off season changing teams is more interesting sometimes than the actual season.

Patrick:

There is no off season, and the NBA really led that. And NFL is obviously different. These players are wearing helmet and you can't really get the sense of affinity that you could to some of the NBA players, but I think it's an absolute change from, I'm an Eagles fan, I'm a Sixers fan, I'm a Phillies fan. I'm going to care about those, focus on those and narrowly see success against those teams. Now, it's through fantasy, through betting, through all of the different ways that we can consume media. And it also used to be back in the day we could only watch the one channel of the one team, was in your market, and you're going to have to watch a shitty Bengals-Oilers game because that was available because it was a blackout because the Eagles didn't sell out.

Patrick:



Those kind of things aren't happening like they used to. So there's just more of an access. I think the gen Z and the increasing number of folks in this category, they have a vested interest in things beyond their local teams and are more about the action and the competition around it.

Mike:

I wonder if it also ties to just growing up this generation or two, like you mentioned, you and I our media expectations often were, you just sit there and take it in three hours, you're just hanging out or whatever shows you're watching, where they're growing up on YouTube and Twitch and other media where they expect to participate and be part of it. And I wonder if this aspect that translates to how they consume sports.

Patrick:

It does. And it started with also calling radio, that still is a reality that happens in certain markets, but whether it's Twitch or Discord or the comment sections on a website, or there's just... One of the other things that I think a lot about that the internet is precipitated is this deep nichification of interest. And that deep nichification is not just, I'm a fan of the Eagles, but I'm a fan of AFC Kickers because I need to find a Kicker for this weekend because my team is a bi-week. And the internet affords you that opportunity to do it. The multi-channel universe of your television allows you to do it. Your Twitter feed allows you to consume it in that way.

Patrick:

There's just so many outlets for consumption against this and people aren't letting up. One of the issues that's been interesting is to see that the aggregate audience for television continues to decrease, but NFL rights increase every single year, because as much as the audiences eroding, it's still the one place where you can aggregate a mass audience. And just in the past decades, CBS has seen their audience over the last divisional round playoff, we can go up like 25%, and 75 out of the top hundred shows in television last year were NFL football, that's just not changing.

Mike:

And you led me to my next question, which for some reason I remember, this stood out to me a few years ago, Bloomberg was doing a piece on the NFL was down., people were worried. This was like when the controversy over kneeling and Trump was all happening and I remember you being quoted in Bloomberg saying, "I never thought I would see this in my life, this was the one media property that was untouchable." And there was serious is worry then like, "Oh my God, what's going to happen?" And like you said, it's been enormous the last couple of years, even the last



weekend with Buffalo Kids, the city of the ratings were crazy. What do you think happened? How'd they turn around? Was it gambling? Did the politics go away? Something else happen?

Patrick:

I think it was a bunch of different factors. I think that we went through the pandemic, which created a real lull in sports entertainment and sports engagement. I frankly thought our company could have gone out of business when all we could cover was Korean Baseball and Russian Table-

Mike:

Three empty months there for a while.

Patrick:

Yeah. And Russian Table Tennis. And then we saw some green shoots with, and literally, with the PGA tour coming back and some others. And there's such resiliency to a couple of things that are working in our favor here, gambling, one of the most recession proof industries there is, on top of the fact that there is just such a competitive spirit around sports. And I think people were looking for something to come back to. And I think politics and lots of those things did hurt NFL ratings, but we came out of it a little bit. And it's just one of the best if not the best entertainment experiences on planet earth, a good NFL game, and last weekend really proved it.

Patrick:

It was the first time in the past like 20 years where all four games were decided by less than seven points. Like, and every single one went to the wire with a few... It was just an incredible weekend. And I just think the NFL has nothing close to comparison in terms of experience and will just continue its valuation. And I think another thing around sports betting, we talked about the money and the aspect of the money being critical to the success, the category franchise values have gone up only. So the owners of these leagues and teams are in a great position. And obviously, the most of that is driven by rights fees, but another big corollary to it as well is sports betting.

Patrick:

There are suddenly new pool of capital for leagues and for team owners and for franchises that they never had before to be the official New York Jets betting partner, to be the official NFL betting partner. That's just a new pool of capital that didn't exist three years ago.

Mike:



Okay. Given what we just talked about, would you make the bets... Amazon already is creeping in, they got a piece of the NFL coming up, I think next year or Thursday nights. Everyone's wondering if one of the big tech guys is got to come in and just steal one of the huge packages and that could radically change the way the sports is delivered, where advertising is served, all that stuff. Do you have a take there or a bet there where things might be going?

Patrick:

I do. And knowing the NFL well, dealing with them and knowing executives there for many, many years, their always incentive is, yes money's incredibly important and it drives all of their capitalistic urges against success, but they also want the product to be viewed by the most possible people at all times. They want the biggest audience possible. That's why broadcast still maintains and still is the place where they are always going to be and where they care to be. But the streaming opportunity, Amazon, Apple, etc, Amazon Prime users are in the hundreds of millions, etc.

Patrick:

So I think these audiences are getting bigger, so they're getting a little bit more comfortable to take the money, but before it was about, let's focus on how we get the product in front of the largest possible addressable audience, and that was always, and still is broadcast television, but just like gambling is this new ancillary opportunity, all the streaming platforms are, and they'll just can continue to invest. And the NFL by far is the most powerful of any legal or rights holder and we have deals and partnerships with every single one, but one, and you could probably guess what it is considering their power in the market.

Mike:

Yeah. But you make a good point though, it's going to depend on who it is and how they want do it. Because let's say an Apple came along and want to spend a bazillion dollars, the NFL's going to think about, "Okay, well, do enough people have access to the Apple TV? Is that going to cut off our audience? Is the production level going to be on the quality that we expect?" Those are things that they're going to think about, they're not just going to take the check.

Patrick:

Yeah, for sure. But they also, they've invested a ton of money in the NFL network and they're trying to sell that. They want to get the most for rights fees, let other people produce it, have an ability to influence the quality and the experience. You're still not going to see betting lines on broadcasts and things that could be more appealing to a sports better because it's just not mass, it's not mass enough. And what creates mass



is if we do get California and Texas, and Florida, and all of the larger states to participate and be part of it and that's just going to take time. The market is too large, the opportunity is too broad.

Mike:

A couple more questions I want touch on, Patrick, before I let you go. This is terrific. Big left turn here, but you mentioned you spent some chunk of your career at Google, I think that's how I probably first met you. I had an interesting question, this week you've seen, some of this is very complicated, I don't know how close you are at following, how they're trying to replace the cookie with... I saw there was a program called Flock and now it's going to be something closer topics. They're trying to come up with something that works for everybody that is less privacy sensitive, but still works for advertisers.

Mike:

At the same time, they're getting sued by the Texas Attorney Generals and the DOJ, and they're being accused of some really anti-business tactics, which is just so ironic that they're going to be potentially setting the tone for how the business of web advertising works while they're getting hammered for shaping it in maybe the wrong way. I don't know if you can reflect on your time there or think about, do you have any thoughts on that contradiction or what it means right now for the industry?

Patrick:

Yeah. I think that there's any platform that could survive the death of cookies better than Google, I can't think of one. And that's based on the business model and it's based on the reality of how that platform works, which is a user types in their intent. And that intent is the most powerful signal of advertiser success in the history of planet earth. So unless there's some way to eliminate that, I don't see that-

Mike:

And you forget how much of this other stuff is a side gig for them, the rest of the web. So that's not going to change.

Patrick:

No. I just think again, that user that's typing in fly fishing equipment and going on a trip and golf gear and whatever it might be, you could cookie that user to death and try and follow them across the web and then serve a retargeted ad when they are in a site that has nothing to do with that topic. That's a rounding error for Google, search is still the monster of intent and there's nothing like it on planet earth.



Mike:

Yeah. And that's the challenge for regulators even if they take away one of those or choke off one of those things, it's probably not going to dramatically change the trajectory of the company. Last thing, it's a little bit of a curve ball again, but you mentioned how big gambling is now and how weird it's going to become, it's quarter of a two part, but eSports is in this place where it's really powerful, but still not mainstream, yet growing. I don't know if you have a sense of whether that's crossing over into this gambling universe and is this a totally different customer? Will those two worlds converge? And then maybe, I don't know how this comes back to gaming in the end, which is obviously monstrous.

Patrick:

ESports gets a ton of attention and deservedly so when you see franchises and investment and just the pure aggregate time that kids spend playing games and their heroes, etc, but this is a completely different audience. I've had many people come to us as investors and partners and want us to do eSports coverage and create eSports lines. The integrity factor in eSports is so unpredictable too. When I say integrity, are people going to throw games? Are there going to be weird lines that are obviously benefiting one side or the other?

Patrick:

I just think the eSports category is completely different and it's something that a lot of entrepreneurs and CEOs say, I just want to focus on the business that's in front of us. The opportunity is so massive, and I can't tell you how many people have approached us about eSports investment, and opportunity, and partnership, and content, and honestly, our users don't care for it. So I think those are going to be big business and people care about them, but just not for us.

Mike:

Now, on the final, do you think you'll see over time, we're talking metaverse and all these, a whole new web is coming, but in the near term, most of that kind of activity's happening and gaming if it's happening anywhere. Do you see a big future for gambling and gaming being combined in some fashion where you're playing Madden and you can bet or ties into the real world? I making this up, I don't know.

Patrick:

Yeah. Maybe a little bit, man, but again, I think people care about the play on the field and the experience of engaging in that way, and the stability, and the integrity, and the things that are just a little bit more standard. And maybe that's the 50 something-year-old boring person that I am, but the business I'm in is big enough,



the opportunities has asked enough that we're going to focus here, and if people want to put on their VR goggles and watch the game and bet that way, more power to it, go for it.

Mike:

What makes this thrilling is that it's happening in real life.

Patrick:

Yeah. It's the play on the field. And Europe does a ton of live betting. We're going to see live betting become a bigger component here, especially when people are in stadiums more and you have 5G and you can bet on the outcome of that field goal instantly. And those are going to be the fun experiences that are going to be more emergent for me than some of the other tertiary categories.

Mike:

Great stuff. Well, Patrick, thank you so much for your time. Awesome perspective, such a perfect time to get you on the show. Thanks so much, and hopefully we'll chat again down the road.

Patrick:

Yeah, man. Great to do it and happy to do it anytime.

Mike:

Thank you.