Prediction Market Aggregation

Capturing value by providing wider access to event marketplaces

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Changelog

v0.1	2025-06-20	Initial draft
v0.2	2025-06-26	Added sections focusing on monetization, costs, and risks
v1.0	2025-06-28	Initial Release

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This document makes the business case for bringing a prediction market aggregation product to market. This product provides value by giving traders a single entry point to several market platforms to enable arbitrage, more liquidity, and access to greater market choice, as currently they must interface with each platform individually. We plan to capture revenue by collecting trading fees and through the sales of monthly subscriptions. Under the most conservative estimates, it will require up to 80 sold subscriptions, $2 million of monthly traded volume or a combination of the two to reach profitability. Our first main target demographic are the 10,000 Polymarket users that trade between $5k and $100k of volume in a given month.

1 Background

Prediction markets are simply marketplaces where contracts are traded that are based on the outcome of a specified event like elections, sports, or political decisions [1]. Commonly, the underlying contracts of each event are either a binary YES or NO that expire to $1 or are worthless depending on the event outcome. The prices of the contracts before expiration are determined by supply and demand of the free market.

While prediction markets are functionally similar to gambling with sports books or in casinos, the key differentiation is that the market prices have a positive externality by providing accurate forecasts that are reactive to new events. This means members of the public, who may have never made a wager, get valuable insight on events they care about just by looking at prices. This was most clearly exemplified in the US presidential election. People who watched the prices knew the outcome hours before people that were watching cable news to find out [2]. With trust in the media at record lows, prediction markets may mature into a financialization of the news industry providing a viable trusted alternative. If someone does not believe that the prices of a given event market they are invited to enter the market and place a wager, if correct they are being paid for their insight.

2 Market sector

In the past year prediction markets have gone from an intellectual financial experiment to a new form of media consumption. The 2024 US Presidential election prediction market was the most highly traded event market of all time, taking in $3.5 billion in wagers [3]. Prediction markets did $10 billion in trading volume last year and they are on pace to be even higher in 2025 even without another large national election [4, 5, 6].

Last year prediction markets did about $10 Billion in trading volume, while the comparable legacy industry of sportsbetting increased by more than $20 billion in one year to reach $150 Billion of volume in the US alone [7]. If one is to believe that prediction markets offer a better value in just sportsbetting alone than it is easy to forecast greater than an order of magnitude of growth in this sector. Evidently, prediction markets are still a nascent industry with the majority of the participants still not at the table yet.

2.1 Market share

Currently Polymarket enjoys a dominant market position. However, in the first 6 months of 2025 Polymarket has gone from dominating almost 80% of prediction market volumes to 67%. While they are still on track to exceed last year's trading volume, the loss of market share is mainly due to newcomers like Kalshi which found a distribution partner in Robinhood to offer sports related markets [8].
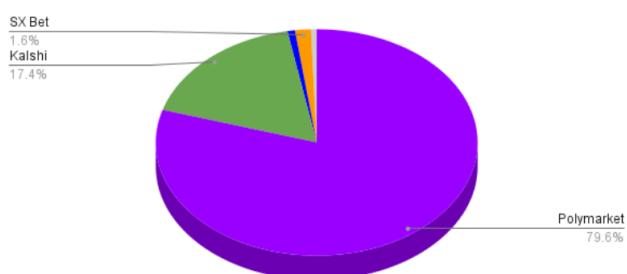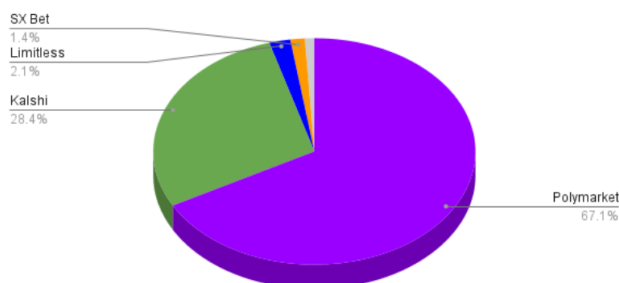

Figure 1: 6 month change in prediction market share by volume. [6]

2.2 Current traders

From opinionated individuals, to small companies, all the way to investment banks, a variety of sizes and volumes have entered the prediction marketplace. For the time being, traders can be split into two categories: retail and firms. While there is no clear accepted deviation between retail and firms, for the purposes of this analysis retail is defined as accounts trading less than $10k in monthly volume, everything above that will be defined as firms. This may be simplification, but it is a useful framework for pricing.

While Kalshi does not make trader information public, Polymarket is an onchain prediction market so all transactions are publicly recorded. Looking through this data shows that while there are well over 300 thousand monthly traders, 98% of them do less than $10k of volume. While making up such a high number, retail only makes up between 10-20% of the trading volume for a given month. Retail, as a block, is trading about $300 a month per user. However even in that block there is a power law. Of the over 300k traders that trade less than $10k monthly, only 5k of them are doing more than $5k of volume.

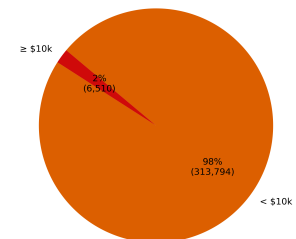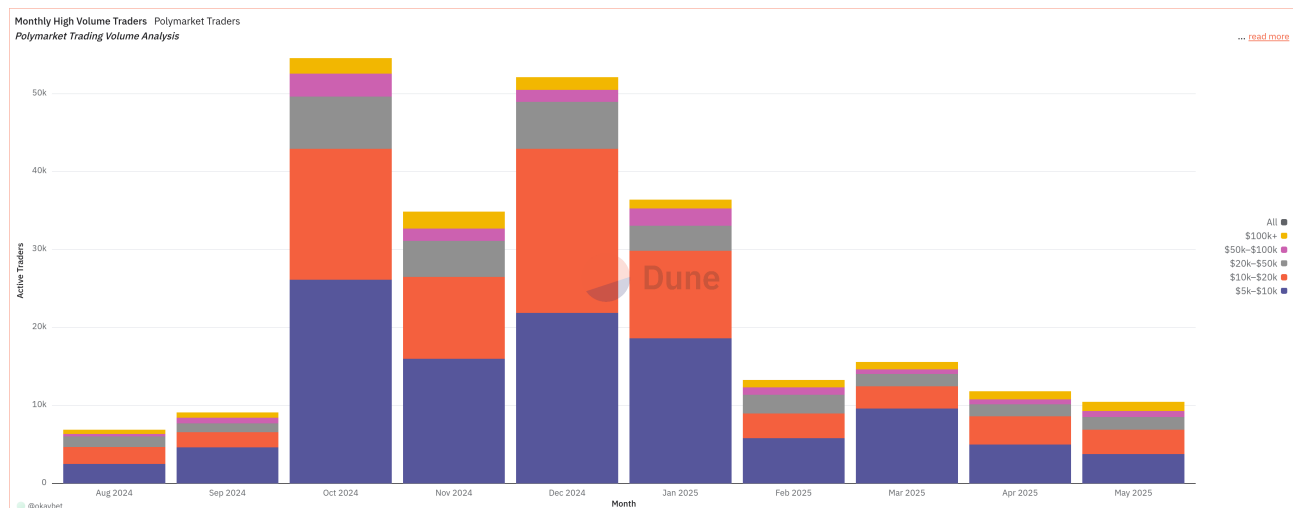**Figure 2: Split between retail and professional trading. [9]**

Figure 3: Number of traders grouped by monthly volume. [10]

On the institutional side, there is a trending consolidation of traders that doing over $100k of volume doing even more while there is only about 1000 of them. But on the mid-level, there are over 5,000 traders that do between $10k-100k monthly and this cohort trades an average of $30k.
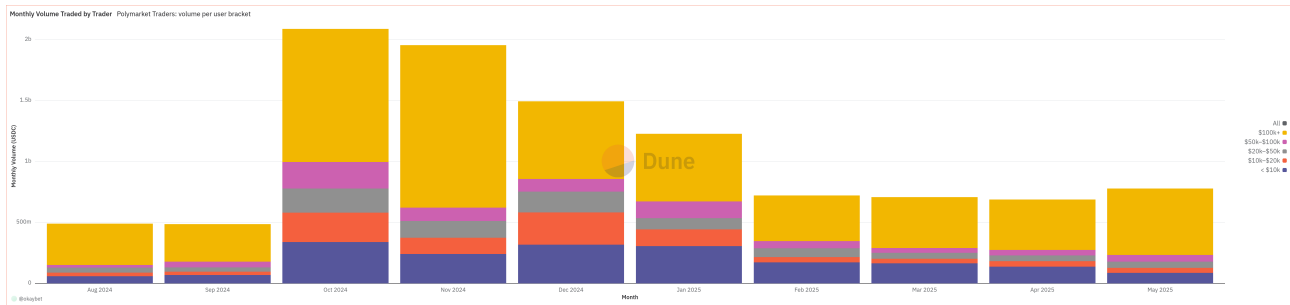
Figure 4: Monthly volume traded grouped by trader. [11]

2.3 Healthy competition

Trading volume is the north star metric for many prediction market platforms. Most of them have business models involving transaction fees on their event contracts so higher volumes is a linear correlation to more revenue. This means as new prediction market platforms release, credible competition and subsequent loss in market share can actually be positive sum if it incentivizes traders to arbitrage prices of the similar events. The arbitrage makes both markets more efficient and raises volume on both platforms.

Additionally as more capital flows into the markets and the stakes raise, the resolution process will have to become far more robust. While the majority of events may be uncontroversial, politically charged or obscure events are harder to resolved cleanly. In order to avoid regulatory capture, there will be a diversity of opinions as traders shop around for resolution criteria they can trust. Just like the news of today, due to the incendiary nature of speaking truth to power, it is highly unlikely for these markets to consolidate under one platform leader. Platforms will enter niches as they create event markets relevant to their audience and traders. This means, just as trust is balkanized across media outlets there is a similar expectation for prediction markets giving traders the opportunity to shop around not just price, but also terms and conditions.

3 Aggregation as a product

Aggregators tend to dominate single-venue markets. Users start by trading through the interface of the market pioneer,

and then as competitors roll in to undercut the original, aggregators become a superior user experience by providing a wider selection of products. This pattern can be seen vividly in permissionless cryptocurrency markets. Uniswap made the category of token swaps, but then saw a myriad of competition to the point where 20% of all swapping volume is routed through aggreagators since they provide better price value [12, 13].

We here at Okay Bet believe the greatest amount of value in the prediction market industry will be captured at distribution, being the touchpoint traders have to their markets. The bedrock of these types of products is a prediction market aggregator that will deliver be the single terminal to the widest selection of market offerings across the industry as well at the best prices, instead of standing up separate workflows for each market platform. In addition to improving market selection and execution, the aggregator will be a foundation product that others can integrate with to build further products like leveraged parlays and indexes.

3.1 How it works

Each prediction market publishes all of the data for each event and offers the ability to integrate and trade directly to their platform to entice high volume, sophisticated market participants. Our aggregator is middleware that interfaces with each each unique platform directly to then provide a unified experience for the trader. The aggreagator itself runs on a server and is accessible by API calls to allow flexibility in its end user implementation. The benefit to the trader is that they have a single interaction point for all of the prediction markets, reducing time to decide on a trade and simplifying their development overhead.

Also, each platform has its own terms and conditions and regulatory requirements that it operates within. In order to maintain legal compliance the aggregator will not be able to custody user funds or transmit them on behalf of the users. We operate on a "bring your own (BYO) credentials" model in which users add and manage their credentials for each individual platform which are locally stored and not ever seen by the aggregator. This means the traders themselves are fully responsible for managing their funds and participating in the markets in a lawful manner.

4 Monetization

In order to provide value to both retail and firms we will be pursuing two monetization pathways around the core aggregation product. The BYO credentials model allows for subscriptions on access to the API services or a fee for the convenience of building the orders that the user may execute themselves.

The reason for using both pricing models is because they allow us to meet both high and low volume traders where they are at to provide the greatest value. Other alternatives to the dual volume fee and subscription model is to have scaling volume fees or subscription bands to fit different trader needs. That will be considered as pricing models are iterated.

4.1 Retail

The first monetization strategy lies with activating lower volume retail traders. Since they are less sensitive to trading fees, the product can have a fee on each order placed through it instead of a monthly subscription. This can be done with an easy API integration or a frontend in which the retail traders can connect. Traders will still need to bring their own credentials that will be locally stored, but for onchain platforms that can be made as simple simple as connecting a cryptocurrency wallet. The trader cost sensitivity analysis shows how much it would cost a single individually to trade each month at different volumes and prices.

Table 1: Sensitivity Analysis: Trader Cost by Fee Rate and Volume [6]

Volume	0.10% Fee	0.25% Fee	0.50% Fee	0.75% Fee	1.00% Fee	5.00% Fee
$300	$0	$1	$2	$2	$3	$15
$1,000	$1	$2	$5	$8	$10	$50
$5,000	$5	$12	$25	$38	$50	$250
$10,000	$10	$25	$50	$75	$100	$500
$20,000	$20	$50	$100	$150	$200	$1,000
$50,000	$50	$125	$250	$375	$500	$2,500
$100,000	$100	$250	$500	$750	$1,000	$5,000

The fee model of monetization is entirely dependent on volume. A 0.75% fee price is selected to cast the widest net for low-to-medium volume traders finding better value in this than paying a subscription. If we set a subscription fee of $200 then we can target traders doing volumes of up to $50k according to our chart.

Traders that do less than $50k of volume a month have collectively been trading $200 million per month the last few months [10, 11]. From the revenue sensitivity analysis table that means pricing the fee rate at 0.75% sets a max revenue potential at $1.5 million monthly.

Table 2: Sensitivity Analysis: Revenue by Fee Rate and Total Volume [6]

Volume	0.10% Fee	0.25% Fee	0.50% Fee	0.75% Fee	1.00% Fee	5.00% Fee
$500K	$500	$1,250	$2,500	$3,750	$5,000	$25,000
$1M	$1,000	$2,500	$5,000	$7,500	$10,000	$50,000
$10M	$10,000	$25,000	$50,000	$75,000	$100,000	$500,000
$50M	$50,000	$125,000	$250,000	$375,000	$500,000	$2,500,000
$100M	$100,000	$250,000	$500,000	$750,000	$1,000,000	$5,000,000
$200M	$200,000	$500,000	$1,000,000	$1,500,000	$2,000,000	$10,000,000
$500M	$500,000	$1,250,000	$2,500,000	$3,750,000	$5,000,000	$25,000,000

4.2 Trading firms

Gated subscription access to the product directly is another option for generating revenue. Firms are more price sensitive to volume trading fees, but are willing to pay in order to avoid development overhead. However, deals with these largest firms will be negotiated on a case by case basis for the first few clients, and further NRE will be expected to match client requirements. For initial releases, firms doing more than $100k of monthly volume are assumed to require in-house solutions built specifically to their requirements, they are not specifically included in our price models.

The easier target for early revenue are the medium sized trading firms. They do far more volume than retail but are still relatively small fish. These firms are sensitive to trading fees and would see value in a subscription service instead, allowing them to exploit opportunities in the smaller price differences. To use Trading View as a comparable, there are tiers of prod-

uct offerings that range between $15/month to $200/month depending on level of service that the client requires [14]. A notable improvement our architecture has over Trading View is that since the platforms are tradeable from the backend the API offering may allow for the traders to execute orders through it directly using their credentials so they will not need to interact directly the prediction market platforms- leveraging this feature could command an even greater premium.

Table 3: Sensitivity Analysis: Monthly Revenue by Subscription Price and Subscriber Count [6]

Subscribers	$20	$50	$100	$200	$500
10	$200	$500	$1,000	$2,000	$5,000
50	$1,000	$2,500	$5,000	$10,000	$25,000
100	$2,000	$5,000	$10,000	$20,000	$50,000
500	$10,000	$25,000	$50,000	$100,000	$250,000
1,000	$20,000	$50,000	$100,000	$200,000	$500,000
1,500	$30,000	$75,000	$150,000	$300,000	$750,000
2,000	$40,000	$100,000	$200,000	$400,000	$1,000,000

Since this product will be a first mover in the space it can command a price on the higher end of the spectrum. Referring to Trader cost chart above, by charging a 0.75% fee on volume an entity doing over $20k of monthly volume would get better value from a $200 subscription. In this most reachable demographic of traders doing between $20k and $100k of volume there are 2000 entities giving a total revenue opportunity of $400k monthly. There is some slight overlap in traders that may find value in either pricing model.

5 Cost Structure

5.1 Development

Development hinges on the developers ability to execute and deliver fully featured code. Below is a general budget for each of the main tasks to ship a quality product. In this estimate the development time is held constant but a low estimate is given for work at $150/hr and a high estimate assumes work is done at $400/hr. While the 8 weeks is an estimated amount

of time to accomplish product readiness, the uncertainty is captured in the wide range of hourly developer costs. This gives a cost range between about $50k and $130k to deliver the product. Unfortunately due to the nature of technology development and project management this uncertainty needs to be recognized, however the budget assumes all externally hired and paid workers. In actuality the founder plans to take on much of the development to help bring the final cost closer to the low estimate.

Table 4: Development Budget Estimates by Initiative

Initiative	Man-Hours	Low Estimate	High Estimate
Backend Development and Deployment	80	$12,000	$32,000
API Monetization	40	$6,000	$16,000
Node and Platform Data Indexing	60	$9,000	$24,000
Secure Credential Handling	40	$6,000	$16,000
Consumer Facing Documentation	40	$6,000	$16,000
Third Party Review (Audit)	20	$3,000	$8,000
Testing and Bug Fixes	40	$6,000	$16,000
Total	**320**	**$48,000**	**$128,000**

5.2 Recurring Costs

Compared to development, the recurring costs are far cheaper. The table below is rough estimates for needing to scale the infrastructure to thousands of users. This conservative estimate that will be revisited and revised with higher fidelity as the product reaches deployment.

Table 5: Recurring Infrastructure & Operational Costs

Cost Item	Lean Setup	Scaled Usage
Server Hosting (VPS or Cloud)	$50	$200
Database Hosting Services	$25	$150
Node Access / Indexing (e.g., Alchemy)	$100	$500
Monitoring and Logging Tools	$10	$50
Cloud Storage / CDN	$10	$50
Authentication / Rate Limiting	$0	$50
Developer: Bug Fixes & Maintenance	$1,000	$3,000
Community Support / Moderation	$0	$1,000
Total Monthly Cost	**$1,195**	**$5,000**

5.3 Customer Acquisition Cost

In a pre-launch state of the product their can only be estimates for the cost of acquisition. In the financial services industry the customer acquisition cost (CaC) is estimated to be between $175 and $300 [15] so the high side of that can be estimated for the subscription based model.

The lower volume retail traders are expected to use to product without little direct support. This will have a lower CaC but will still require labor to write online content. Additionally since the retail model relies on volume more than the number of clients the marketing spend should be minimal. As an API distributed product the best marketing will be the documentation so developers may build tools, agents, and smart contracts that integrate the API directly into their workflow.

6 Path to Profitability

The models were each calculated assuming an 18 month amortization of the development costs with no interest. Cus-

tomer aquisition cost is assumed to be $175 on the low end and $300 on the high. To reach profitability with the subscription based revenue model at the low cost it takes 21 subscribers but at high cost it takes 77.
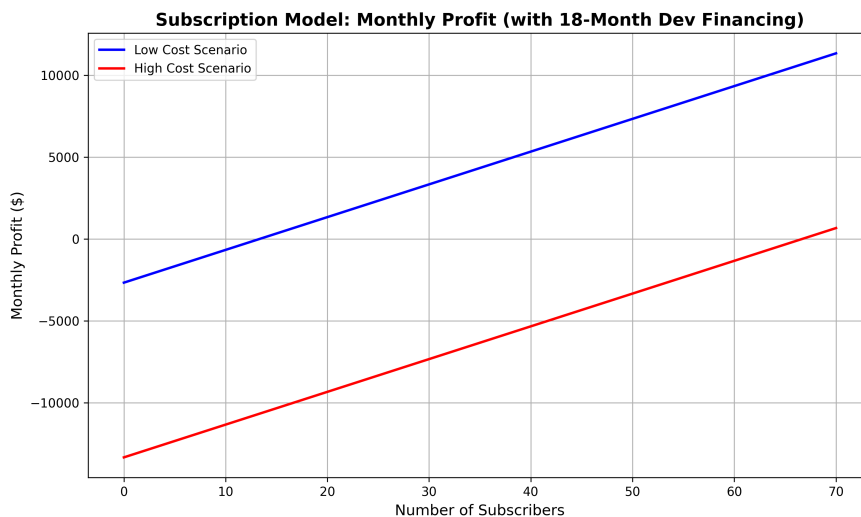

Figure 5: 6 month change in prediction market share by volume. [6]

The trading fees model has a similar shape. However the customer acquisition costs are be trickier as revenue is measured in volume instead of users, for the model we assumed a conversion from the subscription where each user did an average of $35k trading volume so that the same CaC estimates can be used. For low costs about half a million in volume is needed for the break even point but close to $2 million is required in the high cost scenario.
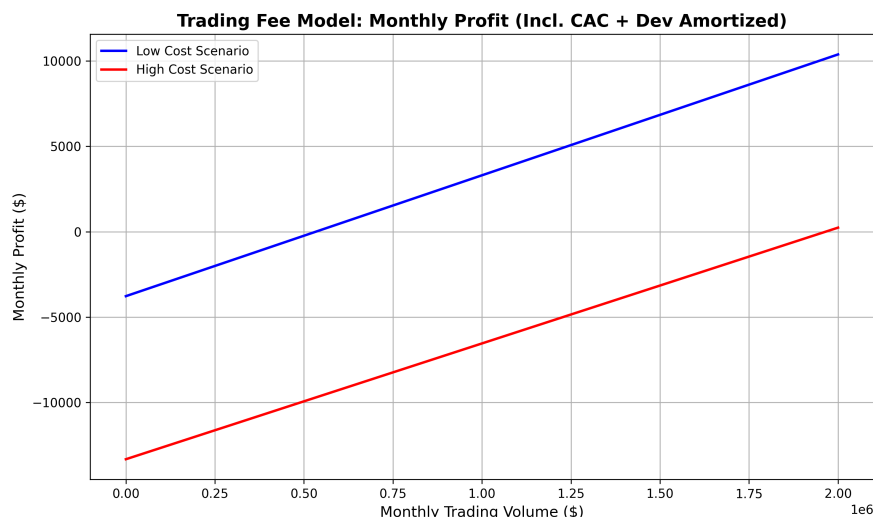
Figure 6: 6 month change in prediction market share by volume. [6]

While these models may be simple the low and high costs can be informative to band expectations. As development and deployment proceed more accurate costs will be used to update profitability projections.

7 Status and roadmap

The prediction market aggregator is at a beta level of maturity. Market data from the 3 largest platforms are automatically collected, tracked, and grouped all retrievable by API and viewable via an associated frontend. However product ready robustness, documentation, and monetization are still under active development

Q3 2025: Aggregator development completion Application passes reliability and scalability tests. Markets are viewable, but not tradeable. In-house trading is feasible with only the aggregator and credentials.

Q4 2025: Productization and initial sales Paywalls and user credentials are deployed. First sales are targeting small to medium sized trading operations. Volume trading fees are rolled out.

Q1 2026: Marketing and distribution As the aggregator product reaches development maturity the focus transitions to marketing, sales, and distribution. Content is created to onboard retail and business development brought on to approach much larger firms.

8 Risks

8.1 Market Risks

It is important to remember that 3 years ago, for all intents and purposes, prediction markets as an asset class was nonexistent. While there is a lot of attention and investment now coming into the sector, there is no clear consensus on what it will look like even 2 years from now.

Additionally the market sizing data was taken from publicly available Polymarket data. While this platform enjoyed near monopoly status last year, it is quickly losing market share to Kalshi, a platform with far less data availability. This means analysis on market size, trader volume size, etc. may be under counted since it is missing almost 30% volume coming from Kalshi traders. No mitigation is planned for this missing data because under counting trader TAM arguably made the analysis more conservative.

8.2 Legal Risks

Prediction markets currently operate in a legal grey area. While in the US legislation is moving forward to clarify it, they are outright banned in many countries. Polymarket is banned in US and Kalshi is banned in Canada as well as other international markets. We do not plan on operating against the law, which is why this aggregator will not carry its own platform credentials. Instead it will allow users to import their own keys securely and make the orders themselves.

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