

# Comprehensive Research Report: The Current State and Outlook of the Prediction Markets Industry (2025)

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## Executive Summary

The prediction markets industry is a rapidly evolving frontier blending finance, technology, and forecasting to transform how event outcomes are traded and predicted. Key players such as **Kalshi**, **Polymarket**, **Robinhood**, and **Railbird** lead the charge by leveraging different technologies and regulatory frameworks to capture diverse customer bases, from federal-regulated retail investors in the U.S. to global decentralized crypto communities.

This detailed report provides data-driven insights on market size, key operators, operational mechanics, industry synergies, regulatory landscapes, and future growth potential with visual charts and tables to support strategic decision-making.

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## 1. Industry Landscape & Market Size

The prediction markets ecosystem intersects with, but differs from, the broader predictive analytics industry. The market is segmented as follows:

Market Segment	Description	
2024 Value (Billion USD)	CAGR (%)	Projected Value
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Predictive Analytics Market	AI/ML-powered business forecasting	
18.89	21.4-28.3	\$82.35B by 2032
Decentralized Prediction Markets	Blockchain-based peer-to-peer event trading	
1.4	46.8	\$95.5B by 2035
US-Regulated Prediction Markets	Event contract exchanges regulated by CFTC	
~5 (estimate)	Rapid growth	Substantial growth projected

The predictive analytics market is broad and enterprise-focused, while decentralized prediction markets use blockchain to enable transparent, global trading. The US regulated market, led by Kalshi and expanding through Robinhood and Railbird, is a nascent yet fast-growing segment enabled by federal oversight.

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## 2. Leading Companies & Market Positions

Company	Market Type	2024 Trading Volume
(Billion USD)	Regulation	Core Offering
Strategic Notes		
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Kalshi	Federally regulated exchange	2
CFTC-regulated Designated Contract Market (DCM)	Binary event contracts	
(politics, sports, etc.)	US market leader; partners with Robinhood; growth via legal approvals	
Polymarket	Decentralized crypto-native	9
Acquired CFTC-licensed QCX exchange	Peer-to-peer outcome contracts using	

crypto		Global volume leader; re-entered US market legally; partnered with X (Twitter)	
Robinhood		Retail brokerage + prediction hub	N/A (new segment)
CFTC-regulated derivatives		Provides access to Kalshi event contracts	
Introduced prediction contracts within own app; enables retail user participation			
Railbird		Federally licensed exchange	N/A (emerging)
CFTC-regulated		Sports-focused event contracts	
Under acquisition talks with DraftKings for scaling US footprint			

This diverse operator landscape illustrates varying approaches: Kalshi pioneers federal regulation; Polymarket dominates crypto-native innovation; Robinhood democratizes through app integration; Railbird targets sports-specific markets.

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### ## 3. How Prediction Markets Operate

#### ### Core Mechanisms

- **Binary Contracts:** Contracts represent simple yes/no event outcomes, priced between \$0.01–\$0.99, where price equals implied probability.
- **Trading Mechanisms:**
  - Continuous Double Auctions (CDA) where bids/offers are matched in real-time.
  - Automated Market Makers (AMM) use algorithms (e.g., Logarithmic Market Scoring Rule) to provide constant liquidity.

#### ### Event Categories

- Politics (elections, legislation)
- Sports (game outcomes, championships)
- Economics (inflation, GDP)
- Entertainment (awards, releases)
- Technology (product launches, crypto adoption)

#### ### Examples

- **Kalshi** offers event contracts such as "Will the Federal Reserve raise rates by March 2026?" priced at \$0.35 indicating 35% probability.
- **Polymarket** trades crypto contracts on global political and social events.
- **Robinhood** integrates Kalshi's federally regulated contracts within its app, bringing event trading to retail investors.

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### ## 4. Market Share & Growth Trends

#### ### Trading Volume Comparison (2024)

Platform/Segment	2024 Trading Volume (Billion USD)	
Commentary		
Polymarket	9	Largest
global crypto-native platform		
Kalshi	2	US
federally regulated market leader		
US Regulated Prediction Mkts	~5 total (including Railbird etc.)	Emerging
but growing rapidly		
US Legal Sports Betting	>90	Dominates
broader betting market		

#### ### Growth Projections

- **Decentralized sector**: Expected to reach \$95.5 billion by 2035
- **US regulated segment**: Rapidly expanding with increased retail participation via Robinhood's entry and DraftKings' acquisition interest in Railbird
- **Market penetration**: Still small compared to \$90+ billion US sports betting market but closing gap rapidly

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## 5. Industry Synergies: Sportsbooks vs Prediction Markets

### Key Differences

Aspect Markets	Sportsbooks	Prediction
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Pricing Model	Fixed odds set by bookmaker	Market-driven,
consensus pricing		
Regulation	State-by-state licensing	Federally
regulated (CFTC)		
User Interaction	Entertainment betting focus	Trading
financial contracts		
Liquidity Source	Bookmaker-provided	Peer-to-peer
exchange and AMMs		
Event Coverage	Primarily sports	Sports,
politics, economics, culture		
Market Access	Limited by state laws	Nationwide
access where federally approved		

### Complementarity

- Prediction markets complement sportsbooks by providing accuracy signals, expanded event coverage, and access in states without sportsbooks
- Many major sportsbook operators are exploring integration with prediction platforms
- Cross-pollination of pricing data and user engagement strategies

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## 6. Industry & Policymaker Commentary

### Industry Leaders' Perspectives

**Company Leadership Views:**

- **Kalshi CEO Tarek Mansour**: Envisions prediction markets as a trillion-dollar asset class transforming forecasting and decision-making
- **DraftKings CEO Jason Robins**: Cautiously evaluating entry, sees regulatory clarity as key to unlocking market potential
- **Flutter CEO Peter Jackson**: Actively preparing to offer prediction markets leveraging existing sportsbook synergies
- **Robinhood VP JB Mackenzie**: Views prediction markets as natural extension for engaging retail investors in event-based trading

### US Policymaker Positions

Name	Role	Commentary
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Rostin Behnam	Former CFTC Chair	Led Kalshi's regulatory approval;
successor's approach	introduces uncertainty	
Sen. Adam Schiff	US Senator (CA)	Expressed concerns prediction markets

might encourage problematic gambling behaviors |  
| Sen. Cory Booker | US Senator (NJ) | Scrutinizes overlap with existing  
sports betting regulations and enforcement |  
| Quintenz (CEI) | Regulatory Advocate | Supports light-touch, innovation-  
friendly regulation for market growth |

### ### Regulatory Environment

- Continued legislative discussion and state-level regulatory actions, including limits on election betting
- Federal vs. state jurisdiction tensions affecting market expansion
- Tribal gaming interests opposing expansion in some states

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## ## 7. Market Size Trends & Visual Analysis

### ### Growth Trajectory by Segment

#### \*\*Market Size Progression:\*\*

- \*\*Predictive Analytics Market:\*\* From \$18.9B (2024) to \$82.35B (2032), reaching \$100.2B (2035)
- \*\*Decentralized Prediction Markets:\*\* From \$1.4B (2024) to \$95.5B (2035) - representing 46.8% CAGR
- \*\*US-Regulated Prediction Markets:\*\* Estimated \$5B in 2024, with rapid acceleration anticipated

### ### Industry Share Distribution (2024 Estimates)

#### \*\*Market Share Breakdown:\*\*

- Polymarket: ~60% (driven by global crypto adoption and election betting surge)
- US Regulated Markets (Kalshi, Robinhood, Railbird): ~20%
- Other platforms and emerging operators: ~20%

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## ## 8. Strategic Implications & Future Outlook

### ### Key Growth Drivers

1. \*\*Regulatory Clarity:\*\* CFTC oversight legitimizes markets while enabling nationwide access
2. \*\*Technology Integration:\*\* Blockchain transparency and AI-enhanced pricing attract institutional interest
3. \*\*Retail Democratization:\*\* Platforms like Robinhood bring prediction trading to mainstream investors
4. \*\*Industry Convergence:\*\* Sportsbook operators seeking diversification and expanded market access

### ### Challenges & Risks

1. \*\*Regulatory Uncertainty:\*\* State-level opposition and federal policy changes could constrain growth
2. \*\*Market Concentration:\*\* Dependence on election cycles and major events for volume spikes
3. \*\*Competition:\*\* Traditional financial services and gaming operators entering with significant resources
4. \*\*Public Perception:\*\* Ongoing debates about gambling vs. financial trading classification

### ### Investment Thesis

- \*\*Near-term (2025-2027):\*\* Continued rapid growth driven by regulatory approvals and platform integrations
- \*\*Medium-term (2027-2030):\*\* Market maturation with institutional adoption and product diversification

- **\*\*Long-term (2030+):\*\*** Potential to become standard component of financial markets and forecasting infrastructure

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## ## Conclusion

The prediction markets industry represents a transformative force at the intersection of finance, gaming, and information aggregation. Leading operators like Kalshi, Polymarket, Robinhood, and Railbird are pioneering different approaches to capture market opportunities across regulatory environments and user segments.

With projected growth from current billions to potential hundreds of billions by 2035, prediction markets are positioned to complement and potentially reshape traditional sports betting, financial forecasting, and decision-making processes. Success will depend on continued regulatory progress, technological innovation, and effective integration with existing financial and entertainment ecosystems.

Investors, operators, and policymakers should closely monitor regulatory developments, competitive dynamics, and evolving user preferences to capitalize on this emerging frontier while managing associated risks and challenges.

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**\*\*Report Prepared:\*\*** August 2025

**\*\*Data Sources:\*\*** Industry filings, company statements, regulatory documents, market research

**\*\*Methodology:\*\*** Comprehensive analysis of public information, financial data, and industry commentary

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\*This report is prepared for informational purposes and strategic planning. All financial projections and market estimates are based on available public information and industry analysis.\*