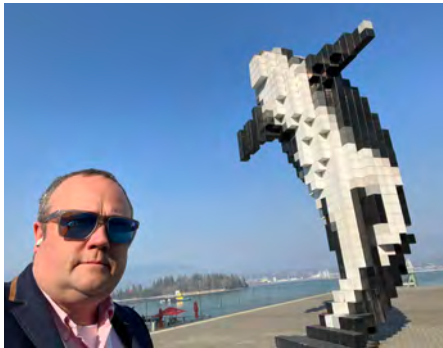


IS SPORTS BETTING THE BIGGEST THREAT TO LOTTERY IN 2024?



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RESEARCH



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On the last day of 2023, my wife Beth and I stood in line for delicious pizza (L'industrie Pizzeria) in the West Village, but it was the conversation behind us in line that was even more interesting. The two couples (who were strangers) had started a deep-rooted discussion, not about their New Year's Eve plans, or even the Powerball New Year's Rockin' Eve draw, but about their NFL parlays and how they had failed that afternoon. After joining in with our new found friends, the tête-à-tête weaved between the NFL and betting on the games as seamlessly as holding hands and singing Auld Lang Syne at midnight.

There is no way that conversation would have happened five years ago.

The game plan. The negative stigma attached to betting on sports has all but disappeared.

Sports betting is now legal in 37 states in the U.S., with mobile sports betting allowed in 28 of those states. That's massive growth since the national law that prohibited states from regulating sports betting (PASPA) was rescinded just six years ago. If this is the landscape of sports betting and online betting today after such a short period of time, how much more will it grow in the next ten years?

There are still states where sports betting remains illegal, and those are Alabama, Alaska, California, Georgia, Hawaii, Idaho, Minnesota, Missouri, Oklahoma, South Carolina, Texas and Utah. Yes, three of these will not see any effect on lottery sales if (when?) they legalize some form of sports gambling. However, three of these, Texas, California and Georgia, own three of the top seven lottery sales* in America (*2022 numbers).

So it's time to reexamine what kind of risk sports betting poses to our beloved industry's 'good cause' generation.

The kick off. Men dominate the sports betting landscape

Sports betting has always been one of the most male dominated forms of gam-

ing and gambling, but there has been a marginal shift in play within the genders in the past two years, from 77% of past year sports bettors being male, down to 74% in 2023.

However, for the higher spending sports bettor (\$500+ per month) it is still a 5:1 male to female ratio, with only 17% of women accounting for the higher spending category. Incidentally, this group bets around \$1,200 on average per month.

Where we have seen another notable shift is in demographics is within age groups. Sports betting has gotten significantly younger in 2023, with 75% of all sports bettors being 44 and under, compared to 69% in 2021.

There has also been a notable increase in Hispanic sports bettors over the past two years, up from 22% to 29%, significantly over-indexing to the size of their population in the U.S. I have been very vocal to the lottery industry in explaining that the Hispanic audience is still very much underserved by Lottery games and products. If anyone talks to the Texas Lottery about the success of their \$100 Loteria ticket, I think they might come to the same conclusion.

Gambling as a whole is also moving up the hierarchy of popularity in terms of recreational activities, from 46% in Q4 of 2021, up significantly to 52% in Q4 2023, now ahead of Reading! And in terms of preferred activity, Gambling is also up significantly from 9% ('21) to 14% ('23).

Continued on page 41

1st down. So, what's driving the large uptick in sports betting?

For one, advertising awareness (past 3 months) for sports betting is at its highest ever level (80%), up significantly from 2021's 71%. It's almost impossible to avoid exposure to sports betting advertisements and promotions during the NFL season. Every game that is analyzed on TV, especially on ESPN, (and their newly launched ESPN sports betting app), has a discussion centered around the betting 'lines' for that particular game.

From September 2021 through May 2022, US sports betting operators spent an estimated \$282 million on TV advertisements, according to an iSpot.TV report. This incredible volume of advertising generated more than 18 billion impressions.

According to Statista, the online sports betting market is set to reach \$42.5 billion in 2023 and grow to \$61.7 billion by 2027. Oh, and those numbers are only for online sports betting — this doesn't count in-venue betting platforms.

Meanwhile, Lottery play has remained consistent with around 3 out of 5 Americans playing (59% in 2021, 61% in 2023), and sales are roughly status quo year-on-year, driven by the national jackpot games major runs.

2nd and 5. Are Sports Bettors playing the Lottery?

One of the key sports betting attributes that has seen a significant increase in the past two years, is the fact that 59% of past year sports bettors are also buying lottery in the past week. This is up from 45% in 2021. Among the heaviest spending sports bettors (\$500+ per month), it reaches 76%. So to answer the question, they absolutely are.

3rd and short. So, how habitual are Sports Bettors?

Only 7% of the lower spending sports bettors are betting four or more times a week. However, this pales in comparison to the 25% among the highest spending group (\$500+ per month) who play four or times a week. And more than two-thirds of the

highest spending sports bettors are placing bets on games at least twice a week.

This appears to have also had an effect on average spend. In a direct comparison with the 2nd half of the NFL season two years ago, American sports bettors have increased their monthly spend by approximately 27%, from around \$150 to \$190.

4th and goal. An App' in the hand, is worth two in the store?

One other item consistent with sports bettors is the fact they use multiple sites to bet on. On average, sports bettors have 2.5 accounts, with the highest spending group owning at least 3 different sports betting accounts. In real terms, these players are simply shopping around for the best odds for the daily bets, and also the best daily promotions that each of the sports betting sites offer, but it always increases the time players are spending on their phones on these sites.

When looking at the major sports betting apps, Draft Kings continues to lead in terms of use by past year sports bettors at 63%, up 10% from 2021, with Fan Duel a clear second place at 56% (and climbing, up even more significantly from 43% two years ago). Bet MGM is also up (from 25% to 31%), but a couple of the secondary brands have fallen away a little in 2023, with Bet365 down to 17% usage and sportsbetting.com down to 18%, both falling 3% respectively. With more than a dozen brands nationally, and ESPN Bet just launching in November 2023 and aiming for a 20% market share, there will no doubt be more brands entering the market. Will Draft Kings and Fanduel experience erosion of their dominant market-shares, or will we see consolidation among the multiple competing sports betting operators?

With a majority of state lotteries still not making the product available online via iLottery, sports betting appears to have a powerful competitive advantage in the foreseeable future. Hopefully, this will change as more states make lottery games accessible to the online players.

Going for two, or 3rd and long. The TikTok Teaser

Compared to both the average American, and the Lottery player, there is very little

difference in where the sports bettors are in terms of social media.

With one notable exception. TikTok.

52% of all sports bettors regularly use TikTok, compared to just 32% two years ago. There is definitely a cause and effect here: the younger age demographic of sports bettors is the key driver. Among Lottery players, TikTok use is significantly lower at 42%, but still on the rise (take note State Lotteries who can legally use it, or the rest of you who could at least get their players to create user-generated Lottery-based TikToks).

Onside kick. So, what does this all mean, I hear you cry out

Ultimately, sports betting is more than just a new games-of-chance category, as it has moved very quickly to assume a special place in the psyche of the United States, as a part of society. Of course, it started out with no small amount of momentum as there was significant sports betting player-ship even before it was legal. But now there is a massive cohort of sports enthusiasts who turn to sports betting to enhance the fun and excitement of their favorite past-time. With younger player demographics, participation in sports betting is on the rise, brand recognition and ad awareness are incredibly strong and getting stronger, and there is no sign of abatement in the spend that ensures the future of sports betting.

In addition to eInstants, which are currently limited to a handful of U.S. states, the Lottery industry as a whole needs to stretch to capture the imagination of the modern consumer who is being bombarded with more stimulating entertainment options every minute. Thankfully, lottery gaming has an enduring appeal, and has weathered countless changes in the market-place better than any other game category since SuperBowls began. Driving ongoing growth and prosperity for the most popular game category in the world is once again a priority!

Trust me, I'm a researcher. ■

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