Games-of-Chance Battle of the Brands Intensifies

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For the first time, significantly more Americans are aware of Sports Betting advertising than Lottery advertising.

"If you ain't first, you're last".

Sounds simple and logical, right? However, until last year, Lottery still held a significant lead over Sports Betting when it came to advertising awareness than their current major competitor. 2024 has changed all of that, with the numbers for 1st and 2nd place basically flipped.

In 2023 Lottery earned 52% ad awareness, which was up significantly from 2021's 44%. This past year it dipped to 47%. Meanwhile Sports Betting's meteoric rise in terms of being top of mind has gone from 32% ('21) to 47% ('23) and is now at a category high 52%.

"Hey, it's me America"

This begs three key questions: Where did the shifts in ad awareness occur, what effect, if any, has it had on purchasing and what can the Lottery industry do about this in 2025?

The Northeast has seen a strong and significant swing for Sports Betting advertising, up from 50% to 58% year over year, while the South has seen close to a double-digit increase (Florida started online Sports Betting via Hardrock in December 2023, a landmark moment for a state with a 20m+ population).

Meanwhile Lottery ad awareness has sank almost 10 points in the Midwest, down from 54% awareness in 2023, down to 45% in 2024.

"Santa! Oh, my God! Santa's coming! I know him!" (Trade 'Santa' for 'Sports Betting')

Demographically, both genders have dropped 5% in terms of Lottery Ad Awareness on a national scale, down to 51% and 44% among men and women respectively. However, it is the strengthening of Sports Betting Ad Awareness among females that has produced a 5% annual uplift to 42% (compared to 3% for males). The gap between Lottery and Sports Betting Ad Awareness is now a meagre 2% points, whereas the gap in 2023 was 11% in Lottery's favor.

Two age groups in particular have driven the higher Ad Awareness for Sports Betting: 18-24 year olds have gone from 44% to 53% over the past twelve months, whilst the all-important 45-54 year olds have seen a 6% jump, both significant strong and significant increases.

Sports Betting Ad Awareness has also benefited from a strong and significant increase among the U.S. African-American population, up from 48% in 2023, to a category leading 62% in 2024.

"You stink. You smell like beef and cheese!"

When asked how their spending has changed on the major gaming and gambling categories, the two Lottery categories appear to echo the slight decline in underlying U.S. Lottery sales data. Roughly a fifth of Lottery Draw Game and Scratch players claim a net increase in spend, while a higher proportion, approximately a quarter, claim a net decrease in either or both the categories.

Casino play has also seen a slight negative trend, with net increases in Casino play among 22% of players, and a net decline among 26% of Casino players.

"Fill it up again! Once it hits your lips, it's so good!"

The biggest net increase in self-reported spend comes within the Sports Betting marketplace, with almost 2 out of 5 past year bettors claiming they have increased their spend, driven by over-indexes among 18-34 year olds, African-Americans and Hispanic Americans. Only 1 in 7 Sports Bettors claim they have reduced their spend in 2024 (driven by those 55+). The net positive gain is around 25% for Sports Betting from the consumer research, which mirrors the Sports Betting Operator revenue increase of 30% ($14.3bn '24 v $10.9bn '23).

"You're my boy, Blue! (states)"

The Northeast has seen the greatest surge in player reported net spend increases in Sports Betting, with a 4:1 ratio claiming they have increased their Sports Betting outlays, compared to those Americans who claim to have decreased their spend in the likes of New York, New Jersey, Massachusetts and Connecticut,

"If Bruce Dickinson wants more cowbell, we should probably give him more cowbell."

The question now is not related to getting the top slot back in consumers' minds, as that ship has sailed, primarily due to the fact that FanDuel and DraftKings spend roughly $2bn (that's billion) on Marketing in any given year (this was their 2023 spending).

The Lottery industry should focus more on adopting the critical Marketing tactics that Sports Betting institutions use every day.

1. **Be ever present with messaging that highlights consumers benefits.** Every day I personally receive emails and texts with offers, free bets and bonuses that make me feel appreciated from Sports Betting brands. How can the Lottery adapt this strategy with their wealth of products and strong brands at their disposal? How can Lotteries personalize offers? Can second chance opportunities become more frequent? Can player's clubs genuinely offer more ways to help their players feel valued?
2. **Differentiate information on the size and where proceeds go**. The Lottery ($28bn) provides 15 times more benefits to Americans than sports betting. How can the lottery industry take further advantage of this amazing fact? Is there a way to utilize two of America's biggest and most popular brands (Powerball and Mega Millions) to help underscore this critical message?
3. **Own the Responsible Gaming space.** All the focus on good causes, goes hand in hand with having good, responsible players. Can the Lottery

industry utilize their apps, websites, emails, texts and all forms of electronic contacts and content, to promote consistent responsible play? Is it possible to highlight where Lotteries have funded RG campaigns and help?

2025 may be the first year where key competitors (notably sports betting brands) begin to reign in their Marketing spend a little, mainly due to financial pressures as the undoubted surge of takeovers and acquisitions starts to take hold in that industry. This may be the best time the Lottery industry has to strike back in regaining the #1 position in consumer's minds.

Trust me I'm a researcher ■

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COVID. But applying the concept of *overstory* can deepen our understanding of the epidemiology of ideas, how cultural trends and attitudes are shaped, and how they then manifest in the form of specific behaviors like laying the lottery. Let's look at sports betting. Then we'll look at Lottery.

The overstory of sports betting would need to include Fantasy Sports which emerged six or seven years before the Supreme Court ruled that states could legalize and regulate sports betting. Even higher in the overstory canopy is the incredible increase in popularity of the NFL between the 1980s and the 2010s and continuing even now. And how about the exponential rate of growth of hours spent on Mobile devices between 2010 and today. Or the opening up of a huge sports media business sector to drive engagement. And how all these factors contributed to the transformation of public attitudes about sports betting to see it not as "gambling" but as just another normal part of being a sports fan. I don't know if the stakeholders of the businesses that benefited by all these rapid-fire changes were that prescient. They probably did not talk about "overstories". But whether intentional or not, their actions did align with some powerful *overstory* drivers of change.

So … what's our lottery *overstory?* I don't know. The answers to many of these overstory questions do not always reveal themselves early on. The technology for personal computing was available in 1980 but the tipping point (release of Windows 3.0 and then Windows 95) didn't happen for ten years. And the subsequent alchemy (photosynthesis if we lived in a forest) that ties together personal computing, the internet and the technological changes that followed, i.e. the overstory, is still being played out.

We could, though, observe that land-based retail is undoubtedly a mission-critical part of our overstory. A healthy retail sector is like opening up the canopy to let in the sun and rain that sustains life. Obviously, a lot more can be said on that subject.

Regulatory action has profound impact and continues to confound me. I'm not sure of the antidote, but we just seem to be losing the PR battle for public mind-share/awareness and the interest of legislators who shape regulatory policy. Did you read the **"Model Internet Gaming Act" written by NCLGS (National Counsil of Legislators from Gaming States)?** The whole thing is a recipe for turning regulatory control over to commercial gambling interests. It's almost as if it was written by the AGA (American Gaming Association) and Spectrum Gaming, with no input from state lotteries. The very first item in their policy statement even asserts its affiliation with commercial gambling operators and its lack of consideration for state lotteries:

"It is in the state's interest that the implementation of iGaming be accomplished in a manner that compliments (sic), and does not adversely impact upon, the **licensed casino and racino facilities** that may exist in a particular state. … The state may limit the internet gaming operators to the licensed casino gaming, racino, and sports betting operators in the state." **No mention of the state lottery. In fact, the state lottery is excluded from the sectors that can be licensed!**

It goes on to say, in a section titled *Legislative Findings* "The Legislature finds that the operation of internet wagering **in conjunction with our brick and-mortar casinos** serves to protect, preserve, promote, and enhance the tourism industry of the state as well as the general fiscal well-being of the state and its subdivisions." Again, why is lottery being excluded?

"NCLGS recommends a tax rate between 15 percent and 25 percent to achieve this desired result." NCLGS has no business pushing this low-tax agenda that serves the interests of commercial operators, not the interests of the public.

The final nail in the coffin for state lotteries is for NCLGS to clarify that "This act does not prohibit selling internet lottery games, including, but not limited to, digital representations of lottery games." In other words, this "Act" invites states to allow commercial companies to create betting games that play like lotteries.

Lastly, NCLGS recommends that "The Gaming Regulatory Authority shall have financial and administrative independence in conducting its affairs." This clause confers sweeping powers **independent from legislative and executive branches of state government.** Add this to …

"The Gaming Regulatory Authority shall be funded by the legalized internet gaming operations which it is charged with regulating, through the receipt of application fees, licensing fees, monetary fines imposed for regulatory infractions, proportional assessments, or other mechanisms for equitable reimbursement of regulatory costs." In other words, the Gaming Regulatory Authority is to be funded by the very people they are supposed to be regulating. OK, I could rant on in righteous indignation but will stop here.

The NCLGS "Model Internet Gaming Act" is a blueprint for turning the industry over to commercial operators and ensuring that state lotteries are neutered, disempowered, and boxed out of the internet gaming and even iLottery space. **I am pleased to retract this little rant if someone, anyone, can explain where my conclusions are not on-target. I would welcome the opportunity to retract based on being wrong!**

An important aspect of our *overstory* is, in my opinion, that we are now in direct head-to-head competition with other games-of-chance categories, and money games that masquerade as something other than gambling. Lotteries now operate in a competitive consumer-driven free-market environment; and in competition with well-funded adversaries who promote an agenda that is not consistent with the interests of either the general voting public or the interests of lotteries and the good causes they support. Thankfully, the leadership of state lotteries has always applied more ingenuity, creativity and innovation than our competitors to ensure that lottery players always come out on top! So Bring it on.

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