



Executive Insights

L.E.K. 2019 Sports Survey Insights: Betting on Legalized Sports Gambling

Sports industry stakeholders acknowledge the potential opportunity to drive greater sports engagement through legalized betting. The trick, of course, is understanding which strategies are most likely to resonate with consumers down the road — in particular, sports-shy millennials.

Before becoming a multimillionaire in a single month on *Jeopardy*, Las Vegas-based James Holzhauer had spent the previous decade working as a professional sports gambler, using his knowledge of stats and his uncanny predictive abilities to good advantage. Oddly enough, until recently Holzhauer's occupation would have been deemed unlawful anywhere besides his home state, thanks to 1992's Professional and Amateur Sports Protection Act, which prohibited sports gambling outside of Nevada. Last year, however, the Supreme Court overturned that statute, paving the way for fully legalized gambling at both the professional and college levels throughout the U.S. To date, sports betting has been greenlighted in a handful of states, with others likely to pass legislation over the near term.

Against this backdrop, broadcasters, leagues, teams and other players acknowledge the potentially significant opportunities at hand, including both direct and indirect benefits. The key is determining which strategies are most likely to resonate with consumers down the road.

In this *Executive Insights*, L.E.K. Consulting examines the appeal of legalized gambling to sports fans and how it could conceivably boost sports engagement in general, particularly among finicky millennials.

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In its research, L.E.K. found that legalized sports gambling is primarily attractive to sports fans who already gamble in some capacity (some 47%, compared with 23% of casual gamblers and 29% of non-gamblers). That said, when taking into account all fans (from current sports gamblers to non-gamblers), legalization could lead to an 84% rise in sports gambling participation, from 10% of sports fans at present to 18% post-legalization (see Figure 1).

The good news for industry stakeholders: Whether committed or casual, all participants are likely to become more sports-oriented as a result of an increase in regulated gambling. According to our survey, both current sports gamblers and those likely to take up gambling reported a similarly strong anticipated rise in sports engagement (roughly 37% and 39%, respectively). Furthermore, as betting becomes increasingly mainstream, it will likely appeal to a wider audience than current alternatives such as fantasy sports.

Sports fans surveyed report that interest will be driven primarily by televised sports viewing (73%), along with recap videos (40%) as well as sports articles and related content (36%). Even ballpark attendance could get a boost from betting (23%) (see Figure 2).

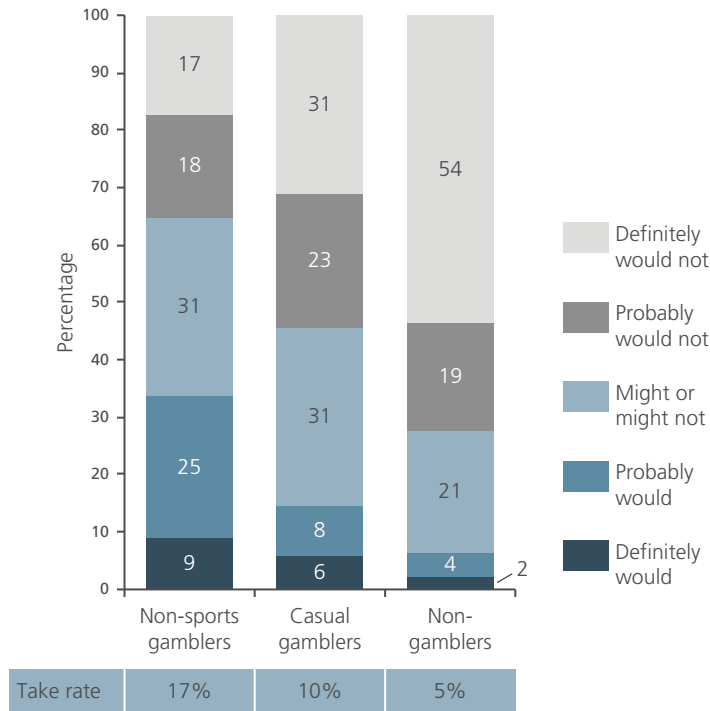
L.E.K. 2019 Sports Survey Insights: Betting on Legalized Sports Gambling was written by **Alex Evans** and **Robert Haslehurst**, Managing Directors, and **Geoff McQueen**, Principal, in L.E.K. Consulting's Media & Entertainment practice. Alex and Geoff are based in Los Angeles and Robert is based in Boston. For more information, please contact mediaentertainment@lek.com.



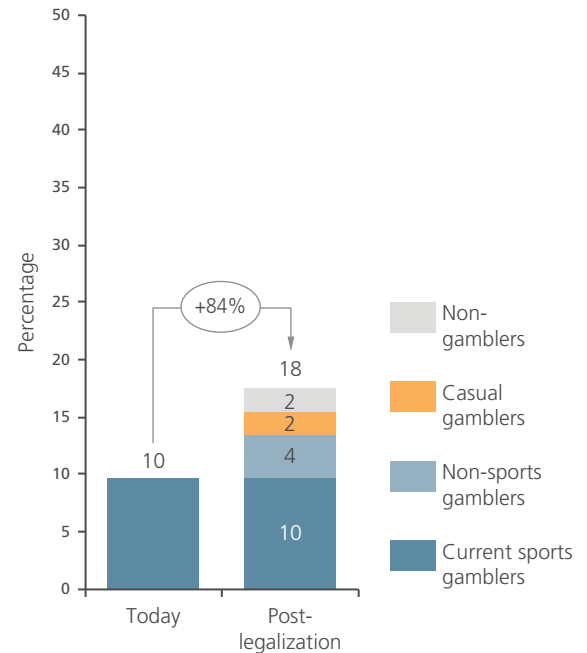
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Figure 1
Legalization's effect on sports gambling

Likelihood of gambling on sports if legalized



Potential sports gambling audience



Source: L.E.K. Sports Survey 2019

The millennial challenge

Bringing millennials into the fold will be no easy task, given their standing as a more detached sports demographic than older sports fan cohorts. Though they account for more than one-fourth of all domestic media consumption, unlike preceding generations, millennials prefer to receive their media content mainly through nontraditional means such as online and mobile viewing. At the same time, we found that millennials spend just 13% of their time in front of traditional TV, an amount well below their older counterparts. That data is reflected in recent research from Nielsen, which noted that those ages 18-34 watch TV fewer than two hours per day, an all-time quarterly low.

Therein lies the rub: Because fandom has historically gone hand in hand with watching sports on traditional TV, younger viewers who've continued to shift toward digital platforms have, perhaps not surprisingly, been less inclined to be supporters. Even millennials who identify as "engaged" are at best casual fans relative to boomers or Gen Xers. Given the decadeslong dominance of traditional TV in the sports arena, the likelihood of

further viewing declines could have a significant impact on sports engagement going forward, unless newer platforms are developed.

There is a flip side, however. Rather than taking themselves out to the old ballgame, many millennials have instead turned to virtual alternatives like eSports programming, including live video-gaming competitions such as League of Legends as well as DOTA 2 and Overwatch. Other models offer signs of hope: While not nearly as popular among millennials as season-long sports, recent data suggests that daily fantasy sports (DFS) can nevertheless serve as a gateway to sports fandom in general. According to L.E.K., among millennials describing themselves as only casual fans, marginal fans or non-fans prior to DFS, more than half (55%) said they were significantly more interested in real sports as a result of participating in DFS.

Similarly, many in the industry see sports betting as key to increased sports engagement, particularly among younger consumers. And with good reason: As noted by L.E.K., consumers ages 18-34 who gamble on sports take in substantially more

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weekly sports content than millennials who don't (11.3 versus 7.8 hours per week). This 44% uplift in content consumption among millennial sports gamblers is substantially higher than the uplift seen among Gen X (+29%) or boomers (+21%) (see Figure 3).

Rolling the dice

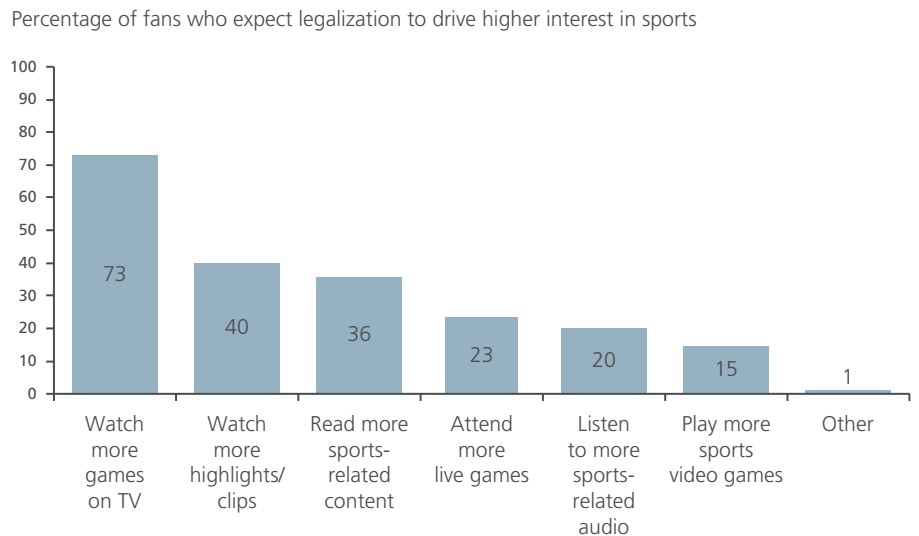
For U.S. stakeholders seeking evidence of sports gambling success, one need look no further than the U.K., where online sports betting revenues have more than tripled over the past 15 years and are expected to escalate well into the next decade. This advance will be fueled in part by stronger mobile-betting uptake, with gross winnings forecast to nearly double through 2023.

Still, gambling isn't for everyone; therefore, caution is advised. Content providers that lean too heavily on gambling promotion risk alienating dedicated fans who may view such activity as diluting sports programming. Accordingly, making too broad a push could itself have negative consequences.

Nonetheless, going forward, wagering on sports represents a tangible opportunity to drive sports interest among millennials

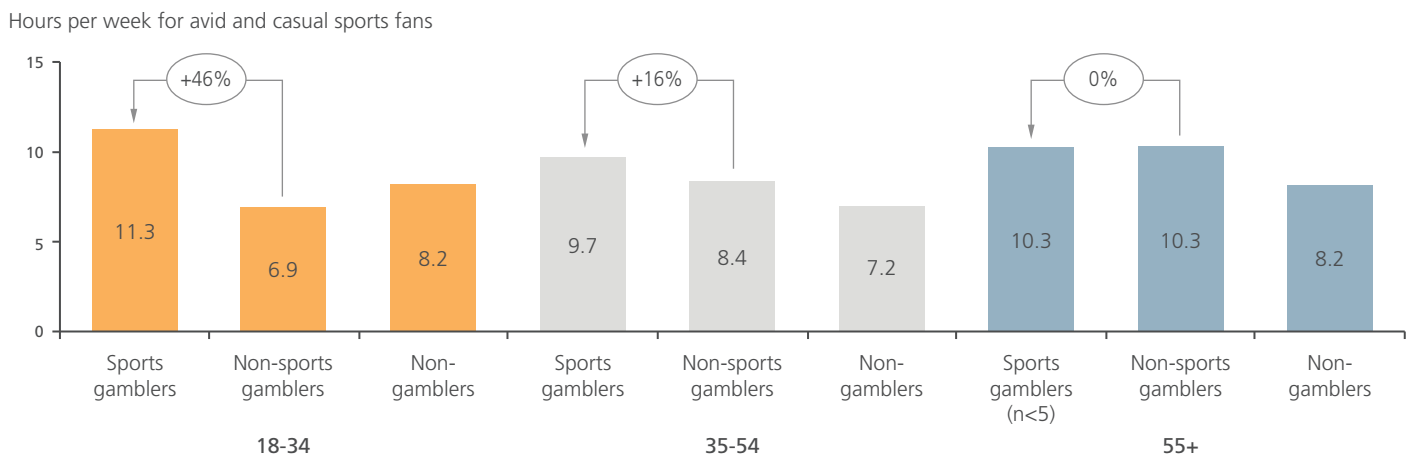
as well as upcoming generations of fans. With millennial sports gamblers spending upward of 60% more time consuming sports than their non-sports gambling cohorts, it's easy to see why broadcasters, marketers, team owners and other industry leaders view the current trend as a mechanism for converting fair-weather fans into something more meaningful.

Figure 2
Avenues of higher sports engagement due to legalized gambling



Source: L.E.K. Sports Survey 2019

Figure 3
Weekly sports consumption by age group and gambling engagement



Source: L.E.K. Sports Survey 2019

About the Authors



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About L.E.K. Consulting

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