



LANCE HENIK



SIMON JAWORSKI

## Daily Fantasy Sports Spend Impacting Lottery, Casino Play

Daily Fantasy Sports (DFS) could be slowly undermining the lottery and casino industries. A new poll released by Leger, The Research Intelligence Group, shows that a majority of online Daily Fantasy Sports (DFS) players are spending money on the activity by trading off their spend on lottery and casino games. Among the 15% of U.S. adults who claim to have played DFS this season, more than three out of five (61% of DFS players) agree that their Fantasy Football spend this season has lowered their spend on Lottery games such as Powerball, Mega Millions, Scratch or Instant Games, or other Lottery draw games.

As part of the core base of lottery players, 84% of DFS players mentioned playing a lottery game in the past month—more than twice the level cited by American adults overall (41%). With a majority of these Daily Fantasy Sports players claiming to be spending less on lottery games in general, could further increases in their DFS spend lead to an increased impact on their lottery outlay?

“Specific to state lotteries, this is an external factor contributing to a perfect storm,” said Lance Henik, Senior Account Manager at Leger. “First, consider the reduction in blockbuster jackpots from Powerball or Mega Millions that may have impacted cross-play for other games in many state lotteries, especially among the casual player base. Next, consider the preference among younger players for online gaming, especially for those platforms where players can put their skin in the game, is being met with the DFS option. Finally, with many state lotteries exercising extreme caution in implementing online platforms for their own games, playing catch up in this quickly evolving market further exacerbates the threat that DFS presents in stemming the growth of state lottery sales.”

FanDuel players claim an average spend of \$37 each time they play, narrowly behind the

\$39 per-play recounted by those who use DraftKings exclusively. Players who play on both FanDuel and DraftKings report a significantly higher spend across both sites.

The Leger research also shows a majority of DFS players, 56%, agree that their Fantasy Football spend this season has lowered their spend on casino gambling. This may explain the motivation behind the state of Nevada having ruled last week that participation in DFS falls into the state’s definition of gambling, joining Arizona, Iowa, Louisiana, Montana and Washington as states that prohibit this activity. Currently, DFS has been classified as a game of skill and therefore is not considered gambling under the 2006 Unlawful Internet Gambling Enforcement Act (UIGEA), but if a growing number of lawmakers get their way, this may change in the near future.

Daily Fantasy Sports participants are entrenched players: More than four out of five (82%) DFS players play on FanDuel at least once a week.

“It appears Daily Fantasy Sports is serving up a double economic whammy for state government’s right now,” believes Simon Jaworski, Sr. VP at Leger, and one of the world’s leading experts on lottery and gaming. “These fantasy behemoths are not currently filling the local coffers with tax, due to their private ownership, which when coupled with potentially lower tax revenue from the DFS player’s reduced lottery and casino spending, it is certainly a situation worth monitoring.”

However, major TV networks should also take note, as time is becoming a bigger issue with daily fantasy play. Leger’s research shows more than half of DFS players agree (either completely or somewhat) that the time they spend keeping up on Fantasy Football, including watching Fantasy Football television shows and NFL games, is getting in the way of their ability to watch their favorite shows. ■

Read more on Daily Fantasy Sports on page 18.

For more information on this exciting and topical Gaming research, please contact:

Lance Henik, Sr. Account Manager, Leger: 215-643-8744 or lhenik@leger360.com

Simon Jaworski, Sr. Vice President, Leger: 215-643-8753 or sjaworski@leger360.com

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## Daily Fantasy Sports Remain Popular Despite Scandal, Government Inquiries

Methodology for analyses and data for Leger article on pages 16 & 18:

The survey was conducted online with 1,004 respondents, 18 years of age or older, among the U.S. population from October 15th through October 20th, 2015, and was balanced/weighted to statistically represent the country by age, gender, ethnicity, and region.

Based on this sample size, the results carry a margin of error of approximately  $\pm 3.1\%$  at the 95% confidence level.

Barring any additional fallout from the scandals around Daily Fantasy Sports (DFS) that emerged earlier this month, the proportion of U.S. adults who play on sites such as FanDuel.com and DraftKings.com during the NFL 2015-16 season could soon rival those who play in traditional Fantasy Football leagues. In a new poll released by Leger, The Research Intelligence Group, 15% of U.S. Adults claim to have played on DFS sites such as DraftKings or FanDuel this season, narrowly behind the 17% who report playing in a regular, traditional Fantasy Football (FF) league (such as those played on NFL.com, Yahoo, ESPN.com, etc.) this season.

“The onslaught of advertising by both FanDuel and DraftKings seems to be paying off in both DFS brand awareness as well as participation,” said Lance Henik, Senior Account Manager at Leger. “Moreover, the results of our latest poll show that room for growth in DFS participation continues to exist, despite the controversy around the ‘Coke and Pepsi’ of the DFS Industry reaching new heights this October.”

According to the 2006 Unlawful Internet Gambling Enforcement Act (UIGEA), a law that was designed to prevent gambling over the Internet, DFS was clarified to be a game of skill and therefore is not considered gambling. Despite this, the Leger October 2015 poll shows more than one in four (28%) adults overall consider DFS play at sites such as DraftKings or FanDuel, as gambling. The perception of Daily Fantasy Sports as gambling increases dramatically among DFS players, as more than four in five (85%) who play DFS overall consider their participation as gambling.

Perhaps more surprising is the fact that a significantly higher proportion of adults overall (39%) consider ‘regular’ Fantasy Sports (such as Fantasy Football, Fantasy Baseball, etc.) as gambling when compared to the daily version. “The general knowledge and experience, direct or otherwise, around the ‘traditional’ Fantasy Football league casts a wider net than DFS,” said Henik. “While players of Fantasy Football and/or DFS consider either activity as gambling; there are also more conversations witnessed among colleagues, friends, family, etc., around Fantasy Football leagues than DFS, the latter of which tends to be an individual activity.”

Public perception around DFS seems to be impacted by the employee betting scandal uncovered this month that prompted investigations from the New York Attorney General and the FBI. Overall, 40% of US adults do not think employees of companies that run daily or weekly

fantasy sports websites such as FanDuel or DraftKings should be allowed to play daily/weekly fantasy games, with another quarter (24%) unsure.

This is in direct contrast with the perception of DFS among its players. According to the Leger October 2015 poll, nearly three-quarters (73%) DFS players think employees of these companies should be allowed to play daily/weekly fantasy games. Furthermore, nearly half (45%) think employees should be allowed to play regardless of whether they are employed by the same site (28% think they should be allowed to play, but at a different site). “By and large, DFS players are seemingly unmoved by this scandal,” said Henik. “Despite reports of fewer DFS entry fees over the past few weeks, the impact on play is nowhere near the extent experienced by the online poker sites a few years ago, at least in the short term.”

Further illustrating the strength of DFS play in spite of the scandal this month is the room for growth that still exists for new DFS players this season. According to Leger, 9% of current non-players claim they are either “extremely likely,” or “very likely” to play on a DFS site such as FanDuel or DraftKings this season, with 4% stating ‘extremely likely.’ If this increase in player penetration happens, DFS play could well surpass conventional FF league play by the end of the NFL season.

However, the barriers to DFS entry are starting to form. The state of Nevada ruled last week that participation in DFS falls into the state’s definition of gambling, joining Arizona, Iowa, Louisiana, Montana and Washington as states that prohibit this activity. Around the same time, the NCAA notified executives from DraftKings and FanDuel it has banned advertising from the two sites during NCAA championship events, citing its long-standing advertising policy against sports wagering entities.

Regardless, play of both regular fantasy football and DFS is at 28% for both forms among younger Millennials (18–29 year olds). However, a gap exists between the older Millennial/younger Generation X group, those between 30–39 years age, who played DFS (26%) and playing FF (30%).

Finally, Leger’s research also shows that potential players aged 30–39 are more than four times as likely as their younger peers to cite a strong likelihood (top box % intent) to play DFS this season. With this in mind, where pundits may have believed the younger Millennials represent any growth in DFS play for the rest of the NFL season, it may just be that the growth could come from their slightly older counterparts. ■