

DraftKings cuts back on ads after a year of heavy spending

Article

The news: Sportsbooks have spent [hundreds of millions](#) on advertising in the last year as sports gambling has been legalized in more states, but major competitors like **DraftKings** and **Caesar's Entertainment** dramatically reduced ad spending in the second quarter.

- DraftKings Q2 ad spend increased 16% to **197.5 million**, down dramatically from a 270% increase in Q2 2021.

- Caesar’s Entertainment said last week that it reduced approximately \$500 million in “unneeded” ad spending.

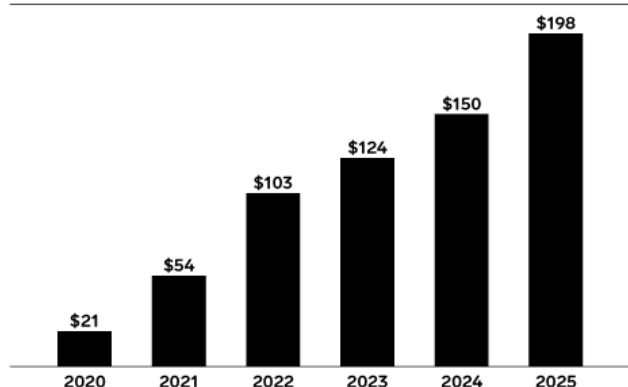
Why the decrease? Sports betting burst confidently into 2022, making headlines for massive volumes of bets placed just days into the new year. But with a possible recession on the horizon and a year of heavy ad spending in the rearview, sportsbooks are feeling pressure to pull back.

- As more and more states started to fall in the legalization domino effect, sportsbooks pumped money into advertising to capture market share. Now, investors anxious about the economy are urging them to cut back on ad spend and focus on profitability.
- In order for sports bets to be placed, there needs to be sporting events to bet on, and there weren’t very many of those in Q2 2022.
- All these factors mean sportsbooks joined the rest of the marketing industry in significantly reducing ad spend during Q2. Concerns about a cool-off in consumer spending and supply chain issues have caused **one in five marketers** to reduce ad spending, **according to Advertiser Perceptions**.

Some of that ad money is being diverted into politics; a California ballot initiative supported by sportsbooks like **FanDuel** and **DraftKings** that would legalize online betting was certified for the ballot in July.

Total Amount Wagered on US Sports Betting, 2020-2025

billions



Source: Activate Inc., "Technology & Media Outlook 2022," Oct 20, 2021

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They'll be back: Thanks to a healthy slate of sports events in the second half and existing partnerships, sports betting will likely weather the ad downturn and potential recession relatively unharmed.

- Unlike those other marketers worrying about supply chain issues, sports betting can count on the fact that sports will persist even through a recession. The NFL regular season and the upcoming **2022 World Cup** will be another driver of revenue for sportsbooks in H2.
- Sportsbooks can also rely on previous ad investments and partnerships to weather the storm. Heavy ad spending means sportsbooks are now embedded into sports culture—this year's **Super Bowl** attracted record bet volume—and have existing deals with [TV](#) and [mobile](#) providers that they can rely on without repeat ad spend.
- On top of that, the industry's opportunities for partnerships are rapidly expanding. **Disney** has [expressed interest](#) in bringing sports betting to **ESPN**, and the **NFL's** [recently launched streaming service](#) could be another major avenue for sportsbooks.

The big takeaway: Sportsbooks' conservative Q2 is part of the industry's long crawl toward profitability, but also means that the ad industry lost another major source of spending.

- But advertisers should take some comfort in knowing that the decrease is unlikely to be permanent. As sports betting achieves legality in more states and makes its way to more platforms, sportsbooks will still have to spend to capture market share from competitors.

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