

DraftKings doubles down on marketing amid rising competition in sports betting market

Article

The news: DraftKings is set to launch a new marketing campaign featuring comedian Kevin Hart and former NFL quarterback Ryan Fitzpatrick to promote an offer awarding new users

\$200 in “bonus bets.” The campaign comes as competition in the emerging US sports betting market is heating up with last week’s announcement of a [new ESPN-branded sportsbook](#).

Behind the numbers: DraftKings and FanDuel dominate the sportsbook market with a combined 75% share, according to sports betting analyst **Dustin Gouker**.

- The new competition includes **Fanatics**, which launched its sportsbook in January and recently acquired the US assets of PointsBet. Another competitor is **ESPN Bet**, which is expected to debut in November following **Penn Entertainment's** \$2 billion deal to rebrand its Barstool Sportsbook app. Penn anticipates that ESPN Bet could control as much as 20% of the market by 2027.

The opportunity: DraftKings has bounced back from 2022 lows; its stock has risen approximately 156.29% year to date. Some of that is performance-related, while some is tied to its total addressable market.

- By 2025, 23% of US live sports viewers are expected to engage in sports betting, according to our forecast.
- Approximately 25 million US adults have placed at least one legal bet online. That figure should grow to 36.9 million by 2025, representing 18% of US adult internet users and 23% of live sports viewers.
- US sports bettors are expected to wager **\$136.6 billion in 2023**, with projections of a nearly 70% increase to \$218.8 billion by 2025.

What's working: DraftKings is capitalizing on the increasing popularity and legalization of sports betting across the US.

- The company is achieving greater efficiency in its marketing spend as it scales, leaning into national advertising efforts. **Nearly 50%** of the US population resides in states where sports betting is legalized.
- The question is: Will other players see those same efficiencies? Sportsbook competitors like FanDuel and **BetMGM** continue to heavily market their services, offering promotions and bonuses to attract bettors.

Why it matters: DraftKings is a major player in the sportsbook market, and its new campaign is an attempt to further solidify its position. But ESPN Bet and Fanatics are both poised to

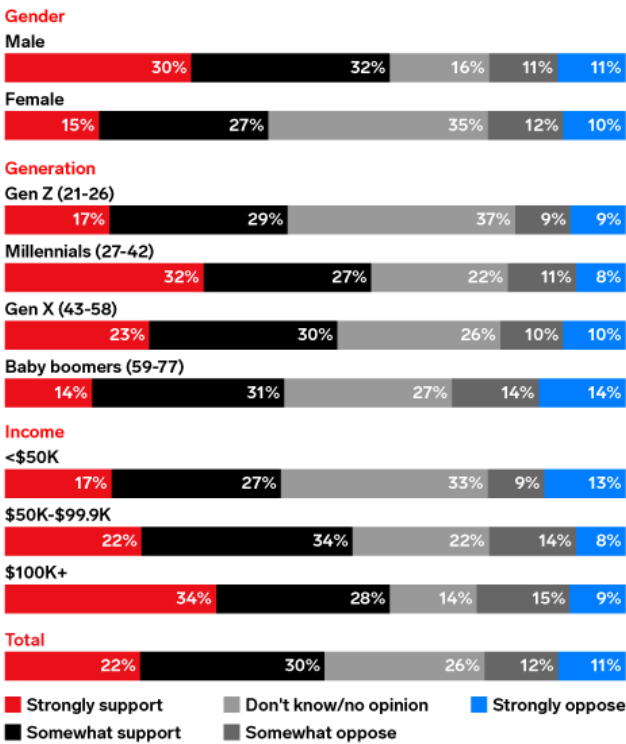
enter the market with strong branding and reach, which will increase the pressure on incumbents.

Our take: The entrance of new competitors with strong name recognition and marketing capabilities signals a significant shift in the sportsbook market—but it remains to be seen how effective ESPN Bet and Fanatics will be in capturing market share from DraftKings and FanDuel.

- DraftKings hopes national ads will save money, but higher promo costs and ad prices due to competition could negate savings.
- The mainstream adoption of legalized sports betting in North America is booming. Time will tell how many players can be successful in this market, and how many states will bow to businesses and consumers lobbying for legalization.

US Adults Who Support Legalized Sports Betting, by Demographic, May 2023

% of respondents in each group



Note: ages 21+
Source: Morning Consult, June 13, 2023

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