

**Sports Gambling: Examining Sports Betting Companies, Vulnerable Populations, and
Regulatory Mechanisms**

A Research Paper Submitted to the Department of Engineering and Society

Presented to the Faculty of the School of Engineering and Applied Science

University of Virginia • Charlottesville, Virginia

In Partial Fulfillment of the Requirements for the Degree

Bachelor of Science, School of Engineering

Lawrence Truong

Spring 2024

On my honor as a University Student, I have neither given nor received unauthorized aid on this
assignment as defined by the Honor Guidelines for Thesis-Related Assignments

ADVISORS

Joshua Earle, Department of Engineering and Society

Introduction

In recent years, the exponential growth of online gambling platforms has sparked widespread concern among policymakers, researchers, and public health advocates alike. Betting advertisements have brought more attention to online sports gambling and have fostered a positive and welcoming environment for prospective customers. Gambling operators entice customers with the notion that easy money can be made by offering lucrative deals. “Get up to \$150 in free bets when making a \$5 dollar bet!” or “Earn \$50 dollars when you sign up now!”. These types of advertisements target naive users into thinking that they are getting free money when gambling, but in reality these are one of the many tricks that advertisements utilize. In a similar way, social media influencers, artists, and even athletes promote gambling by taking sponsorship deals and showing people that money can be made gambling. This makes impressionable people believe that they can earn money through gambling. What people fail to realize is that celebrities are paid by these big companies to gamble and advertise their sites, so that they bring in more customers to generate more revenue for the company. In the end, the companies make a significant amount of money while the users are left with nothing. This is the reality with gambling – the real winners are the casinos and companies that prey on vulnerable people.

Thus, the research question I ask is how can current online sports gambling guidelines and regulations be improved to minimize gambling addiction? In this paper I argue that gambling advertisements are manipulative and lawmakers should strengthen regulations on all types of gambling media. In the following sections, I explore the history of gambling, different marketing strategies companies use to attract prospective customers, and the public perception towards

online gambling. Last, I close the paper out by suggesting a progressive plan to regulate online gambling advertisements.

History of Gambling

Gambling is deeply rooted in US history; gambling has undergone many changes throughout history and has evolved with the introduction of different sports and activities. Gambling is defined as betting or wagering something of value on an event with an uncertain outcome with the intent to win something of more value than the original wager. “Gambling was a common activity throughout colonial and early American history” (Matheson 2021). However, in the late 1800’s and early 1900’s, the legality of gambling began to decline as more states sought to ban gambling. The first form of sports gambling, American horseracing, was relegalized in the 1930’s in an attempt to stimulate the economy. In 1931, Nevada became the first state to legalize most forms of gambling, with the legalization of sports betting introduced in 1949. Montana, Oregon, and Delaware followed suit in the 1970’s, but only offered pool cards through their state lotteries. In 1992, the Professional and Amateur Sports Protection Act (PAPSA) ruled all forms of sports gambling illegal, including state-run lotteries, casinos, and tribal casinos. However, the PAPSA grandfathered existing states with sports gambling operations (Matheson 2021). In 2018, the PAPSA was overturned by the Supreme Court giving the states the power over the legalization of sports gambling. By the end of 2020, 20 states and the District of Columbia relegalized sports gambling, 6 had legalized sports gambling but were pending launch, and over 20 more states were considering legislation (Rodenberg 2020).

This allowed easier access to gambling because the internet is widely used throughout the country. Additionally online gambling is more convenient because it can be done through mobile devices via apps. With online gambling, people are able to gamble with the push of a button,

instead of having to travel to an authorized location. The widespread use and advertisement of this technology has serious consequences on young adults and even children because “those with greater exposure to sports-betting advertising in digital media [are] more likely to bet regularly on sport” (Browne et al. 2019). Exposure to gambling can create new addictions or fuel current ones.

Recently, there has been a massive push towards online gambling through several media outlets. There are many advertisements in social media, television, etc, promoting gambling. Gambling advertisements entice users by offering free money for first time bets and introduce people to the world of online gambling. It has been heavily broadcasted and advertised in every type of media outlet, from social media, to influencers, and even television. Gambling is not a new concept; it spans back since even before history was recorded. Gambling is a potent and highly addictive activity that is heavily regulated. There are many rules and regulations that casinos must follow in order to operate. This makes gambling relatively hard to engage in because of the inconveniences. However, online gambling combines the excitement and thrill with the relative ease of access to the internet. Pairing that with TV advertisements, celebrity gambling promotions, and the thrill of easy money, can have a negative influence on adults.

Methods and Framework

The framework that I adopt is the Theory of Technological Momentum (Hughes 1969). The Theory of Technological Momentum describes technology as a novel innovation that undergoes development and refinement in its early stages. As the technology advances, people are more invested into the product furthering its growth. Once the technology becomes widespread it intertwines itself into society. People are reliant on this technology for day-to-day life and this makes it difficult to introduce any changes to the technology; they become more

difficult to control and regulate. At this point, attempts to change or regulate the technology will face harsh criticism and scrutiny by people who have a vested interest in the technology.

In this paper, online gambling is the technology of focus. Online gambling is a newer technology in the sense that it was recently legalized in multiple states. With each year passing, more states have legalized the use of online gambling which ties into the technological momentum of online betting. With how the current situation is trending, the rules and regulations against online gambling will stay the same. Companies will continue to target vulnerable groups of people and generate massive profits off the back of hard working people. However, the contrary can be said about the growth of online gambling. Since online gambling is still in its early stages, regulations can be added and further enforced to ensure that ethical and responsible standards are met.

To gather more evidence on the impacts of gambling on businesses and people, I used two research methods: finding, reading, and synthesizing previous literature and case studies. The first steps in my research was to learn about the history gambling and its evolution into the technological world. The next steps were to focus on the different social groups affected by online gambling. A group with vested interest in the online gambling scene are the sports betting companies. In the sports betting companies section, I used several literature about the strategies that companies invoke to attract more customers to their sites. Other literature include an in-depth analysis on the financial side of betting companies. This features the spending habits and revenue that businesses pull in. These sources highlight the lucrateness of the gambling industry and are a cornerstone in advocating against regulations towards online betting. Another social group that I focused on are the people impacted by gambling. In the public perception of online gambling section, I explored multiple case studies about the negative impacts gambling

has on youths and adults. One case study delves into young adults in the UK and the perception they have towards gambling advertisements. Another case study focuses on the memory of young adults and their ability to recall gambling advertisements. The last case study narrows into the effects of gambling exposure to children and youths. In the conclusion section, I introduce several regulations that policymakers can implement. I provide an incremental strategy so that the proposed regulations can be eased into society. These methods allowed me to conduct background research on Technological Momentum and studies around online gambling. Additionally, the use of public policy provided relevant information on the online gambling rules and regulations.

Sports Betting Companies

Sports gambling companies play a massive role in online gambling. Companies like FanDuel, DraftKings, Caesars, BetMGM, etc. invest millions of dollars into marketing their brand across the nation and to attract new customers to their business (iGB 2023). According to Statista, online gambling advertising spendings have risen from \$1 billion in 2021 to a staggering \$1.9 billion in 2023. The growth in the sports betting industry is remarkable, yet alarming because gambling can be harmful when done in excess. Sports betting company spending can be broken down into several marketing strategies: sponsoring sports teams, television, and digital advertisements.

In sponsoring sports teams, companies plaster their logo and branding to scoreboards, moving displays, stadiums, and arenas. Some sports betting companies have gone as far as purchasing naming rights to team stadiums and arenas. The New Orleans Saints and Caesars Sportsbook came to an agreement, with a valuation of \$138 million dollars, to rename the previous Mercedes-Benz Superdome to Caesars Superdome. The Caesar Superdome deal was the

first naming rights deal between a professional sports team and a betting company. The naming rights deal displays the power of sports betting companies. Following the trend, the sports betting company of the North Carolina Lottery Commission overturned its previous ruling, allowing betting companies to make naming rights deals (WRAL 2023) in December 2023. The court decision set the precedent for future naming rights and demonstrates the power dynamics between professional sports and sports gambling. The interrelation between the sports and gambling industry establishes new norms in sports sponsorships. The partnership between betting companies and professional sports teams sets in motion for further integration of gambling entities into the sports industry, solidifying their influence and market presence.

Another prevalent marketing strategy betting operators employ are television deals and advertisements. “From September 2021 to May 2022, US sports betting operators spent an estimated \$282m on TV advertisements...The combined advertising generated more than 18 billion impressions” (iGB 2023). An impression is an advertisement shown or broadcasted to viewers. Impressions are one of the most effective strategies in bringing customers to gambling sites. The exposure that is generated from television broadcasts is remarkable. As a newer technology, online gambling has grasped mainstream media and embedded itself into society. The reach of TV ads is especially harmful to all people because it introduces gambling to younger audiences.

Sports betting companies substantially invest in TV advertising, highlighting the intersection of traditional media with online gambling platforms. The widespread reach of TV ads contributes to the normalization of sports betting, exposing all viewers to gambling-related content. This normalization further reinforces the presence of gambling in everyday life, making it seem like an acceptable and commonplace activity.

The last type of marketing that I discuss is digital marketing. Digital advertising is arguably the most powerful marketing tool due to the numerous approaches and strategies. A popular method of digital advertising is running sponsored videos or images on websites frequented regularly. Embedded video or image advertisements are extremely impactful because it has the ability to reach a niche audience. Additionally, companies use retargeting advertisements to build up engagements with prospective customers. Retargeting is a technique that reaches out to previous visitors of a website or app, through advertisements or email. Companies retarget customers to draw them into their sphere of media influence whereby they are converted into paying customers (iGB 2023).

Since a large demographic of internet users are young, exposure to retargeted ads puts them in danger of experiencing gambling problems later in life. As mentioned in the iGB article, repeated exposure to a younger audience builds up anticipation to gamble even before they are able to. The gamification of sports betting coupled with the prospect of monetary rewards reinforces the excitement of gambling. A more recent trend of digital marketing is endorsements from public figures. “The endorsements from celebrities or athletes can create a false sense of security for those who are unfamiliar with the process of placing bets and can be highly deceptive in terms of the potential risks involved with sports betting” (Rodgman 2023). Celebrity endorsements are extremely concerning because they possess a considerable amount influence over the general public. Children and youths are impressionable, so when they see an influencer promote gambling, they may also want to partake in the activity. Children and youth, however, do not understand the potential risk associated with gambling. The advertisements display the normality of gambling in day-to-day life which has a negative impact on the younger population. Young people are shown the glorification of gambling which fuels their anticipation to gamble

later on. Sponsorships, tv deals, and endorsements are some of the more traditional ways sports betting companies promote their brand. Digital advertising, particularly through retargeting ads, and endorsements from public figures, use targeting techniques to engage prospective customers and shape their perceptions of gambling. By infiltrating online spaces frequented by younger demographics, digital ads create an environment where gambling is portrayed as glamorous, exciting, and potentially lucrative. The integration of gambling into digital platforms blurs the boundaries between entertainment and commercialization, fostering continuous engagement and consumption.

With how these advertisements are trending, this will set the norm for the future of marketing strategies. As the momentum of these marketing strategies begin to take root of the industry, it will be difficult to regulate this behavior. However, because this technology is still in its development stages, regulations can still be introduced. In the next section, I discuss the impacts gambling has on the general public.

Public Perception of Online Gambling

Public perception plays a determinant role in shaping gambling advertisements because advertisers seek the approval of their target audience. Advertisers aim to resonate with the public's values, preferences, and attitudes to increase customer acceptance and engagements. Therefore, public perception is a powerful tool against marketing tactics because it could damage the reputation of businesses, detracting potential customers away from the product. In the following section, I explore three case studies revolving around public sentiment towards gambling advertisements.

To gain a deeper understanding of how sports gambling advertisements have become so prevalent in today's age, I considered is *'It's basically everywhere': young adults' perceptions of*

gambling advertising in the UK written by Jamie Torrance, Gareth Roderique-Davies, Samantha L Thomas, Nyle Davies, & Bev John. This study was a survey conducted in the UK about the individual perspective on gambling. First, the survey asked participants about their thoughts on gambling advertisements. Participants responded that there was an increase in volume, frequency, and intensity (Torrance et al. 2020). The survey responses display the stranglehold gambling advertisements have on the media. Gambling companies have pervasive control over media, which has led to a negative perception towards gambling ads. With increasing disapproval towards gambling advertisements, consumers are more likely to ignore such ads or refrain from gambling activities. As a result, consumer action can effectively defuse the momentum of sports gambling advertisements. Then the researchers surveyed the participants about the exposure of gambling ads to vulnerable groups of people. Participants came to an overwhelming consensus that the ads were unethical and manipulative to expose gambling-related advertisements to susceptible groups (Torrance et al. 2020). The growing discomfort towards gambling ads and marketing tactics employed by gaming operators puts a halt towards the momentum of online gambling. When gambling ads come across as distasteful and insincere, the general public consumes less of the product. The decrease in gambling-related activities would result in stagnant growth in the industry putting a stop to the momentum of online gambling. Lastly, participants viewed incentivized promotions as a dishonest and deceptive way in bringing more customers to the user base. Ultimately, consumers would yield negative returns from advertised gambling offers (Torrance et al. 2020). Again, dishonest advertising reiterates the growing public distrust of gambling operators, effectively stalling the momentum of online gambling.

Another case study that I analyzed was titled *Young people's recall and perceptions of gambling advertising and intentions to gamble on sport* by Nyemcsok et al. When researchers asked participants about the brand attributes and appeal strategies employed by sports betting companies the most concerning remark was that young people perceived money back promotions as risk-free betting. Some participants believed that bettors would not incur financial losses upon losing bets. Other participants viewed money back promotions as a lifeline for getting out bets if the losses were too great (Nyemcsok et al. 2018). The participants' perception is disturbing because it creates a misconceived notion towards gambling. Gambling advertisements paint gambling in a positive light because of its deceptive language and portrayal. Online gambling is seen as a regular day-to-day activity that people can participate in akin to playing sports or video games. Then, researchers questioned the participants about the most influential promotional strategies to get individuals to gamble. Money back offers, sign-up deals, and celebrity endorsements accounted for over 70% of the responses (Nyemcsok et al. 2018). These types of marketing strategies are influential and dangerous because it paints a false sense of security for non-gamblers and prospective gambling. This positive perception is especially harmful for children because these deals present an illusion of safety through free money or money back offers. At the end of the study, the researchers inquired participants about their intentions to gamble when they are old enough. A little less than a quarter of the participants thought they would gamble. (Nyemcsok et al. 2018). The participants' responses raise significant concerns because these ads are meant to target adults, but affect children inadvertently. Gambling advertisements have a profound influence on their audience because of its savvy marketing tactics. In the conclusion of the research, scientists found that children were able to recollect

sports betting brands, strategies, and advertisements a majority of the time (Nyemcsok et al. 2018).

Normally, sports betting is heavily regulated so the target audience is older and more mature. However, the regulations for betting ads are more lenient. Betting companies are only required to disclose two major points: that gambling is a risk and there is no guaranteed success. Additionally, betting companies may include messages promoting responsible gambling and methods to seek help for addiction. “Ads like FanDuels responsible gaming theme try to preach how they are looking out for your best interests, but in reality it’s mostly fluff and virtue signaling to make them look good” (Rodgman 2023). In reality, the messages fail to reach consumers; they come across as tone deaf and insincere. Responsible gambling messages shift the responsibilities away from the companies and deflect accountability onto the consumers. The virtue signaling surrounding responsible gambling is constructed on the premise that adults are mature enough to comprehend the repercussions of gambling and have the autonomy to seek assistance independently.

The last case study that I focused on is *New Developments in Gambling Marketing: the Rise of Social Media Ads and Its Effect on Youth* by Raffaello Rossi and Agnes Nairn. In this study, Rossi and Nairn found that social media ads were time sensitive (Rossi & Nairn 2022). Social media advertisements evoke a sense of urgency and fear of missing out on gambling opportunities. Social media ads prompt consumers to impulsively spend because the deals are too enticing to resist or the returns from the bet could be life altering. Impulsive spending is detrimental because people are unable to control their emotions; impulsive decisions can disrupt financial stability and ultimately lead to financial ruin. Rossi and Nairn also found that 11 out of 12 gambling ads triggered positive emotions in children and youths, while 7 out of 12 ads

triggered the same emotions for adults (Rossi & Nairn 2022). Positive emotions towards gambling normalizes the activity in day-to-day life. Positive emotions diminishes the risk of gambling because it is portrayed as an enjoyable and exciting activity. Lastly, Rossi and Nairn saw heavy uses of insider sentiments in gambling advertisements. Insider sentiment are jokes or jargon belonging to a group or community (Rossi & Nairn 2022). Insider sentiments further reinforces the sense of belonging and acceptance within specific communities, perpetuating the momentum of online gambling through social reinforcement mechanisms.

Conclusion

Sport gambling marketing dominates a large majority of traditional media. The volume and frequency of sports gambling marketing has not only harmed vulnerable consumers but also the general public. Gambling ads have become a nuisance for the general public because they are deceptive and confusing. Gambling ads are meant to be obscure; they are crafted to hook customers to their platforms. Additionally, sign-up bonuses and promotions create a false-sense of security that profitability is easily attainable. Due to the surmounting reasons, I propose to create regulations against the use of marketing for online gambling.

To start this process, lawmakers can incrementally introduce regulations so that the push back is not severe. The first step is to remove deceptive and confusing language in the advertisements. Game operators phrase advertisements in a manner that renders offers enticing and seemingly irresistible. An example is a promotion wherein a customer can bet up to \$1000 dollars risk-free. If the customer wins their bet, then the payout proceeds as usual, but if the customer loses then they will be paid back in the platform's credit. This credit cannot be withdrawn from the account and is subject to a time limit. The time limit of the betting credits

pressures the customer to win back the deposit that was supposedly risk-free. Customers may make irrational and impulsive decisions because of the time limit.

The next step would be to clearly define any potential dangers on gambling advertisements. Gambling operators are required to include a disclaimer on every gambling ad. Usually, disclaimers are either flashed on the screen or displayed in fine print. While these types of disclaimers are visually impairing, the gambling ads follow the current regulations. The obscure disclaimers make online gambling look harmless because there are a lack of visual cues indicating the potentially hazardous nature of the activity. I suggest that the disclaimer should be in a bigger font so that consumers explicitly know what they are getting themselves into. If an ad contains a flashing disclaimer, then the disclaimer has to stay up for a substantial time so that consumers are able to read and understand the risk involved.

Lastly, lawmakers can enact a partial or outright ban on gambling advertisements. The restriction of gambling advertisements would mitigate the dangers towards susceptible groups accidentally stumbling across an ad. Several countries in Europe have enacted partial or full bans on most forms of gambling advertisements (Lingerman 2020) so this is a feasible solution to the problem. Additionally, the code for responsible marketing of sports wagering from the American Gaming Association lists several standards that sports betting companies should follow so that they can market ethically and responsibly.

References

- Adgate, B. (n.d.). *Sports Betting Is Revving Up Ad Spending For Fourth Quarter*. Forbes. Retrieved October 25, 2023, from <https://www.forbes.com/sites/bradadgate/2022/09/15/sports-betting-is-revving-up-ad-spending-for-fourth-quarter/>
- Broda, A., LaPlante, D. A., Nelson, S. E., LaBrie, R. A., Bosworth, L. B., & Shaffer, H. J. (2008). Virtual harm reduction efforts for Internet gambling: Effects of deposit limits on

- actual Internet sports gambling behavior. *Harm Reduction Journal*, 5(1), 27.
<https://doi.org/10.1186/1477-7517-5-27>
- Browne, M., Hing, N., Russell, A. M. T., Thomas, A., & Jenkinson, R. (n.d.). The impact of exposure to wagering advertisements and inducements on intended and actual betting expenditure: An ecological momentary assessment study. *Journal of Behavioral Addictions*, 8(1), 146–156. <https://doi.org/10.1556/2006.8.2019.10>
- Carp, S. (2021, March 25). Report: New Orleans Saints and Caesars close to US\$200m Superdome naming rights deal. SportsPro.
<https://www.sportspromedia.com/news/new-orleans-saints-superdome-naming-rights-caesars-entertainment/>
- Code of Virginia Code—Article 2. Sports Betting*. (n.d.). Retrieved October 11, 2023, from <https://law.lis.virginia.gov/vacodefull/title58.1/chapter40/article2/>
- Dwyer, B., Hayduk, T., & Drayer, J. (2021). A comparative analysis of sports gambling in the United States. *International Journal of Sports Marketing and Sponsorship*, 23(4), 684–706. <https://doi.org/10.1108/IJSMS-03-2021-0074>
- Hughes, T. P. (1969). Technological momentum in history: Hydrogenation in Germany 1898-1933. Past and Present Society.
- Karp, R. (n.d.). *4 Most Powerful Strategies for Acquiring Customers to Your Sportsbook*. Retrieved October 25, 2023, from <https://www.dataart.com/blog/4-effective-customer-acquisition-tactics-for-your-sports-betting-business>
- LaBrie, R. A., LaPlante, D. A., Nelson, S. E., Schumann, A., & Shaffer, H. J. (2007). Assessing the Playing Field: A Prospective Longitudinal Study of Internet Sports Gambling Behavior. *Journal of Gambling Studies*, 23(3), 347–362.
<https://doi.org/10.1007/s10899-007-9067-3>
- Lingerman, A. (2020, October 14). Regulation of Gambling Advertising in Europe.
<https://lawstrust.com/en/autor/klymenko/regulation-gambling-advertising-europe>
- Matheson, V. (2021). An Overview of the Economics of Sports Gambling and an Introduction to the Symposium. *Eastern Economic Journal*, 47(1), 1–8.
<https://doi.org/10.1057/s41302-020-00182-4>
- Nyemesok, C., Thomas, S. L., Bestman, A., Pitt, H., Daube, M., & Cassidy, R. (2018). Young people's recall and perceptions of gambling advertising and intentions to gamble on sport. *Journal of behavioral addictions*, 7(4), 1068–1078.
<https://doi.org/10.1556/2006.7.2018.128>
- Preciado, D. (2023, February 28). *States Where Sports Betting Is Legal*. Forbes Betting.
<https://www.forbes.com/betting/guide/legal-states/>
- Rodenberg, Ryan. 2020. United States of sports betting: An updated map of where every state stands, ESPN.com.
https://www.espn.com/chalk/story/_/id/19740480/the-united-states-sports-betting-where-all-50-states-stand-legalization

- Rodgman, M. (n.d.). *The Spell Cast By Sportsbooks Commercials & Celebrity Bettors*. inplayLIVE. Retrieved February 11, 2024, from <https://www.inplaylive.com/news/sportsbooks-commercials-and-celebrity-betting>
- Rossi, R., Nairn, A. New Developments in Gambling Marketing: the Rise of Social Media Ads and Its Effect on Youth. *Curr Addict Rep* 9, 385–391 (2022). <https://doi.org/10.1007/s40429-022-00457-0>
- Team, iGB E. (2023, January 6). How much do sportsbooks spend on marketing and will it lead them to profit? *iGB*. <https://igamingbusiness.com/marketing-affiliates/how-much-do-sportsbooks-spend-on-marketing-and-will-it-lead-them-to-profit/>
- Torrance, J., Roderique-Davies, G., Thomas, S. L., Davies, N., & John, B. (2021). ‘It’s basically everywhere’: Young adults’ perceptions of gambling advertising in the UK. *Health Promotion International*, 36(4), 976–988. <https://doi.org/10.1093/heapro/daaa126>
- WRAL. (2023, December 6). *Sports betting operators can buy naming rights at North Carolina venues* : WRALSportsFan.Com. <https://www.wralsportsfan.com/sports-betting-operators-can-buy-naming-rights-at-north-carolina-venues/21183411/>