Variables Affecting the Market Demand of Sport Lottery Sales in China: The Case of Guangdong Province

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Today, sport betting is one of the fastest growing sectors in both of the gambling and sport industries globally. For instance, during the 2009–2010 fiscal year, the British gambling industry generated a gross income of £5.7 billion (Gambling Commission, 2010), where the sport betting sector had one of the largest market shares within the sports industry. Sport lottery plays a very important role in promoting the economic and social development, including providing employment, boosting consumer spending, generating tax incomes, and promoting other industries, such as printing, communication, transportation, manufacture, finance, and advertisement (Li et al., 2012). In many countries and local communities, income from gambling contributes significantly to the development of sport programs (Mao et al., 2013).

The last decade has witnessed the rapid growth of Chinese economy and its gradual open-up of the gambling market (Li et al., 2012). Since the inception of the first national lottery in 1987, the lottery gambling market has been growing rapidly in the past 27 years. In China, national lotteries are administered by two national agencies: China Welfare Lottery Distribution and Management Center and China Sport Lottery Administration Center. The entire market reached to 221.6 billion yuan (about $35.1 billion) in 2011, representing a 33.3% annual growth (Mao et al., 2013). After several years of debates, China Jockey Club was founded in 2014 and horse-racing will be launched in Shanghai and Beijing in 2015. As one of the two national lottery branches and a major segment of China’s sport industry, transactions in sport gambling reached to $22.1 billion in 2013. In the meantime, illegal gambling is estimated to be at least 10 times of wagers of legal, government-run lotteries. Although legal sport lottery sales remain to be of a steadily growing rate during recent years, it currently represents only 10% of the China’s lottery market size (Chinese Ministry of Finance, 2012). It is estimated that the gap between the sport lottery and the welfare lottery will continue to increase if effective countermeasures are not soon developed and implemented. Sport lottery also face strong market competitions from such increased leisure activity spending as sport event attendance, concerts, fashion, and international travel. All in all, understanding those factors influencing the sales of sport lottery and developing effective marketing procedures to increase its revenue generation are necessary for China to maintain a healthy development and effective administration of this segment of the sport industry.

Market demand is related to consumer expectations toward the attributes of the core product (Zhang et al., 2003). It is a cluster of pull factors associated with a sport product that an organization can offer to its new and returning consumers (Braunstein et al., 2005; Schofield, 1983; Zhang et al., 1995). Demand analysis in terms of product features, consumer characteristics, and marketing environment is essential to develop a product that can deliver values to the consumers. The expected utility theory and its modifications have motivated many empirical investigations into the demand for lottery gambling (Mao et al., 2013). These studies may be divided into those who used product attribute variables, such as effective price, jackpot, and prize structure (Forrest et al., 2002; García & Rodríguez, 2007; Scoggins, 1995), those who used consumer characteristic variables, such as income, gender, age, education, religion, and ethnicity (Felsher, Derevensky, & Gupta, 2003; Herring & Bledsoe, 1994; Walker, Courneya, & Deng, 2006), and those who used marketing variables, such as venue accessibility (Hing & Haw, 2009), cross border competition, and product substitution (Forrest, Gulley, & Simmons, 2004; Garrett & Marsh, 2002), and social responsibility marketing (Li, Zhang, Mao, & Min, 2011).

The purpose of this study was to examine the market demand of sport lottery in China from the following perspectives, including individual expenditures on purchasing sport lottery, available types and variety of sport lottery, convenience of retail outlets, household income, and perceived investment in public welfare. Through conducting a review of literature, on-site observations of sports lottery retail operations, and interviewing officials of China’s sports lottery administration, managers of sports lottery retail outlets, and sports lottery consumers, a
questionnaire was developed to measure individual expenditures on purchasing sport lottery, available types and variety of lottery, convenience of retailing outlets, household income, and perceived investment in public welfare. A panel of 10 experts including four university professors in sport management, three sport lottery administrators, and three experts in gambling research conducted a test of content validity in terms of item relevance, representative, and clarity.

As the earliest province of issuing the sales of sport lottery and having one of the largest sales volumes in China, the Guangdong Province was chosen for conducting the current study. According to administrative zoning, Guangdong is divided into four regions: Northern, Eastern, Western, and Middle. Data collection was conducted in nine municipal cities that were randomly selected from the four administrative regions, with at least two cities representing a region. Within each city, a computer-generated, randomly stratified sampling procedure was conducted to select research participants. Sampling size of this study was determined by selecting 10-15 sport lottery consumers in each of the three to five retail outlets selected within each of the nine cities. Following an informed consent, the questionnaire was administered by trained investigators, who conducted one-on-one interviews at a reserved space in a sport lottery retail outlet. Interviews were conducted on both weekdays and weekends. Overall, 432 individuals expressed willingness to participate in the study and a total of 395 of them completed the questionnaire, representing a response rate of 91.4%.

Multiple regression analyses revealed that convenience of retail outlets was significantly (p < .05) related to an individual's total expenditures on purchasing sport lottery, with 522,438.5 RMB sales increases from combined individual's sport lottery expenditures by adding one sport lottery retail vendor. Household income and perceived investment in public welfare were positively (p < .05) correlated with individual expenditure on sport lottery purchase. However, available types and variety of sport lottery sales was found to be negatively (p < .05) related to individual expenditure. The research findings were overall consistent with previous research indications, particularly those by Forrest et al. (2002), García and Rodríguez (2007), and Hing and Haw (2009). Individual expenditures on sport lottery were indeed influenced by various market demand variables that are related to product attributes, consumer characteristics, and sales operations. The findings are further discussed in the context of marketing and administration of sport lottery sales in China. Similar studies are suggested to be conducted in provinces and regions beyond Guangdong Province.