

Comparative Analysis of the Business Strategies of China Welfare Lottery and China Sports Lottery

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Abstract. There are two famous and major systems on the lottery market in our country which are China Sports Lottery and the China Welfare Lottery, The China Sports Lottery is a written voucher issued to raise funds for the development of sports, printed with numbers, graphics or words, for people to buy voluntarily and obtain the right to win in accordance with specific rules. The China Welfare Lottery aims to raise funds for social welfare, to develop welfare services for the disabled, the elderly and orphans, and to help people in need. In this essay, firstly this paper discusses the development course, the management system and the present situation and the present situation of the China Sports Lottery and the China Welfare Lottery, and then I analyze the market volume of China Sports Lottery and the China Welfare Lottery, respectively. After that, this paper elaborates on the secret of how Sports Lottery and Welfare Lottery to earn money. Thirdly, this paper illustrates the pros and cons of the China Sports Lottery and the China Welfare Lottery. Finally, this paper pointed out the target groups of two different types of lotteries and the guarantee of lottery marketing strategy put forward the corresponding measures.

Keywords: Comparative analysis, business strategies, lottery.

1. Introduction

After over 20 years of development, the China Sports Lottery and the China Welfare Lottery, which were officially introduced in 1994 and 1987, respectively, have generated enormous social and economic advantages. In China, the rise of the sports lottery sector has progressively become a key driver of economic expansion, generating demand, improving employment, the third distribution, and raising tax collections. The issuance and management of sales of welfare lotteries and sports lotteries nationwide are handled by respective welfare lottery issuers and sports lottery issuers that have been legally established by the civil affairs department and the sports administration department of the State Council, respectively. Lotteries are congruent with a person's desire to achieve their economic goals. A self-interested individual exclusively considers his or her own security and wealth when pursuing their own interests, according to Adam Smith, who made this observation more than 200 years ago in his book *The Wealth of Nations*. When this happens, he is led by a hand that is not visible, and by advancing his personal interests, he frequently advances societal objectives more successfully than he actually means to. This idea, known as the "economic man" hypotheses, contends that lotteries are congruent with people's economic goals. [1] Lottery tickets sales nationally increased by 91.836 trillion yuan, or 50.4%, from Jan to June of 2023, to an overall value of 273.899 billion yuan. Among them, welfare lottery organizations sold 89.817 billion yuan, a 20.0% year-over-year rise of 14.955 billion yuan; sports lottery organizations sold 184.082 billion yuan, or 71.7% year-over-year increase of 76.880 billion yuan. [2] The continuous development of science and technology, the increasing interconnectedness of different countries and regions in the economic field and the rapid development of communication technology across spatial boundaries have confronted the lottery industry in all countries with great challenges and have also given rise to fierce competition among lotteries in different regions for regional and even worldwide lottery markets. National lotteries are actively seeking to evolve under the new circumstances in order to ensure or enhance the status and role of lotteries in the economic and social development of their countries [3].

2. Market Volume

One of the important foundations for the continuous development of the lottery industry is the good public image of lotteries, which is mainly manifested in the following two aspects: firstly, the funds raised by lottery distribution are taken from the people and used by the people; and secondly, the lottery industry ensures equal opportunities for participants and safeguards the legitimate rights and interests of the participants through strict management. The reason why lotteries around the world have been able to develop continuously is that the lottery industry has a good public image, which is why so many people voluntarily participate in lottery activities. With economic development and social progress, the lottery industry has been improving its public image in various aspects. First of all, in terms of impartiality, all countries are constantly improving their regulations and policies to ensure the impartiality, charitableness and justice of lotteries. In Canada, there was a history of lottery operators winning the first prize, which aroused great public skepticism about the impartiality of lotteries. Subsequently, the governments of many countries have clearly stipulated in their laws and policies that lottery operators are prohibited from engaging in lottery activities. In addition, the setting of the probability of winning a lottery, the method of determining the winner, and the allocation and use of lottery funds are all expressly provided for in laws or regulations. [4] With the increasingly fierce homogeneous competition in the lottery market with the welfare lottery, the establishment of unique personalized products has become an inevitable choice for the sports and welfare lotteries to get rid of the existing difficulties. Through the establishment of personalized image, the sports lottery and welfare lottery can further explore the potential of the lottery market, [5] continuously expand the lottery market, achieve the purpose of better raising lottery public welfare funds, and thus create greater economic and social benefits, and make greater contributions to the development of China's sports and public welfare undertakings. The main purpose of this paper is to summarize the impact of the social environment on the lottery market, so as to make a comparative analysis of the business strategies of the welfare lottery and sports lottery, and at the same time to put forward suggestions and measures to better ensure the effective implementation of innovative marketing strategies in the lottery market.

2.1. Market Volume of China Sports Lottery

China Sports Lottery is a form of lottery under the authority of the State General Administration of Sports of China, and its market volume is huge. According to statistics, the sales of China Sports Lottery have continued to grow in recent years. Lottery tickets sales nationally increased by 91.836 trillion yuan, or 50.4%, from Jan to June of 2023, to an overall value of 273.899 billion yuan. This figure demonstrates the widespread popularity of China Sports Lottery in the domestic market. The market volume of China Sports Lottery not only provides important financial support for the national sports industry, but also provides opportunities for most lottery players to participate in sports lottery games.

2.2. Market Volume of China Welfare Lottery

China Welfare Lottery is a public welfare lottery under the supervision of the State General Administration of Sport of China, and its market volume is very large. According to relevant data, the sales of China Welfare Lottery have continued to grow in recent years and have become an important part of China's lottery market. According to the data of 2019, the sales of China Welfare Lottery reached about RMB 400 billion. This figure shows the huge scale and influence of China Welfare Lottery in the domestic market. The market volume of China Welfare Lottery not only provides huge financial support for public welfare, but also provides opportunities for most lottery players to participate in public welfare.

3. Profit Model

Sports lotteries and welfare lotteries are public welfare lotteries administered by the government, and part of their sales proceeds will be used for social welfare undertakings. [6] A store that runs a sports or welfare lottery, usually through the sale of lottery tickets to generate revenue. The main ways of earning are as follows: Lottery sales outlets receive a certain percentage of commission from tickets sold. For example, the commission percentage for sports lottery points of sale is generally about 8.2%, while the commission percentage for welfare lottery points of sale is about 7%. These commission revenues are the primary source of profit for the point of sale. If a lottery ticket sold by a point of sale wins a jackpot, the point of sale will receive a certain percentage of the prize money, from which it can earn an additional commission; for example, a point of sale that wins a sports lottery jackpot can receive from 0.3% to 1.5% of the prize money. In addition to the sale of lottery tickets, lottery outlets may also earn income from the sale of lottery-related merchandise. For example, lottery storefronts can also sell daily necessities such as cigarettes, alcohol, water, and snacks at the same time to increase revenue. It should be noted that although the percentage of commission received by lottery sales outlets is relatively low, the sales outlets' earnings are also relatively substantial due to the high volume of lottery sales. At the same time, the profitability of a lottery point of sale is also related to factors such as market demand and sales methods in the region where it is located.

4. Popularity

Both the China Welfare Lottery and the China Sports Lottery are well-known in China. China Welfare Lottery is managed and operated by the China Welfare Lottery Issuance and Management Center. Its popularity is very high, and the masses are very familiar with it. China's welfare lottery sales channels are all over the country, and lottery activities are held several times a week, attracting many lottery buyers. [7] China Sports Lottery is also managed and operated by the China Sports Lottery Administration Center, and it is also well-known. China's sports lottery sales channels are also all over the country, holding multiple lottery activities every week, including football lottery, basketball lottery and other types of lotteries, attracting the attention and participation of sports fans and lottery buyers. [8] The two lottery brands are well known in China, where large numbers of people often buy lottery tickets in the hope of winning and receiving large sums of money. Lottery tickets are sold across the country and can also be purchased through online channels such as mobile apps. Lottery sales and drawing information are also frequently promoted and reported in the media, further increasing their popularity. In general, China Welfare Lottery and China Sports Lottery have high visibility and influence in Chinese society.

5. Strengths and Weaknesses

5.1. China Sports Lottery

The China Sports Lottery offers several advantages that contribute to its popularity and positive impact on society. Firstly, the lottery has a public welfare nature, as a portion of the sales revenue is allocated to support sports and public welfare initiatives. This includes the construction of sports facilities and preparations for major sporting events like the Olympic Games. By investing in these endeavors, the China Sports Lottery plays a crucial role in promoting sports and benefiting society as a whole. Secondly, the lottery serves as a source of entertainment. Purchasing sports lottery tickets not only allows individuals to participate in the excitement of sports events but also increases their attention and engagement with these activities. It provides a unique form of entertainment that enhances people's enjoyment of sports and encourages a deeper love and appreciation for various sporting events. Additionally, the China Sports Lottery offers generous prizes. The amount of prize money available in the lottery is relatively high, and winners have the opportunity to receive substantial rewards. This serves as a strong incentive for individuals to participate in the lottery, as

the prospect of winning a significant prize acts as a motivating factor. The availability of such rewards not only adds excitement to the lottery experience but also provides a tangible form of recognition and reward for purchasers. In summary, the China Sports Lottery offers a range of advantages. Its public welfare nature contributes to the development of sports and public welfare initiatives, while its entertainment value enhances people's engagement with sports events. Furthermore, the opportunity to win generous prizes serves as a powerful incentive for individuals to participate in the lottery. Overall, the China Sports Lottery plays a significant role in promoting sports, providing entertainment, and offering rewarding experiences for its participants.

The Chinese sports lottery, despite its advantages, also presents several disadvantages that need to be considered. Firstly, the randomness of the lottery results means that the chances of winning a sports lottery ticket are generally small, and the probability of winning is low. This poses a certain risk for buyers, as they may invest money without a guarantee of a return, potentially leading to financial loss. There is a risk of dependence on sports lottery tickets. Some individuals may develop an over-reliance on purchasing these tickets as a means to improve their economic situation. This can result in irrational investment decisions and, in extreme cases, financial distress. Additionally, the development of China's sports lottery market is closely tied to lottery sales. If sales are not ideal, it can affect the funding for sports development and social welfare initiatives, creating a potential setback for these important areas. The negative impact of the sports lottery should be considered. Some individuals may develop an addiction to purchasing sports lottery tickets, which can have detrimental effects on their work, family life, and personal well-being. This addiction can lead to financial strain and emotional distress, impacting various aspects of their lives. Risk management is a crucial aspect of the lottery market. There are inherent risks, such as the potential for fraud by criminals and social problems arising from personal addiction to the lottery. To address these concerns, it is essential to strengthen supervision and implement effective risk management measures to protect participants and maintain the integrity of the lottery system. While the Chinese sports lottery offers certain advantages, it is important to acknowledge and address its disadvantages. These include the low probability of winning, the potential for dependence and financial risks, the negative impact on individuals' lives, and the need for robust risk management measures. By recognizing these drawbacks and implementing appropriate measures, the sports lottery can be better regulated and its negative consequences mitigated, ensuring a safer and more responsible lottery environment.

5.2. China Welfare Lottery

The China Welfare Lottery offers several advantages that contribute to its positive impact on society. Firstly, the sales revenue generated from the lottery is primarily used for social welfare causes, including education, medical care, and poverty alleviation. This allocation of funds makes a significant contribution to society by addressing pressing social issues and improving the well-being of individuals in need. Secondly, purchasing Welfare Lottery tickets provides a sense of entertainment and excitement, enhancing the overall pleasure of life. The lottery experience offers a recreational aspect, allowing individuals to engage in a thrilling activity that adds an element of fun and anticipation to their daily lives. Furthermore, the Welfare Lottery offers generous prizes, providing participants with the opportunity to potentially change their financial situation. The high winning amounts associated with the lottery serve as an incentive for individuals to participate, as they hold the prospect of a life-changing reward. Lastly, the Welfare Lottery is characterized by fairness and impartiality. The lottery results are openly and transparently determined, ensuring that every buyer has an equal chance of winning. This fairness in the selection process instills trust and confidence among participants, enhancing the overall integrity of the lottery system. However, it is important to consider the disadvantages of the Chinese welfare lottery. Firstly, the chance of winning a welfare lottery ticket is generally low and relies heavily on luck. This can lead to long-term investments by purchasers without a return on their investment, potentially resulting in financial losses. Secondly, for some individuals, buying welfare lottery tickets can develop into a gambling behavior, which can easily lead to gambling addiction and subsequent financial distress. The allure of potential winnings

can be enticing, but it also carries the risk of developing unhealthy gambling habits. Additionally, buying welfare lottery tickets can cause personal and family financial stress, particularly for those who overbuy tickets in hopes of winning big. This can lead to financial difficulties and strain on relationships. Lastly, the winning results of the welfare lottery are determined by uncontrollable factors and cannot be influenced by personal ability or skill. This means that participants have no control over their chances of winning, relying solely on luck. In conclusion, while the Chinese welfare lottery offers advantages such as its public welfare nature, recreational value, generous prizes, and fairness, it is important to be aware of its disadvantages. These include the reliance on luck, the potential for gambling problems, negative financial effects, and the inability to improve winning odds through personal abilities. By acknowledging these drawbacks, individuals can make informed decisions regarding their participation in the welfare lottery, ensuring responsible and mindful engagement with the game.

6. Target Groups

Since the 2019 epidemic, the national economy has been hit hard, but in the aftermath of the epidemic, in addition to the above data (introduction), people can see from social media that today's lotteries have become a popular tool for young people to make a fortune, but no one knows which will come first: tomorrow or riches. Among the many types of lottery tickets, the most popular among young people is the instant-scratch-and-win "Scratchers". Whether it's a small lottery station at the end of the street or a "net red lottery store" in a major shopping mall, almost all of them are the 90s and 00s as far as the eye can see. Some of these young people buy a few tickets and some buy a few books. [9] People don't know how many young people really rely on the lottery to become rich, but people can know that at least the lottery station is making a lot of money. Nowadays, lottery stations have changed their old style, some have been made into flash stores, and some have been transformed into national trend stores. Eye-catching and personalized logos, background panels full of Netflix flavor, and interesting slogans not only meet the tone of young people, but also give themselves a strong Netflix attribute. At the same time, a small lottery ticket is endowed with strong social attributes, realizing the light-speed spread on social media. Young people come to the lottery store to sit down together and buy a few scratch-offs, and what they scratch off is not a lottery ticket but a kind of happiness with instant feedback. As the number of young lottery players increases, the expansion of the size of the lottery-buying population may lead to an increase in the total number of problem players. The reason why the lottery has spread so widely among young people is that they see the lottery as a way to get rich, believing that since someone will always win. [10] There is a "lipstick principle" in economics, which means that the more depressed the economy is, the more inexpensive a luxury item like lipstick will sell. After the 2019 epidemic, lottery sales in China doubled [11].

7. Conclusion

Sports lottery marketing environment has the advantages of sales network all over the country, the existence of a number of loyal lottery players, and the establishment of a good public welfare image, and has a late start compared with welfare lottery and a single product and market structure unreasonable book potential. At the same time, the opportunity of sports lottery marketing environment is reflected in the development of sports lottery in line with the requirements of a harmonious society, the psychology of lottery purchasers is also rational, and the threat is the strong development of welfare lottery and private lottery, the legal system is not perfect, and the public's understanding of lottery is still biased. Sports lottery marketing can start from the three aspects of product positioning strategy, communication strategy and crisis management strategy, vigorously develop the guessing sports lottery, strengthen the correlation degree between sports lottery and sports characteristics, on this basis, through the lottery page to publicize sports knowledge, establish a

unique sports lottery image; Build the core competitiveness of sports lottery. The measures that welfare lottery can develop in the long run are to improve the attractiveness and credibility of lottery through continuous innovation and reform. This can include introducing more interesting gameplay, increasing the amount of prize money, strengthening the management and supervision of lottery sales channels, improving the transparency and fairness of lotteries, strengthening publicity and promotion, and attracting more lottery buyers to participate. In addition, it can also strengthen the combination with social welfare undertakings, use lottery sales revenue for social welfare projects, improve the social responsibility and public welfare of lottery, so as to increase people's recognition and support for welfare lottery, and achieve long-term development. In order to better maintain the image of sports lottery, it is necessary to set up a special crisis management department, adhere to the principle of sincere communication and speed first to deal with the accident in the process of crisis treatment, and finally do a good job in the aftermath of crisis treatment.

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