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INSIGHTS

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We're at a pivotal moment. Daily shopping habits have changed at least somewhat for nearly 78% of U.S. consumers, of which 25% shop less frequently. Commuting patterns have changed. Of those who said their commute to work changed, nearly 46% are still working from home, which means they are not routinely visiting convenience stores and gas stations. Some of these changes are here to stay.

The industry should fully understand the implications and assess volatility, because adapting to change is crucial. Now is a good time for lotteries to examine the health of their retailer network and make data-driven changes. It also means taking a hard look at sales revisit frequency, and return on capital from retail peripherals. Maximizing product portfolios has never been more important.

In the U.S., the pandemic brought 20 million new players to lottery instant games. Now it's up to lotteries to keep them entertained with exciting products, promotions, prizes and once-in-a-lifetime experiences. More players are purchasing instant games at higher price points, calling for strategic adjustments to the game mix. Lotteries are increasingly reliant on fewer "big" products in market. Many are looking past \$30 games to launching their first \$50. Managing the >=\$20 category brings new challenges and difficult decisions across the interplay of the portfolio, from game design to launch schedules, print sizing, value proposition alignment, etc. A data-driven strategy and routine assessment is required.

The performance jump in instant games during the pandemic also affected terminal-generated instant games, like FastPlay, and high frequency draw games. FastPlay has grown over 45% – the single fastest growing terminal product in the U.S. As this category matures, more portfolios now include exciting features such as progressive jackpots and a wider, higher range of price points.

Of the consumers who indicated their daily shopping habits changed, 54% are shopping more online for just about everything, including groceries. This new norm is a risk to the industry's traditional model which relies on retail foot traffic. If lotteries don't develop viable home delivery and iLottery solutions, it becomes challenging to reach consumers that no longer leave home as frequently.

Regardless of whether iLottery is permitted, lotteries should expand their relevance and digital footprint, even if it's as simple as an attractive player's club. Digital channels offer huge opportunities to attract new players and engage in significant messaging and cross-promotion. Like any other consumer product company, lotteries must have a strong digital marketing and CRM strategy.

- Cameron Garrett, VP Business Intelligence, and Tim Menzia, Director, Market Research

Sources: Scientific Games "U.S. Lottery Usage Study," May 2021. Scientific Games MAP™ sales analytics database. Scientific Games Infuse™ business intelligence platform. Leger "COVID-19 & Lottery Tracking Study," October 2020.

iLottery

Now is the Time to Stay Connected

Today more than ever, it's vital to be where your players are, wherever they are.

Scientific Games' portfolio of iLottery products lets your players stay connected to each other and to the games they love.



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