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**Paul Jason: IGT must be in over-drive to help your lottery partners get positioned for the post-coronavirus world.**

**Michelle Carney:** Yes, we are tracking and studying consumer sentiment data, as well as changes in behaviors and attitudes that result from the pandemic to understand how it is influencing consumer purchasing decisions and retail experiences. The impact of the unprecedented events of the past two months to our industry is quite diverse, as are the related opinions and ways to interpret the data. As we speak (May 5), states are beginning to open back up. While we are all motivated to resume normal economic activities, we are also concerned about safety and containing the impacts of COVID-19. As you mentioned, Paul, we are working to gather and analyze the data, consumer surveys, and all sources of business intelligence to help us build action plans that will help position our customers and the lottery industry for future success. We are trying to combine IGT's industry-specific research with that of others on general topics

such as how consumer behaviors may or may not be reshaped by this crisis. It is a complex endeavor to integrate the deep research into the lottery sector with macro-economic data and how lifestyle and shopping trends will change as a result of the lockdown.

Additionally, we must take into account that the specific impacts on regions and localities will vary widely. Just as we all respond differently as individuals, jurisdiction and region-specific economies will respond differently to the external circumstances that shape our world. We know that economic conditions will be challenging almost everywhere and that will continue for the near-term. We also know that lifestyle changes will include some form of social distancing that will have an impact on retail, entertainment and socialization across societal norms. We need to watch and learn how consumer sentiment will evolve alongside the "new normal."

**Wendy Montgomery:** Building on that point, Michelle, it's not only data from the research that we've been doing but also the concrete sales data where available, which shows a wide variation from region to region, and local market to local market. Sales in some jurisdictions are actually going up, while sales in most are suffering, and some are incurring drastic declines. It tends to mirror the degree of lockdown imposed on the market, but that may not be the only factor impacting sales. We need to gain a better understanding of the underlying drivers of these trends and then shape our approach in alignment with lottery and consumer sentiments. Our goal at IGT is to harness our resources and tap into our global perspective to identify success-drivers as they appear in various places throughout the world. As we clarify cause-and-effect relationships underlying the success, we can then codify those insights and share those with our customers and the industry. Together we hope to adapt the business intelligence and insights to the specific and unique needs of each individual jurisdiction.

The specific action plans are determined by the operator. But IGT is here to share our insights, deploy resources, and help implement the action-plans determined by the operator as the pathway forward.

There are now a number of resounding success stories that demonstrate how iLottery has grown significantly during the pandemic, as players have embraced a new way to

play their favorite games. iLottery play also augments sales at land-based retailers. Understandably, there is a balance of political and regulatory considerations that govern the speed in which jurisdictions can authorize iLottery. Similarly, the requirement that lottery players can only use cash makes less sense now than ever before! We also need to make sure it is easy for the customer to buy lottery tickets when they are purchasing online orders for groceries and other products to be delivered directly to their doorsteps.

**Michelle:** As Wendy points out, it is the job of lottery operators, and IGT as the technology partner, to implement what is authorized by the policy makers. We certainly can help educate stakeholders who may not be aware of the success of digital channels across the industry, and illuminate that retail sales are often elevated by iLottery bringing in new consumer groups and driving traffic to retail stores.

We hope that the many Lottery Directors attesting to the tremendous success of iLottery, the mutually beneficial dynamic between iLottery and land-based retailers, and the increased relevance of all these factors in an era of social distancing, will positively influence public policy makers to authorize iLottery. There are copious amounts of concrete data across the industry globally as well as in NASPL Matrix that augment these claims of success. These data sets will help lotteries provide the documentation needed by legislators and governors to understand the issues and make informed decisions.

As the throes of dealing with the countless COVID-19 issues start to settle down, there have been task forces and committees organized in recent years that will likely be galvanized to spring into action and advance progress in retail modernization and initiatives such as cashless payment options. As always, we hope there will be a willingness on the part of our political constituents to support industry efforts to ensure Lottery fits into the world of modern commerce and the lifestyle choices of consumers.

Given the declines in tax and other forms of revenue, we expect there to be budget shortfalls that may cause legislators to consider additional ways in which lotteries can increase funds for good causes. We expect that the desire to enable greater safety precautions at retail will cause some policy makers to encourage lotteries to move

towards cashless options and to migrate to digital “play-slips” in order to deliver contactless lottery playing experiences. Consumers may also look to use stylus-type devices to play at gaming kiosks like vending and video gaming machines without having to touch them. There are lots of adjustments like this that will need to be considered by players and operators to recast the mechanical logistics involved without impairing the enjoyment of the player experience.

**Wendy:** We can expect new consumer trends that enable more contactless experiences across the countless environments that we interact with every day. Perhaps we could renew efforts to get consumers to register and receive their winning lottery payment directly into their bank account instead of having to go to a retail store or claim center. Of course, the same communication channel is used to deliver jackpot notices to your mobile device. This should be a time of renewed energy and ingenuity. I believe the consumer marketplace will be more receptive than ever to new ways to make life better than it used to be.

Lottery has always done quite well with “small-ball” incremental improvements. The gravity of this crisis is profound but that does not mean we should stop stretching to look for opportunities to improve the player experience, get creative on the promotional front, and bring new consumer groups into lottery.

### **How fast will Lottery bounce back from this lock-down?**

**Wendy:** It has been observed that Lottery has not suffered as much as other sectors in past recessions. This situation is quite different though, so we probably need to give even more special attention to making sure we do everything we can to preserve player engagement and playership. For one thing, we need to be prepared for the possibility of a deeper economic recession that will impinge upon discretionary spending. For another, even in the deepest recessions, we always had social communion and interaction to help us through. Now even that is a problem. It threatens the whole lottery playing model since the vast majority of lottery is played at retail.

Further to that, consider the aspect in which lottery is often an impulse

purchase. Well, if the player stops playing because they are not going to the store as frequently – how readily will she/he return to regular play as a form of entertainment? Normal routines and behavioral sequences are being broken and need to be rebuilt. There is a lot to think about, and lots of considerations, but we’re on it! We have faced challenges before and, just as before, we will apply the talent, energy, and resourcefulness to create solutions and execute well-conceived action plans. We need to create opportunity for people to re-engage with experiences that delivered joy before and perhaps build new ones to replace behavior patterns that are being left behind.

**Michelle:** We may need to explore some new media outlets that will likely be a part of our social interacting universe going forward. How can we engage players and perhaps make the games themselves available in new and engaging ways for consumers who are adopting other lifestyle changes?

As we emerge from crisis management mode and into building a sustainable future mode, it will be more vital than ever to look outside of our industry for insights into how the world is changing and the innovative success strategies being applied to adapt. It will be our job to synthesize inputs from all varieties of sources with our own deep insights into the lottery industry to create new solutions to meet the needs of an evolving world.

The Expectation Economy presentation was first delivered by IGT in early February, at the WLA/EL Marketing Seminar in London, before the crisis began to transform our world. Its premise that genuine market leadership will be required even for survival was a prediction about the future. Hasn’t this crisis leap-frogged us into that future where second-best is no longer a viable role?

**Michelle:** The underlying drivers of the Expectation Economy - anticipating consumer behavioral trends so needs are met before they even are known by the consumer – will be radically accelerated by the crisis. Legacy ways of doing business will not be as effective, so there will be little incentive to hold on to them. There will be more freedom to innovate and progress at a more rapid rate because we have no choice but to leave the old ways behind and move

forward. For instance, there will likely be even more incentive for Lottery and Retail to collaborate on cross-promotions that incent lottery play at the store on the one hand, and drive our digital audience back into the stores on the other.

In some jurisdictions such as Texas, our sales and marketing team works directly with retail associations, which expedites the job of scaling up with large numbers of retailers. I think we will continue with simple co-op promos like buy X and get Y, but I hope we move into more creative use of multiple channels of both distribution and media to engage the consumer in new and unexpected ways. Retailers will need our support more than ever and that represents an industry opportunity to escalate the level of cooperation and derive more value from the relationship we have with retail partners. I think we will be able to get our retailers to understand that affiliating with Lottery enhances their own brand equity.

**Wendy:** We wonder if social distancing will cause shoppers to prefer fewer visits with more dwell time in the store to make sure they get everything they need. Walmart and other stores that enable one-stop shopping might further increase their appeal in the post-coronavirus world. Self-serve Ticket Vending Machines might become more attractive to shoppers who are already accustomed to self-service in other consumer transactions.

I think we have a window of opportunity to consolidate our relationship with our retail partners. They are in a state of flux, with intensified competition from the online channel making them more receptive to new ideas that will help them survive and thrive. Retailers will be much more willing than before to change and innovate with us to meet the needs of the modern consumer and succeed in the Expectation Economy.

The main thing is that while lottery may be a discretionary purchase, the funding it provides to good causes is essential. As we move into some challenging economic times, we need to make sure the general public and our political constituents continue to appreciate that. Our stakeholders – retailers, players, and beneficiaries – know this and we should enlist their advocacy to make sure that lottery continues to be enjoyed and viewed as a simple pleasure and beloved part of the fabric of society. ■