

LOTTERIES, CASINOS AND ILOTTERY:

A PARTIAL PRODUCT SOLUTION IN THE TIME OF COVID-19 AND BEYOND?

*Dr. Barry Goodstadt,
Principal and Founder
of Telecom, Utility &
Regulatory Consulting,
LLC, Bethany Beach
Delaware*



BACKGROUND

The emergence of Covid-19 in the United States has had a dramatic impact on the US economy in general. The economic effects impacts on the travel, tourism, entertainment, and gaming industries have been especially severe. These impacts were occasioned by wide-spread shutdowns as their customers were advised to only leave the safety of their homes for essential purposes in order to stem the contagion.

In the gaming industry, casinos were closed in many states for several months and began to re-open over the summer with capacity limitations and social distancing measures (such as moving card gaming stations to outdoor tents in Washington State).

Lotteries and casinos have experienced some mixed results applying a variety of innovations for example:

- **Most lotteries** experienced a rise in “scratch off” sales
- **Kentucky** found that its instant play and lottery sales were up over 2019’s record results
- **Texas** found that its jackpot lottery has grown
- **North Carolina** found that its educational lottery has increased revenue
- **Maryland** has experienced a small rise in casino revenue on a year-over-year basis

Other states have experienced declines:

- **New York** has experienced a \$550 million revenue decline for Fiscal Year, 2020
- **West Virginia** is losing \$9 million a week at its closed casinos
- **New Jersey, Pennsylvania and Ohio** have limited spending and imposed hiring freezes.

These mixed results raise questions about the future strategic direction public lotteries and casinos need to pursue. This is particularly the case since much of the revenue from public lotteries and casinos goes to support education. One potential vehicle for gaming growth includes iLottery which provides a “touchless” approach to gaming in which players use the internet on portable devices to engage in playing the lottery or other gaming pursuits.

At this point in time a number of states have successfully implemented iLottery programs including Michigan, Pennsylvania, New Hampshire, North Carolina, Kentucky, Rhode Island, Georgia and most recently, Virginia.

WHAT IS THE MARKET FOR ILOTTERY SERVICES IN THE US?

In a 2020 paper by Goodstadt, Fulton & Chew, the authors analyzed a March, 2020 nationwide Harris Poll of 2,011 respondents (data were collected between March 2 and March 4, 2020) to develop a forecast indicating that approximately 25% of the population would be likely to sign up for iLottery services offered by their state lottery organization. In addition, the survey indicated that 5% of the respondents had already obtained an iLottery subscription. This suggests that demand for iLottery is in the neighborhood of 30% overall. Analysis of the survey also determined that interest in iLottery was particularly strong among Millennials and Gen-Zers—key major population segments that have not been significantly engaged in gaming either in lotteries or in casino games.

As part of this paper we undertook an analysis of the relationship between particular gaming activities and interest in signing up for iLottery services. That is, we sought to understand whether interest in playing particular games is associated with interest in iLottery. This in turn, would be sug-

gestive of the value of specific games might be enhanced by making them available as offerings in the iLottery program.

To further examine this issue, we carried out a reanalysis of the March, 2020 nationwide Harris Poll of 2,011 respondents. Several specific analyses were performed, including:

- Examining the likelihood of subscribing to iLottery among non-players. This analysis will reveal the extent to which iLottery can expand the overall gaming market by attracting non-lottery-players to lottery gaming.
- Examining the likelihood of subscribing to iLottery by current players of traditional lottery games; and
- Determining the level of interest in subscribing to iLottery among current players of casino games.

INTEREST IN SUBSCRIBING TO ILOTTERY AMONG CURRENT LOTTERY/CASINO PLAYERS AND NON-PLAYERS

In March 2020, it was determined that 30% of all adults had not participated in any lottery or casino games in the past 12 months. These “non-players” reflect a population of 76.15 million persons in the U.S. while gaming players represented a population of 177.7 million adults.

In the survey, respondents were asked to indicate how likely they would be to sign up for an iLottery service in their state. Were they “very likely”, “somewhat likely”, “not

very likely”, “not at all likely” or “not sure” they would sign up for iLottery. Respondents also had the option of indicating that they already had an iLottery subscription.

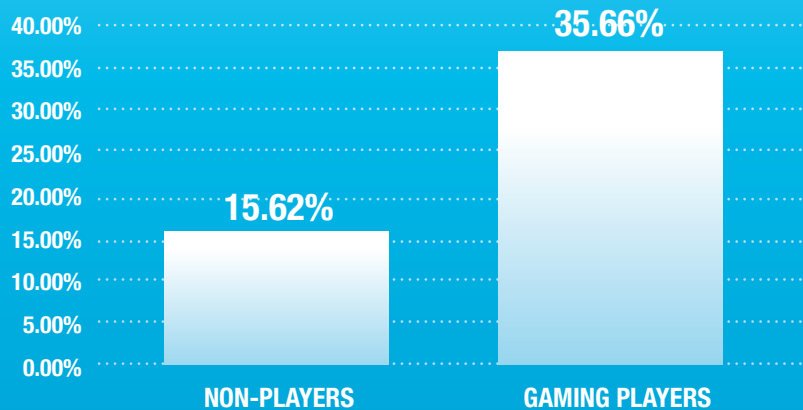
To estimate the likelihood of adopting iLottery, we used a conservative approach to analysis of these data by applying an 80/20 rule (i.e. we assumed that 80% of “very likely” and that 20% of “somewhat likely” cases would actually subscribe to iLottery). To the percentage of likely players we added in the percentage of those players who had indicated that they already subscribed to iLottery. The total percent of likely iLottery subscribers among gaming players and non-playing segments is shown in Figure 1.

The figure reveals that 15.62% of non-Players and 35.66% of Gaming Players were likely to adopt iLottery. In population terms, this means that 11.9 million Non-Players would pick up iLottery thereby adding to the currently playing population. Among current gaming players, approximately 63.4 million would be likely to make use of iLottery.

It should be noted that we do not know how these adopters would make use of iLottery. That is, will they use iLottery as a complement to their current gaming behavior or will this new offering be a substitute for their currently lottery ticket or casino visiting activity? Of course, it must be recognized that iLottery use may be more convenient than visiting a brick and mortar lottery retailer or visiting a casino but it may also be a less immersive experience.

FIGURE 1

Likelihood of Subscribing to iLottery Among Current Gaming Players and Non-Players



Continued on page 43