

# 6 TAKE-AWAYS FROM 2020

## Actionable Insights for Lotteries

Marketplace trends are one of the most important components in developing a successful lottery business strategy that grows performance and protects vital funding for beneficiary programs. Understanding the trends and being ready to adapt and pivot becomes even more important in a year like 2020.

Scientific Games' Analytics & Insights team identifies and tracks ebbs and flows in the marketplace as they happen, while our Consumer Insights team conducts market research to better understand the why behind those ebbs and flows. This powerful combination of insights helps lotteries best prepare and plan their business.

To close out the year – one filled with unpredictable twists and turns – we're sharing some of the more significant take-aways of 2020 from our research and our research vendor partners. These insights, which are informing business decisions for 2021 and beyond, come from consumers and the retailers on the front line who deliver the lottery experience to players.

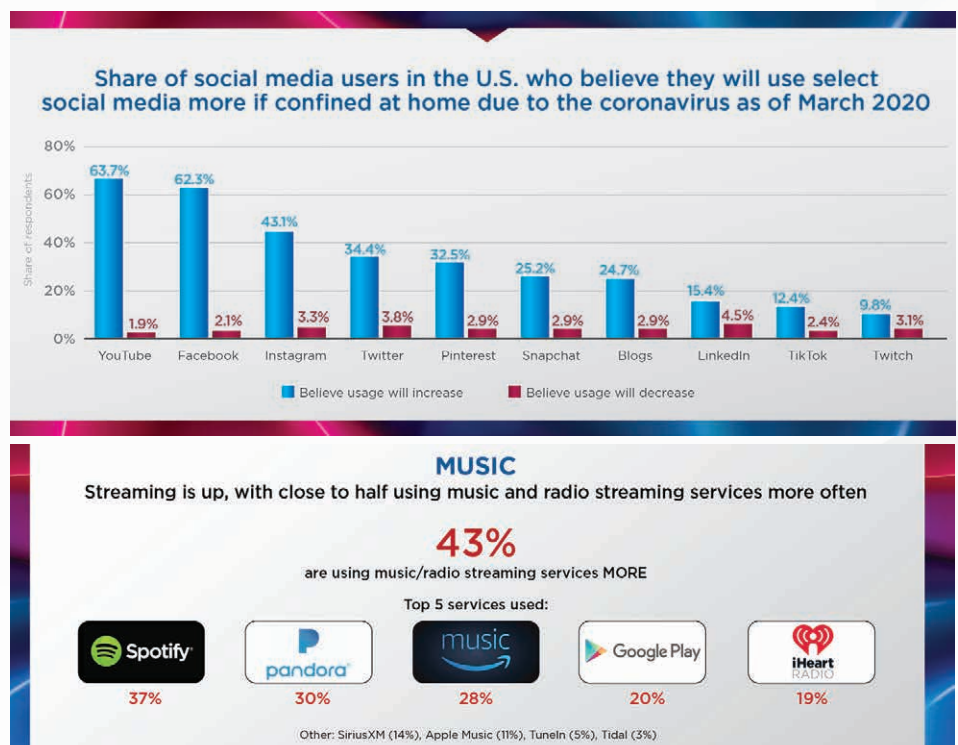


### 1 Reach Consumers Digitally

Given that consumers are so focused on getting in and out of stores as quickly as possible, it's not as easy to capture their attention at the point-of-sale. Many if not most lottery players use online/mobile channels these days, which presents a critical opportunity to communicate with them outside of traditional lottery retail channels. Another strategy is to leverage the lottery's players' club to communicate. One of the benefits to being a club member is knowing immediately about any changes to programs, games, retailers, etc. Lotteries can deploy any number of tactics to experiment with optimal digital engagement in the club.

Social media is also perfect for low-cost messaging to the masses. Social media usage is increasing across all platforms, which creates an opportunity for the lottery to keep those members up to date on new game launches, promotion dates, etc., as well as potentially reach less engaged players.

When considering the role of digital in their overall marketing strategy,



lotteries would benefit from understanding ways to switch up consumer reach and use popular websites, apps and internet-based services to connect with consumers. Traditional radio advertising is being challenged by the significant increase in music streaming this year.

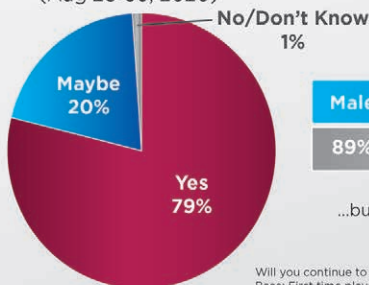
## 2 Keep Lottery Newcomers Entertained

With casinos running at limited capacity due to social distancing, as well as other non-gambling forms of entertainment still being off-limits or shut down, discretionary income that consumers set aside for entertainment means other entertainment forms have benefitted. Lottery instant scratch games are no exception. According to a national study conducted by Leger, up to 20 million new players have tried instant scratch games during COVID-19. And many of these new players plan to continue playing instant scratch games after the

pandemic ends – but there are no guarantees they'll spend as much or play as often. Going back to the rich combination of analytics and consumer insights, we know that many of these new players are drawn to higher priced instant games; those that offer similar play value to their typically available gambling choices. So knowing what they like and why is key to creating best-fit lottery content to keep players entertained and engaged beyond the pandemic. And reinforce that lottery games are worthy of a constant share of their entertainment wallet.

### MAJORITY OF PLAYERS INTEND TO CONTINUE PLAYING SCRATCH GAMES AFTER THE PANDEMIC PASSES

Continue to Play  
(Aug 28-30, 2020)



% Yes  
Groups who over-index

Male	South	West	18-29	<\$35k	\$100k+
89%	87%	91%	84%	84%	86%

...but there is no guarantee they'll spend as much, or play as often.

Will you continue to play Scratch games after the COVID-19 pandemic has passed?  
Base: First time players during COVID-19 pandemic, n=77  
\*Directional view, low base sizes



*"I am spending more on lottery than gambling during COVID-19."*

11% of the U.S. population agrees that they are spending more on lottery than gambling during the current pandemic.

However, the growth appears to be coming from two specific areas, casino players and sports bettors.

It also skews younger and non-white.

#### % Agree - Over-index

Ages 18-29	17%
Ages 30-39	18%
Casino Players	30%
Sports Bettors	41%
Non-White	18%

**20 MILLION+ NEW PLAYERS** have tried instant scratch games during COVID-19. **90% of new players** have played some form of lottery before, but a significant number of U.S. adults (approx. 2 million) have entered the lottery sector looking for something "new" to scratch.



# 6 TAKE-AWAYS FROM 2020 CONT.

## 3

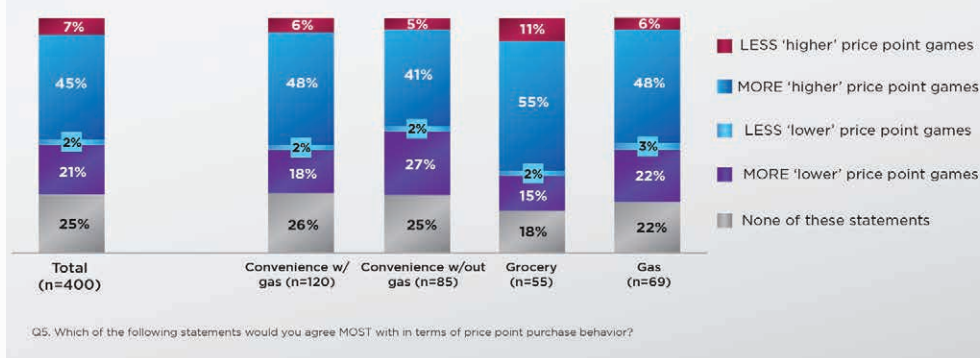
### Offer a Variety of Higher Price Point Games

Three in five retailers report noticing new customers buying lottery products, and 17% of these retailers estimate that new players are 'typical casino players.' Additionally, one-third of retailers report increased spend since the beginning of the pandemic. An even higher proportion noted that lottery players are buying more higher priced point games. Both existing players and new players appear to be contributing to the popularity of higher price points.

When considering the evolution of lotteries' instant product portfolios over the past 15 years, since the true inception of higher price point games as a category, this observed gravitation to these games

makes sense and foreshadows the need for continuous portfolio refinement. Creating games that appeal to the heavier spenders (and keeping those games in-stock) are key to keeping casino players coming back, even after their regular gaming entertainment options become safer, and more available.

#### 45% of retailers report players buying more 'higher' price point games



## 4

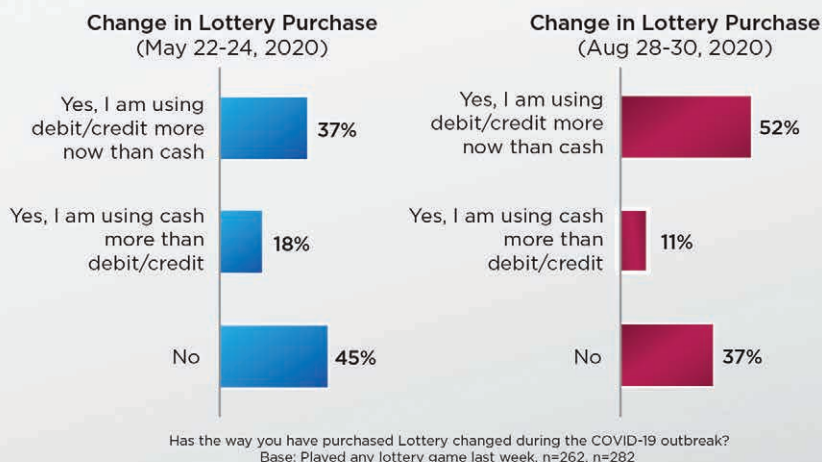
### Offer Cashless Payment Options

Cash is no longer king! A recent national study conducted by Leger saw a dramatic increase in consumers stating they use debit or credit more often

now than cash, up 15% in just three months. The shift away from cash has been anticipated for many years, but nobody ever expected such a dramatic shift so

quickly due to COVID-19. This is a new reality that the lottery industry will need to adjust to in order to stay current. While most lotteries have worked to remove barriers to allow debit card payments, now is the time for those that have not to focus on any necessary policy changes and retailer cooperation to make this change. Business sustainability depends on it.

#### DEBIT/CARD USAGE IS UP SIGNIFICANTLY COMPARED TO CASH



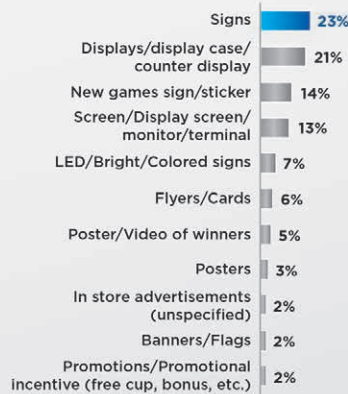
# 5

## Continue Evaluating & Adjusting In-store Marketing

When shopping, consumers are focused on getting in and getting out of the store quicker than ever before. This means that the effectiveness of traditional in-store marketing may be altered. Retailers are working to understand

new shopper journeys and how purchase decisions are impacted by reduced shopping time and condensed traffic patterns. Signs and displays at the point-of-sale are still perceived to be the most effective in-store marketing, however lotteries need to remain vigilant in assessing the messaging on that signage and adjust quickly to respond to the environment.

According to Retailers, **Signs** are the most effective in-store marketing item to get players' attention.



Winning lottery tickets plastered on the wall

The new ticket signs that we put up, they ask about that the most

The little cards when we activate them and put them in the boxes, the more sparkle the better

Probably all the signs around the cash registers

I have a board that has all the games on it, and it's a pretty big board so it's an eye catcher

The pens and scratch off key chains, I give them out to everyone

TV with the Keno on it

Probably the banners and stuff that our reps send

Q29. Thinking about the Lottery point-of-sale materials in this store, what in-store marketing items do you feel are most effective in getting the players attention? Total, n=400

# 6

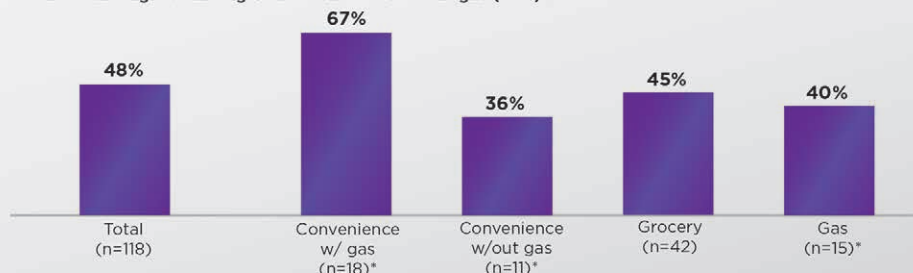
## Restock Vending Machines, Usage is Up

The upward trendline for self-service vending usage has existed for a number of years across various industries, including lottery. For maximizing an individual lottery retailer's sales performance, the industry has worked diligently to determine the right combination of at-the-counter point-of-sale and vending. Among retailers who have a lottery vending machine, nearly half (48%) report that lottery players are using the machine more during the pandemic. This makes having a proactive process for stocking the machine all the more important right now to avoid out-of-stock situations.

According to Retailers, Customers Are Using Vending Machines More During COVID-19

• Among retailers who have a lottery vending machine, nearly half (48%) report that lottery players are using the machine more during the pandemic.

• This is the highest among Convenience stores with gas (67%)\*.

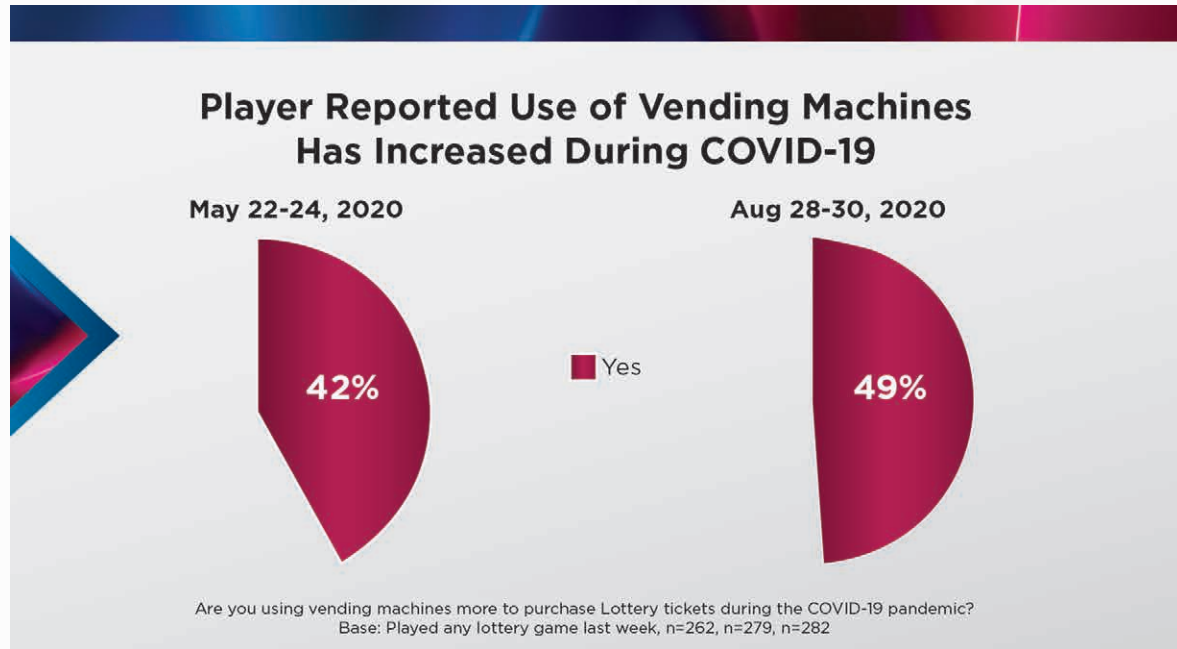


Q14. Are lottery players using vending machines to purchase lottery tickets during the COVID-19 pandemic? (Among those with a lottery vending machine)  
\*Note: low sample size

# 6 TAKE-AWAYS FROM 2020 CONT.



Confirming what retailers have noticed, a national study was conducted with consumers by Leger which confirms that players are using vending machines more often to purchase lottery products during COVID-19.



**These insights are just the tip of the proverbial iceberg. As the world continues to challenge us, so must we continue to challenge our assumptions about our lottery ecosystem. It's imperative for lotteries to take the time to talk to customers – both consumers and retailers – and focus on necessary adjustments for success.**

To receive more actionable insights for your lottery or to request a custom research study, please contact [Tim.Menzia@scientificgames.com](mailto:Tim.Menzia@scientificgames.com) or [Kisha.Eltagonde@scientificgames.com](mailto:Kisha.Eltagonde@scientificgames.com)

SOURCES: Ohio Lottery "Lottery Retailer Satisfaction Study." September 2020. Leger "COVID-19 & Lottery Tracking Study." October 2020. Reach3 Insights "Consumer Closeness in the Age of Social Distancing - Week of April 26th: Sports & Entertainment." April 2020. Izea "Coronavirus Impacts on Influencer Marketing." March 18, 2020.

© 2020 Scientific Games Corporation. All Rights Reserved.