

# MEGATRENDS: FORECASTING CAN BE A TRICKY BUSINESS

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## WHAT'S NEXT?



*Methods for predicting the future: 1) read horoscopes, tea leaves, tarot cards, or crystal balls . . . collectively known as "nutty methods;" 2) put well-researched facts into sophisticated computer . . . commonly referred to as "a complete waste of time."*

Scott Adams, Artist, Cartoonist, Creator of the Dilbert comic

**T**he past two years have certainly given credence to this quote from the creator of the Dilbert cartoons. Everything we thought might happen in 2020 was altered when the pandemic hit in March of that year. We rang in 2021 hoping that the new year would bring in a new atmosphere. And, well, not so much.

While more precise predictions like “how will the stock market trend” or “what gadgets will be the surprise hit this year” can be impacted and informed by societal issues and events like the COVID-19 breakout, tracking and projecting larger big-picture trends is a bit more reliable. These “Megatrends” – powerful, historically-relentless forces that reshape society, the economy, and have transformative impact on our lives – things like electricity, air flight, cars, the Internet, the Kardashians – are longer term in nature, are less swayed even by events as consequential as a pandemic, and impact all aspects of the world. Identifying these Megatrends that are shaping the way consumers shop and buy products, work, play, and live their lives, informs the way businesses develop new products and services.

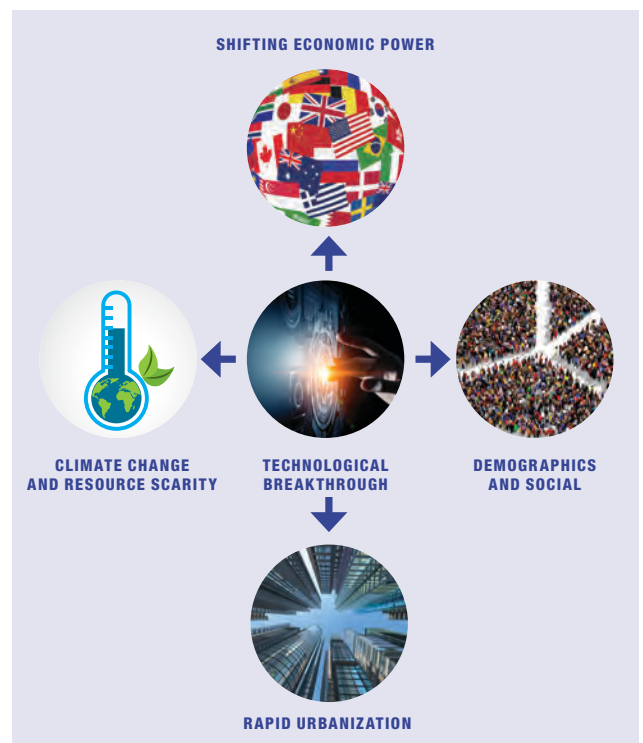
And this certainly includes lottery player-ship and market-place dynamics. Our day-to-day activities can be so incredibly time consuming that the long view is often lost in the shuffle of prize structures, jackpots,

inventory maintenance, hiring staff, and all this amidst the more recent phenomenon of non-stop video-meetings. But the future of our organizations depends on identifying these Megatrends, monitoring them closely and understanding how they are reshaping the way people perceive and interact with the lottery.

## WHO MONITORS MEGATRENDS?

Particularly interested in Megatrends are investment companies. As the arbiters of capital allocation, investment bankers try to look into the future to decide which industries make the most sense for them and their clients to invest in. BlackRock, the New York-based investment company with more than \$9 trillion under management, proclaims on its website: “Megatrends influence our investment decisions – from the businesses, industries and countries we invest in to the way we go about finding opportunities.” Let’s piggy-back on BlackRock’s research and braintrust.

Earlier this year, BlackRock identified these MegaTrends:



Each has its own unique set of impacts which include:

### Climate change and resource scarcity

could result in crop failure, widespread flooding, destroyed habitats and energy shortages.

- Western diets will become increasingly plant-based
- Renewable energy will fully replace fossil fuels

- Technological advancement will yield man-made materials

**Demographics and social change** could see labor shortage, demand on healthcare and change consumer demands

- Substantial healthcare spending will create huge opportunity in this sector
- Robots will replace people to plug the labor gap
- People will need more money to fund a lengthy retirement

**Technological breakthrough** means machines will learn faster than humans and personal data will be a valuable commodity.

- Traditional consumer goods produced by technology companies
- The global economy should grow as the world becomes more productive
- Technology will enable solutions to climate change and population problems

**Rapid urbanization** will result in space and accommodation becoming more of an issue in major cities.

- A whole new city infrastructure could be required
- Car ownership will become obsolete as autonomous, summon-able cars become mainstream
- The healthcare system will need to change to cope with demand

**Shifting economic power** is focused China as the new superpower, Asia's rapidly growing population and the changing global demographics.

- The political sphere of influence could shift from Washington to Beijing
- Businesses could become more powerful than countries
- We're all going to need to talk Mandarin

## MEGATRENDS AND THE IMPACT OF COVID-19

One thing that is notable about BlackRock's MegaTrends is that they don't directly address the number one global topic since the beginning of 2020 – COVID 19. Certainly no one in the lottery industry can talk about revenue

results without discussing the positive jolt most lotteries received during the pandemic. Overall, nothing has impacted our recent lives more than the pandemic and looking to the future, particularly the future of consumer activity, the effects of COVID-19 have to be examined. Will the forces that contributed to increased lottery sales continue or were the past 20 months just an outlier? Focusing on the consumer, and the changing landscape of consumer behaviours and activities, is one way to glean insights into what the future may hold.

Market research company Frost & Sullivan recently released its "Transformative Mega Trends Shaping Post-COVID Consumer Behavior", looking at five areas of influence:

**Home:** The pandemic has compelled consumers to interact with and embrace contactless technologies because of concerns about health and hygiene. The home has morphed into a center of work, entertainment, and wellness.

**Work:** The conditions that enable workplace bonding are dissolving as many people continue to work from home and express reluctance to return to an office. Employees will demand more visibility and transparency in this environment through digital collaboration. Technology and work cultures have changed to enable the engagement of global talent pools working from remote locations.

**Healthcare:** Many aspects of the healthcare journey will become inherently data based. Consumers will demand control over their personal health data to manage their health and wellness and make better-informed decisions.

**Leisure:** Price-sensitive consumers are pivoting to marketplaces (e.g., Amazon) from individual brands. Targeted outreach will be a must in spreading awareness about products and service to smaller audiences with similar values and traits on social platforms. Virtual entertainment will be in demand.

**Mobility:** Enabled by new connectivity technologies, cars will become points of health, wellness, and well-being with end-to-end, omnichannel experiences. With an emphasis on health, safety, and perhaps an ongoing preference for social distancing, shared mobility/carpooling will be on the decline.

What this means for consumer-focused industries such as lottery is that while our products continue to be highly popular, the avenues for sales and consumption have been altered. As society, consumer shopping behaviour, and the market-place is reshaped by COVID-19; so too must lottery change, adapt, and re-align with the "new normal". Frost & Sullivan suggests the following:





consumers who no longer have commutes that put them in convenience stores and close proximity to other lottery retailers need more options for connecting with their favorite lottery games. That is where digital lottery fills a need. The post-pandemic consumer focus on the home as the center of more and more activities has ratcheted up the urgency for lotteries to make the products available online. While it continues to be the case that the majority of lottery sales happen in the retail channel, it is also true that the post-pandemic lifestyles of consumers includes a massive shift of attention towards the internet as the source of entertainment, commerce, and social bonding.

**Extreme personalization of the consumer journey:** Advanced natural language processing devices and interactive digital assistants, combined with Big Data and AI, will extract meaning from unstructured datasets to analyze customers’ preferences, modes of communication, and relationships across diverse user groups to enable a high level of personalization. Basically, machinery and software that track our behaviour and shopping activities will learn our tendencies and be ready to provide us with products before we even know we need them.

**Internet of Home:** As homes become a central hub with the ability to seamlessly switch between other connected environments, including offices and fitness centers, companies must develop multifunctional solutions that control multiple products and devices.

**Digital mental health care:** As consumerization is permeating every corner of our lives, healthcare delivery is moving towards patient-centric models. Patients want to stay connected and engaged with their healthcare providers. It is essential to use personal health data to understand a patient’s daily behavior, challenges, and motivating factors and modify engagements accordingly. This level of personalization requires the application of digital technologies such as AI and predictive analytics.

## WHAT IT MEANS FOR LOTTERY

One thing that has happened over the past 20-plus months is incredible innovation. This shouldn’t surprise anyone. During the bubonic plague in the 17th century, London

was locked down and the University of Cambridge sent its students home. One of those students, Isaac Newton, passed the time in his garden and, the story goes, watched an apple fall. Thus was born the concept of gravity. Fast forward to the semi-lockdown of 2020 and early 2021. Some things never change. Dramatic disruption continues to be the catalyst for inspiration and creativity: *there were twice as many patents granted in the United States in 2020 as in 2019.* And I’m sure all of us know examples of the incredible ingenuity and resourcefulness of lottery operators adapting, innovating, creating new games, and inventing new business processes over the last 20 months.

Would a pre-pandemic futurist have predicted that lottery would turn out to be the primary form of recreational gaming available for a period of time; that casinos would be shuttered, and professional sports take a complete hiatus? Most likely not. But now, with 20/20 hindsight, we can understand how the forces unfolded to produce an outcome that surprised us at the time. The study of Megatrends illuminates those underlying dynamics that are shaping our future so that we might be even better equipped to respond and adapt to the unfolding of an uncertain future.

The Megatrend of Home becoming the “center of work, entertainment and wellness” relates directly to trends that may affect the behavior of lottery players. With many workers not having returned to their offices, and some being told it will never happen, or that working from home is an option that is up to the worker to decide – home has taken on even greater importance. These



The states with iLottery have seen incredible growth over the past two years. And those who are not authorized to offer products via the internet have seen growth in their player’s embrace of digital activities like second chance draws, players clubs, apps that keep players abreast of jackpots and new games and such, etc.. It is more important than ever for legislators in all states to empower their own state lotteries with the regulatory approval and tools to make all lottery products available online.

The bottom line is that Megatrends as diverse as climate change, AI, consumer life-styles, and health care impact the lottery industry the same way they impact airlines and accounting firms. Endeavoring to understand the big picture trends will help us to prepare for the future, to anticipate societal and economic changes that affect consumer behavior and the market-place, and to take full advantage of the incredible opportunities that lie ahead. ■