

## For lotteries around the world, the pandemic has literally been a game changer.

The economic restrictions introduced to help control the spread of COVID-19 have significantly changed how, when, and where we buy things. This is having a huge impact on lotteries.

To help figure out where we're headed, we've mined conversations we have had with our lottery clients and their retailers to identify emerging trends and actionable strategies that will help define the future state of the industry.

### **Instant tickets—already a significant source of revenue—have become even more important for lotteries trying to navigate the pandemic economy.**

Like all lottery products, instant tickets saw a sales slump when economic restrictions were first put in place. Fortunately, instant sales rebounded significantly as restrictions were eased and consumers began to adjust to the new normal in retail. This was important to overall lottery performance given that some lottery categories, draw-based games in particular, suffered from declining sales.

Despite the overall retail slowdown and the decision of some lotteries to cut back on advertising, the appeal of instant sales was heightened in the eyes of pandemic-weary consumers. This is particularly true of ITVMs, which became even more popular for some players after the pandemic disrupted the retail experience.

Some of our lottery partners reported that sales via ITVM were higher, particularly when they offered cashless options that paralleled overall trends in retail. One East Coast lottery reported that players reinvested their ITVM winnings at a rate

that was 150% higher than pre-pandemic. And average spend was also way up, with another lottery reporting an increase of \$7 per ITVM transaction over pre-pandemic sales.

However, in order for the current success of instant tickets—sold either at the cash register or through ITVMs—to be sustained well into the future, it must be supported by lotteries through new and innovative merchandising strategies.

The latest generation of ticket menu boards and vertical displays will be of particular importance in an age when competition for store and counter space is more intense than ever, following the introduction of pandemic-era retail essentials such as hand-sanitizing stations and public health information.

The same impetus surrounds the latest innovations in ITVM design, many of which fit the new retail reality to a tee. For example, Schafer Systems' Select 4 Mini ITVM features a digital display, cashless/touchless payment options, and a compact size that allows for an increased range of placement possibilities in a broad array of retail types. With consumers showing more interest in instant sales, now is the time to increase flexibility and embrace the new in-store display reality.

### **Retailers are leaning more heavily on instant ticket sales as consumers adjust to the new pandemic retail experience.**

Instant tickets have long provided retailers with strong, steady ancillary income. However, as they have regained—and in some instances surpassed—their pre-pandemic appeal for players, retailers reported that revenue earned from instant tickets has become increasingly important.

A large national grocery chain in the U.S. told us that they have always viewed instant tickets as a great "alternative revenue stream" that augmented their main product offerings. However, they said instant sales have increased in importance during the pandemic, helping offset losses in other product categories.

Smaller retailers have experienced the same trend. For example, Speedy Q, a family-owned chain of convenience stores and gas bars operating in Michigan, said that instant lottery ticket sales grew at a rate "significantly faster" than almost any other product category in their stores. This surge in instant ticket sales was enhanced with the use of ITVMs.

More importantly, Speedy Q representatives said that lottery tickets in general, and instant tickets in particular, had two distinct advantages over other products. First, the time needed to manage inventory is less in relative terms than other product lines. And second, in those jurisdictions where incentives and bonuses were offered, it helped to significantly increase their margins on instant sales.



# In-Lane Instant Sales

Delivering distinctive products, business processes and merchandising solutions to drive in-lane instant ticket sales.



Some lotteries have reported that retailers are so happy with instant ticket performance that they have allowed them to increase facings between 50% and 300% in some retail locations.

Lotteries have known for some time that the instant ticket category was a critically important growth vector. However, retailers are now finding that, in relative terms, instants represent a manageable product that can—when displayed in the right way—provide steady, predictable revenue. If lotteries reach out to their retailers, they may very well find a keen appetite to discuss new ideas and approaches.

### Lotteries must look now to adopt new measures to future-proof key product categories like instant tickets.

Along with traditional bricks and mortar retail, lotteries have been looking for many years to establish a greater online presence. As is the case with many other industries, the pandemic forced businesses to introduce new ideas in record time. With the pandemic expected to impact retail for years to come, now is the time to innovate.

The retail industry, which is so key to lottery sales, is already moving rapidly to embrace new technologies and platforms to provide a broader array of options to consumers.

Both retailers told Pollard Banknote that they are looking for ways of allowing their customers to add instant lottery tickets to their online orders, which have become increasingly popular during the pandemic. Although lotteries must resolve safety and security issues, the possibility that consumers could add a lottery ticket to their online grocery order with the click of a mouse certainly suggests new and limitless possibilities.

In the face of a crisis, when uncertainty is now the rule and not the exception, lotteries need to take decisive action to protect their current revenue streams while also looking for opportunities to grow.

In response to pandemic-related economic restrictions, retailers are already transforming their business models at lightning speed. It will be essential for lotteries to show their retail partners that they are also strategically committed to new ideas and technologies. Pollard Banknote is already working with its lottery partners on some of

these innovations, like our In-Lane Activation Platform, that allows customers to purchase tickets alongside other convenience items to minimize the number of in-store transactions.

### Summary

Pollard Banknote strongly believes that in a time of crisis, it is essential that we watch, listen, learn, and share ideas. This is to ensure we not only survive, but overcome current challenges and thrive. Given their past importance, it is not surprising that instant tickets are proving to be a vital lifeline for lotteries and retailers.

However, the recent growth in instant ticket sales cannot be taken for granted. Lotteries and their retail partners must work diligently to improve product visibility and offer as many different frictionless delivery channels as possible. Pollard Banknote is committed to helping lotteries and retailers improve the overall purchase experience to future-proof the instant revenue stream.