

Lessons from the Year that Changed the World

What trends are here to stay, and how can lotteries apply lessons learned?

What do disposable gloves and bread machines have in common? Almost nothing—except that in the most unusual COVID-19 economy, both items topped the list of fastest-growing e-commerce products in Europe and the U.S.

In a year of never-heard-before statistics, it's just another one for the "Only in 2020" list.

As the world emerges slowly from its COVID haze, daily think pieces analyze consumers' pandemic purchasing patterns. The data show that despite varying approaches to national management of the crisis, trends in consumer purchases for many types of products were similar across the world.

Despite the similarities in overall consumer behavior, lotteries in Europe and the U.S. saw very different results in instant game sales. Some U.S. lotteries had their best year ever in terms of sales, and some European lotteries had their worst year.

With global consumer trends so similar, why did lottery performance across the world differ so greatly? This question was the impetus behind two online surveys conducted by Scientific Games in April 2021. With representative samples of just over 1,000 consumers in both Italy and the U.S., the company's analytics and insights experts took a close look at changes in player behavior.

Scientific Games' Liga Magdalenoka-Keen, Director of Insights (International), and Tim Menzia, Director of Market Research (U.S.), condensed the survey results into three main lessons for lotteries: The importance of being...



Liga Magdalenoka-Keen



Tim Menzia

Accessible

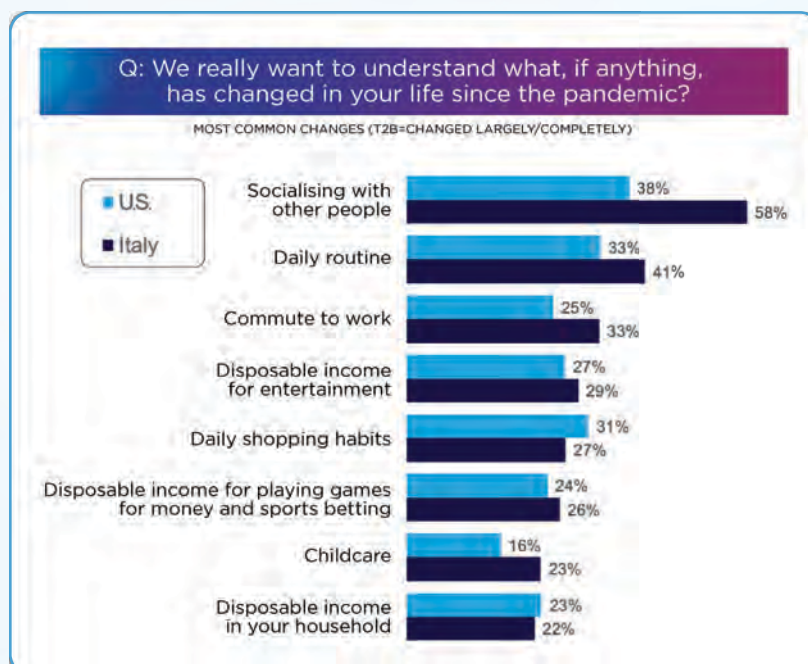


Adaptable



Attractive

With more than 55 years of experience in research and analytics between them, they assert that infusing these three attributes into a lottery's strategy will continue to motivate players and drive responsible growth even after the world recovers from the pandemic.



The Importance of Being Accessible

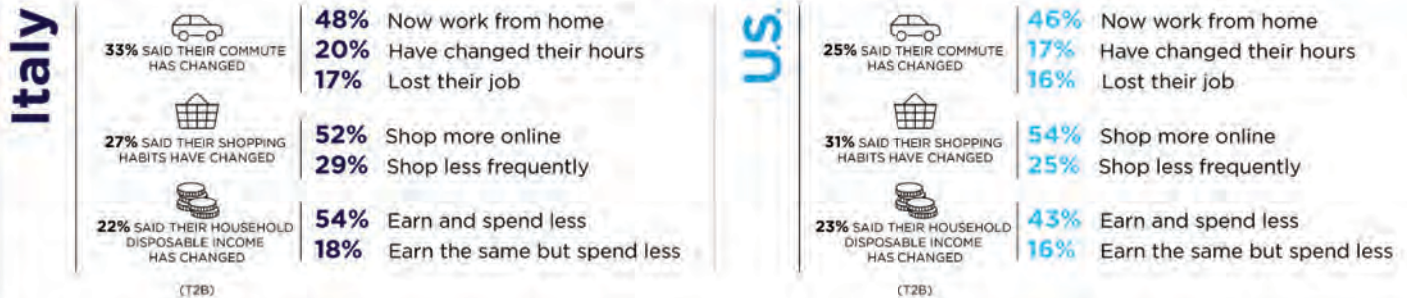
Survey respondents overwhelmingly said that their routines and habits changed greatly during the pandemic. This was especially true in Italy, where 58% said they significantly changed their habits of socializing with others and 41% said their daily routines changed.

To the question "What has changed specifically?," the answers from Italy and the U.S. were nearly the same. A third of responders in Italy said their commute has changed significantly, compared to 25% of U.S. respondents. About 30% in both Italy and the U.S. said their shopping habits have greatly changed, and almost a quarter said their household disposable income has changed.

What does this mean for lottery? It means that players' relationships with lottery games are changing, Magdalenoka-Keen reported. They are establishing new routines, shopping in new shops, and spending more time online to shop and for entertainment in general.

Changing habits mean people are staying at home more and spending less

WHAT HAS CHANGED SPECIFICALLY?



Put simply, if consumers can't find products, they can't buy them. Most manufacturers of packaged goods have had multi-channel retail strategies in place for years. When the pandemic struck, these strategies paid off because their products remained available to consumers. The same principle applies to lottery—the more access points lotteries have with players, the easier it is to keep players engaged.

"It is critical for lottery products to be available in as many touchpoints as possible, especially in locations where consumers shop and engage with other products and services," Magdalenoka-Keen said. "Lottery products need to be visible at retail and fully stocked."

Adapting to New Purchasing Behaviors

The upheaval in consumers' daily routines and habits had a big impact on purchasing behaviors in both Italy and the U.S.—but in opposite directions.

Purchase frequency reduced across all retail categories in Italy, including lottery. Scratch-off purchase frequency decreased 24% in Italy during the pandemic. However, those fewer trips were maximized with larger shopping baskets on average, mirroring the general shopping trend in the country and across Europe. More games were purchased per shopping occasion.

With fewer restrictions on physical movement than in Europe, U.S. consumers' scratch-off purchase frequency actually increased by 40.2%.

Despite the disparity in purchase frequency, a remarkable similarity emerged—players in both countries started to see the value in higher-price-point games. While consumers made fewer trips to the store, the number of tickets purchased at higher price points rose significantly.

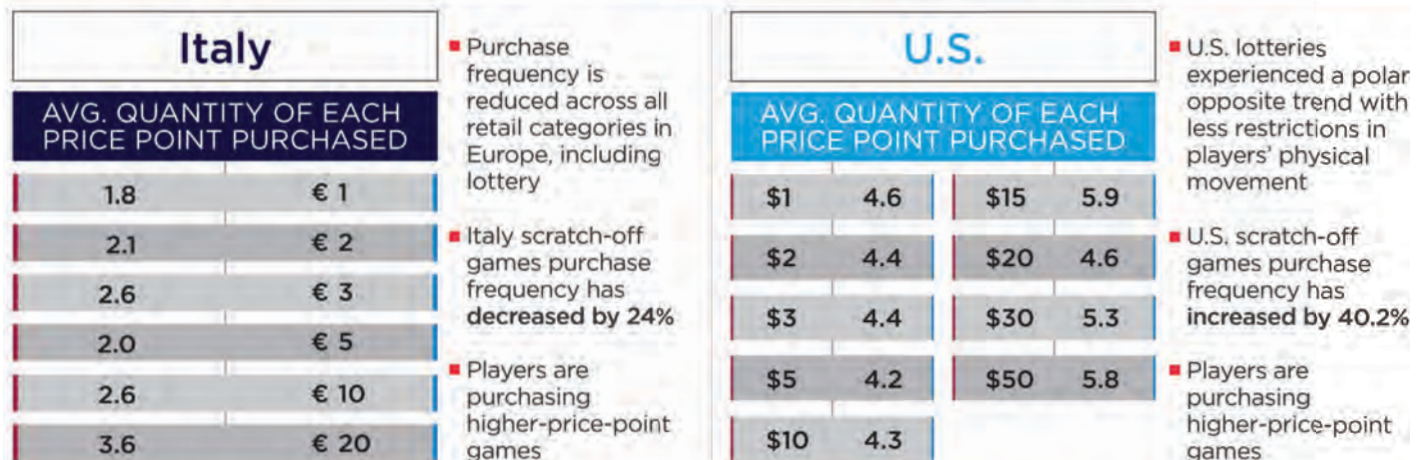
"Players were going to retail stores less often but with bigger budgets to spend, and likely bringing winning tickets from their previous shopping trips as well," Magdalenoka-Keen said. "It all allowed players to purchase more games and try the price points they previously didn't play."

The findings in the U.S. echoed European consumers' increased appetite for higher-price-point games.

"We conducted retailer interviews in two U.S. states last year, and one of the consistent findings for each state was that retailers have noticed their instant scratch customers buying games at higher price points," Menzia said. "This really validated what consumers were already telling us."

Again, what is the key lesson for lotteries? According to Menzia and Magdalenoka-Keen, the rising popularity of higher-price-point games signals that lotteries should adapt their game mix to meet this new, increased demand.

Staying relevant in uncertain times and adapting to new purchasing behaviors



"Not only do retail game bins need to stay full, the higher-price-point games now need to appeal to different types of players who are interested in upping their game," Menzia said. "Also, from our studies we learned that players who purchase \$10 and \$20 games are more likely to repurchase instant scratch games in the next 12 months. Adapting doesn't just drive trial—it supports repeat business."

The Law of Attraction

For the past year people have been proactively seeking new forms of entertainment. With choices being so limited, especially within the gaming sector, research shows that this has been an opportune time to get more consumers interested in lottery and gain new players.

Despite scratch-offs being extremely popular historically, Italy has experienced over 8% player growth during the pandemic. In addition, nearly 90% of these new players have continued to play lottery.

"This is a tremendous repeat rate, signaling that Italy has provided a gaming experience that is attractive," Magdalenoka-Keen said. "New players enjoyed playing and have returned to lottery as a result."

Surprisingly, most new instant game players in Italy fall into the two player segments that Scientific Games identifies as Enthusiasts and Passionates. The company characterizes these segments as the most engaged and loyal lottery players who genuinely appreciate the instant game entertainment experience and tend to remain loyal.

"These two segments account for about 80% of instant game annual spend, so they are incredibly valuable to the lottery," Magdalenoka-Keen pointed out. "We need to look after these players and their needs and motivations."

With few options for entertainment and not as much physical restriction as in Europe, more new consumers started buying instant games in the U.S. Almost 20% of instant scratch players in the U.S. just started playing in the past 12 months—twice as much as in Italy. This was greatly due to the lack of gambling options during the pandemic, especially with widespread casino closings and minimal options for gambling online with real money, Menzia said.

"Lottery was literally the only game in town for quite some time," Menzia observed. "Like Italy, a significant number—86%—of these new players in the U.S. have stuck around and continued to engage with lottery in the past five months."

Extended-play instant games were the primary attraction for new players in the U.S. About 26% of new players fell into the segment Scientific Games calls Visitor EXT, those who are very attracted to extended-play games.

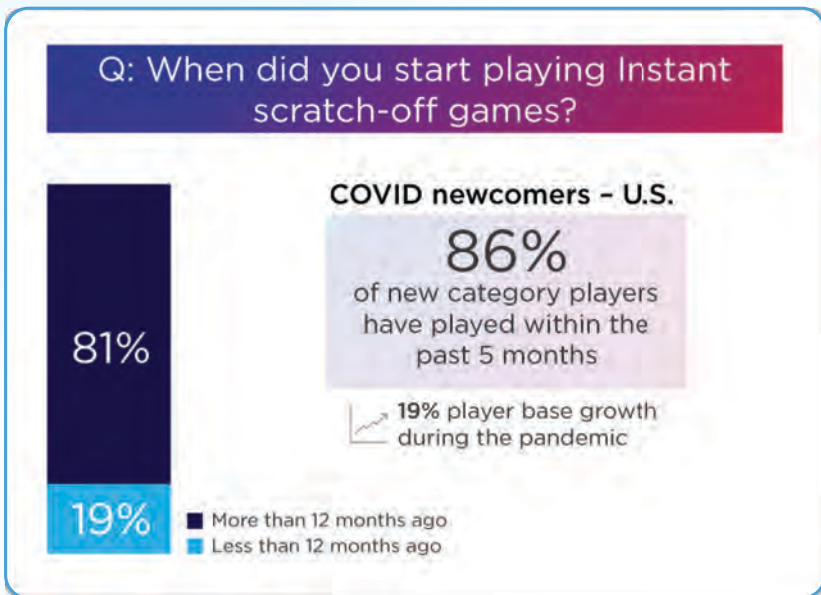
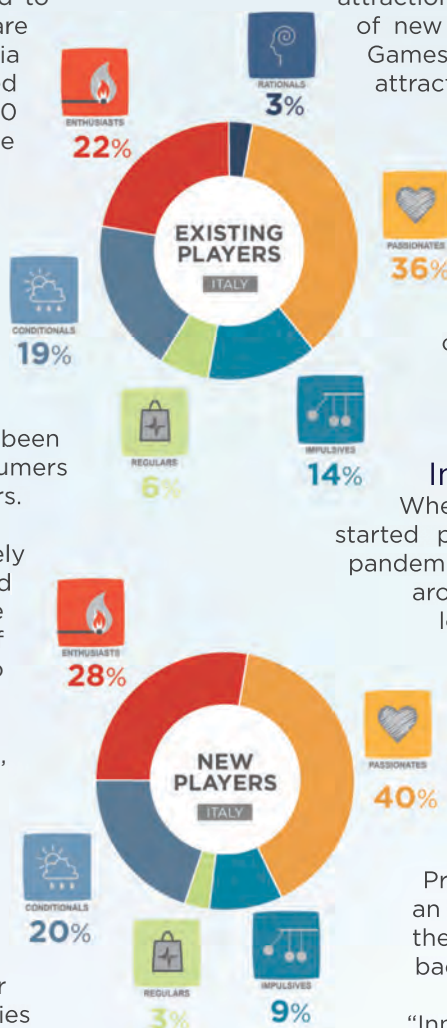
"Much of our qualitative research conducted in 2020 found that the popularity of extended-play games rose significantly during COVID," Menzia said. "This stems from the desire for increased play time. In these players' minds, extended play games offer a bigger bang for the buck when it comes to entertainment."

Motivating Players through Innovation

When it comes to high-quality players who started purchasing lottery products during the pandemic, what can lotteries do to keep them around moving forward? And how do lotteries bring back players who stopped playing during the pandemic? According to Magdalenoka-Keen and Menzia, it all comes down to motivation. Knowing what motivates these players and meeting their expectations will show these key segments that they are valued and appreciated.

Providing a variety of top prizes, as well as an array of play styles, across price points is the key to motivating players to keep coming back for more, Menzia said.

"Innovation is very important," he added. "Players are always looking for new types of games. If lottery doesn't deliver, consumers will look elsewhere to fill that entertainment void."



What's next on the innovation roadmap?

EUROPE

- Digital + Physical game= Phydigital
- Linked games
- First €50 game
- Small-top-prize games at higher pricepoints - Blowout games

U.S.

- Linked games
- Game families
- VariPlay Duo
- Blowout games

Menzia and Magdalenoka-Keen suggest some new concepts that European lotteries could introduce include ideas such as: combining digital and retail games, linked games, introducing a €50 game, and small-top-prize games at higher price points. For U.S. lotteries, they point to linked games, game families, *VariPlay Duo* and *Blowout* games.

Regardless the strategy a lottery chooses, introducing new and exciting games and concepts helps capture new consumers' attention or regain lapsed players.

"There are many innovative areas to explore," Magdalenoka-Keen concluded. "You just need to focus on at least one new innovation for your players, and decide: What is the next game-changer to take your lottery to the next level?" While nothing is ever a sure bet, strong insights and analytics have proven again and again that growth is possible.

© 2021 Scientific Games Corporation.
All Rights Reserved.

