

# THE PANDEMIC IS OVER ....

Simon Jaworski, Executive Vice President U.S. Operations, Leger

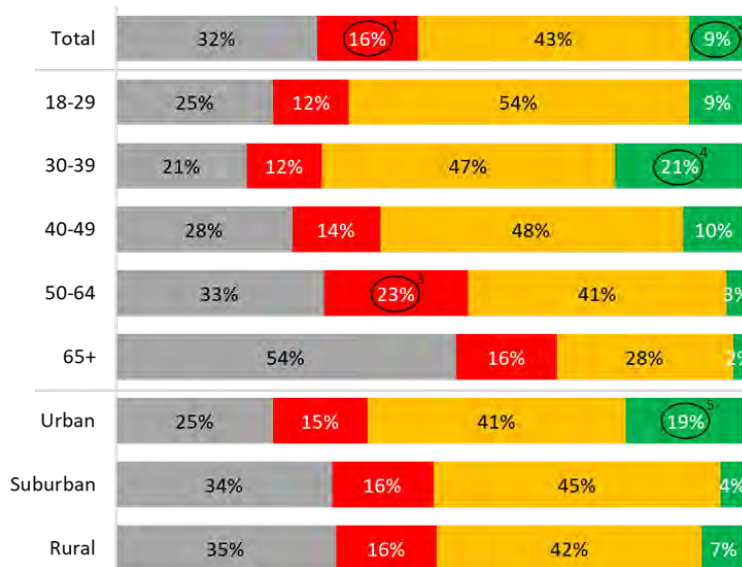


**O**k, now that I have your attention, it is time to discuss where the U.S. Lottery industry sits compared to two years ago when the pandemic first made its mark on the industry.

Highs and lows follow similar patterns as the convenience stores, with those shopping less being driven by higher risk COVID groups 50-64 year-olds (31%8), who are traditionally in the sweet spot for Lottery draw games, while those shopping more are in the 30-39

## Convenience Store Shopping Compared to 2 Years Ago

■ I don't shop at convenience stores ■ Shopping less often ■ Shopping the same amount ■ Shopping more often



Leger's research from December 2021 begins with the question 'how frequently and where have you been shopping?'. When talking about convenience store shopping, 16%1 of Americans are shopping less often at C-Stores, compared to 9%2 who are shopping more often, a net decline of -7%. This decreased shopping behavior is being driven by 50-64 year olds (23%3 of whom are shopping less).

However, two critical Lottery playing groups more than doubled the average number of their convenience store trips during the pandemic, with the 30-39 year olds (21%4) and those living in Urban areas (19%5) leading the way.

The trends are remarkably similar when looking at grocery shopping. Compared to two years ago, 24%6 of Americans are shopping less often at Grocery stores while 11%7 are shopping more often, a net decrease of -11%. Despite this, the groups driving the

year age range (19%9). Higher income Americans in their 30's provide the ideal target market for almost all discretionary spending categories in the USA today.

For the U.S. Grocery shoppers, times are a changing. COVID has likely forced the

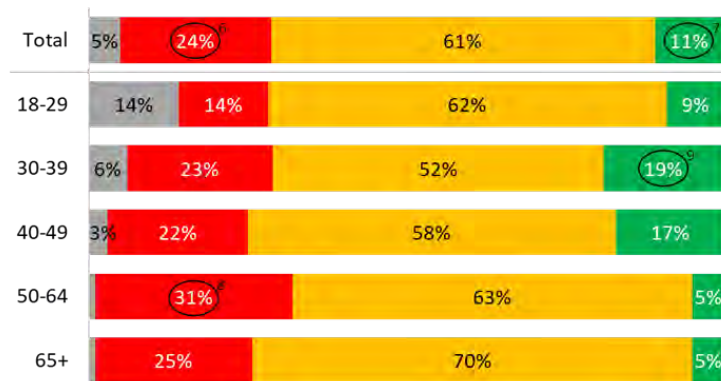
issue for some shoppers, but for the most part, changing habits were already being formed and the two-year pandemic has merely sped up the process. 40% of U.S. grocery shoppers have either "started to order online and pick up at the store" or "started to get my groceries delivered to my house". Of these two habits, home delivery is the more popular with 27% of grocery shoppers taking advantage of delivery services. From a physical perspective, perhaps with a focus on safety, it makes perfect sense, with four of the five key shopping elements (groceries into cart, onto the checkout, bagged and into the cart, and finally into the vehicle) being eliminated.

More than 50% of Americans shop online at least once a week, with this number significantly higher among the 30-39 year-old age group at 67%, and \$100k+ income groups at 69%.

However, the knock-on effect from fewer grocery shoppers in-store cannot be

## In-Person Grocery Store Shopping Compared to 2 Years Ago

■ I don't shop for groceries ■ Fewer in-person grocery shops ■ The same number ■ More in-person grocery shops



discounted from a lottery perspective. Fewer in-store shoppers, or less frequent grocery store visits, ultimately means fewer chances for the casual player to buy a Scratch or jackpot ticket.

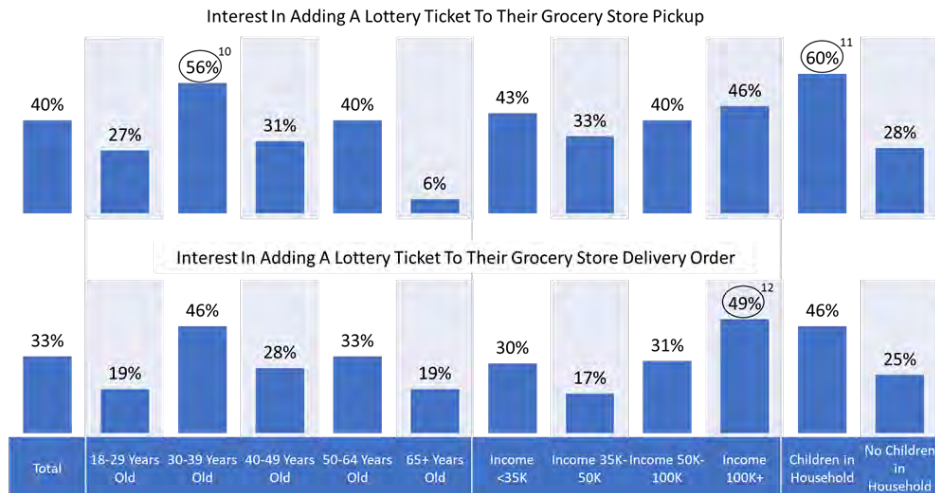
So what options can lotteries provide to ensure everyone who shops for groceries, whether in-person or online, has a fair chance of buying a lottery ticket? At least one third of online shoppers tell us that they want another alternative.

Among those who have started ordering groceries online and picking them up, 43% would like the option of adding a lottery ticket to their grocery pick up order, slightly higher than the 33% of those who would like to have a lottery ticket sent with their grocery delivery. The kicker? Those who want Lottery tickets added to their online grocery pickup order are the biggest proponents of their state lottery, with an average NPS mean score of 8.3/10, compared to a national average of just 4.6/10. At face value, this appears to be the classic win/win, especially if these lottery promoters are given the tools to spread the word about their new method of buying Lottery without even having to set foot in store.

### Interest In Adding A Lottery Ticket To Their Grocery Store Pickup/Delivery



For both of these potential lottery sales channels, some key groups are significantly more interested in having Lottery added to their online purchase, including key consumers groups, notably those aged 30-39 years old (56%<sup>10</sup> are interested in home delivery) and those households with children (60%<sup>11</sup>).



In terms of 'adding Lottery to their grocery delivery', the highest income group (\$100k+) are the most interested at an impressive 49%<sup>12</sup> (an over-index level of 150, compared to the average).

Nevertheless, the next generation of Lottery players is going to be the most difficult to reach from a standard 'retail' Lottery perspective. Leger's survey asked whether Americans would prefer to purchase their Lottery tickets via their usual retailer, online via their laptop/pc or online via their smart phone/Lottery app, the differences by generation were eye-opening, yet logical.

Overall, the highest proportion of Americans would prefer to buy Lottery via a traditional retail outlet (35%), compared to 21% who would like to buy Lottery online, either online from home (17%) or via a mobile device (11%). There is a large crossover between these last two groups.

The biggest disparity is unsurprisingly among the more tech oriented, youngest age group. Compared to older age groups, significantly more 18-29 year olds would choose to buy Lottery online (24%<sup>13</sup>) than in a regular Lottery store (16%<sup>14</sup>), with older groups the polar opposite, with 41% of 50+ year olds enjoying the in-person experi-

ence, compared to only 6%<sup>15</sup> of these older Boomers who would like an online option.

So, what does this mean for the Lottery industry? Quite simply, the industry has to ensure that the next generation of potential players has the option to buy Lottery in the method that is most convenient for them at the time and place. The COVID-19 pandemic has changed the way the ordinary American shops, with the total proportion of all shopping increasing to 15% (from 10% pre-pandemic) at its peak. This number is only going to rise as people's habits have inextricably changed in the last two years.

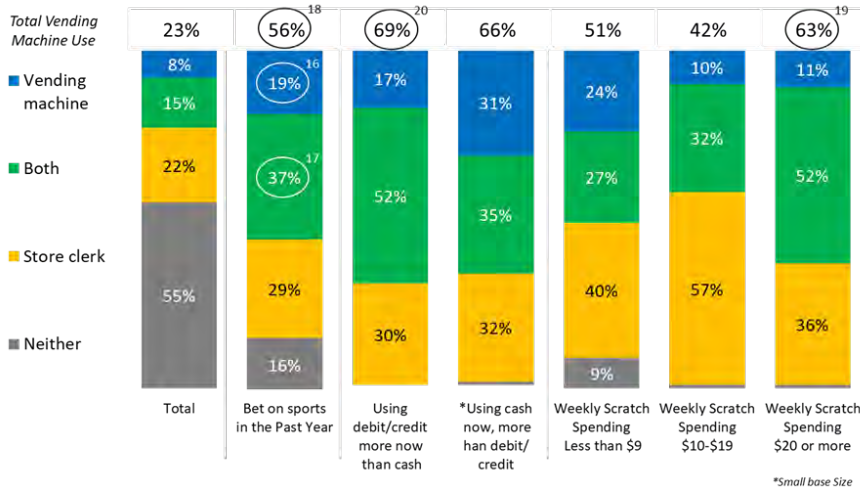
Compounding this is the fact that the competition for the discretionary dollar continues to widen, and that factor, coupled with the highest inflation rate (7%) since the Reagan administration, means the battle for that discretionary dollar is getting tougher. Currently, there are about 30 states where sports betting is now legal, including 18 that allow online sports wagering, dwarfing the eight states that currently have iLottery. This means more than 100 million Americans can place a legal wager where they live...and the crossover between sports betting and lottery, especially with the Lottery Scratch product, is notable. 84% of sports bettors purchase Lottery, a touch lower than the 89% of online

### If your state lottery could sell lottery games online, how would you purchase lottery in the future?

	TOTAL USA	18-29	30-39	40-49	50-64	65+
Still at my regular lottery store	35%	16% <sup>14</sup>	33%	38%	44%	38%
Online (Net)	21%	24% <sup>13</sup>	29%	24%	18%	6% <sup>15</sup>
Online, via my laptop or PC	17%	23%	24%	17%	14%	5%
Online, via my smart phone/Lottery app	11%	14%	18%	13%	7%	2%
None of the above	53%	68%	53%	48%	45%	57%



### How are you currently buying lottery tickets?



gamblers. All these competitors are slowly becoming an integral part of consumers' lives, through their handheld devices and other online methods

However, a few key statistics appear to buck this trend, which could be very beneficial for lotteries in the short term. It's the ease of lottery purchase at retail that appears to appeal more to the sports bettor (and also the online gambler). 19%<sup>16</sup> of sports bettors purchase only from lottery vending machines (compared to the average of 8%), with 37%<sup>17</sup> buying from both the lottery vending machine or the clerk in store (compared to 15%), giving vending machines a net of 56%<sup>18</sup>. A number of key groups rely on vending machines even more... the higher spending Scratch player at 63%<sup>19</sup>, and those using debit/credit cards more during COVID to buy Lottery, a whopping 69%<sup>20</sup>.

And what of prices points? Leger's research finds that 10%<sup>21</sup> of past week Scratch players bought a \$20 ticket, with 5%<sup>22</sup> purchasing \$30 or above, but this skews significantly higher among certain cross-over groups. (Cue Ferris Bueller's teacher, "Anyone? Anyone?"). Households with children (13%<sup>23</sup> for \$20, 13%<sup>24</sup> for \$30+) are significantly higher

than the national average for higher priced Scratchers, while \$100k+ income households reach the dizzying heights of 15%<sup>25</sup> for \$20, 13%<sup>26</sup> for \$30 and 6%<sup>27</sup> for the \$50 ticket.

When asked about their favourite Scratch ticket, patterns are relatively the same, with 24% of the \$100k+ households stating their favorite is a \$20 ticket or higher, compared to just 10% nationally. 17% of Sports Bettors prefer the \$20 ticket or above, echoing other research which has shown the crossover between sports bettors and higher priced Scratch ticket players.

Don't worry, there is still some good news "in-store" for you! Despite the fact that the competition for the entertainment dollar appears to be widening, one stronghold for the Lottery industry are the Americans who have increased their shopping at convenience stores or grocery over the past two years. The in-person shopper leads all key categories for lottery play, including average weekly spend on Scratch tickets (both key lottery shopping avenues are above \$50) compared to the average of \$23. In-person convenience store shoppers are twice as likely to use a debit or credit card to buy their lottery tickets than the average American at 29%, and two-thirds

of these shoppers are using debit/credit cards more often to buy lottery since the start of COVID-19.

This same group has also migrated to using Lottery vending machines significantly more often during the past two years at an astonishingly high rate (67%), compared to the national average among Lottery players of 31% which, let's face it, is still a big number.

So what does all this information mean for our state lotteries. Simply put ...

1. Ensure Lottery retailers are well stocked with the latest and most popular Scratch tickets
2. Guarantee that players (and especially casual players) can see the Lottery vending machine when they walk into the store. Lottery tickets cannot be sold if they cannot be seen.
3. Payments for lottery, especially on vending machines, should accept debit cards at the very minimum (yeah, I am looking at you New Jersey, my home state ...)

However, in-store options can be a double-edged sword, as these same retail shoppers we need to ensure are happy and catered to also happen to be the highest 'at risk' segment for Lottery, as half of this group heavily over-index on other 'competitive' gaming and gambling. These 'at risk' Lottery players (50%) are three times more likely than the average American to 'gamble at a Casino', 'bet on sports' or 'play fantasy sports', so the fight for their discretionary leisure spend will become tougher and tougher as more states legislate for legal sports betting and online gambling.

Based on Leger's research, it appears the best way forward is to ensure the next generation of Lottery players is supported as quickly as legislation will allow, meaning iLottery in every state, and innovation in hand-held Lottery options. In the interim, we need to focus on fine tuning ways that the current core and casual players have access to Lottery products with as little effort as possible. This includes cashless payments and additions to grocery shopping, whether this is a Scratch ticket being added to a home grocery delivery, or a simple in-lane Powerball or Mega Millions purchase at checkout, which could possibly lead to quick wins in a rapidly changing post-COVID environment.

Trust me – I am a researcher. ■

*Simon Jaworski, EVP, Leger USA, Lottery & Gaming Research Guru*

### What price of Instant tickets did you buy this past week?

	TOTAL USA	Bet on Sports In the Past Year	Children in Household	No Children in Household	Income: <35K	Income: 35K-50K	Income: 50K-100K	Income: 100K+
ticket	34%	25%	19%	42%	46%	32%	32%	21%
ticket	40%	35%	31%	45%	43%	54%	33%	34%
ticket	22%	24%	28%	20%	28%	24%	23%	13%
ticket	48%	48%	56%	45%	44%	49%	55%	38%
ticket	24%	26%	46%	14%	18%	14%	26%	36%
ticket	10% <sup>21</sup>	9%	13% <sup>23</sup>	7%	5%	27%	4%	15% <sup>2</sup>
ticket	5% <sup>22</sup>	12%	13% <sup>24</sup>	1%	1%	6%	3%	13% <sup>2</sup>
ticket	1%	5%	4%	0%	0%	0%	0%	6% <sup>2</sup>