WHAT CAUSES US TO CHOOSE ONE GAME-OF-CHANCE OVER ANOTHER?

UNDERSTANDING THE MOTIVATIONAL DRIVERS OF EACH GENERATION OF CONSUMERS …

Simon Jaworski, *Executive Vice President Lottery & Gaming, Leger USA*

Leger
THE RESEARCH INTELLIGENCE GROUP

LEGER – PLAYER VALUE GAMING 2023

A large majority (85%) of the adult US Population has played at least one of the 6 main gaming/gambling products (this includes video and social games) within the past year, with three-quarters having played in the past month. Think about that for a second. This is among everyone into their eighth decade. For Gen Z, these numbers are even higher, with 90% having played a video or social game in the past year. Whomever coined the phrase "Take your life in your own hands", probably didn't realize that an iPhone or Android device would do just that to a majority of the first world population in 2023.

Social games and video games are the most played type of game, with more than half of the U.S. population playing either type of game in the past year. However, Lottery games closely follow, with around 50% of Americans having played at least one type of Lottery game within the past year. Sports betting and fantasy sports are up and comers, with a quarter of the population playing in the past year, leaving room for growth as legalization grows (at least on the sports betting side). But for now, Lottery commands a huge lead over sports betting.

Ever since mobile sports betting was legalized (it is now legal in 26 states as of March '23, up from 18 in January '22), gaming and gambling organizations, including North American State lotteries, have tried to understand what drives player value in the post-COVID era. This is so they can respond to changing behaviors and inform their planning decisions with insights about which other gaming categories provide the biggest competitive threat and adjust for this strategically.

Leger's team thought long and hard about this quandary, and devised its own Gaming Player Value Score, which captures and assigns values to a wide variety of what we call "dimensions": functional, social, monetary, and psychological factors, including the experience of winning and losing, routine play, pace of play, relevance or perception of odds, risk vs reward, convenience, and much more. The Player Value Score (PVS) allows for benchmarking and comparisons between these gaming dimensions to understand differences, similarities, and opportunities.

The key aspect of the research, conducted in October 2022 among 3,692 Americans from all states, focuses on what drives value for players across five key gaming categories: lottery (split by draw game and scratch games), sports betting, casino gambling, online gambling, and video/social gaming. Leger's Analytics team has derived how value from play leads to players' behaviors such as frequency and spending, and how it will also affect future intention to play. These vital insights can guide the ways we shape game development, brand messaging, and promotional strategy.

So, what is Leger's Player Value Score composed of?

Nine components make up how much value players derive from the gaming categories they play, and how those aspects will drive their decision to play in the future. Please note that while these are ranked in order of overall importance to gaming and gambling, they affect all six gaming categories very differently.

#1 Convenience

How convenient the game is to play. Convenience is a mission-critical variable. It is not only the #1 driver across the entire range of gaming, but it is a top 3 driver across five of the six gaming categories.

#2 Time Spent

How much time players spend playing. This is the #2 key driver for Casino Gamers, Sports Bettors and Video/Social Gamers.

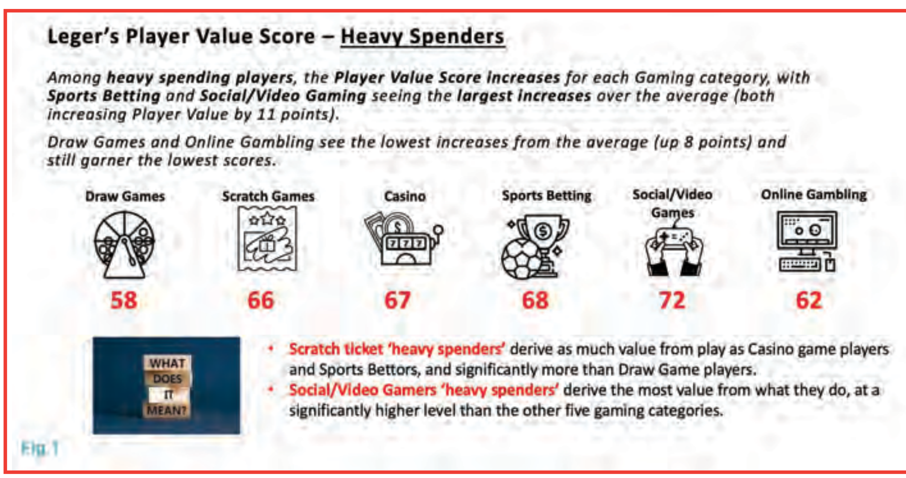
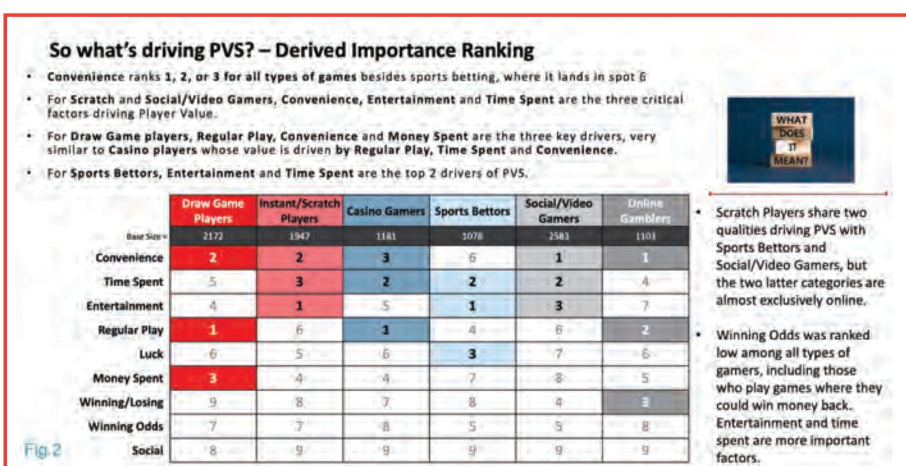


Fig. 1



So what's driving PVS? – Derived Importance Ranking

- **Convenience** ranks **1, 2, or 3 for all types of games** besides sports betting, where it lands in spot 6
- For **Scratch** and **Social/Video Gamers, Convenience, Entertainment** and **Time Spent** are the three critical factors driving Player Value.
- For **Draw Game players, Regular Play, Convenience** and **Money Spent** are the three key drivers, very similar to **Casino players** whose value is driven **by Regular Play, Time Spent** and **Convenience.**
- For **Sports Bettors, Entertainment** and **Time Spent** are the top 2 drivers of PVS.

	Draw Game Players	Instant/Scratch Players	Casino Gamers	Sports Bettors	Social/Video Gamers	Online Gamblers
Base Size =	2172	1947	1181	1078	2583	1103
Convenience	2	2	3	6	1	1
Time Spent	5	3	2	2	2	4
Entertainment	4	1	5	1	3	7
Regular Play	1	6	1	4	6	2
Luck	6	5	6	3	7	6
Money Spent	3	4	4	7	8	5
Winning/Losing	9	8	7	8	4	3
Winning Odds	7	7	8	5	5	8
Social	8	9	9	9	9	9

WHAT DOES IT MEAN?

- Scratch Players share two qualities driving PVS with Sports Bettors and Social/Video Gamers, but the two latter categories are almost exclusively online.
- Winning Odds was ranked low among all types of gamers, including those who play games where they could win money back. Entertainment and time spent are more important factors.

Fig. 2

#3 Entertainment

How entertaining the games are. Scratch players and Sports Bettors have this as the #1 driver of their Gaming Player Value, which could explain why there is a lot of play crossover between the two categories.

#4 Regular Play

Both Draw Players and Casino Gamers are driven by Playing Regularly as their #1 Player Value driver, although there are very strong and significant differences between Heavy and Light Spending players.

#5 Luck

Although luck plays a moderate part in driving players value of each gaming category, Sport Bettors feel that it has a bigger part to play in their ability to bet and win. However, this changes significantly when comparing Heavy to Light Spending Sports Bettors, with Heavy bettors feeling luck plays a very important role in their future play. The different player attitudes as regards to the role of luck, and how it varies across game categories, is a most interesting object for future research!

#6 Money Spent

Not a driver at all for the Social/Video Gamers (at least not at the total level), the amount of Money Spent is still an important driver (4th) for Scratch Players and Casino Gamers, especially Heavy Spending Scratch purchasers.

#7 Winning/Losing

The winning proposition is a Top 3 driver for Online Gamblers, but this factor is truly driven by those Low Spenders in the category.

#8 Winning Odds

Although mostly a tertiary driver, Winning Odds, which will not come as a surprise to industry experts, does have a stronger drive of future play among Heavy Spending players in both the Casino and Sports Betting sectors. We need to understand more about the way lottery players perceive Winning Odds, and how that may be changing.

#9 Social (v Individual)

Perhaps one of the most interesting aspects of the Player Value study, is the fact that Gaming overall has always been more of an individual activity as opposed to a social one. However, both Heavy Spending Sports Bettors and Online Gamblers are driven in part by a 'social connection' to their gaming. We might expect the industry to work on finding ways to tap into this universal desire for a more social experience.

How overall Player Value affects a Gaming category in terms of future play

Although a one number score can be seen as somewhat simplistic, it does offer an insight into the health of a gaming category. Right now, Video/Social Gaming is the healthiest category in Gaming in terms of Player Value, driven especially by Gen Z and Millennials. Lottery Draw Games have the lowest overall Player Value in 2022,

Scratch-Off Price Points Played And Favorite To Play

- $5 Scratch-Off tickets emerged as the most played price level for tickets purchased within the past year. Over half of players have purchased a $5 Scratch-Off ticket and 22% said that it was their favorite price point to play.
- $1 and $2 tickets were the next most popular price level, with just under half playing each of these price points within the past year.

Fig.6

PVS Drivers – Derived Importance Ranking by Generation (Boomers)

- Boomers are primarily looking for entertainment at their life stage, and this is the #1 driver for Draw and Scratch Lottery games and Sports Betting.
- For Casino games, Boomers want Regular Play and Spending Time, perhaps just looking to kill time.

	Draw Game Players	Instant/ Scratch Players	Casino Gamers	Sports Bettors	Social/ Video Gamers	Online Gamblers
Base Size =	594	555	314	249	636	224
Convenience	7	5	5	4	1	3
Entertainment	1	1	4	1	5	6
Regular play	2	6	1	7	4	8
Luck	3	3	7	3	8	2
Money Spent	6	2	3	5	7	5
Social	8	7	9	8	9	9
Time Spent	4	4	2	6	2	1
Winning Odds	9	9	6	2	6	4
Winning/Losing	5	8	8	9	3	7

- Perhaps surprisingly, Just like Gen X and Millennials, Boomers are driven by Convenience for their Social/Video Game play.

Fig.3

slightly behind Online Gambling. This ultimately means that Video/Social Gaming is doing a better job at meeting future needs ('convenience', 'entertainment' and 'spending time'), than the Draw Games sector (which is lowest for 'convenience', yet highest for 'important to play regularly'). At some stage, Draw Games will need to offer something more enticing other than 'regular play', especially for Gen Z.

Are the four Generations different in their Gaming Player Value, and if so (ok, yes, they are), what drives each one in the six gaming categories?

For Gen Xers, spending more money is less important for Social/Video gamers than most other types of gamers. However, unlike younger generations, spending more time and deriving entertainment from their choice of game starts to emerge as more important drivers for gaming, perhaps a distraction from their everyday lives. This can be seen among Gen X Scratch gamers, Casino Gamers, and Online Gamers.

Millennials derive the most value from five of the six gaming categories, with the notable exception of Social/Video gaming which has the highest PVS of all gaming types among Gen Z. As the 'owner' of two Gen Z boys, their iPhones are never far from their hand irrespective of what they are doing, and the younger one plays high speed Chess on his device while engaging in other activities.

Boomers derive their highest PVS from Casino games, and their lowest from Draw Lottery games, although they have the lowest PVS among all gaming categories, among all generations.

Ironically, the two generations at opposite ends of the spectrum, Boomers and Gen Z, are both driven by 'Entertainment' as the #1 factor for Player Value for Draw Games, which allows U.S. State lotteries to perhaps proverbially 'kill two birds with one stone' in designing new Lottery numbers games that could connect with both generations.

Scratch ticket 'heavy spenders' derive as much value from their play as Casino Game players and Sports Bettors, and significantly more than Draw Game players.

So what does all this mean for the future of some of the main gaming and gambling industries?

Video/Social Gaming – Video/Social gaming has the highest Player Value of any Gaming sector, and notably among the highest spending group in their sector. It also has the highest Player Value scores across all Gaming variants, plus the least variance among 'heavy spenders' across the three youngest generations (Gen Z, Millennials and Gen X), and so it is primed for additional growth over the next decade. The 'heavy spenders' are driven by Convenience, Entertainment, and also

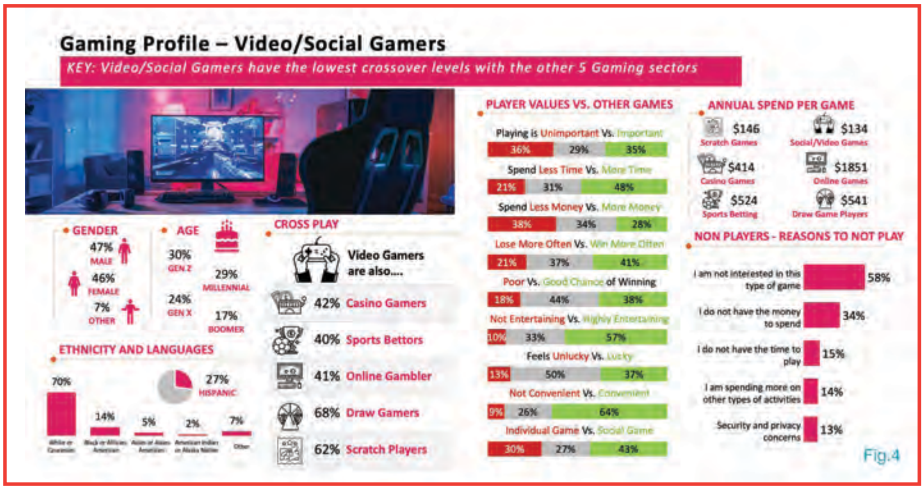


Fig.4

PVS Drivers – Derived Importance % - Online Gamblers

- Despite being the **Highest Spending group**, and even though both **Time** and **Money Spent** are very important drivers of future play, **Entertainment** is of #1 importance to **Online Gamblers.**
- However, for **Low Spenders, Regular Play** and **Winning/Losing** are the two key future play factors

	High Spenders $2000+	Medium Spenders $500-$1999	Low Spenders $499 and Under
Base Size =	67	75	82
Convenience	10%	13%	3%
Regular play	5%	22%	35%
Winning/Losing	1%	10%	23%
Time Spent	21%	4%	3%
Money Spent	15%	15%	11%
Luck	3%	2%	12%
Entertainment	25%	12%	4%
Winning Odds	5%	13%	5%
Social	14%	9%	3%
TOP 3 IMPORTANCE %	61%	50%	70%

- Online Gamblers want to spend time playing online and be entertained. The Convenience factor is already there, so what can Online gaming companies do to ensure this happens?
- Winning and Regular Play is critical to low spenders. Are there enough games being created to ensure high churn at the low bet levels?

Fig.5

What do the Player Value Gaming results means for the future of each industry?

- **Casinos** – Time Spent and Convenience help drive Player Value for Casino players (both **regular** and **heavy spenders**). According to data from 2021 from the American Gaming Association, there is a total of 981 commercial and Native American casinos operating in the US, with almost all states having Casino representation. Casinos provide their loyal players with other forms of entertainment linked to their Casino play – whether it be concerts, restaurants or even shops to ensure the 'Time Spent' factor is taken care of. **Casinos will need to adapt as greater online competition comes (only 15 states have Online Casinos right now).**

Fig.7

Winning/Losing, and this last aspect has to strike a balance with players to ensure financial growth can be achieved. Video/Social Gaming also has the distinct advantage of being both national (in all states) and being exactly where the consumer is (in their homes, in their hands), which also points to 'Time Spent' being another driver of their future play intent.

Online Gambling – Despite the second lowest PV Score, Online Gambling is currently held back primarily through litigation, with a majority of US states not currently allowing legalized gambling online. However, despite being about a decade behind Video/Social Gaming in terms of accessibility, Online Gamblers have the advantage of two key components driving future play and spend – 'Convenience' and 'Entertainment'. A large proportion of the big players in the space are also affiliated with key land-based Casino brands, so they do not need to re-invent the wheel, unlike Sports Betting. How this sector does in attracting more Gen Z and Millennials over the next decade will ultimately lead to how well the industry will succeed as a whole. Right now, crossover appeal with Social and Video Games is already there.

How should lotteries (and other industries) use this Player Value information?

Obviously, with a study this large, and with such depth of information by category, by generation and by heavy/medium/light players, the Player Value offers something for everyone connected to the strategic growth of playership and retention of lottery players.

It is not simply understanding what is driving current lottery players to play Scratch, buy a Pick 3 ticket, or launch an App to gain access to Keno that is essential, but ultimately what is driving your current lottery players (essentially distracting them in terms of time and money) to find value in competitive gaming products.

Five years ago, there would be almost no mention of 'lines' (sports betting jargon) on ESPN or the other major networks, but in 2023, you cannot move for information on 'in-game parlays', and the seamless integration with every aspect of gambling on sports. This form of free advertising enjoyed by sports betting operators is now ubiquitous. It's in our homes, on our phones, and above all, is there at our convenience.

Right now, only 15 U.S. states have online Casinos, which offers a chance for land-based Casinos to devise new strategies for incoming competition.

For the handful of states who can count eInstants (electronic Scratch tickets) in their current game portfolio, be thankful that you are not now at a strong competitive disadvantage. eInstants are convenient and entertaining (two of the key drivers), matching sports wagering stride for stride. For everyone else behind the technological curve (i.e. states with no iLottery), this type of information may be very useful for your state representatives, especially those who value the revenue that U.S. lotteries give to good causes, and value Responsible Gaming and a gaming market-place that provides parity of access and options – to build the case for competitive balance. Sometimes the value of a player isn't clear, until they are a player no more.

If you would like to buy the 100 page 2023 Player Value Gaming study, it is available now for $9,500, which includes data tables and a 30 minute presentation of results.

Next year's (2024) Player Value Gaming study will also allow states to oversample within their own state, to get direct comparisons to the U.S. market as a whole.

Trust me, I am a researcher. ■

sjaworski@leger360.com