

Lotteries and the Internet...

Essential Evolution, Not Optional Extra

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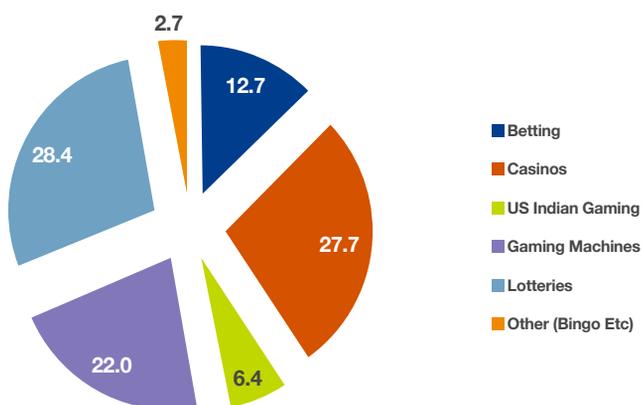
This article is based on a speech given at the Smart-Tech conference in March 2012

Offering lottery sales via the Internet and mobile devices is an essential evolution of the lottery game, not an optional extra.

The majority of state lotteries are not exploiting the opportunities afforded by Internet and mobile technologies. There might be some reasons for this – regulatory or executive reticence – but they are becoming less and less valid in the current economic age and with the technology that is available.

Globally, lotteries account for 28% of all gambling revenues. This market share makes lotteries the leading gambling category in 2011.

2011 Global Gambling Revenues by Category (%)



Source: GBGC Global Gambling Report

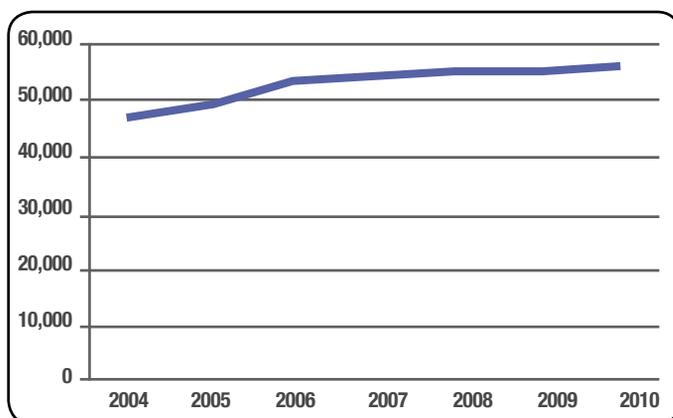
But in the interactive sector – Internet and mobile – state lotteries account for less than 10% of revenues.

These two figures show clearly that interactive channels are not being used to their full extent. Lotteries should be the leading category in the interactive market too.

Where is meaningful growth going to come from in mature lottery markets at a time when:

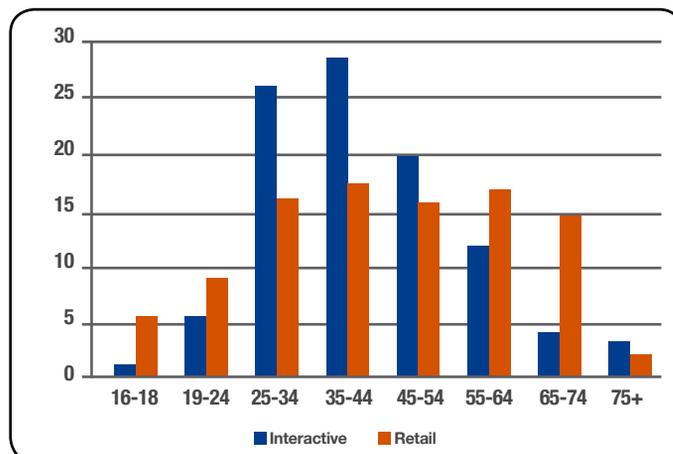
- The gambling market is becoming increasingly competitive – both in the US and worldwide gambling expansion is taking place, all competing for players' discretionary spending
- Lotteries are being called upon for ever more money to fund public works and good causes as governments look for every spare dollar, euro or pound
- Total Lottery sales in the US have not grown by more than 2% per year since 2007
- Offering new sales channels like Internet and mobile sales can be a catalyst for growth

US Lottery Sales (US \$ million) 2004-2010



Source: GBGC Global Gambling Report

UK Lottery Player Profile by Age



Source: Camelot

Internet and mobile sales channels enable lotteries to attract new customers and more customers in demographic segments where retail lottery participation is lower. The UK lottery operator Camelot has found that interactive participation is particularly strong in the 25 – 44 age group – usually a group with high disposable income too. This 25 – 44 age group accounted for 54% of interactive lottery players and 35% of retail players.

Offering Internet and mobile lottery sales fits in with how more and more customers are doing their shopping and making purchases:

- In the US total e-commerce sales reached US\$ 161 billion in 2011, up 13% on 2010 (Source: Comscore)
- The iPhone and iPad accounted for 10.2% of all online retail traffic on Black Friday, last Thanksgiving (Source: IBM Coremetrics)
- Facebook has more than 350 million active users accessing their profiles through a mobile device (Source: Facebook)
- 4 out of 5 US smartphone users use their phone to help with shopping; 54% use it to locate a retailer (Source: Google/Ipsos)
- Ebay calls it “couch commerce” – using tablets and mobile phones to shop from the comfort of the couch
- Ebay: in 2011 people purchased US\$ 5 billion worth of goods via mobile devices on Ebay; forecasts US\$ 8 billion in 2012 (Source: eBay)

The key question to ask is “Who is your boss?”

A lottery might answer it is the government that awards their licence, or the public causes for which they are raising funds. The answer is actually the customer who buys your tickets and plays your games – you have to give them the games they want in a format they want.

Offering lottery sales by Interactive channels:

- Opens up a new source of players
- Fits in with changing consumer behaviour
- Stimulates greater spending
- Gives greater insight into players and their behaviour
- Allows more focused and tailored promotional activity to registered players by email and text message
- Increases a lottery’s margin because there is no retail commission to pay, which benefits the causes for which the lottery raises funds
- The use of new technology is an essential evolution in the lottery industry, not an optional extra

General retailers – be they book shops, computer stores, clothing outlets – have all had to adapt to changing consumer behaviour and preferences. Lotteries should not be exempt from this evolution.

MegaMillions Mania Highlights Need for E-Lotteries

The most incredible aspect of the US MegaMillions lottery jackpot was not the fact it had not been won since 24 January 2012, nor the record US\$ 640 million jackpot but rather that US lottery play-

ers still have to stand in queues round the block to buy their tickets.

For an economy that is home to Silicon Valley and Apple Inc, which has revolutionised mobile commerce with its iPhone, the sight of people waiting in line for their 1 in 176 million chance of winning the jackpot was incongruous. (*See images of enthusiastic Mega Millions players at <http://www.bbc.co.uk/news/world-us-canada-17568194>.)*

After the Department of Justice’s legal opinion (regarding lotteries and the Wire Act) of December 2011, the Illinois lottery went live with its Internet tickets sales on 25 March 2012. It has undoubtedly benefitted from the launch coinciding with the mania surrounding the MegaMillions jackpot. By Thursday 29 March 2012 Illinois online lottery sales reportedly amounted to US\$ 425,000.

What would have been ideal for the development of Internet lotteries in the US would have been for a winning ticket to have been purchased over the Internet. A winning jackpot ticket was purchased in Illinois but in a Moto-Mart. If people had seen you can buy a life-changing ticket from the comfort of your couch they wouldn’t accept having to stand in line again.

Global Betting and Gaming Consultants (GBGC) recently attended the Smart Tech lottery conference in New York. It appears that too many of the lotteries are adopting a “wait and see” attitude to Internet development. If state lotteries are to take their share of the developing e-gaming market in the US, they need to adopt a more commercial attitude towards new sales channels.

GBGC Director Lorien Pilling commented, “You can bet your last dollar that if the Vegas casino companies get a chance to run online gaming in the US they will not “wait and see”. They will take every opportunity afforded to them by the legislation.”

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As for US lottery players, help influence the future of lotteries by joining the Lottery Players’ Alliance. ♦

<http://lotteryplayersalliance.com>

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