

HARNESSING THE POWER OF UNDERSTANDING TO ACCELERATE LOTTERY GROWTH



As IGT prepares to launch “For the Win: A Global Study of Player Motivations,” Gerard Caro, Senior Director of Insights360, IGT’s research division, discussed his tenure in the research industry and gave his thoughts on how insights can help lotteries accelerate profits.



What are the goals of Insights360?

Foresight into consumer behavior and retailer needs can accelerate lottery growth. Insights360 helps lottery customers harness actionable consumer and retail insights across all aspects of their businesses, enabling more efficient decision-making. The group and its partners uncover emerging trends that guide technology and game product development with the goal of keeping lottery games and the transaction experience relevant and engaging.

How expansive is the group?

Insights360 is comprised of dedicated market research professionals spread across gaming disciplines and geographies. We have team members in the lottery, gaming, and social gaming fields. The cross-disciplinary interaction enhances the sharing of gaming industry research assets such as the Gaming Player Panel.

We embrace a global perspective and leverage our worldwide experience, benchmarks, and best practices to tailor research protocols to local needs. This includes using the most appropriate and effective methodologies from varying technology, geographic, and psychographic perspectives. One simple example is fielding in-home interviews in less developed markets and on-line and mobile

surveys in more developed markets while keeping core survey questions consistent.

Another resource is our arsenal of best-in-class independent market research partners. We work with a dozen firms with offices worldwide. Collaborating with research experts on a daily basis creates true partnerships that bring about the most statistically robust and accurate methodologies and sample plans to the lottery and gaming industry.

IGT Market Research Footprint

Projects completed for 12 months ending June 30, 2016

	Americas	International	Total
Studies	260	62	322
Markets/Cities	468	136	604
Sample (Players and Retailers)	144,417	80,469	224,886

How many studies does Insights360 conduct in a year?

During the 12 months ending June 30, 2016, we engaged more than 210,000 consumers and approximately 15,000 retailers in 604 cities. The resulting 322 research reports provided our customers and IGT management with a robust database of market learnings that are used for benchmarking and for deep understanding beyond single-study data.



Gerard Caro kicking off a Research Workshop

What trends are you seeing across the 322 studies conducted last year?

Our partnership with Foresight Factory and ORC International keeps IGT on the forefront of consumer and technology trends. Also, our synthesis of learnings from our recent studies point to several trends such as:

- “The Dream” still exists, albeit bigger in terms of jackpot and prize levels, particularly in mature markets.
- The fast pace instilled by interactive devices is expected in gaming with growing desire for instant gratification and shortened attention spans boding well for instant win games.
- A dwindling interest and participation in draw games because these games require waiting “long periods” for results, and poor odds result in longer waiting periods for a winning experience.
- Technologically, many players, and particularly younger adults, want lottery to catch up with cashless payments and interactive gaming.
- Worrisome generational differences on attitudes and participation levels, with the average age of the lottery player getting older (now 52 in North America and possibly older in Europe and parts of Asia).

What methodologies/approaches has Insights360 pioneered?

Although most of our research uses tried and true methodologies, 2016 was an exceptionally busy year for trying new research methodologies. Last year we conducted several surveys delivered on mobile devices. This methodology works best for simpler quick surveys, and it is perfect for interactive games played on mobile devices or websites. We also use mobile phones to conduct ethnographies. Respondents are asked to text messages and take pictures and videos of themselves before, during, and after a lottery transaction. Since respondents provide feedback individually through their mobile devices, there is absolutely no group generated bias, and the feedback is remarkably in-depth and honest.

We also pioneered a product-testing method that dramatically heightens the experiential nature of what research participants do while

they evaluate new game concepts. In the beta test, approximately 1,000 players were exposed to a new game concept over a 10-day period, experiencing 40 lottery draws, and subjected to losses, near wins, and wins based on actual odds. The resulting feedback is more relevant since it is based on many experiences and not just on seeing a concept only once.

How has your background in Consumer Package Goods (CPG) impacted your personal perspective on research within the lottery industry?

I’ve worked on a wide spectrum of consumer brands from “low interest” Bully Toilet Bowl Cleaners, Hefty Trash Bags, and French’s Mustard to “high interest” brands such as J Roget Champagne, Sun Country Wine Coolers, and Ray Ban Sunglasses.

Believe it or not, there are many parallels to the lottery industry and certainly to market research as the methodologies are similar. One perspective “borrowed” from traditional CPG categories that I’ve tried to evangelize is to rely more on quantitative methodologies for portfolio expansion and other decisions. A dozen or so years ago lottery research was almost only qualitative, with a 90/10 Qual/Quant split. Today it’s closer to 40/60 Qual/Quant. That’s good because quantitative results are statistically projectable to a lottery’s consumer marketplace, while qualitative results are not. That said, there’s a place for qualitative methodologies for deeper understanding of “the whys” and emotions.

How has the research discipline changed over the years?

There have been developments in usability and biofeedback, but the internet is the most impactful change with more surveys done online every year. This factor has expanded the reach for sample, made surveys less costly and faster to execute, driving more market based decision making. Online has created new methodologies like online focus groups, community blogs and digital ethnography resulting in marketer’s ability to get closer to the time-strapped consumer. That said, the new platform has remained grounded in sound research statistics and analytic techniques.

Tell us about the Research Exchange meetings.

Pioneered by IGT, our annual Research Exchange meetings allow lottery research professionals from around the globe to meet and share ideas. The first Exchange was held in October 2009 at IGT’s headquarters in Providence, Rhode Island. The objectives for the Research Exchange then and now haven’t changed. They are to:

- Offer Lottery researchers worldwide a venue to meet *Who’s Who in the Research Zoo* in order to expand their professional and personal networks.
- Share and discuss their research programs, methodologies, successes, and challenges.
- Leave with new insights on how to improve market research efforts (including confidence levels, methods, and costs).

- Identify commonalities and differences (lottery, vendor, research firms) for better coordination and deliverables.
- Get exposure to new methodologies presented by third parties.

Although we've hosted six Exchanges in Rhode Island since 2009, it became challenging for lotteries from outside the U.S. to attend because of travel costs. The answer was to have the Research Exchange go to them with IGT hosting the first International Market Research Exchange outside of London in October 2016. We're now planning the next Exchange to be held in April 2017 in Lakeland, Florida, hosted at IGT's Instant Ticket Printing facility.



Providence Market Research Exchange 2015 (top); Windsor UK Research Exchange 2016

What mix of research do you recommend for a lottery to insightfully manage its business?

There is no black box. The research mix should be aligned to support the lottery's overall business objectives. One staple of an effective research plan is the continuous Tracker with data reported semi-annually or quarterly to provide progress, or early warning signals, on Key Performance Indicators (KPIs). Others, such as game concept testing, consumer segmentation, retailer audits, and more, should be aligned with the needs and timing of the business. I also recommend studies that uncover shopper barriers, motivators, and emotional drivers for lottery play. These insights have a lifespan of three-five years, so they can be used over multiple fiscal-year marketing plans.

Can research accurately predict the success or failure of a new product?

Research can accurately predict product trial, but not necessarily its long-term success. Research is usually much more accurate at telling us what NOT to do! And, with approximately 85% of new consumer products failing within 18 months of launch - that also

makes research very valuable. It's much more challenging to predict ongoing market performance since it's very difficult for research respondents to accurately foresee their ongoing spending behavior. This is aggravated when researching products that have a high impulse component such as lottery games, including the impact of mega jackpots on purchase behavior!

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What studies are coming up in 2017 that you are excited about?

I get excited about every research study, but we have a few exceptional ones coming up this year. The "For the Win: A Global Study of Player Motivations" was fielded in 10 countries with more than 8,000 adult players and non-players. It will help lottery marketers and product managers gain a deeper understanding of the primary emotions and need states that drive non-lottery and lottery gaming. Stay tuned for the insights to be published throughout the year.

The Insights360 team will also continue evaluating game ideas that come from our FutureGame™ development process. We are using a quantitative and "large sample qualitative" approach in six countries to evaluate more than 20 new FutureGame concepts that include draw, instant, hybrid, interactive, and monitor games. Developing a new protocol to test more than 20 draws games at once is an exponential departure from the industry norm of testing three-five draw games per study. The results are due June 2017 followed shortly thereafter by customer meetings to review results.

We are excited to share the learnings from these studies with our customers to identify player insights and new game concepts that can have a positive impact on Lottery Business Plans. We know that FY18 is going to be a challenging year given the \$1.6B jackpot of 2016 and we are committed to helping our customers achieve their YOY profit goals.

For questions regarding Insights360's annual Research Exchange or its upcoming studies contact Gerard Caro at gerard.caro@IGT.com.

