



# RETAILING TRANSFORMED BY CONSUMER TRENDS

HOW LOTTERY MUST EVOLVE TO PRESERVE ITS  
POSITION OF MARKET LEADERSHIP

of these changes on retailing will be transformational. Marketers of consumer products recognize this time of transition as a unique opportunity to reinvent themselves in order to influence a whole new universe of consumer buying habits and behavior. The mission of any lottery is to maintain top of mind relevancy in the hearts and minds of our customers. First, we need to identify the consumer trends that will have the biggest impact on lottery buying behavior, which new technologies will enable us to enhance the retail purchase, and how to deploy these insights into an improved player experience for the consumer. Understanding how consumer behavior will change in response to external forces has never been more critical. GTECH commissioned Ernst & Young to assess how these broad-based consumer trends would specifically impact the lottery business. The Ernst & Young Retail and Technology Trends Report, 2011-2024 identifies 13 trends that will have the biggest impact on lottery buying behavior. Now it is up to us to leverage these insights into the enhanced lottery player experience to capture the imagination of a new generation of lottery players.

The experience of being a consumer is evolving rapidly, and the impact

## GTECH'S RETAIL TECHNOLOGY CONCEPT LAB TURNS CONSUMER TRENDS INTO PROFITABLE RELATIONSHIPS.

To expand the player-base and increase lottery revenues, the retail experience must change to keep up with consumers' expectations of an acceptable modern-day retail transaction. When it comes to their shopping experience, consumers won't stand for 'business as usual'. They are increasingly impatient and more frugal, and now, they are quite accustomed to, and comfortable with, high-tech interfaces. Lottery industry must evolve to keep its products, its distribution, and its buyer-interfaces consistent with the changing dynamics of the retail setting. The day of the traditional purchase interaction at a lottery terminal is being transformed into a customized consumer experience. Evolving with advances in technology that make shopping more personalized, simple and convenient is what will attract and retain

the attention of this modern-day consumer.

Retail sales account for 70% to 100% of lottery revenues. Brick and mortar retail will continue to be the driver of the lottery business and provide us with the knowledge base to transform the consumer experience, enhancing it for both future and current core players. Embracing new, player-friendly technologies at the point-of-sale offers a significant opportunity for increased future sales. GTECH is keeping its customers ahead of the technology curve of the changing retail environment with several initiatives that integrate this understanding of consumer expectations, evaluate current best-in-class retailer technologies, and test state-of-the-art prototypes.

## **POWER TO THE PLAYER.** **DISCOVERING TRENDS TRANSFORMING RETAIL.**

To improve the player experience, lotteries must identify which consumer trends will have an impact on lottery buying behavior and which technologies satisfy consumer preferences. Knowing that consumer understanding is critical, GTECH commissioned The Ernst & Young Retail and Technology Trends Report, 2011-2024, revealing 13 trends that will have the biggest impact on lottery buying behavior:

### **13** **TRENDS** emerged that will have the **biggest impact on** **Lottery buying behavior** to **2024**

- » Broadband coverage
- » Smartphone supremacy
- » Technology savvy population
- » Advanced technology
- » Alternative payment systems
- » Seamless multi-channel retail
- » Changing face of the high street
- » Retailer diversification
- » Location-based services
- » Self-service
- » Social commerce and gaming
- » Personalisation
- » Simplification

The increasingly high penetration of smartphone usage and the demand for greater broadband coverage signal the widespread adoption of digital technologies. Consumers have the same expectations for simplified graphic interfaces and personalized messaging when shopping at brick-and-mortar retailers. According to the study, tech-savvy customers want increased access to self-service devices, simplified purchasing processes and alternative payment options.

Lottery operators want to maximize player convenience by seamlessly aligning with the new generation of retail purchasing standards. While some of the solutions may be technologically complex, they simplify and energize the lottery buying and playing experience. This will be particularly attractive to young adults that rely heavily on their familiar mobile devices and embrace all technologies, but currently do not purchase lottery games.

### **WELCOME TO THE RETAIL REVOLUTION.**

Progressive retailers are responding to consumer demands by adopting standards-based technologies and offering more self-service options, particularly in the large retailer category.

Many retailers are taking advantage of new technologies as a way to more personally interact with customers throughout all aspects of the purchasing experience including personalized product recommendations and couponing. Tablet-based point-of-sale systems are making inroads in place of their proprietary predecessors. Clerks use iPads and other handheld devices to provide a broad range of services to shoppers away from the sales counter.



#### **Retailer Diversification**

Retailers such as Target, Wal-Mart, Walgreens, and Amazon will continue to extend service offer to consumers. This offers the potential to extend lottery channels to market.

As large and big box chains continue to take over more of the retail market share, it's imperative that lotteries adapt to the new retail technologies being deployed. GTECH's new technology initiatives are focused on the seamless convergence of technologies and trends to ensure that we enable lotteries to stay relevant in this changing environment.

"The use of key EMERGING TECHNOLOGIES is dependent on changes in player behavior, reliable technology availability, and support from existing lottery retailers..."

– Ernst & Young Retail and Technology Trends Report, 2011-2024.  
Commissioned by GTECH

**58.5%** of the total US population will have a smartphone by 2016



eMarketer estimates the number of US consumers with a smartphone will more than double from 93.1 million at the end of 2011 to **192.4 million**



"Lottery has traditionally been separate from the transaction devices of our brick-and-mortar retail partners. We are proposing that we become more synergistic with retail trends and we are exploring those trends right here in the RTC laboratory today."

Don Stanford, GTECH Chief Innovation Officer



## CREATING THE FUTURE. GTECH'S RETAIL TECHNOLOGY CONCEPT LAB.

Not only has GTECH identified key consumer trends and retail industry best practices, it's developing the next generation of lottery retail solutions. By partnering with cutting-edge retailers and studying the dynamics of their point-of-sale technologies, GTECH is finding new insight and inspiration for ways to improve the retailer-lottery-player relationship.

The convergence of insight and best practices happens at GTECH's newly created Retail Technology Concepts (RTC) Lab. The RTC's mission is to bring to life the trends that are taking hold outside of the lottery space and to explore the possibilities in retail technology to see how they can be adopted for lottery use. Working together, GTECH technologists, marketing experts, and business analysts conceptualize new products and quickly build prototypes specifically suited for the changing demands of tech-savvy players. The lab allows ideas to dimensionalize and gives GTECH and its customers the opportunity to interact with the concepts in the same way a player would. To that end, GTECH has created a targeted process to evaluate innovative retail concepts, create business cases, and test them in real-world environments through focus groups and field tests.

To date, the lab has hosted GTECH customers Sazka, Camelot, as well as the Nebraska,

Rhode Island and Georgia Lotteries to explore and test these new player-focused prototypes. The feedback has been excellent as lotteries are able to see the retail and consumer benefits associated with future products and services. Ultimately, the RTC concepts currently materializing into prototypes will be eliminated or selected based on which product has the highest potential to positively connect with players and increase revenue for lotteries.

### GTECH'S FUTURECAST: LOTTERY ALIVE AND WELL IN 2024 AND BEYOND.

The next-generation lottery retail terminal is not likely to be a dedicated terminal. Clearly, alternative methods now exist in the retail environment for each stage of the consumer experience, including product advertisement, selection and purchase, and offer increasingly popular, personalized purchase and payment option for consumers.

GTECH is doing more than just envisioning the future of lottery at retail – we are innovating to meet the new demands of the retail consumer experience. Blending lottery customer, retail forecast, market research, and expert engineering inputs, GTECH is prepared to enable our customers for the future.

