

PLAY-AT-THE-PUMP

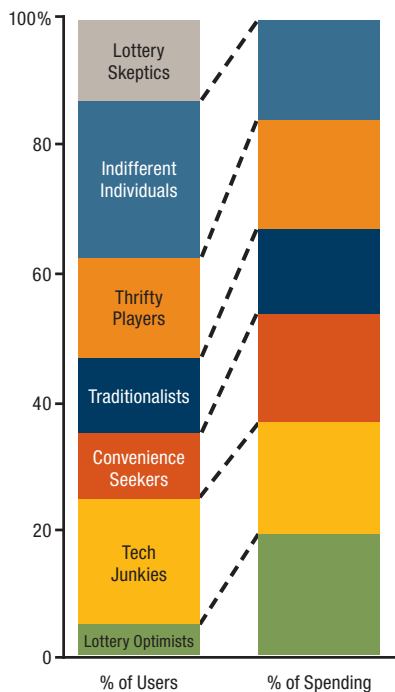
The Research is Conclusive: Increased Awareness = Increased Sales



The technology is now available to enable consumers to buy lottery tickets at the gas pump. Our understanding of the real-world results has now been augmented by the research.

- The core players typically do not change their buying patterns. They continue to go into the store to buy their lottery tickets.

Chart 1
Population and Draw
Lottery Spending



- The consumer groups who do buy at the pump are non-players, infrequent players, and demographics that are under-represented in the community of lottery players. Providing a new POS option brings in new consumer groups and those who were not buying lottery in the store anyway.
- In-store sales increased with the provision of the Play-at-the-Pump option when combined with modest signage that promotes Lottery at the pump. Instead of cannibalizing in-store sales, the additional POS at the Pump functions as a powerful promotional and messaging tool.

Summary of Findings

On behalf of Linq3, a third-party consulting firm on conducted extensive research to measure consumer interest in the option of buying draw-based lottery tickets at the gas pump. The research shows that offering lottery at the gas pump could bring in an incremental \$1.5B in lottery sales annually. Not only does selling lottery tickets at the gas pump have the potential to generate additional revenue, the increases are coming from consumers who do not frequently play the lottery or those who do not play the lottery at all. Importantly, buying lottery tickets at the gas pump is particularly appealing to some consumers under-represented in traditional channels, such as women. Selling lottery tickets at the gas pump requires a modest level of consumer education to

make players aware of the option, but the benefit is that it is pulling in new consumer groups more than increasing the participation of core players.

Introduction

According to our research in the United States, roughly 50% of the adult population currently plays the lottery. Within the lottery-playing segment of the market, about 60% play less than once per month. We conducted a study to understand how consumers would react to a new method for playing the lottery. Specifically, we were interested to learn if allowing consumers to play the lottery at the gas pump would increase play among non-players and those who currently play infrequently.

To evaluate this question, we focused on consumers in California and Missouri. We conducted 4 focus groups to understand how consumers think about the lottery, and then surveyed 4,330 adults to quantify lottery purchase behavior and preferences. We used cluster analysis to segment the adult population in these states into distinct consumer groups and used conjoint analysis to simulate the market.

Consumer Segmentation

We used cluster analysis to sort consumers into 7 distinct segments based on their self-stated behaviors and preferences about technology and playing the lottery:

- **Lottery Optimists**—Will look to play the lottery in any place and at nearly any cost; preferences are towards technology

Chart 2

Q: (Current and Non-Players) How frequently do you purchase draw-based lottery tickets?

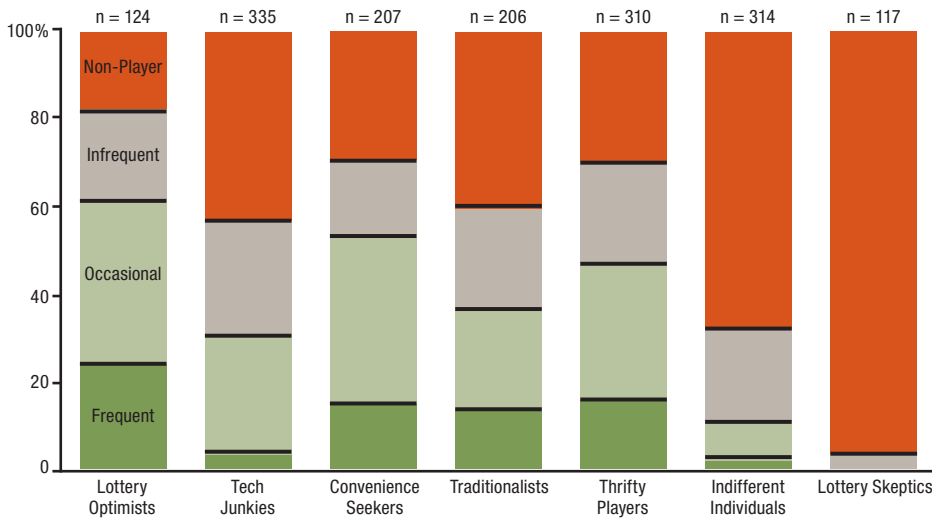
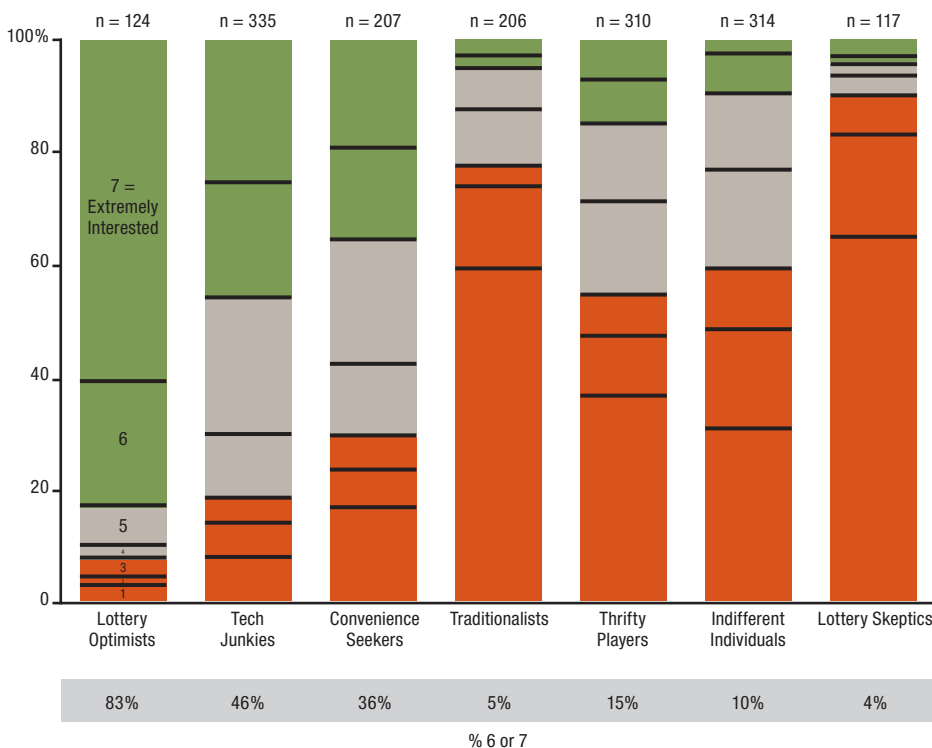


Chart 3

Q: (Current and Non-Players) How interested would you be in playing the lottery using the technology described at the gas pump without stepping into the gas station?



over in-person play; prefer to pick their own numbers

- **Technology Junkies**—Technology oriented; preferences towards quick and seamless transactions; are open to transaction fees for convenience
- **Convenience Seekers**—High willingness to pay a transaction fee for a more convenient purchasing method, but are not technology-oriented
- **Traditionalists**—Not interested in technology or digital forms of lottery play; prefer in-person play and are averse to digital forms of payment
- **Thrifty Players**—Strong preferences against transaction fees and have preferences towards physical tickets over digital ones
- **Indifferent Individuals**—Have a moderately negative overall view of playing the lottery; lukewarm towards technology and transaction fees;
- **Lottery Skeptics**—Do not like the lottery in any form

Chart 1 shows how the adult population breaks down into each of the 7 segments and what percentage of current lottery spend each segment represents. Chart 2 demonstrates how the segments break down in terms of frequency of lottery play.

Consumer Interest in Buying Lottery Tickets at the Gas Pump

In order to determine if the option to buy lottery tickets at the gas pump could drive incremental sales, we described a scenario to survey respondents where they could now buy lottery tickets at the gas pump. They could play either Mega Millions or Powerball using quick pick play. They could have the option of having their numbers texted to them and winnings could be deposited directly into their bank account. In exchange for this convenience, they would pay a \$1 convenience fee. The gas pump would also verify their age to en-

sure it was legal for them to play. We then asked respondents to rate their interest in buying lottery tickets at the gas pump on a scale from 1 to 7.

Interest level in playing the lottery using this new technology varies dramatically across the 7 different segments of consumers. For example, more than 80% of Lottery Optimists were interested (rating of 6 or 7) in buying lottery tickets at the gas pump, while only about 5% of Lottery Skeptics were interested. *Chart 3* shows the results by segment.

Importantly, this segmentation indicates there may not only be a significant opportunity to grow the lottery market by allowing consumers to buy lottery tickets at the gas pump, but it also indicates there are specific segments of consumers the lottery could focus on as it introduces this new technology. These segments include lottery optimists (-80% interested), technology junkies (-45% interested), and convenience seekers (-35% interested). This makes intuitive sense, as buying lottery tickets at the gas pump combines lottery, technology, and convenience, the defining traits of these segments.

Demographically speaking, consumers in these segments with the most interest in this new technology are:

- **Younger**—Lottery Optimists and Tech Junkies in particular are more likely to be under 45 years old than the average consumer
- **More female**—Consumers in these segments are more likely to be female than the average consumer
- **Have children living at home**—Lottery Optimists and Tech Junkies in particular are more likely to have children than the average consumer
- **Technologically savvy**—Consumers in these segments are more likely to be comfortable with things like web applications on their smartphones

Any adoption of playing the lottery at

the gas pump could specifically be focused on attracting these customers. Focusing on these segments may be most effective, since they are the most likely to adapt this technology, and doing so could pick up residual consumers from other segments, as well.

Estimating Market Potential

The research suggests that the lottery market may expand if technology was introduced allowing consumers to buy lottery tickets at the gas pump. The research also indicates which segments of consumers may be most interested in this technology. We still wanted to understand just how big of an opportunity this new technology could be for the lottery.

Using conjoint analysis, we created a market simulation that positioned buying lottery tickets at the gas pump against the traditional method of playing the lottery. Within the 3 high-resonance segments of consumers, -30% of consumers might choose to buy lottery tickets at the gas pump instead of playing the more traditional way. Delete this chart along with all

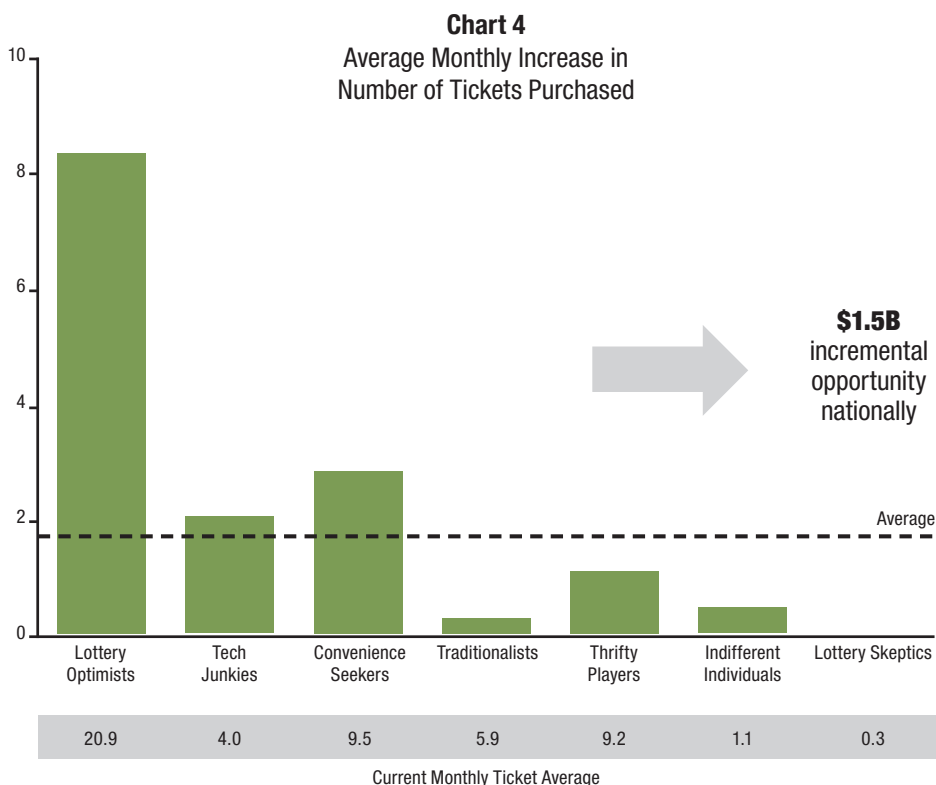
reference to increased player-ship with decrease personals info. Not a positive focus

Not only might some consumers prefer to buy lottery tickets at the gas pump, but consumers also indicate that they might purchase more tickets than they had in the past. The increase in tickets purchased using this new technology extrapolates to potentially \$1.5B nationally on an annual basis. *Chart 4* explains this increase in purchases.

Turning Interest into Sales

It was encouraging to see that introducing the ability to buy lottery tickets at the gas pump could increase overall lottery revenue and bring new players into the market. However, none of this would matter if consumers weren't aware that this option existed. Our survey suggests this can be accomplished with only a modest effort. The research suggests that even in an advertising-heavy gas station environment, a simple but large and easy-to-understand sign at the gas pump has dramatic impact.

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Twice as many consumers say they would think to purchase a lottery ticket when they see a sign for it.

Moving forward, it will be incredibly important to develop clear signage with any rollout of selling lottery tickets at the gas pump. The research clearly shows that signage, combined with a prompt from the gas pump, significantly raises awareness of the new technology, awareness of the product, and likelihood of a purchase.

Conclusion

The research shows a clear market opportunity for the technology allowing consumers to buy lottery tickets at the gas pump. Given a targeted roll-out focused on technology and convenience, as well as modest on-site advertising, selling lottery tickets at the gas pump has the potential to generate \$1.5B in additional lottery spend nationally. ■

Hot off the press from one PATP Lottery: Lucky ticket purchased with new Play At The Pump service

A \$227,196 Cash 5 jackpot win starts the holiday off right for a lucky North Carolina Lottery Player. The jackpot win is the largest so far by lottery players using a new Pay-at-the-Pump option in North Carolina to buy tickets for three lottery games, Cash 5, Powerball and Mega Millions. The new service, called Play At The Pump, allows players to purchase their tickets at the gas pump. It is designed as a convenience for someone who wants to buy a lottery ticket but doesn't have time to go into the store.

The lottery began offering the service in January using a program provided by Linq3, an Atlanta-based company that has developed technology that allows lottery tickets to be sold through gas pumps. The service is available at lottery

retailers who choose to offer it to their customers and works in a similar way to buying a car wash at the gas pump. Currently, Play At The Pump is an option at 111 locations across the state, including all Murphy Express stores. Players can use a debit card to purchase 5, 10, or 20 Quick Picks when playing Cash 5 or Mega Millions. If playing Powerball, players can choose 3, 5 or 10 Quick Picks. All plays are for the next available draw. Purchases are limited to no more than \$70 a week.

Ticket sales made it possible for the lottery to raise more than half a billion for the state last year. For details on how lottery funds have made a difference in each of North Carolina's 100 counties, click on the "Where the Money Goes" tab on the lottery's website. ■

Lottery Promotions are Old School. What can we do differently? ... continued from page 33

Use Newest Technology

Just last year, Urban Outfitters, the specialty fashion retail stores, announced that they would use beacons—small devices placed around stores that ping messages at shoppers who have downloaded the retailer's app. Instead of delivering coupons and offers, they decided to focus on in-store experiences. Initially, they decided to focus on: the checkout line, fitting rooms and the entrance. When smartphone shoppers first enter the store, a push notification prompts them to check-in to unlock an offer. Then in the fitting room, they are encouraged customers to take selfies and post them to Instagram for a chance to be featured on the company's website. Lastly, shoppers at the register get a push notification reminding them to shake their phone to show

their Urban ID and earn a digital badge.

Beacons are just an example of new technology that we can use in our lottery terminals and/or in our jackpot signs. In general, mobile is still a blue ocean of opportunities for all of us and only a few U.S. lotteries are getting their feet wet with it. In most cases, we know we need to do it but we don't know how. Furthermore, it is unclear how we can monetize it. One thing is for certain though: we need to do it now while taking advantage of the newer technology that our customers already use before it is too late. We also need to be persistent in our efforts to reach new players. If something we try doesn't work "We haven't failed. We now know a thousand things that won't work, so we're that much closer to finding what will." —*Thomas Edison*

At INTRALOT, we strongly believe that innovation can drive change. Our newest self-service kiosk MPNG, the gaming station Gablet, the state-of-the-art vending machine DreamTouch as well as the Lottery Mobile app are just examples of our evolving products and services. Although these gaming solutions can cover a large variety of players' preferences, they are also almost invisible to those who are not core lottery players and don't actively look for them. Unless we promote them. After all, "without promotion, something terrible happens... nothing!"—P. T. Barnum. INTRALOT is prepared and ready to assist our partners develop and implement a wide variety of new promotions designed to reach new players. Let's be more creative by thinking outside of the box! ■