

The demand for digital lottery is here. Lotteries should be cashing in!

LOTTOVATE



ZURIÑE SÁEZ DE VITERI

The U.S. lottery industry could be missing out on up to \$17.5 billion dollars a year. It's a huge amount of money, and it all comes down to one thing that's currently missing in the existing lottery offerings of many states: interactivity through digital platforms.

These are the conclusions of recent research, commissioned by Lottovate and independently verified by YouGov, which

canvassed the American population on their views of lotteries and their current and potential playing habits.

An untapped potential.

The findings suggest that an untapped market of 62.7 million people would play the lottery online if it became available to them, with 19.2 million of these being brand new players who haven't played the lottery in its traditional forms in over a year.

These 19.2 million players represent a \$5.8 billion potential that

is not currently being served and this statistic alone should serve as a wakeup call to an industry that's yet to embrace digital lottery on a significant scale. In fact, attracting these players to an interactive lottery offering provides an opportunity to convert them over time into multi-channel players, reaping even greater rewards.

For states concerned about attracting new players, making interactive games accessible to customers via the internet or their cell phones is simply the most logical strategy.

But it's not just new players that can be enticed to a lottery by the prospect of playing digitally: of the respondents who said they would play lottery online, 41% were already playing in its traditional forms. The best lottery players are most attracted to the idea of playing digitally, and will even play more given the chance to do so at their own convenience, in their own homes and as it suits their lifestyles. So instead of putting off existing retail consumers, interactive lotteries provide more and better opportunities for these consumers to use a lottery's product more frequently.

Why do consumers want to play digitally?

Simply put: convenience is key. The possibilities for consumers to play on their own devices is a huge draw for digital lotteries, with interest in play via cell phone and tablet standing at 37% and 21% respectively. Consumers also appreciate the benefits that playing a digital lottery would bring, from saving tickets so they cannot be lost (47%) to storing favourite numbers (44%) and buying subscriptions (38%)—the latter of these offering a great opportunity for increasing player retention.

These players are not necessarily the digital natives that we might assume. They have a slightly older profile than current players interested in using interactive lotteries and are more likely to fall into the 35-44 age group. Digital lotteries are not a fad being driven by youth, then—they appeal to an older demographic for whom interactive lotteries are a better lifestyle fit. That is not to say that this group is failing in technological know-how. 86% of these older players use the internet each day, and an enormous 96% have purchased goods or services online. Furthermore, 60% have a smartphone and 38% own a tablet, so from a digital lottery's perspective, the market is already prepared for a digital product.

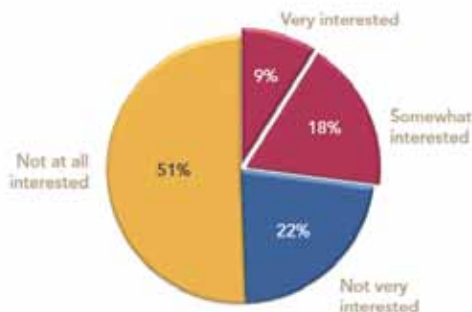
What types of interactive games will attract these new players to a digital lottery?

As it turns out, interest levels are high in a range of different game types, but multistate draws are the greatest attraction with 81% of digitally-inclined respondents either somewhat or very interested.

As has been seen in Europe with EuroMillions, the bigger jackpots these types of draws offer lure many consumers and this strategy could be replicated to do the same for digital players too. Instant win games are also popular with these consumers, with 23% stating that they are very interested in playing these online.

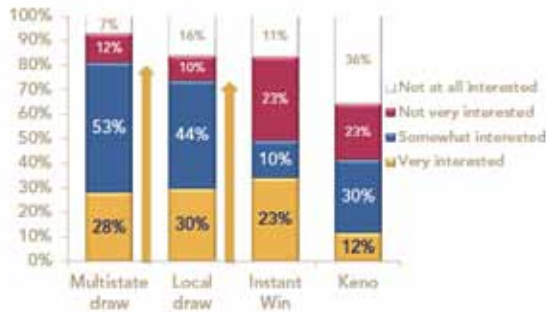
There is huge potential to cash in on a variety of game types, with most of those canvassed saying that they would play multiple types of interactive lottery games. Just 7% would only play one of the

Consumer interest in playing lottery through digital channels



The \$17.5 Billion Opportunity – US Digital Lottery Potential – Lottovate Study 2014

Types of games new players are interested in



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game types offered, while 71% would play three or more.

What these statistics show is that the current portfolio offered as a traditional form of lottery has already built a strong reputation amongst consumers and would still be attractive to them if available digitally.

For U.S. lotteries that implement a digital offering, there is enormous potential to go from no revenue in this channel to an engaged, retained, multi-channel player base in a very short space of time indeed, without the need to invent a completely new game portfolio.

How would introducing interactive lotteries affect the loyal retail consumers who already play weekly?

Of all respondents who expressed interest in digital lotteries, the weekly players showed the most interest in new forms of play, with the younger members in this category most attracted to new forms of digital lottery.

63% of weekly retail players would play four different types of game too, with a further 20% anticipating playing three, highlighting the potential to encourage these already-engaged lottery consumers into becoming even better lottery players.

This demonstrates a great opportunity to increase the loyalty of these regular customers, particularly younger ones, to a lottery brand, engaging a key player group across multiple channels for long term revenues. Most importantly, providing more opportunities to play will likely encourage the best players to play interactive games on top of their normal, 'traditional' ticket purchases – lotteries in countries all over Europe have seen the positive effect of creating digital channels on top of their traditional format and the consumer demand highlighted in our research shows that there's no reason this can't be replicated in the U.S.

Looking to eCommerce for inspiration.

As well as looking at current and potential lottery playing behaviour, our survey is unique in questioning U.S. consumers exclusively about their digital habits too.

It shows that the U.S. is already a digital society, and there are no practical barriers to launching digital lotteries in the U.S. market.

87% of Americans have internet access, 56% own a smartphone and 52% own a tablet (adoption figures that outstrip most leading European countries) and eCommerce stands at 6.4% of all retail sales—a figure which is only growing.

As the eCommerce market expands and the number of Americans purchasing goods and services online and via mobile devices continues to grow, it appears the lottery world hasn't typically responded to this demand. In a highly connected, multi-channel world, where we're so used to buying on demand and on the move, it seems difficult to understand why they cannot purchase a lottery ticket the same way.

Embracing digital requires experience and expertise.

We at Lottovate understand that the world of lotteries can be a complicated one. Lotteries have a greater responsibility and duty of care to uphold than other, more commercial, businesses, which means that a move into digital will come with challenges and potential obstacles other companies may not have.

Lottovate can help because we understand player behaviour. Whether you're simply evaluating the potential of digital or developing a full digital strategy, our 'Digital Insight' will prove invaluable in making this a smooth and ultimately successful process.

As a digital retail provider, Lottovate can become a lottery's sales partner for interactive channels. For lotteries looking to launch an interactive service or replace an existing platform, Lottovate can make it a seamless transition with end-to-end channel management.

Our full-service proposition covers everything from lottery game content and host platform integration to player account management and customer service. It also includes responsible gaming, content management, customer lifecycle management and CRM.

Lotteries that already have an interactive channel can also optimise performance with Lottovate's marketing services expertise in player acquisition, conversion, retention and CRM. By analysing site performance, key performance indicators and player data it can create and execute detailed interactive marketing plans for enhanced results. We work in true partnership with lotteries to build a successful digital channel together on a shared basis, with Lottovate able to not only supply the multi-channel experience, but also manage the day-to-day operations of attracting and retaining players.

Finally, in its role as a multi-channel consultant, Lottovate can apply its unique insight developed during 15 years in digital lottery to help partners develop market projections, multi-channel strategies and business cases for online channels and products.

With such huge untapped potential in the U.S. market for player acquisition and revenue, introducing digital lotteries is the only logical move!

To find out more about Lottovate's findings, download the white paper 'The \$17.5 Billion Opportunity: U.S. Digital Lottery Potential.'

Zuriñe Sáez de Viteri is managing director of Lottovate, a global digital lottery supplier which enables lotteries around the world to design, implement, market and capitalise on the revenue potential of digital lottery games. Visit us at www.lottovate.com. ■