

# LOTTERY INTERNET SALES: The Untapped Potential for Europe

Lotteries, like other businesses, complete transactions and generate revenue through marketing and distribution channels. The most successful lotteries in the world – and indeed the most successful businesses in the world – carefully observe what their customers are doing, what their customers want, and proactively help shape behaviors to ultimately create the optimal sales environment.



Today, consumers are choosing the Internet in addition to traditional retail channels to make their purchases. Virtually every consumer industry understands that their customers are on the Internet and that they must build Internet-based sales channels...or risk obsolescence.

This doesn't mean that it's time to close the store and move sales exclusively online to the Internet. Growth-oriented businesses, including pioneering lotteries around the globe, are finding ways to use the Internet to increase – not cannibalize – overall sales and to drive consumers back to retail stores for both advertised and impulse purchases.

As always, the bricks-and-mortar location remains the backbone of the consumer interface with lottery products. But like all consumer product companies, lotteries must educate their consumers and drive them to retail locations through a combination of marketing and entertainment value. Internet sales have become a cornerstone of future success for European lotteries and their retailers. They are a key component of future growth for all – and crucial for ongoing player engagement.

## CONSUMER DEMAND

Around the globe, the number of Internet users making purchases over the web has begun to grow significantly. And while most European's online shopping habits don't yet rival those in Scandinavian coun-

tries or the U.S., their purchases represent hundreds of billions in Euros.

Leading the way is the U.K., where last year online purchases of goods and services totaled €48 billion in sales. In Germany, web users generated €39.2 billion in sales and France followed with €25 billion.

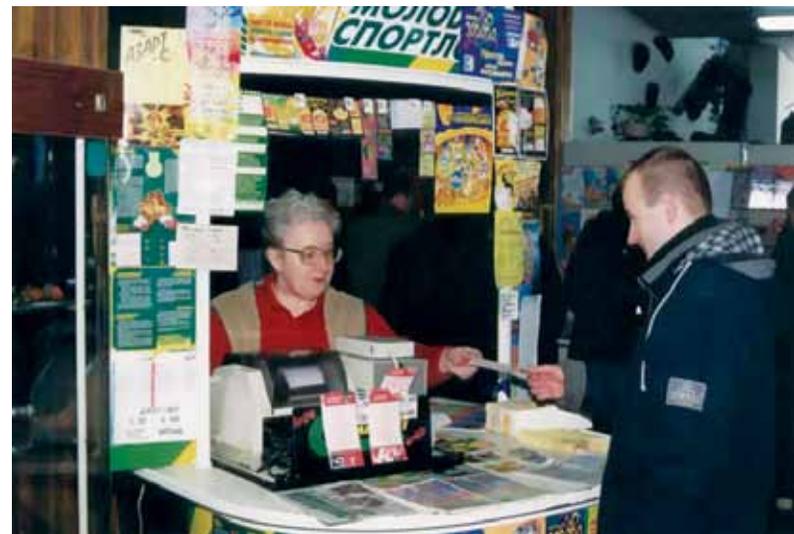
Viewing the popularity of online buying in European countries in terms of growth, ecommerce in France grew 31 percent from 2009 to 2010. In Spain, ecommerce grew 25 percent and Italy experienced a 21 percent growth. Remarkably, in Poland, which has the lowest level of online sales (€3.4 billion), ecommerce grew at the highest rate – 36 percent from 2009 to 2010. (Source: Fact-finder.com, 2011)

With lottery and casual game sites among the most heavily trafficked sites on the Internet (Source: Alexa.com, June 3, 2010) it only makes sense that to optimize sales, lotteries must adapt to European consumers' changing habits by not only offering their products for purchase online but also engaging with their players to extend the relationship and create connections back to the retail store.

## THE FULL VENUE CYCLE

The growth of the Internet and e-commerce in Europe is a compelling reality, but this reality does not change the interdependence of lotteries and their retailers. Without a doubt, the lotteries and retailers face the same challenges in finding a way to use the Internet to drive sales.

Continued collaboration is essential to maintaining the ability to drive





traffic to the retailers rather than away. Increased traffic to retailers means increased sales not only of lottery tickets, but of other retail items as well.

The focus should be on the areas of mutual benefit and joint promotions such as:

- Cash and in-kind prize redemption at retailers
- Special promotions that tie in-store goods to virtual goods
- Advanced Deposit Wagering (ADW)

#### UK LOTTERY SUCCESS STORY

Introducing Internet sales in 2003, the UK National Lottery has become a relevant case example of the possible impact on overall lottery revenues and the direct effect on traditional retailer sales.

This new channel has been cited as a key reason for the National Lottery's solid sales growth since that time. Total sales grew from GBP £4.6 billion in 2003 to almost GBP £5.2 billion in 2009. In 2009, Internet sales exceeded GBP £677 million or 13 percent of total sales.

During the same time period, retailer commissions (a proxy for retailer sales) grew from GBP £229 million to GBP £248 million or 8.2 percent. This was reflective of continued growth in sales of lottery games at traditional retail outlets even while the Lottery was building its new Internet channel.

#### THE ITALY EXPERIENCE

During 2010, the Italian government re-launched the most successful instant ticket lottery in the world. The visionary group that grew that

lottery from the hundreds of millions to ten billion euro in annual sales has now been given the ability to market and sell through the Internet.

Internet sales in Italy happened not because the government or the joint operating venture believed it would cannibalize sales of a critical operating partner but because they recognized the synergies and growth to be achieved through targeted advertising that would increase lottery sales both on the web and in the stores – and drive higher overall general sales through more traffic to bricks-and-mortar retailers.

#### UNTAPPED POTENTIAL

In 30 European countries, more than 50 percent of the population uses the Internet. In 15 of these 30 countries, the percentage of the population using the Internet has soared to 70-100 percent. (Source: InternetWorldStats.com, December, 2009). With this growing number of Europeans using the Internet, making purchases online has become just as much a part of everyday life as visiting local retailers to buy goods and services.

As more and more Europeans embrace ecommerce, the potential for lotteries and retailers to grow revenues together in the coming years is vast. By engaging players both online and in-store, the Internet offers entertainment value, extends player relationships and creates a community of lottery enthusiasts. There is no uncertainty that the Internet is leading the way to the future of lotteries in Europe.

For more information on growing lottery sales through the Internet, visit [www.scientificgames.com](http://www.scientificgames.com). ♦