



GENERATION Z IS HERE: GET YOUR TRUTH ON

May I introduce you to...

The most culturally diverse – and radically inclusive – age cohort in history.

Would you like to meet...

The most proficient users of digital information of all time.

Say hello to...

The most prudent, security conscious consumers of the past several decades.

This is Generation Z, the millions of young adults born between 1995 and the mid-2000s.

The eldest among this demographic group have begun to enter the workforce, to assume adult roles in their communities, and to exert their influence as consumers, ideologists, and social shapers of the next 50 years. The youngest among them are using global technological platforms to erase distance, time, and economic barriers to forge relationships with peers in other countries, other cultures, and other zeitgeists.

For lotteries, Gen Z poses a

particularly challenging, yet critical-to-solve issue: how do we attract this group to purchase and play our products, and continue this action over four-plus decades? How do we compete with games on mobile phones and gaming systems that feature cutting-edge graphics and in-game purchases? The answers to these questions will decide the future of the lottery industry as we know it today.

Generation Z comprises 23 million individuals and represents an aggregate \$44 billion in buying power. In a year or two, Gen Z will be responsible for 40% of all consumer spending. This generation has never lived – not one day – in a world without multiple digital access points to

information and entertainment. The idea of purchasing a piece of paper and scratching it with a coin to determine a winning experience is as foreign as walking into a glassed-enclosed box outside a grocery store to make a call.

So how does a lottery reach and connect with this important group of consumers? The answer is most likely in all of our hands (or pockets).

PLUGGED-IN PRODIGIES

Three-fourths of the members of Generation Z spend more than five hours on-line every day. Smartphones are by far the preferred method of communicating and information gathering, but they also use tablets and gaming devices to communicate, study, conduct research, and foster personal relationships with peers (who might be next door or on the opposite side of the world).

Gen Z possesses a notoriously short attention span – advertisers peg it at eight seconds. Their highly refined information filter

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means that advertisers must make a meaningful impression about their brand's attributes in the blink of an eye.

Despite its digital literacy, Gen Z actually spends less time shopping on-line than does the Millennial generation (7.4% vs.

10.4% of total spend). This is likely to change, however, when the younger members of Gen Z reach ages 18 or 21 and have access to more on-line shopping opportunities, combined with less time to shop. These young adults do, however, use on-line tools to research products and prices before going to a brick-and-mortar retail location.

THREE DOMINANT CHARACTERISTICS

Drew Carlin, a brand analyst with the consulting firm Vivaldi, says Gen Z is characterized by three personas:

Conscious Consumers - Gen Z is a cohort of committed social and political warriors. They actively reflect on the sustainability and ethical implications of their lifestyle. More than half of Gen Zers consider the ethical attributes of a brand to have a significant impact on their purchase intent.

Security Seekers - Gen Z is more financially literate as young adults than any previous age cohort.

Their approach to money and wealth was influenced by the financial situation in which they grew up. Many were children during the global recession of the 2008-2012 timeframe. They watched their parents struggle with finances and unemployment. Because of this dynamic, Gen Z has developed a

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reactionary belief system about money. They do not want to experience the stress and anxiety their parents endured and therefore favor savings as a means of ensuring long-term stability.

Gen Z has re-calibrated the traditional paradigm about consumption, inverting the historic desire to “possess” to preferring “access” to goods and services. Beyond essentials (like clothing), permanent ownership is not motivating to this age group. If money can open the door to temporary access to an item or a service, that is preferable.

Inclusive Individualists - Their quest for truth, authenticity, and transparency makes them moral crusaders, believing that social causes create communities, not

“city limit signs” or political parties. They reject labels – even those of demographers and marketers. If anything, they would prefer to be called True Gen, to emphasize the premium value they place on transparency and truth.

IMPLICATIONS FOR LOTTERY

At first blush, Gen Z’s lifestyle and outlook does not seem to align with Lottery. Some may well reject all forms of gaming/gambling as inconsistent with their prudent attitude about money. Others might think of the current lottery as too “old fashioned” in the way gaming is presented.

That is why this challenge must be taken seriously, and solutions created.

“How we attract and sell to those between the ages of 18 (in most states) and 40 is critically important to

all of us,” said Charlie McIntyre, Executive Director of the New Hampshire Lottery and President of the Multi-State Lottery Association. “On the national level, MUSL takes very seriously the challenge of player-ship and attention to our Powerball brand. We have

committees studying the issues surrounding attracting younger players, and it is something we discuss on an ongoing basis.

“In New Hampshire, attracting new and younger players has been a priority for a number of years,” he continued. “Working with our legislature, we launched Keno in 2017 and followed with iLottery in 2018. Our biggest initiative to reach new players is online sports gambling, which will go live during the next few months. With mobile offerings, we expect to see a new group of

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WE HELPED YOU CONNECT WITH YOUR PLAYERS. We listened to you about your business wants and needs. And we are honored to partner with so many of you across the gaming industry. As we bring the connected casino of the future to the market through FUZION®, we will continue to listen to you, innovate for you, and bring you new solutions to make your operations more efficient and more profitable than ever.



participants will shop exclusively at “their store,” according to a C-Store Shopper Profile report. And two of five will spend more than \$10 per shopping trip.

Loyalty programs achieved the highest consumer rating (3.6 on a 5-point scale) in a study of preferred store services. For context, made-to-order food service was second at 3.1.

Lottery sales represent nearly 9% of all C-store sales and approximately half of all lottery tickets in the U.S. are sold through this channel.

A loyalty program that encompasses both personally identifiable information and point of sale purchase data can generate insights to assist retailers with product mix optimization, real-time promotional/discount offers, and time-of-day opportunities.

If stores can successfully couple loyalty programs with fast-pay and/or self-service systems, they can significantly distinguish themselves from the competition.

7-Eleven, QuikTrip, and ExtraMile have enabled quick-pay methods such as Apple Pay.

Self-service checkouts have become increasingly popular (e.g. Amazon Go); however, shrinkage is an on-going challenge in the C-store channel, so improving the security features will take precedence before wide-scale adoption of self-service systems will occur.

7. IMPLICATIONS FOR LOTTERY

C-stores and Lottery are interdependent. Already noted is that Lottery sales represent nearly 9% of all C-store sales and approximately half of all lottery tickets in the U.S. are sold through this channel. Other facts:

- Weekly lottery sales per C-store total \$8000 on average
- Lottery sales peak on Wednesdays and Saturdays in this channel
- Strongest lottery sales occur between 3 p.m. and 5 p.m.

- Ninety-five percent of lottery buyers purchase at least one additional item inside a C-store
- The overall basket ring by lottery customers averages \$10.35
- Those shoppers who do not buy lottery products spend \$6.29

Perhaps counterintuitively, giant lottery jackpots actually depress total store sales. One study revealed that during the largest jackpot drawings, sales on non-lottery items dropped dramatically. Store traffic increased, but market basket values dropped because of a shift to the purchase of more lottery tickets. Long lines at the register and an influx of lottery customers chasing

the big jackpot actually suppressed total store sales.

Lotteries have made concerted efforts to keep open lines of communication with C-stores. And lotteries should continue to push strategic ideas such as:

- Investments in technologies and techniques to accelerate check-out
- Connecting lottery to fuel and food sales (at the pump, at the kitchen counter)
- Lottery tickets “to go” as part of the burgeoning home delivery phenomenon
- More lottery games that feature multicultural themes
- Integrating lottery with C-store loyalty programs and customer data mining

CONCLUSION

Unless AI-powered robots and drones take over our entire lives, we will continue to visit C-stores. The ubiquitous accessibility of C-stores is a major component of their value, makes them difficult to dislodge from shoppers’ consciousness and lifestyles, and makes their business model so defensible against Amazon and other disrupters. And since Lottery is a foundational element of the C-store experience, Lottery will continue to find its way into the C-store market basket. Its forms, value, and presence will no doubt have to evolve to attract the players of the future, but the marriage of Lottery and C-Stores will be a long and happy one. ■



New Hampshire residents introduced to the Lottery.”

Another route to attracting Gen Z is to appeal to their commitment to building a sustainable, inclusive world in which individuals and organizations are valued for their ethics and their willingness to embrace issues that lift people up. In this sense, Lottery’s role in supporting Good Causes is more relevant to Gen Z than it is to previous generations. The millions of dollars given to education, the environment, and public infrastructure by Lottery will be appreciated and respected by Gen Z.

Delivering lottery products to this group will be the challenge. How can we drive them into retail stores? How do we get them interested in our games? How do we demonstrate the environment value of lottery?

The Lottery industry has closely monitored the maturation and evolution of Millennials and now Gen X for the past several years. There has been a presumption that as young adults age into their 30s and 40s – when their incomes increase, free time decreases, and the pressures of career and family life begin to weigh – they will migrate to playing the Lottery. Even though recent historical evidence may point to this arc of a player’s adoption of Lottery, there is reason to be concerned that Gen Z will not follow precedent. Gen Z is expected to depart from many of the lifestyle and behavioral patterns set by previous generations. This presents an opportunity for lotteries to evolve their games to better fit the game-style preferences and attention spans that have been molded by the digital world.

Digital types of Lottery games – built on a foundation of eight-second attention spans and undergirded by overt connections with Good Causes – may capture Gen Z. Simply waiting until they “grow into it” may not. ■