

HOW COVID-19 INADVERTENTLY HELPED LOTTERY INSTANT TICKET SALES

Leger



Simon Jaworski, President, Leger U.S.A. Lottery & Gaming guru

Breakdown: What's driving the Dramatic Increase in Scratch-Tickets Sales?

Logic dictates that, as economic challenges press on the general public, discretionary purchases are the first items to be yanked from the weekly shopping list. Data trends indicate that if the magic number (is that up to \$500m jackpot level?) is not reached to pull in the casual player, sales will fall, and lotteries across the United States will likewise be challenged to meet their annual sales and net funding goals. Psychologically, the effects of this pandemic have been to put a large dent in the habitual behavior of the traditional lottery player, with fewer visits to the store.

However, in the past six months, logic, data and common sense have all been tossed out of the proverbial window. And why is that, I hear you cry. Well, dear reader, the booming scratch ticket industry, that's why!

Leger has been tracking scratch play and associated metrics since the start of the pandemic back in March, and the most recent special cuts, from the last weekend in August, have unveiled some incredibly interesting trends.

Runnin' Down A Dream, or Too Good to Be True: \$30 and \$50 Scratch tickets are booming

Back in late March, 7% of past week scratch players claimed to have played either a \$30 or \$50 ticket that week. At the end of August that number had rather remarkably doubled to 14%. The \$20 ticket play appears to be largely the same when comparing to five months ago, and it appears the growth in the \$30 and \$50 ticket has come predominantly at the expense of the

\$10 ticket. \$10 play was at 29% in mid-July, and has fallen to 21% at the end of August.

Leger also asked which price point is the past week player's favorite, and once again, there has been a significant increase in those claiming the \$30 or \$50 is their favorite instant scratch ticket, from 5% earlier in the year, doubling to 10% in August, the highest level Leger has seen.

In 2011, I presented data at a NASPL conference in New Orleans, illustrating to the more than 300 audience members consisting of mainly Lottery executives, the potential market for higher priced tickets to meet the demand among younger males, who were looking for an alternative to visiting a casino. Nine years on, those research findings still hold true, and the boom in higher priced tickets is being driven by four key demographics and one critical cross-play.

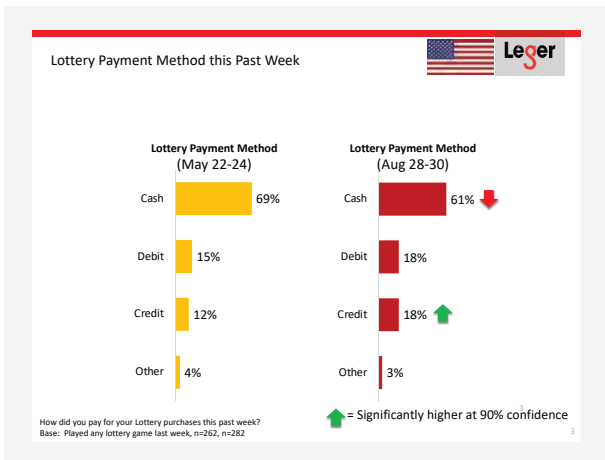
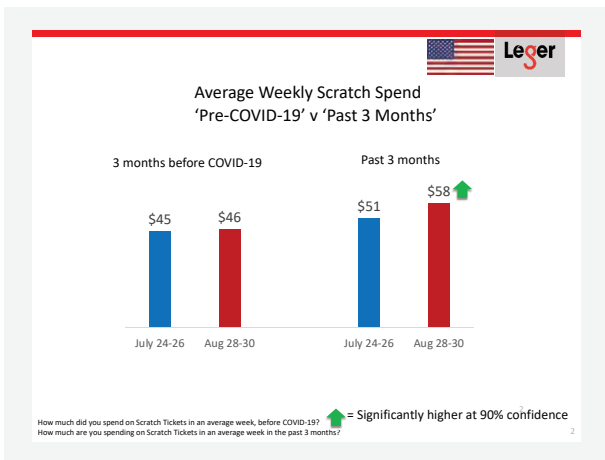
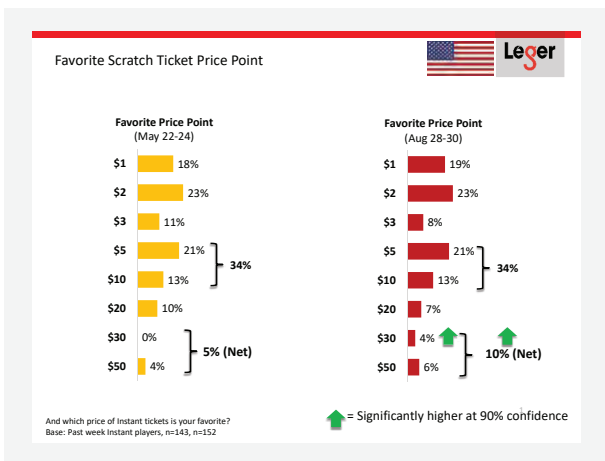
As their favorite, higher priced scratch tickets heavily over-indexes among males (64%), households with kids (73%), higher income \$100k+ (44%, more than double the 19% average) and urban (58% versus an average of 32% for Scratch).

Feel A Whole Lot Better? The base is expanding into the Great Wide Open...

Leger's research indicates that approximately 9% of Americans have played scratch tickets for the first time during COVID. A large majority of these (90%+) have played some form of Lottery before, just not instants.

Something Big ... or You Can Still Change Your Mind

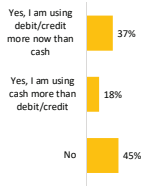
However, perhaps the greatest factor driving the increase in scratch



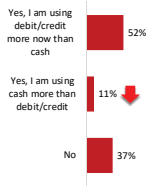
Change in Lottery Purchase: Debit/Card vs Cash



Change in Lottery Purchase (May 22-24)



Change in Lottery Purchase (Aug 28-30)



Has the way you have purchased Lottery changed during the COVID-19 outbreak?
Base: Played any lottery game last week, n=262, n=282

↑ = Significantly higher at 90% confidence

are the new players whose core discretionary spend was on casino play, online play and sports betting. All three of these sectors noticeably declined during COVID-19, due to the closing of the casinos and the lack of the key professional sports. Of those Americans who favor higher priced scratch tickets, 55% had played at a casino pre-coronavirus (compared to the average of 19%), 39% had bet on sports (against 9% average) and 38% had gambled online (versus an 11% average).

throughout COVID, and one theme has been consistent throughout; if players win they will play again the following week. Approximately half of all scratch players said they won on Instants the previous week, but there is a strong and significant difference between the winners and losers. In August, 92% of past week winners say they plan on buying lottery again the subsequent week, while only 67% of those who lost plan on a repurchase.

I Need to Know: Is it Time to Move On or the Waiting. What's next ...

As of July, three of the four most popular professional sports are back up and running, with the NFL set to follow in September. Casinos are starting to open again across the country. So can the lottery industry keep these new players engaged? According to a new question fielded by Leger last month, four out of five new to Scratch players say they are going to continue to play in a post-COVID world, while of the remaining 21%, a large majority are undecided, so haven't ruled it out.

It would appear, based on all these statistics and their correct interpretation, that U.S. state lotteries have been handed an olive branch, and that during a pandemic that has largely killed any growth in the traditional jackpot and daily draw games. However, key questions remain.

Can lotteries investigate how to keep the new scratch players interested, as the pandemic wanes and their old habits return?

Should lotteries increase concept-testing on higher priced scratch tickets, to enable them to evolve to meet the new demand?

Will lotteries, in conjunction with their retailers, examine how and why debit/credit transactions continue to grow, in conjunction with flashy new vending machines?

Is there a solution to persuading one third of scratch ticket losers, to come back and play the following week, by tracking them on a week to week basis?

The answer, as always, is Too Much (research) Ain't Enough. ■

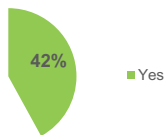
Trust me, I'm a researcher (and a Tom Petty fan)

Greater Use Of Lottery Vending Machines During COVID

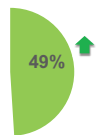


Vending machine lottery purchase has trended up since late May (49% +7%).

Use Vending Machine more (May 22-24)



Use Vending Machine more (Aug 28-30)



Are you using vending machines more to purchase Lottery tickets during the COVID-19 pandemic?
Base: Played any lottery game last week, n=262, n=282

↑ = Significantly higher at 90% confidence

Money Becomes King

Past week scratch player's self-reported average spend on scratch has risen by more than 25% since March, from an average of \$45 to \$58. However, even though the average spend of the higher priced player (\$10+) is \$126, more than double the average, it is still in line with the overall 25% increase (up from \$102 pre-COVID) suggesting it is not just the higher priced tickets that are benefiting from an uptick in play.

Two Gunslingers: Between Two Worlds

Another key trend Leger has reported on for numerous lottery jurisdictions in the past couple of years is that players who use credit/debit over cash, spend more per transaction. Using credit (18%, up from 12%) and debit (18% up from 15%) cards for lottery transactions has trended up since May, while reliance on cash payments has fallen significantly. Among those who have changed their lottery payments during COVID-19, 52% are now using debit/credit cards more, while only 11% are using cash more. This disparity between the change in the two key forms of payment is now at 41%, significantly larger than when Leger measured it back in May, when the difference was a mere 19%.

It is no coincidence, given the increase in new players coupled with rises in card payments, that past week players have migrated more towards using lottery vending machines. Since May, use of the vending machines has risen significantly from 42% to 49% in late August.

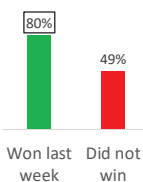
Even the Losers Get Lucky Sometimes. But winning is key ...

Leger has tracked past week scratch players in terms of 'winning'

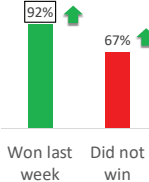
Planning to Buy Lottery This Week by Winning/Not Winning



Plan on Buying Lottery Tickets this Week (May 22-24)



Plan on Buying Lottery Tickets this Week (Aug 28-30)



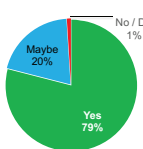
Do you plan on buying lottery tickets this week?
Base: Those who win and those who did not win last week May (n=72, 69); August (n=65, n=87)

↑ = Significantly higher at 90% confidence

Will New Players Continue to Play Scratch Games After Pandemic Passes?



Continue to Play % (Aug 28-30)



% Yes *Groups who over-index

	Male	South	West	18-29	<\$35k	\$100k+
	89%	87%	91%	84%	84%	86%

Will you continue to play Scratch games after the COVID-19 pandemic has passed?
Base: First time players during COVID-19 pandemic, n=77

↑ = Significantly higher at 90% confidence