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Marketing Strategies

Marketers from seven U.S. lotteries discuss their FY23 product advertising, digital, social media, influencer, and customer acquisition campaigns.

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4Q22 & Cal22 Sales Report

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The Couriers' Race

While most state legislatures have either ignored or even fettered their lotteries from selling online, lottery couriers have filled the void. With potentially billions at stake, the market is attracting more companies than ever, but some of the new entrants' actions are troubling.

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On the Rise: Extended Play Instant Scratch Games Aren't What They Used to Be

Extended Play instant scratch games have long been a fixture in the lottery industry. Offering more playing time and a more involved play experience, these games represent a value proposition within the instant-win category that bucks the convention of speed. The category is now big business for lotteries.

“Extended Play games aren't the niche products they were once perceived to be—and they can appeal to a broad player base,” says Cameron Garrett, VP of Analytics and Insights for Scientific Games, whose team of data analysts and data scientists mine the industry for trends.

Extended Play scratch products topped \$10 billion in U.S. retail sales in calendar year 2021 and held their ground in 2022. The category now represents more than 15% of instant retail sales and outpaced the growth of non-Extended Play. Over the past 10 years, Extended Play scratch games had a 7.6% compound annual growth rate, while non-Extended Play products grew at 5.5%. Extended Play games are a significant bottom-line impactor for lotteries, contributing over \$3 billion in Gross Gaming Revenue in 2022.

Product Expansion Across Price Points

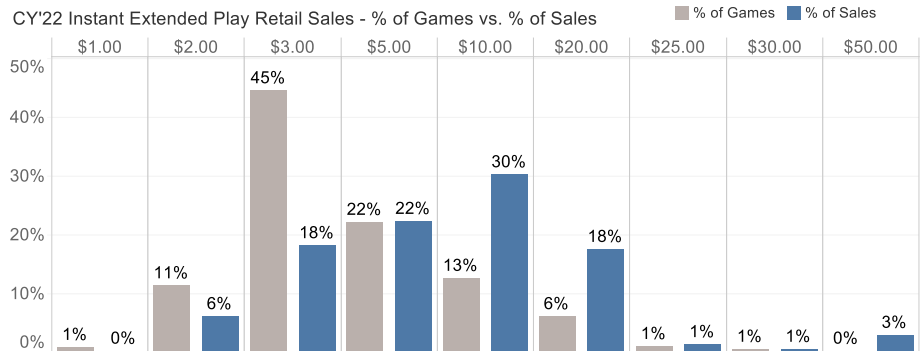
The number of U.S. lotteries offering Extended Play scratch products has not changed over the last 10 years—every lottery has at least one in the market every year. What has changed is the number of games in the market. Based on a 10-year CAGR, non-Extended Play products grew by 1.7%, while Extended Play grew by 4.9%. This increased product market share from approximately 12% to 15% in the same period.

“Hundreds more Extended Play scratch games are being experienced by lottery players every year,” explains Garrett.

Extended Play Crossword games drove significant retail sales, growing from \$3.5 to \$7.4 billion since 2012. Factors behind the growth include an over 40% increase in games in the market. And a more than 80% increase in average selling price from \$3.32 in 2012 to \$6.19 in 2022, indicating that Crossword games have achieved traction at higher price points.

One thing that has not changed in the last 10 years is the persistence of \$3 Extended Play games, the common price point for most lotteries. However, the percentage of lotteries launching Extended Play at other price points has grown significantly. Only 60% of lotteries offered a \$5 Extended Play game in 2012. This surged to 89% in 2022. Similarly, only 30% of lotteries offered a \$10 Extended Play game in 2012—in 2022, it's nearly 70%.

“Assessing 2022's Extended Play scratch game performance by price point shows potential opportunities to adjust product focus. For example, 45% of Extended Play products in the market were \$3 games, yet that only translated to 18% of Extended Play total retail sales. In 2012, 46% of Extended Play products in the market were \$3 games, but it translated to a more balanced 40% of Extended Play total sales,” Garrett points



out. “The market has evolved yet there's still a major focus at the \$3—why is that? The ROI is not what it once was. Lotteries are investing significant time in each game, the industry is growing games in the market overall and retail space is ever tightening.”

While \$3 represents a fine entry point into the category, the data indicates that Extended Play should not be relegated to one price point category.

“Our data shows that at least four lotteries in the U.S. are well-positioned to expand beyond a single Extended Play price point, and eight more have a chance to expand beyond two unique price points,” shares Garrett. “For any lottery not already considering it, there are likely significant growth opportunities by expanding to the \$5 and \$10 price points.”

Listen to the Research

Scientific Games has learned an enormous amount about player motivations through its ONE Player Segmentation study. Developed in 2014 and updated in 2021 to reflect market shifts coming out of the pandemic, the study showed a lean toward broader extended play appeal.

“We learned that players are seeking ‘slow and complex’ game mechanics more than ever before, while ‘quick and easy’ is beginning to show some signs of slowing favor,” he explains.

Compared to existing players, new scratch players on average have a slightly higher affinity for Bingo, Crossword and other long-playing games. Over 70% of new players fall into two ONE study player segments that tend to enjoy these products more than average.

“This is a favorable indicator for the future of the Extended Play category, but Product Managers must view it within the context of the overall product portfolio and price point strategy,” explains Garrett.

While offering Extended Play scratch games at additional price points can be an effective tool for growing sales, the decision should be informed by data and research. Understanding what motivates players to purchase different game types is critical to optimizing the entire product portfolio and achieving sales and revenue objectives.

“Researching the Extended Play experience from the player's point of view is an important long-term investment that lotteries can make across physical and digital instant products to achieve significant growth opportunities,” he says.

ONE™ Segmentation data study is a trademark of Scientific Games.

The Science Inside *the Success*



130
lottery customers in
50 COUNTRIES

5
INSTANT
GAME
production facilities on
4 CONTINENTS

3,000+
employees

40+
locations
worldwide

With 70% of global instant scratch game retail sales, 30+ iLottery customers, 40+ systems customers, and partner to the largest government sports betting program in the world, Scientific Games brings 50 years of innovation and experience to responsibly drive lottery performance.



GAME NIGHT

These classic games are ready to *Play*

\$0

ROCK'EM SOCK'EM ROBOTS

THE ORIGINAL FIGHTING ROBOTS!

POW! **BAM!** **WHACK!**

YOUR SCORE THEIR SCORE

GAME 1	PRIZE
GAME 2	PRIZE
GAME 3	PRIZE
GAME 4	PRIZE
GAME 5	PRIZE
GAME 6	PRIZE
GAME 7	PRIZE
GAME 8	PRIZE
GAME 9	PRIZE
GAME 10	PRIZE
GAME 11	PRIZE
GAME 12	PRIZE
GAME 13	PRIZE
GAME 14	PRIZE
GAME 15	PRIZE

WIN UP TO \$500,000!

If YOUR SCORE beats THEIR SCORE within the same GAME, win PRIZE shown for that GAME. Reveal a \$\$ symbol within a GAME, win DOUBLE the PRIZE shown for that GAME.

000 ■

\$3

UNO

Reveal a prize in the BONUS spot, win that amount.

BONUS

YOUR UNO™ CARDS

GAME BOARD

6	9	9	1	1
6	5	5	0	6
5	9	9	8	2
9	8	0	7	7
3	8	8	6	1
3	2	2	2	0
8	4	7	1	7
2	2	2	2	0
8	4	7	1	7

SEE BACK FOR PLAY INSTRUCTIONS

PRIZE
PRIZE
PRIZE
PRIZE
PRIZE
PRIZE

WIN UP TO \$1,000!

000 ■

\$2

MAGIC 8 BALL

WINNING NUMBERS

YOUR NUMBERS

8	8
PRIZE	PRIZE
8	8
PRIZE	PRIZE
8	8
PRIZE	PRIZE
8	8
PRIZE	PRIZE
8	8
PRIZE	PRIZE

If any one or more of YOUR NUMBERS match either of the WINNING NUMBERS you win the prize shown below your matching number(s). Reveal a (2X, 5X or 10X) symbol and multiply the prize won by 2, 5 or 10 TIMES respectively!

Reveal a (YES) symbol in the MAGIC BONUS BOX and win ALL 10 PRIZES shown!

WIN UP TO \$10,000!

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Contact your Scientific Games representative for details.

