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2024 Retail Opportunities

Responding to Trends and Ensuring Relevance with Lottery Retailers

It's no secret in our industry that the lottery category lags behind other consumer products when it comes to how games are accessed and purchased at retail.

Despite $348 billion in annual retail sales globally, conversations at industry conferences seem stuck on replay. Every year, the same challenges are rehashed on panels, commiserated during coffee breaks and debated at after-hours gatherings. Meanwhile, time ticks by with minimal movement on adapting to consumer trends which are racing forward faster than ever.

With the bulk of lottery revenue currently generated at retail, what's really happening out there? Are lotteries and their partners working with current retailers in ways that will keep their products relevant in changing retail environments, the new generation of consumers – and the next generation of players? Are they growing consumer touchpoints by onboarding non-traditional retailers?

But there's an elephant in the room...most government lotteries are unable to invest significantly in the technology needed to modernize their business. More than ever, their technology partner's ability to support rapid and cost-effective migration to new retail technologies is the difference between good performance and great performance. And that adds up to multi-millions of dollars.

While the holiday season was still strong despite the economy and low but slowly rising consumer confidence, it's important for lotteries to identify and focus on retail opportunities in 2024. To do this means getting inside the minds of the retail community to understand the trends they see on their horizon and align lottery efforts for maximum results.

New & Redesigned Stores

The National Retail Federation predicts that the average U.S. store size will continue to shrink. With shoppers' waning attraction to mega-sized stores, smaller-footprint stores will continue trending, putting counter and display space at an even greater premium.

New and redesigned stores are playing a significant role in optimizing the customer experience. And shopper expectations are high. Retailers are balancing the in-store experience with the transaction, which translates to purchases and loyalty.

Convenience stores are redesigning and re-engineering how and where merchandise is displayed – including lottery scratch games. With retailers welcoming more technology into their stores, new tech-driven layouts are designed to offer convenience and a seamless path to purchase.

"Both retailers and players require real-time information to achieve that frictionless shopping experience," said **Michael Martin, VP of Retail Solutions for Scientific Games.** "We recommend *SCiQ* digital menu boards to streamline and modernize space in the store and engage both retailers and players with dynamic real-time information such as new games, next available ticket number and key promotions."

Progressive Grocer reported that while Gen Z may be leading the way, shoppers across demographic groups appreciate the convenience of self-checkout. A survey of 4,000 shoppers in the U.S. and UK found that two-thirds of survey respondents said they would choose retailers that offer self-scanning at checkout.

Why the gravitation to frictionless buying? Speed. More than a third – 34% – of those polled also noted they don't like to stand in line for regular checkout and 33% said that they appreciate less interaction with people. Not the best stats for clerk checkout, particularly during a Powerball run.

And with the shortage of retail workers not predicted to let up in 2024, self-service is here to stay. And that means both self-checkout and self-service vending machines.

"Consumers aren't willing to tolerate an inconvenient purchase experience. We've got to meet them where they are with cashless sales at both self-service and self-checkout with proven solutions to sell lottery products, or risk losing players," said **Joe Fulton, Director of Payments and Commerce for Scientific Games.**

AI is Everywhere

The ChatGPT app is officially the fastest-growing app in history, gaining an estimated 100 million users in two months – growth that took Instagram two and a half years and Facebook four and a half years to reach.

Along with consumers, retailers are using AI and investing in it to improve in-store efficiencies and processes. The National Retail Federation believes AI has sparked a transformation of retail and it's driving changes to the customer experience.

The NRF shared a new study conducted by IHL Group revealing that retailers that have already embraced artificial intelligence and machine learning technologies are achieving 2.3 times growth in sales and 2.5 times growth in profits for the year 2023 when compared with their competitors. And the trend is projected to continue in 2024.

From the retailer's point of view, AI helps them make faster, more accurate decisions when it comes to inventory management. They're also using it to follow shopper trends and tweak store layouts based on traffic patterns captured from in-store camera data.

"AI has supercharged our *PlayCentral Powered by SCiQ* lottery vending machines. Imagine personalized game suggestions and machine-based learning for inventory delivery so the retailer never runs out of product," said **Steve Beason, President of Digital and Sports Betting for Scientific Games.** "AI can even predict maintenance issues and prevent fraud. By making *PlayCentral* smarter, engaging and trustworthy, you'll sell more games and keep customers coming back."

One major benefit of AI is it's helping retailers shape the customer's journey and create a more personalized experience.

Personal Connections

Everyone knows that communications from retailers are getting more personal and more real-time. According to NRF, stores are investing in tech to deliver personalization and optimization, blurring physical and digital with apps that provide a personal shopping experience.

Customers might engage with a brand online, and then visit the physical store to check it out in person. In some cases, retailers might recognize a customer as soon as they click on their website or enter a physical store. All confirming that one channel can influence another channel.

Interestingly, *Forbes* shared research that 91% of shoppers want texts from brands they like – and there's a whopping 98-99% open rate.

Recommendations based on browser history should be optimized to increase loyalty. Targeted communications rather than general marketing messages help retailers connect to loyal customers and keep them engaged.

"Creating a unified customer view that incorporates all player touchpoints across all channels and product verticals continues to become more critically important, and that's exactly what CRM programs deliver," said **Merv Huber, VP of Digital Growth for Scientific Games**. "Players demand consistently personalized engagement, not just in the marketing messages they receive but also in the experience they receive while interacting with retail and digital lottery products."

Social Commerce

Consumers are being entertained and shopping on social media. They're exploring, making decisions and purchasing all on the same social media platform.

A recent *Forbes* article indicated that social commerce is expected to grow 28% annually. Forbes predicts that 2024 will not be about paid advertising, as much as authentic moments the customer wants to see, which end in a "commerce moment". In fact, 98% of customers surveyed by Influencer Marketing Hub plan to use social purchasing at least once this year, up from 68% last year.

"The traditional shopper journey was disrupted years ago by consumers moving between retail and online for many kinds of purchases. U.S. lotteries are still in the infancy stage of maximizing that journey, yet now face the added complexity of social commerce. The ability for consumers to seamlessly purchase, in-the-moment, from a brand touted by influencers they trust, is here to stay. Lotteries need to harness this power," said **Jennifer Welshons, Chief Marketing Officer for Scientific Games.**

Retailers have the opportunity to partner with social media content creators – like the lottery – or create content themselves. For states where iLottery is permitted, opportunities for social media collaboration with retailers offer revenue opportunities. Where games are not yet sold online, retailer collaborations on social media provide additional reach for brand visibility.

Sustainability Skepticism

With the majority of consumers considering sustainability when they shop, it's top of mind for retailers. Many have incorporated sustainability into their daily operations. In 2024, *Forbes* believes they'll go deeper with their supply chain and manufacturers to keep their green commitments.

Forbes predicts that 2024 will bring "green fatigue", with skeptical consumers calling out brands who claim to be green but aren't showing them "real actions" – what they're doing beyond harming the planet. They want to know that the companies they purchase from are working on climate solutions and restoring damage already done.

"We aren't just talking the talk, we're taking real steps to incorporate sustainable practices within our operations and entire value chain to minimize our impact on the environment," said **Andrew Jackson, VP of Environment, Social and Governance for Scientific Games.** "This means retailers can rest assured that when their customers scratch an instant game from Scientific Games, it has been produced sustainably."

And like all sustainability efforts, communication is key. This means listening to what consumers want and demonstrating a commitment to continuous improvement beyond basic measures.

Lotteries' continued success at retail will come as a direct result of aligning their advancements with those that the retailers themselves are already experiencing. Change is never easy but will certainly make for more interesting – and productive – industry conversations.

Susan Reda. "7 Retail Industry Predictions for 2024", National Retail Federation, January 3, 2024, https://nrf.com/blog/7-retail-industry-predictions-2024

Lynn Petrak, "Younger Consumers Loyal to Self-Checkout", Progressive Grocer, January 18, 2024, https://progressivegrocer.com/younger-consumers-loyal-self-checkout?utm_source=swiftmail&utm_medium=email&utm_campaign=PG_NL_TechTrend&mkt_tok=ODI1LUxTUC01NDUAAAGQ-oMxAzrvw3ahckMJJuwksYDbRPD W8Ssja41r2jgmbFl3TUNm2QiHdMDkKC2mVz69kgKBIXIw-1JPuTmmh8wDL_GckIRjdtMhmCX3mnxOV618

Catherine Erdly, "Four Major Trends That Will Shape Retail in 2024", Forbes, January 26, 2024, https://www.forbes.com/sites/catherineerdly/2024/01/26/four-major-trends-that-will-shape-retail-in-2024/?sh=7c61901b64a5

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Years of Innovation

Our innovation in omnichannel lottery entertainment and tech solutions is connecting retail and digital play. We're moving the global industry forward. And it's all based on five decades of science and trusted partnerships that help lotteries around the world grow profits for good cause programs.

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