



IGT continues to optimize and innovate for omnichannel strategies, whether retail to digital (lottery or casino) or digital to retail, to answer player needs and expectations. For example, versions of the popular IGT slot title, Cleopatra, are available across all channels (L to R): eInstant game, instant game, and VLT and slot machines.



Why instants are here for the long haul



Jacqueline Deragon,
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What's in store for instant games in the European market? How has this product channel been affected by the rising popularity and availability of eInstant games? And what strategies can lotteries leverage to create new growth opportunities for instant games?

There's no denying that eInstant games are on the rise in Europe. Research firm H2 Gambling Capital estimates that there was a 37% YOY increase in iLottery in Europe in CY2020, with even greater amounts in individual countries, such as Italy (56%) and Belgium (48%).

As a result, a natural question emerges: "Does this spell trouble for the paper instant ticket?" In short — no, far from it. There is still enormous potential for paper instants, even following the tremendous growth of the instant category in recent decades (see figure).

In this respect, it's instructive to consider the U.S. market. "Since 2010, some believed that the U.S. market had attained maturity and would be difficult to surpass, but as an industry we have, year after year, created 6% average annual growth," notes **Jacqueline Deragon, IGT Senior Director International Sales, Instants Services**, who participated in the Suppliers Panel discussion during the recent European Lotteries' Instant

Games Webinar. "At the core, the decades-long upward instants growth trend in the U.S. is the result of continually augmenting our understanding of the diverse needs and motivators of players, and, in turn, moving to diversify our product offerings accordingly," she observes (see sidebar). "In Europe, many markets are far from their maturity, and this is where the real significant growth lies in the next 10 years."

Whether the growth will be driven by fewer legislative restrictions or by optimization of the portfolio, prize structures, and distribution network, the opportunity is clearly there. For although the pandemic negatively affected some facets of the lottery and gaming industry, sales have risen in Europe in the retail instants category following the lockdowns, with some markets seeing increases of 20-40% or more, continuing to this day. The same has been true in other markets across the world. Not only are instants surviving, but they are thriving. Nevertheless, questions persist.

The enduring appeal of instants

Will instants end up like the music industry, where streaming represented over 80% of the U.K. and U.S. markets in 2020? Or will instants go the way of the book industry, where paper books still represent 70% of the industry in some markets?

As with books, the tactile nature of the instant product has an enduring appeal that cannot be understated. The fact is that instants and einstants co-exist harmoniously, as they answer different needs of the player base. Among lotteries that are already in a digital space, the unanimous feedback is that it improves the relevance of the lottery brand and actually increases the purchase propensity when the consumer is in a retail environment. This is supported by sales numbers. In the U.S., for example, the Michigan Lottery has seen strong sales growth across both retail and digital channels from FY15 through FY20.

The instant retail product also coexists very well with digital- and internet-based second-chance programming. Beyond this, retail games and einstants support one another in an omnichannel offering, allowing lotteries to capitalize on branding

and marketing synergies. The two are synergistic in other important ways: Of course, einstant games benefit from the features and progress made by paper instant games. Many of the successful einstant games IGT provides are based on top-performing paper instant games to encourage new player acquisition by providing familiar themes and icons. Customers leverage popular IGT slot titles across both the instant and einstant categories with notable performance. And the reverse is now possible as well. IGT's omnichannel approach to game development is well established, and the company is scheduled to print a retail instant ticket derived from an einstant game for cross-channel launch in the North American market this year.

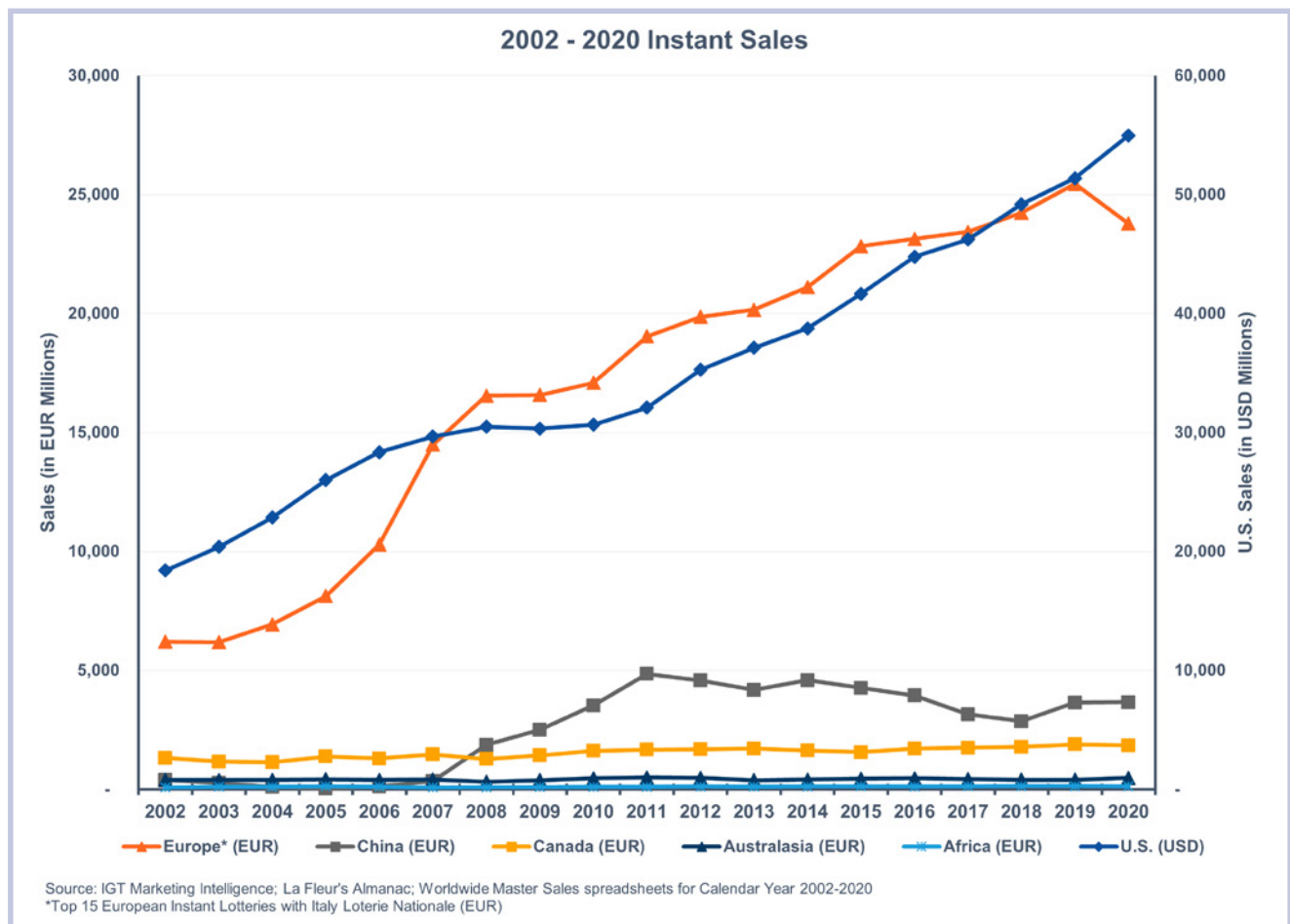
This approach allows for omnichannel games to be launched more quickly. IGT continues to optimize and innovate for omnichannel strategies, whether retail to digital (lottery or casino) or digital to retail, to answer player needs and expectations. "We are also currently adapting a draw-based game to create an einstant game for a North American lottery," notes Deragon, demonstrating that the possibilities are only expanding.

"IGT is evolving with all aspects of the instants market and continually looking for ways to provide lotteries with forward-looking tools for growth, she adds. "For example, it may seem like all possible innovations have already been done on the production side of instant tickets, but there is still plenty of room to innovate, a point of view we are supporting with new plans and investments."

Focusing on the needs of the player

When discussing the European instants market, it's also necessary to take into account that growth factors vary from lottery to lottery, as legislative dictates range from conservative to less restrictive. There are many variables in play, and they need to work seamlessly to ensure success. Apart from the distribution, marketing, and retail network, there are factors from a product perspective, including price points, payouts, play styles, and more – each needs to be considered in order to ensure a lottery's product mix includes offerings for all types of players.

"When it comes to price points – and the introduction of higher ones – it's important to consider everything in a



portfolio's mix and balance the portfolio in a socially responsible way, so there is a game that appeals to every type of player," says Deragon. While higher price points are attractive to those players who seek a higher value – a number of whom were acquired during the shutdown of casinos and gaming halls caused by the pandemic – lotteries cannot ignore their low and mid-tier price point games either. Low price points often serve as introductory offerings for new players, as they learn what they like. Similarly, mid-tier price point games (which is often where extended play games appear) cater to another specific type of player.

There are still European lotteries that do not offer extended play games, but for those that do, extended play games can represent up to 30% of the portfolio. "Introducing this category offers a strong opportunity for growth and for acquiring a new player base," notes Deragon.

Generally, most European lotteries offer games up to the EUR 10 or equivalent price point, though some jurisdictions have entered the arena of EUR 20 or higher, and it's only a matter of time until the number of lotteries offering these higher price points increases as legislative perspectives evolve and become more accepting.

But it's not always about top prize. Mid-tier prizes are sometimes even more important to players. "Higher price points also require increased play value and higher reward – not necessarily higher prizes,"

observes Deragon. "This is where the heart of the game comes into play, and the payout and prize structure will dictate the success of the games, even with lower top prizes. As the world is evolving, so are players. Today we have high-performing games at higher price points and lower top prizes with very innovative prize structures that wouldn't have been thought possible 10 years ago."

Development of the payout structure is a crucial component of a game's value proposition, and jurisdictional regulations can have a significant impact here in cases where they restrict a lottery from reaching all segments of its players. "It's important to remember that each game addresses the needs of a different segment of the population," says Deragon. "Lotteries should be able to address the needs of the players across all segments." This is a competitive edge for lotteries in comparison to other types of gaming, and even as regulators want lotteries to capture more players within their territory, the restrictions imposed are creating the opposite.

In all of these considerations, the significance of research cannot be ignored. A well-developed research program is of tremendous utility in guiding robust long-term product design and marketing solutions, which includes, among other things, bringing to market new price points and play styles, prize structure refinement, and new product innovations. A strong research program also addresses shorter-term needs, such

as game-concept refinement, assessing the strongest game concepts to take to market, and crafting associated marketing messages. "Using a blend of tactical and strategic research methodologies helps to provide compelling insights to influence a lottery's future strategies," says Deragon. "It is essential that the introduction of new, innovative playstyles and products be done relative to the market in which they're being introduced."

Last, but certainly not least, the player mix has changed during the pandemic, which created new trials for retail instants. Even if players tried lottery as one of the only entertainments available, after more than a year, some have added lottery to their routine. There is a corresponding need to understand today's player's mix and research the changes to meet the needs of some new player segments even as other entertainments reopen.

"We need to ensure we help lotteries keep those new players by understanding them and understanding what they want to play," Deragon notes. "Lotteries will also need to evolve their price-point strategy accordingly and align to be even more in harmony with the e-offering going forward."

IGT's Instant Advantage suite of products and services supports customers in maximizing every opportunity for growth across the instant category. For more information, contact your IGT account representative.



What can propel instant success in an evolving market?

As with any product, it's critical to continue evolving the instant product strategy. Success in the U.S. market over the past decade was initially driven by price-point and game-theme expansion and a corresponding increase in the display footprint at retail to accommodate increased portfolio size.

Later success was propelled by the expansion of consistently popular game themes into multi-price point, self-promoting families. Line extensions to higher price points of game categories such as Crossword with appeal to a more limited, though wildly loyal, player base resulted in reliably incremental sales success.

More recently, instant success has been spurred by increasing the variety of game-prize outcome value propositions within price points that resonate well with specific instant player subsegments – even as some of these new games have defied prior conventional wisdom as to what makes a successful instant game.

Popular portfolio additions now include games that trade off high top prizes or low overall odds of winning any prize in favor of more frequently won yet still exciting mid-level prizes that are cashed (and seen) at retail.