8 in 2018

8 Consumer Trends Shaping Lottery Player Behavior in 2018

IGT™

Introduction

To understand the factors that are likely to influence lottery players in the year ahead, IGT joined forces with the global consumer analytics and trends agency Foresight Factory to explore a set of wider consumer trends, consider their impact on lottery play, and offer insights on them in the context of players' lives.

Foresight Factory's expertise is in using multiple data sources to understand what consumers worldwide want today and in the future. The group's insights are drawn from data collected from 50,000 consumers in 24 countries (10 in Europe) in two waves each year, as well as a team of 500 trendspotters in 80 markets (for more detailed information, see page 12).

The following pages highlight eight trends that will influence consumers in 2018. Many have direct implications for the lottery industry, while others are important for lotteries to keep in mind as they are likely to shape players' attitudes and expectations. We quantify each trend with related data and illustrate their manifestations with related commercial innovations.

Trend 1:
Quest to Purchase

During the past decade, companies focused their efforts on making transactions seamless and removing any barriers on the path to purchase. Consumers are now used to buying things with one click and zero purchasing delay.

However, there is a trend toward "elective barriers to purchase," suggesting that many consumers will welcome the opportunity to work to receive their favorite brand. "Challenge-walls"—AR treasure hunts, puzzles, and challenges encountered by consumers as part of the purchase process—can create a sense of exclusivity and drive excitement around a product release. These challenges nurture a sense of community among brand fans, increase positive shares on social media, and create brand connections with play (and not price) at their core.

The impact of this trend will be most felt in those sectors and categories where personal status aligns with achievement, exclusivity, and privileged access to offers in short supply: Retail (from gaming to on-trend apparel); Leisure (access to status-boosting experiences); Beauty and Personal Care (access to new offers in limited supply).

Lottery Implications

Some brands are now appealing to the appetite for challenge, fun, and status. 40% of Asia-Pacific (APAC) consumers (equivalent between lottery players and non-players) say they aspire to be more "open to new challenges" vs. only 33% in Europe. Building on this, some brands are delaying the satisfaction of purchase by introducing pre-checkout challenges, to provide customers who get through them with social bragging rights and a closer relationship with the brand.

Action: Hide offers behind a challenge-wall.

Place "challenge-walls" like tasks, puzzles, and treasure hunts between consumers and their entry to the game. Players may be challenged to solve a series of puzzles against the clock and against other players before they receive their ticket. Fun barriers like these, placed between the player and their ticket, increase entertainment and game play, and also the satisfaction of the purchase.

The important move is to put play at the heart of the transaction. Lotteries can also help players engage more by inviting them to complete challenges for greater jackpots, exclusive draws, or more.

Treasure Hunt

In June 2017, streetwear brand **Anti Social Social Club** created an elaborate pre-purchase quest for customers eager to buy its new hoodie, involving geo-location check-ins, Morse-code cracking, and clue-laden billboards across Los Angeles.

Trend 2:
Custom at All Costs

Price becomes elastic. Consumers remain extremely price sensitive and continue to adopt "maximizing" strategies—seeking the best deals possible at every touch point—effectively customizing their own pricing model.

Price flexibility remains a key and determining feature of the consumer landscape, and recently, we have seen innovation in price elasticity to appeal to consumers who are constantly attempting to get the best deal, even if the consumer is relatively well off.

In 2018 and beyond, there will be a growing tendency towards flexible, time-sensitive, lifestyle- and lifestage-personalized, progressive-pricing models to differentiate and entice.

Lottery Implications

Nearly half of all U.S. consumers claim that they never pay full price when buying household goods. Among lottery players, the greatest variation is seen in APAC. 45% of APAC lottery players agree that they maximize compared to 29% of non-lottery players.

Action: Maximize player potential.

Consumers are accustomed to seeking out deals on price. For lotteries, however, the opportunity may lie in being able to offer players the optimal game or bundle of games to suit their preferences on any particular occasion, thereby maximizing their odds of winning or offering the biggest potential win for the stake they have available.

Emerging conversational services from chat bots to in-home assistants can allow consumers to converse around the point of sale. For example, a player could theoretically ask an Artifical Intelligence (AI) assistant or type into a messaging app: "I have $3 in my pocket to play. What game gives me the best chance of winning for that amount?" and be recommended the optimal game to play. Likewise a player could ask the AI assistant whether there was an Instant Ticket offering the opportunity to win a particular kind of prize, such as a luxury car, a holiday, or an annuity and be recommended an appropriate product

Using chat messenger to receive recommendations is becoming increasingly common, with 38% of consumers in the U.S. having used or being interested in this service (61% in Brazil and 44% in Spain).

Robo-Advisor App

THEO is a financial robo-advisor mobile app in Japan with over 200,000 users (mainly Millennials) that allows users to invest starting from only 100,000 JPY. Users answer nine simple questions before the algorithm determines the best invest-ment combination from 6,000 Exchange-Traded Funds using leveraging technology.

Trend 3:
Engineered Empathy

Human engagement has value in a world demanding Emotional Intelligence. "Cold" brands will be given the cold shoulder as the ability to empathize and engage on a human level will become a core and advocacy-building consumer expectation.

As consumers seek human, or human-like interactions, the race is on to perfect AI and produce emotionally intelligent bots that can recognize emotion and offer near-human interactions.

Lottery Implications

In the digital space, consumers expect a warmer human embrace while shopping online: 47% of European lottery players are interested in using an online shopping assistant that they could talk to for advice as they are browsing products online, and this rises to 56% for lottery players in the U.S. and to 79% in China and Southeast Asia.

Expressing emotions and displaying emotional intelligence will become a valued, everyday life skill demanded by business-to-consumer and personal relationships alike. 31% of U.S. and European lottery players use emojis every day to represent emotional expression, and 40% of Chinese lottery players do so.

Action: Develop rounded and responsible emotional strategies that assess and respond to the real-time emotional states of players.

Measure (with permission) the emotional impact that any product, commercial process, or interaction has on players and use this insight to enhance these engagements.

As in the case where "love-it-or-hate-it" food brand Marmite captured consumers' reactions to their product (see above right), lotteries may seek to understand their players' sentiment towards playing, winning, and losing when engaging with their games. This, and additional insight gathered through emerging facial-expression and emotion-recognition technology, will help lotteries deliver more emotionally rich interactions to players, reflecting their feelings in an emotionally sensitive and human way.

New Tools to Prove and Share Emotional Affiliations

September 2017 saw food brand **Marmite** launch its TasteFace app, inviting customers to upload a video of themselves sampling the product, the "love-it-or-hate-it" experience being the key marketing platform for the brand. The app uses facial recognition technology to tell if the user's face shows enjoyment or disgust, with results easily shareable across social media channels.

New Ways to Measure Emotional Engagement

Indian startup **Entropik Tech** analyzes users' *touch* patterns on devices to determine their emotional state, including their emotional connection with objects on-screen.

Trend 4:
Truth as a Commodity

Truth, trust, and believability are all under serious pressure in a consumer landscape that is developing a healthy disrespect for traditional sources of authority.

With a variety of information sources readily at hand, the existence of claim and *counter*-claim on any given issue means that settled, mainstream truths are in short supply for consumers.

Lottery Implications

Checking peer reviews has become a common behavior for consumers seeking honest, unbiased opinions. 94% of lottery players from 24 countries surveyed claim to have used their mobile phone to read a peer review about a product while shopping in store.

Foresight Factory research found that 22% of lottery players have used a fact-checking service, and a further 34% are interested in doing so. And in the U.K., for example, 41% of lottery players agree that they "find it difficult to know which news stories to trust" (vs. 35% for non-lottery players).

Action: Offer end-to-end transparency.

The lottery industry's very existence is predicated on the public's trust and confidence. In a world where consumers desire corporate transparency, lotteries must demonstrate that they operate in a fair and secure manner, and support these claims with data and third-party verifications to assure consumers that they are dealing with a trusted organization.

Transparency about how a lottery is run, how fairness is assured, how good-cause projects are awarded, and the security of lottery systems and player data are all key to building player confidence. Security guidelines, independent auditers, certified employees, security officers and systems, anti-tampering checks, and retailer integrity programs are everyday topics for those inside a lottery organization, but may not be widely understood by the public. Talking up these existing measures speaks to consumers and will support the lottery's reputation in the face of increasing consumer distrust of corporations. Lotteries should explore how their regulated status, stringent security, independent verification, and distribution-fund processes can provide added value to customers, as a new touchpoint and opportunity for engagement.

Proving Product Provenance

The online platform **Provenance** uses blockchain technology to provide a record of a product's supply chain. It aims to create a system that anyone can use to guarantee the provenance of anything from tea to fabric.

Trend 5:
Anti-Automation

From entrepreneurs to policy makers, from tech specialists to everyday consumers, there is growing fear of the disruption that automation and evolving artificial intelligence will bring. Are we seeing the makings of serious political, consumer, and commercial resistance to our much-heralded automated future?

In the short term, consumers welcome (with their wallets) the many benefits that automated innovation brings, such as lower prices and more options available more quickly. Longer term, however, consumers are recognizing the potential threat posed by automation, especially for some segments of the workforce. 64% of consumers surveyed in 24 countries agree that people who are not skilled in technology will find it harder to get a job in the future, and 41% of global young adults expect that a computer program, robot, or AI system could do their job in 10 years' time.

Lottery Implications

Consumers are looking to companies to maintain the human touch somewhere in the value chain. 62% of U.S. lottery players (vs. 56% for non-players) think that companies should employ humans over robots, even if this means higher prices. In Europe, the difference between players and non-players is less significant but still over half (54% of players and 52% of non-players) state a preference for "human-first" brands.

Action: Increase emphasis on the human touch.

Consider the power of the human face of the lottery—the daily sellers who wish lottery players luck and are there in the key moments of hope as players enter the draw.

While in reality, much of the process of the lottery is already digital and automated, at the heart of the game are the players and the recipients of good-cause funding. Lotteries should increase the emphasis on their transformational impact on human lives, both for winners and good-cause recipients. Additionally, make the human touch of the lottery available to players through online chat and chat messenger apps, which are now becoming the preferred communications channel for many, particularly younger consumers.

Since 2015, Foresight Factory studies have shown an increase in the use of web chat services to ask questions or ask advice in most markets, most significantly in Sweden, where use has increased from 24% to 31%. In France, 37% of 16- to 24-year-olds have used or would be interested in using a chat messenger service to buy a product or service. The figure is 29% for young consumers in the U.S. and rises to 79% in China.

Balancing Human-Free Innovation

In July 2017, Singapore supermarket chain **NTUC FairPrice** showed off its first unmanned convenience store concept. The store is also a training center for students and is presented as a template for human-skills development in an age of automation.

Trend 6:
Harnessing the Free-Range Shopper

With an abundance of choice and enticements available, consumers have been demanding lightweight commitment in their buying relationships for some time. In 2018, consumers will seriously review long-term and overly complex commercial entanglements.

Instead of complex commitments with pages of fine print to read, terms and conditions will become simpler and emphasize ease of both entry and departure.

Lottery Implications

46% of lottery players in the U.K. say they have "actively avoided buying a product or service in the past because the contract tied me in for a long period of time" (vs. 42% for non-players). This is especially true for Gen X players: 23% of Gen X lottery players feel strongly about this compared to just 12% of Gen X non-lottery players.

New opportunities lie in creating offers that are worth commiting to but are easy to exit or reenter. For example, successful streaming services offer ongoing value but always include the option to cancel or rejoin.

Action: Emphasize freedom within player relationships.

In many lottery markets, players like to play by monthly direct debit. However, there is little flexibility in this arrangement for them. Could subscribers be offered a game switch if an alternative game was rolling, or a top-up entry for a big draw? Maybe a "pause" option would retain players who otherwise may have cancelled their arrangement.

The key is to offer on-demand, bite-sized, leave-when-you-like arrangements. Counter-intuitively, this will build long-term brand stickiness. Consumers who can easily leave know that they can just as easily come back.

Flexibility and Freedom

Amazon unveiled Prime Wardrobe in June 2017, which delivers clothes to customers with no upfront fee and gives them a week to decide what they want to keep and what to return.

Trend 7:
Fine to be Fallible

The world is increasingly at ease with the notion that failure is a necessary prerequisite to success and an *acceptable* consequence of being human.

A companion to Trend 3, Engineered Empathy, the recognition of fallibility is a call to associate brands with the full kaleidoscope of human endeavor.

Lottery Implications

A full 68% of lottery players in Germany, the U.K., Sweden, China, and the U.S. agree that they *openly admit to their failings* (vs. 67% for non-lottery players). This figure is as low as 61% in China and rises to 74% of lottery players in the U.S.

Action: In messaging, celebrate taking part as well as winning and put success into perspective.

Foresight Factory research finds that the brand attribute "genuine" makes consumers 10% more likely to recommend their favorite supermarket brand to others. Lottery players are well aware of the odds of a jackpot win, so offering a holistic experience which includes the excitement of taking part and supporting good causes as well as the potential to win prizes more genuinely reflects the true experience of lottery participation. Failure so often preempts and motivates future success in consumer lives, and acknowledging loss, or being "almost-there" is often a first step on the journey to success.

For lotteries, this trend invites a re-think of communications centered only on the big win.
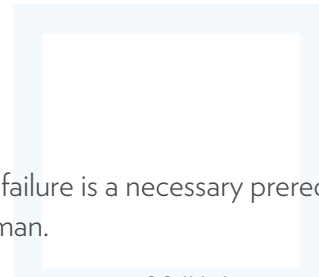
Failure Repositioned as Opportunity

In July 2017, **Gatorade** launched the podcast **The Secret to Victory**, featuring top athletes sharing their collective secret to victory: defeat. These superstars all used their defeats as motivation to succeed. Gatorade positions defeat as fuel.

Trend 8:
Life in Beta Mode

Smart devices connected to the Internet of Things are not static. Rather, like a phone or laptop, the software in such products is routinely upgraded. This means that products continually improve and acquire new functionalities. In short, products are reaching their "peak" after they are sold to consumers.

Brands are also delivering a constant stream of communication to engage consumers, continuing to give them new benefits long after the purchase has been made. This ensures that consumers are making the most of the functions of the product they bought, and it also opens a dialogue that continues far past the point of sale.

Lottery Implications

49% of lottery players from 24 countries surveyed have already used a chat messenger service to ask a company or brand questions about how to use a product or service vs. only 22% of non-players.

Since AI products actually learn from consumer behavior, gathering data on their preferences, lotteries may use this information to continue the dialogue with their players, offering them increasingly relevant information about the games they enjoy.

Action: Engage beyond the sale.

As player preferences and habits are understood more deeply, lotteries can also gather data on players' wider interests and expand the dialogue to include recommendations for lottery-funded events or sporting tournaments that are likely to have appeal. Using the player's geographic location could allow lotteries to provide information on local lottery retailers and locally funded good causes. This continued dialogue is key to lotteries in demonstrating the value of a ticket sale beyond the outcome of the draw.

Chat messenger services are again a way that lottery providers could maintain this dialogue. Use of instant messaging services is quite high in non-Western markets—up to 93% in China—except in Japan, which is on level with the U.S. and Canada, around 52%. This means players across the world could receive information through the apps they already use.

21st-Century After-Sales Service

Amazon Echo routinely alerts owners of new features that the device supports as well as questions that they can pose to the on-board AI, Alexa.

What Is the Internet of Things?

The Internet of Things concept is about connecting devices over the internet, letting them talk to us, to applications, and to each other.

Key Takeaways

Invite players to engage more by offering them new types of pre-play challenges, such as tasks, puzzles, and treasure hunts.

Offer more customization to players, for example, bundles of games tailored to suit their preferences.

Make use of new technologies to create more emotionally rich interactions with players.

Continue to demonstrate fair and secure lottery operations, using data and third-party verifications to assure consumers that they are dealing with a trusted organization.

Emphasize the human and transformational aspects of lottery, from players and sellers to the recipients of funding for good causes.

Provide players with more on-demand, leave-when-you-like arrangements.

Reframe communications to celebrate taking part as well as winning.

Use player analytics and preferences to offer useful information and expand the dialogue with players beyond ticket sales.

About IGT

International Game Technology is the global leader in the lottery and gaming industries. We enable players to experience their favorite games across all channels and regulated segments. From slot machines and social games to lottery terminals and business management, we anticipate the demands of consumers wherever they decide to play. As the lottery category leader, we serve 39 out of 45 jurisdictions in the United States offering lottery and run 79% of wagers through our systems. We also assist more than 20 national lotteries, including the United Kingdom, Finland, Poland, Czech Republic, Italy, Mexico, and Colombia.

About Foresight Factory

IGT is engaged in a long-term partnership with leading consumer analytics and trends agency Foresight Factory to assist lottery customers and enrich our own knowledge of consumer behavior as new trends emerge.

Foresight Factory collects data, innovation-related insights, and qualitative insights, and uses them to predict future consumer needs and shifts in industry trends, assisting organizations such as IGT in developing leading strategies that are relevant both now and in the future.

Foresight Factory collects data from 50,000 consumers in 24 countries (10 in Europe) in two waves each year. The findings underpin the group's futures analysis to reinforce credibility and certainty, and minimize risk in decision-making. In addition to using data and analytics, Foresight Factory applies creativity to help visualize what trends will mean in action and bring them to life in an actionable way. A team of 500 trendspotters in 80 markets (200 in Europe) analyze and add local perspectives, while a process of innovation-scanning uncovers disruptive and best-in-class examples across technology, products, services, branding, and other communications. In addition, social media analysis measures volume, key topics, and the tone of emerging themes. This range of insights—including tracking of 70+ universal consumer trends and hundreds of sector trends—is available through the online platform, FFonline.

Contact

For more information and data about the eight consumer trends shaping lottery-player behavior in 2018, please contact:

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