

Cashless Transactions Make Lottery More Accessible to Players



Retail

KEY TAKEAWAYS

- IGT's newest self-service terminals can support cashless transactions, where permitted.
- Cashless transactions can make lottery easier and more accessible to players.
- Lotteries can begin to track purchase and spending behavior of players using cashless technology.

SITUATION

The lottery industry is one of the last major industries in the United States that is almost entirely cash-based. But in today's society, where many people, especially younger demographics, no longer regularly carry cash, creating an alternative, debit or credit-based purchase model would logically help support lottery sales, making trial or initial purchases easier for new players and regular purchases more convenient for regular players. Many lotteries are still unable to offer a cashless transaction system due to legislative and regulatory restrictions. But a handful of lotteries including Virginia, North Carolina, and Michigan have been able to introduce cashless technology in recent years, requiring solutions that deliver the experiences players want and expect.

SOLUTION

In anticipation of the demand, IGT integrated cashless-enablement and payment into product roadmaps and technology platforms up-front. Today, when a lottery is able to offer them, the solutions are ready to provide the functionality that's important to players.

The Virginia Lottery activated the cashless functionality on a number of IGT GameTouch™ self-service terminals in July 2017, followed soon by the Michigan Lottery in July 2018, and the North Carolina Education Lottery in September 2018. Michigan terminals accept both credit and debit transactions, while the others only accept debit cards. In each jurisdiction, cashless is limited to a select group of self-service lottery vending machines. As of July 2019, there are nearly 300 cashless-enabled machines in Michigan, 1,200 in North Carolina, and 1,850 in Virginia.

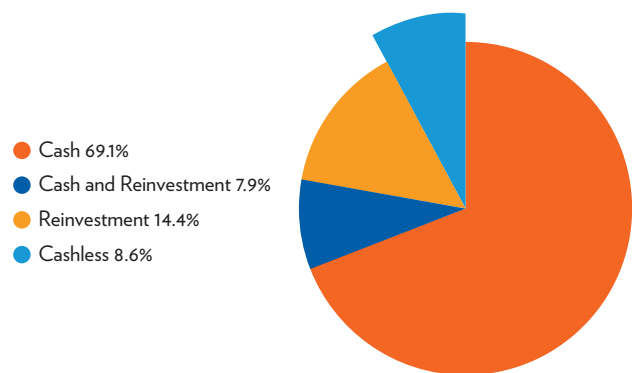
In addition, a small pilot program was established in Georgia in early 2019. Initially, a single lottery vending machine located at the Georgia Lottery's headquarters in Atlanta was activated for debit-only cashless transactions. A second lottery vending machine, located at Hartsfield International Airport, was cashless-enabled in May.

While still an anonymous transaction, cashless technology makes it possible to track player purchases in greater detail. When players use their debit or credit card, that card number is assigned a unique player token. If a player makes another purchase with that same card, the system is able to link the transactions together under the same token, enabling deeper analysis of purchase and spending habits, from frequency of purchase and player-spend per month, to what products and price-points that player is purchasing.

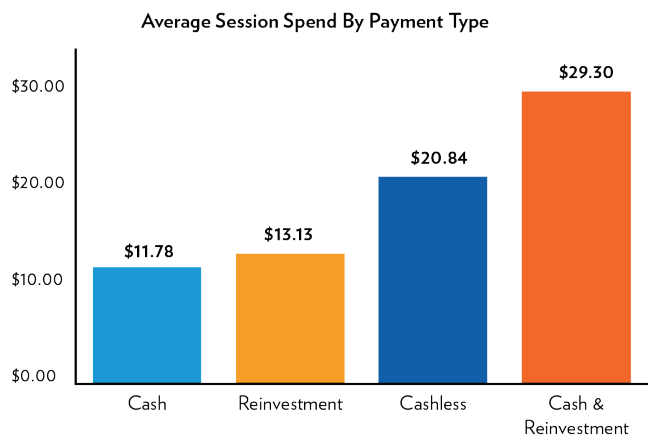
RESULTS

The initial impact of cashless technology appears to be modest but effective as a player convenience tool. In Michigan, North Carolina, and Virginia, cashless-enabled terminals saw sales grow by 21% after having their cashless functionality enabled, with 8.6% of sales at these terminals were completed with a debit or (Michigan only) credit card. This 8.6% of sales represents about 4% of total sessions at these terminals. Cashless transactions have been boosted overall spend during an individual purchase session; on average, players spend 1.8 times more per session when paying via debit or credit card.

Cashless % of Sales
By Payment Type



Thanks to player-token tracking, IGT and our lottery customers are learning more about player purchase habits. For example, across the three states that allow cashless, 91% of player tokens were used fewer than five times over a 13-week period, and 41% of total sales came from that 91% of player tokens. While one player could conceivably have multiple player tokens by using different cards, and the sample size is relatively limited, we can infer from this that light, casual players are utilizing cashless technology, and that it's a useful tool in introducing new players into the lottery ecosystem.



It's important to emphasize that cashless transactions in the lottery industry are still in their relatively early days, so while there is data to be analyzed, more time in the field and more states offering this technology are needed to truly begin to assess the impact on lottery revenues. That said, from the limited deployment to date and the data that IGT has gathered and analyzed, we can see that cashless purchase options make a lottery purchase more convenient and more appealing to players, ultimately leading to higher revenues and more support for good causes.

Lotteries usually see modest sales bumps during periods of high jackpots for the Multi-State draw games, and there was a corresponding rise in cashless transactions when one such period hit in October 2018. In Virginia, cashless transactions doubled to 8% of total sessions when the Mega Millions jackpot reached \$1.6 billion, before returning to the average 4% once the jackpot was hit. During this period, the number of cash transactions at these cashless terminals stayed consistent with other periods of lower-level jackpots.