INSIGHTS

Lottery's Next Billion-Dollar Question: Are We Still Treating Digital Like a Channel?

By Scientific Games
Published June 23, 2026

For years, the lottery industry treated digital transformation as an expansion strategy — another channel alongside retail, television and traditional advertising, often focused on mobile apps, iLottery and online sales.

It’s 2026. Digital is no longer simply a channel. It is becoming the operating system for modern lottery growth.

The lotteries that thrive over the next decade will not necessarily be the ones with the largest jackpots, the biggest media budgets or the most expansive product portfolios. They will be the lotteries that connect data across fragmented ecosystems and turn insights into action faster than the competition.

This defining shift is already underway.

The Industry Has Entered a New Era

Lottery executives face a very different operating environment than they did just five years ago.

Retail remains essential. In many jurisdictions, retail is the dominant revenue driver and the heartbeat of player engagement. At the same time, digital participation has matured. Consumers increasingly expect seamless experiences across channels, personalized engagement, frictionless transactions and entertainment ecosystems that resemble the broader digital economy.

Meanwhile, pressure on lotteries continues to intensify.

Governments expect sustained revenue growth. Retailers expect traffic-driving games and streamlined operations for selling lottery. Players expect relevance and convenience. And regulators expect responsible, measurable engagement.z

The old growth model — relying primarily on larger jackpots, expanded game portfolios or periodic mass marketing campaigns — is beginning to show its limits.

The next phase of growth will come from a lottery's ability to use data to influence player behavior continuously.

The Problem Isn't Lack of Data

Ironically, lotteries are not suffering from a data shortage.

In fact, many lotteries now possess enormous volumes of information across retail systems, loyalty programs, mobile apps, CRM platforms, second-chance promotions, iLottery ecosystems and game performance reporting.

The problem is that most of this data still lives in silos.

Retail and digital teams often operate independently. Player insights remain retrospective. Operational decisions are often periodic rather than continuous. And many organizations still struggle to move from reporting outcomes to influencing them.

That distinction matters. Because data alone does not create growth. Action does.

The lotteries gaining a sustainable advantage are building systems that convert insights into operational decisions faster and more consistently.

The Jackpot Run No Longer Ensures Growth

Consider one of the industry's most familiar growth moments: the billion-dollar jackpot run.

Historically, lotteries viewed these events as temporary revenue surges — massive player acquisition moments fueled by urgency and national attention.

But the more important question is no longer how many consumers participate during the jackpot cycle.

The critical question is: What happens after they buy a ticket?

Emerging player data reveals how significant this opportunity really is.

Analysis of debit card token activity in one jurisdiction found that 11% of new lottery card users entered the market during jackpot periods exceeding $1 billion. That represents an enormous influx of occasional and first-time players entering the ecosystem at precisely the moment when engagement habits are still being formed.

For decades, much of the industry celebrated the spike in acquisitions and moved on. Sophisticated lotteries are beginning to treat these moments differently.

They are asking: How do we convert episodic participation into sustained engagement? How do we guide new players toward repeat behavior? How do we extend lifetime value responsibly?

The answer increasingly lies in integrated digital engagement strategies.

Loyalty Is More Than a Rewards Program

Loyalty programs are evolving from promotional tools into behavioral intelligence systems.

When new players enter during a jackpot surge, the objective is no longer just registration — it is to create an identifiable relationship that can be measured, understood, and nurtured over time.

Some lotteries are already seeing the impact.

During a recent jackpot cycle, select loyalty programs experienced approximately 74% growth in membership when loyalty messaging was integrated directly into ticket communications and in-store digital content.

That growth matters because anonymous retail participation has historically limited a lottery's ability to understand or retain players.

Once a player enters a digital loyalty ecosystem, operators gain the ability to learn, personalize, test, measure and optimize engagement — capabilities increasingly amplified through CRM-driven strategies.

CRM Is One of Lottery's Most Important Growth Tools

Many lotteries still underutilize CRM capabilities relative to other consumer industries.

Retail, hospitality, gaming, sports betting, and e-commerce companies have spent years refining segmentation, behavioral targeting, lifecycle marketing and predictive engagement models.

Lottery is only beginning to unlock that potential at scale. But the early indicators are compelling.

Through targeted A/B testing and behavioral analysis, some lotteries have identified meaningful drop-off points between registration and first ticket entry. Using segmented CRM campaigns to re-engage those players has produced measurable improvements in conversion behavior. In one example, targeted messaging increased the number of first-ticket entries among new registrants by 33%.

That is not merely a marketing improvement.

It is evidence of a broader industry evolution: Lotteries are moving from mass communication toward intelligent engagement.

The implications extend far beyond promotional efficiency.

Over time, these capabilities could fundamentally reshape how lotteries approach player acquisition, retention, responsible gaming interventions, product recommendations and portfolio optimization.

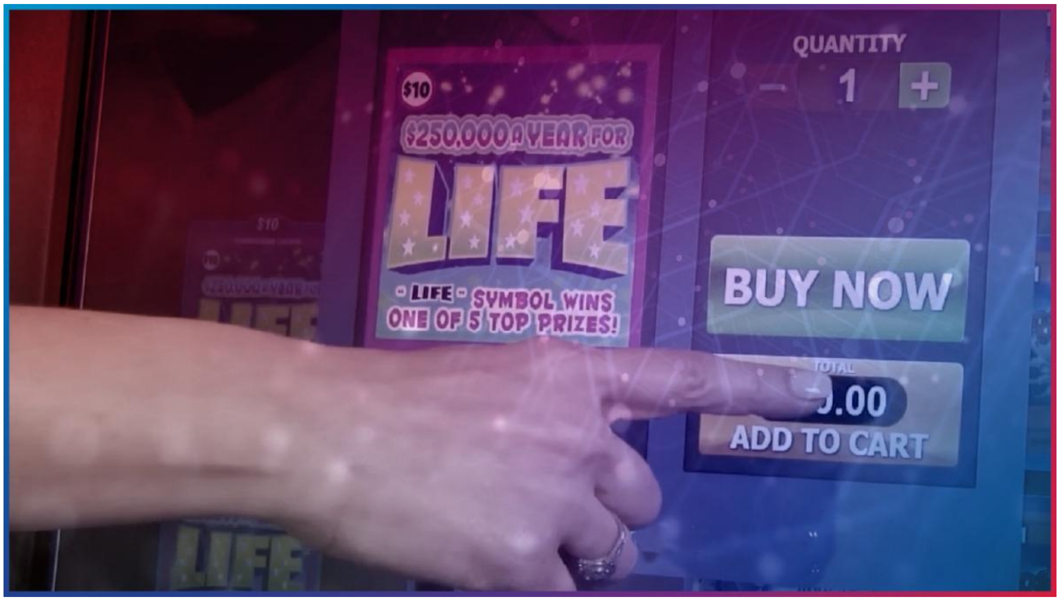
Retail and Digital Are Interdependent

One of the industry's longest-running debates has centered on whether digital threatens retail.

The evidence increasingly suggests the more productive question is how digital can strengthen retail.

Integrated engagement models are beginning to reveal how digital touchpoints can more effectively drive players back to physical locations.

For example, basket analysis following major jackpot runs has shown that many players who initially entered via large jackpot participation later expanded their purchasing behavior into other product categories, particularly scratch games. In one study, 46% of subsequent baskets included scratch games.



That insight changes how lotteries approach acquisition pathways.

Rather than viewing digital and retail as isolated ecosystems, operators can begin designing coordinated journeys.

The future may belong not to “omnichannel” as a buzzword, but to connected ecosystems that continuously guide behavior across touchpoints.

The Grey Machine Threat Is Forcing a Strategic Reckoning

Perhaps nowhere is this shift more urgent than in the growing competition from grey machines.

Across multiple jurisdictions, unregulated gaming devices are increasingly competing for entertainment spend directly inside retail locations where lottery products are sold.

Some retailers are embracing them because they drive traffic and generate revenue. Consumers are engaging because the experiences are immediate, interactive and familiar.

For lotteries, however, the threat is more complicated.

For years, many organizations suspected these machines were affecting lottery performance. But without scalable data collection and retailer-level visibility, it becomes difficult to quantify impact, identify patterns or build policy arguments around competitive displacement.

That is beginning to change.

Some lotteries and technology partners are now exploring ways to connect field sales intelligence, retailer data and machine presence directly to sales performance metrics. Once quantified, the conversation shifts dramatically.

The issue is no longer hypothetical. It becomes measurable — and actionable.

Competing Requires More Than Regulation

The lottery industry often frames competitive threats primarily through regulatory discussions.

But consumers do not make entertainment decisions based on regulatory frameworks. They make them based on experience.

That reality is forcing lotteries to confront a difficult truth: Competing effectively requires creating genuinely compelling player experiences.

It's why some operators are now exploring regulated alternatives to bring engaging digital-style gameplay back into the lottery environment through self-service retail experiences.

The strategic thinking here is notable.

Rather than simply deploying hardware, the focus is increasingly on content performance, behavioral engagement and experience design.

High-performing digital games are evaluated not only for online success but also for their adaptability to regulated retail environments capable of competing for player attention.

This represents a broader philosophical shift.

The industry is moving away from thinking exclusively about products. It is beginning to think more holistically about entertainment ecosystems.

The Industry's Defining Question

The most important question facing lotteries today may not be whether digital will continue growing. It will.

The real question is whether lottery organizations are prepared to evolve from transaction-focused operations into intelligence-driven enterprises.

Future lottery growth will be determined by how effectively lotteries:

- Connect retail and digital ecosystems
- Translate data into action
- Personalize engagement responsibly
- Defend retail relevance
- Adapt faster than emerging competitors
- Continuously improve the player experience

The next billion-dollar opportunity for lottery may not come from a jackpot at all.

It may come from the industry learning how to operationalize the data it already possesses.

And the lotteries that master this shift will define the next era of lottery growth.

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