

# Data in Motion

Marketing & Insights



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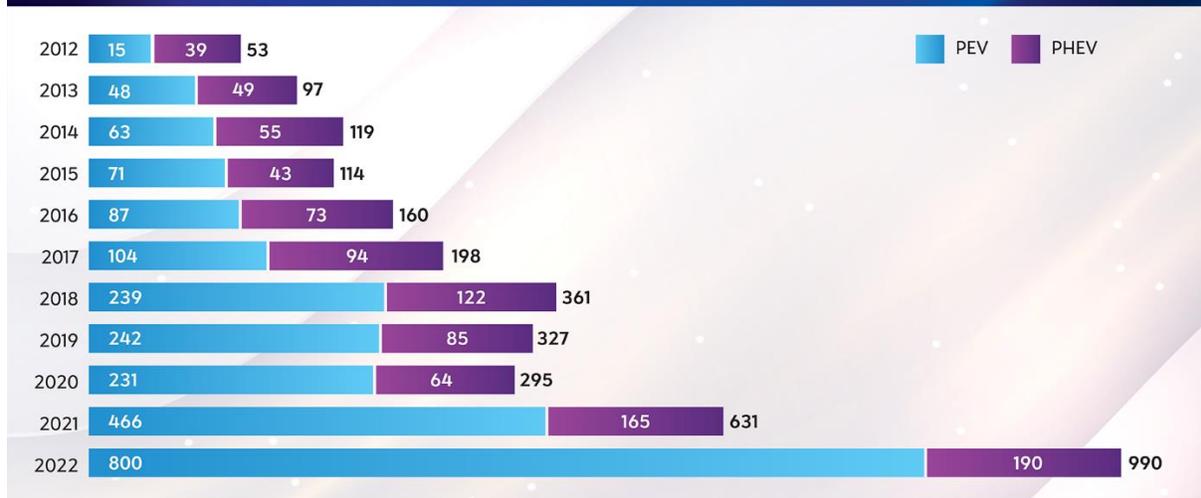
## The Impact of EVs on Lottery

In the 1950's the U.S. began construction of its Interstate Highway System, and with it the birth of the Great American Road Trip. This travel tradition continues in full-force today, but the mode of transportation is gradually shifting from the gas-fueled, wood-paneled family truckster to smaller, sleeker, electric vehicles (EVs). With the unofficial start of summer, this year's annual Memorial Day edition of Data in Motion looks to the horizon for what changes in vehicle fueling options might mean for the lottery industry.

### It's Electric! (well, sort of)

While adoption rates have been slower than initially projected (as of February 2024,  $\pm 1\%$  of 296M domestic vehicles<sup>1</sup>), the move from internal combustion engines (ICE) to EVs gains momentum every year. As reflected in the chart below, new EV car registrations increased exponentially (1768%) in the decade from 2012 to 2022.

New Electric Cars Registrations in Thousands<sup>2</sup>



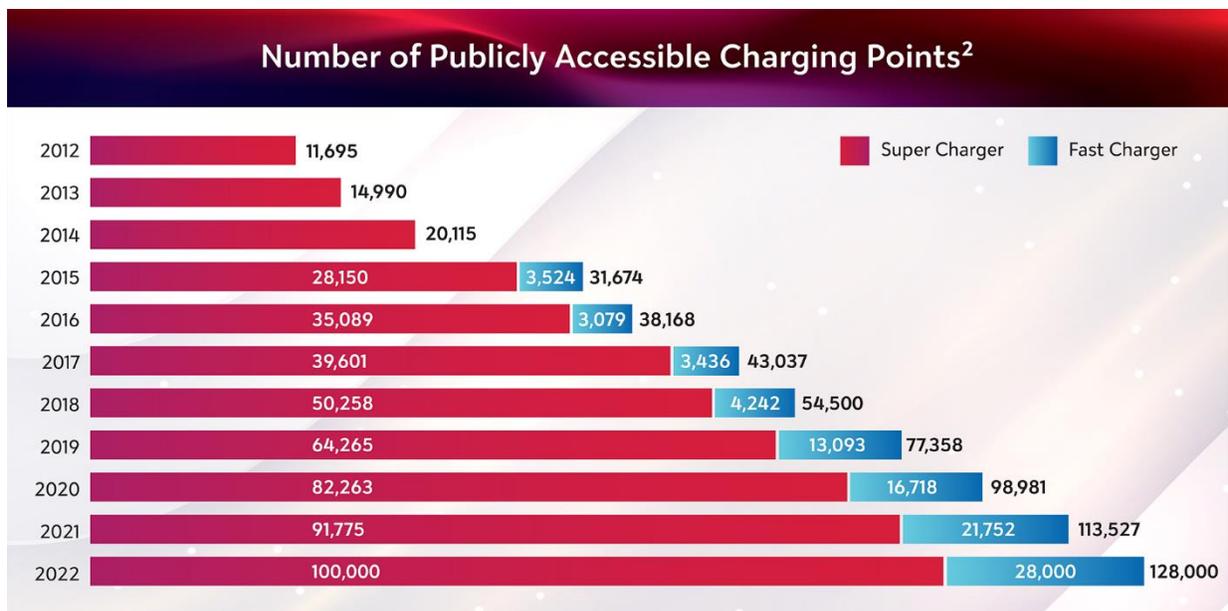
**NOTE: PEV** or plug-in electric vehicles utilize an external source of electricity.

**PHEV** or plug-in hybrid electric vehicles use batteries to power an electric motor, and another fuel, such as gasoline, to power an internal combustion engine.

Not surprisingly, as more people switch to electric vehicles, consumer needs and behaviors are also changing. And convenience stores, a longtime staple of roadside travel, are undergoing a subtle yet profound evolution in response to these changes. With approximately 68% of domestic, instant scratch-off sales and 56% of terminal game sales coming from c-store channels, let's take a look at a few of the risks and opportunities that this shift towards EVs might pose for the lottery industry.

## Dangerous Curve Ahead

One of the most noticeable effects of increased EV usage on convenience store visits is the surge in demand for charging infrastructure. EV drivers rely on a network of charging stations to power their vehicles so, accordingly, publicly accessible charging points increased 995% in the U.S. from 2012 to 2022.



While convenience stores are becoming increasingly popular as locations for EV charging stations, the installation and maintenance of this infrastructure requires significant investment, which is straining the resources of some businesses. In fact, the number of gas stations in the U.S. has been decreasing in the past two decades and the trend is expected to continue. According to Boston Consulting Group, at least a quarter of service stations are at risk of closure by 2035 without significant business model updates.

This is especially true for independent operators who make up a majority of convenience stores in the U.S. And it is these smaller “mom-and-pop” locations that are frequently the highest grossing lottery retailers. If small c-store operators can’t secure capital to install charging stations, many of them could become obsolete, risking the lottery sales that these profitable locations generate.

Another risk that might arise is the incidence of in-store visits. Traditionally, convenience stores have thrived on the in-store visits of ICE vehicle drivers and the add-on sales of their purchases. However, EV drivers often recharge via ‘opportunity’ or ‘destination’ – meaning they charge when they have a chance to, such as while grocery shopping, or when they have reached the terminus of their trip, such as a hotel. Fewer in-store visits to c-stores mean less chance that lottery products are being seen by consumers which could result in a decrease in impulse purchases. With approximately 35% of players stating, ‘*it was an impulse*’ as the main reason for their most recent lottery purchase<sup>3</sup>, a decrease in convenience store visits could be a real threat to lottery sales.

## **Navigating the Road Ahead**

Fortunately, where there are risks, there are often opportunities. For example, in addition to installing charging stations, many c-stores are expanding offerings that appeal to EV drivers waiting for a charge. Seating areas are being built, food service is expanding, and free Wi-Fi is being made available to capture additional revenue and generate customer loyalty. Lotteries have an opportunity to piggyback on expanded offerings to create larger play areas, introduce more in-store promotions, expand merchandising and digital signage, and position monitor games in common areas.

Another opportunity to consider is reaching new players by expanding the lottery network into non-traditional locations. Lotteries could analyze where new charging stations are being built within their state, as an indicator of where people might be flocking for retail and entertainment. With new, more secure, smaller-footprint hardware, many lotteries now have the ability to move into locations that were difficult to access in the past.

## **Final Word**

As EV usage continues to rise, convenience store operators must innovate and adapt to mitigate the negative effects on revenue streams while capitalizing on emerging opportunities. The lottery industry would be wise to do the same. Most experts believe that mature migration to EVs will occur within the next 15 years. So now is the time to start considering how to not only proactively mitigate disruption to our business, but thrive in a new electrically charged environment.

Sources:

1. AutomotiveNews.com, EV sales will keep growing, J.D. Power projects (February 2024)
2. International Energy Agency: Inside EVs (2024)
3. Scientific Games, Understanding the Role of Price Points – National Study (2023)

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