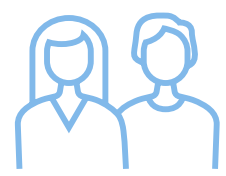
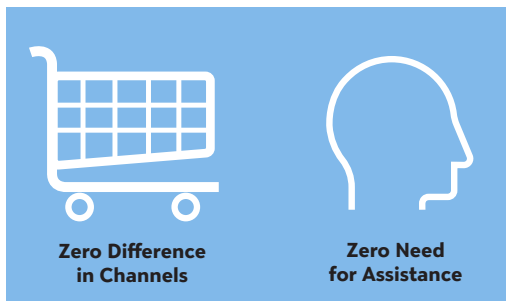


Insights and Data to Help Manage Today's Changing Consumer Environment

As consumers move more and more towards researching, browsing, and buying the products they want online, brick-and-mortar stores generated 96% of gross gaming revenue (GGR) for the U.S. lottery industry in fiscal year 2021¹. This juxtaposition underscores how critical it is that we as an industry keep abreast of the latest retail trends and shifting consumer preferences. To this end, we wanted to share McKinsey & Company's "The Five Zeros Shaping Stores" which outlines how consumers are impacting the retail environment². In this issue of Data in Motion, we cover two of the Five Zeros and offer suggestions on how lotteries should factor these trends into their overarching retail strategy. We will cover the remaining three Zeros in a subsequent issue of Data in Motion.



Zero Difference in Channels

Whether online or in-store, retailers need to give consumers a seamless, consistent experience. Services offered by retailers need to cross channels, ultimately creating omni-channel stores with an omni-channel shopping experience. Many consumers are engaging with every channel and touchpoint before making a purchase, highlighting the need for connectivity and consistency.

For example, about three-quarters of U.S. shoppers research products online before making a purchase³. With more tools available to them, such as mobile apps and click-and-collect options, consumers are able to plan their in-store shopping experience more than ever. A customer can build a digital cart, check product availability at different locations, track rewards and coupons, and choose exact dates and times for pickup or delivery.



This level of control enables consumers to do product research and make online product comparisons before making a purchase (known as *webrooming*). This presents an interesting challenge for retailers – impulse purchases are not as much of a temptation when shoppers can plan their shopping lists and visits with such a high degree of precision, particularly at grocery or Big Box stores.

It goes the other way too – consumers are doing research at brick-and-mortar locations before they buy online. A customer might test out a couch in-store, for example, before buying it online. In-store, retailers and brands are making it easier for customers to connect with their products digitally, incorporating QR codes into in-store displays that customers can scan to access more details or demos of the product online.

Attracting Omni-Channel Shoppers

These omni-channel shoppers are highly valuable – they spend 1.7x more than single-channel shoppers⁴, so it's important that lotteries consider how to cater to these consumers. Below are five questions lotteries should be asking themselves as they consider how to attract this important and growing consumer type:



- Do you allow consumers to webroom your lottery products (view games and game elements in detail online before buying in-store)?
- Do you know what game elements players would like to webroom?
- Do you know what digital capabilities a customer wants to allow for a more seamless digital to in-store experience? And vice versa for in-store to digital?
- Are your products integrated into your retailers' digital consumer touchpoints?
- Are you soliciting feedback from your consumers to better understand their experience and how best to improve omni-channel capabilities?

Zero Need for Assistance

While there are exceptions, today's consumer generally wants to limit their interaction with store associates and is looking for the most convenient and efficient path to purchase. This desire for "unattended shopping" accelerated during the pandemic with more than 70% of shoppers using self-checkout options or shopping at frictionless, small footprint-markets in 2020⁵.

Retailers are taking note – 41% of convenience retailers made plans to offer frictionless or cashier-less checkout in 2022⁶. Additionally, in-lane self-checkout currently represents about 40% of lanes in U.S. grocery stores, an increase of about 10% since 2017⁷. According to Grand View Research, the global self-checkout market size is expected to reach \$10.5 billion by 2030⁸. Grocery and convenience stores generated 82% of lottery sales in FY22⁹, so it is critical that lottery products are available via this purchasing path.

Just Walk Out Shopping

This category of "unattended" or "limited attended" retail expands beyond traditional in-lane self-checkout capabilities to include newer innovations such as Just Walk Out technology. Considered a futuristic concept just a few years ago, Just Walk Out shopping is now being considered and tested as retailers look to stay ahead of the curve. Amazon is leading the way with its Amazon Go stores which uses computer vision and sensor technology to track shoppers' purchases. Shoppers use their Amazon app to scan the in-store key code and pay via their Amazon account instead of waiting in line to checkout. Circle K is piloting a similar concept at a test store in Tempe, Arizona using standard AI technology.



Frictionless Lottery

As the retail world moves towards a more frictionless experience, lotteries should be asking themselves the following questions to ensure that the products they sell are located where players expect them to be:

- As retailers expand to unattended or limited attended environments, what solutions will you offer to ensure that your games have a presence in this space?
- What discussions should you have with your retailers to ensure that lottery products are integrated into a self-service business model?
- Cashless payments are often an element of the unattended/limited attended model. Is this an accepted form of payment for lottery products within your jurisdiction?
- What new in-store marketing and merchandising strategies should you implement?

Final Word

Multi-channel shopping options and a frictionless shopping experience are just the first two of McKinsey and Company's Five Zeros Shaping Retail. Our next issue of Data in Motion, hitting your inbox on May 10, will cover the remaining three Zeros: Zero Wait for Delivery, Zero Tolerance for Inaction, Zero Wiggle Room for Flexibility. So stay tuned – there is zero chance you'll be disappointed.

Sources:
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