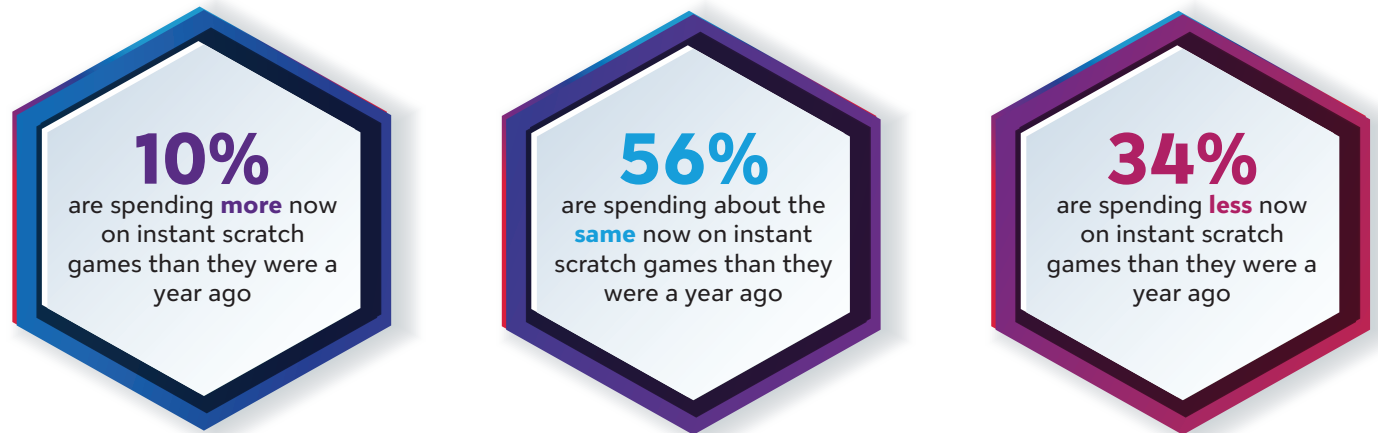


Insights and Data to Help Manage Today's Changing Consumer Environment

After more than two years of extraordinarily strong instant scratch game sales, it is understandably disappointing – if not unsurprising – that we should see some softening of those sales over the past several months¹. In this issue of Data in Motion, we take a closer look at various spending trends and how recent inflationary factors have led to some changes in how consumers use their discretionary income.

Talking to Players

Scientific Games' Market Research Team was curious about this recent dip in instant scratch game sales, so we went straight to the horse's mouth – we talked to players. Six hundred of them actually, in a national survey of states with a lottery. We asked players about their current instant scratch game spending and how it compared to their spending a year ago². Was it more? Less? Or the same? Here is what they told us:



We then asked those 34% that are spending **less** on instant scratch games *Why* they were spending less. The question was open-ended, but over 79% responded that their decrease in spending was due to some form of economic pressure. As the table below shows, some common responses were "inflation," "money," "income," "economy," and "(to) save money."

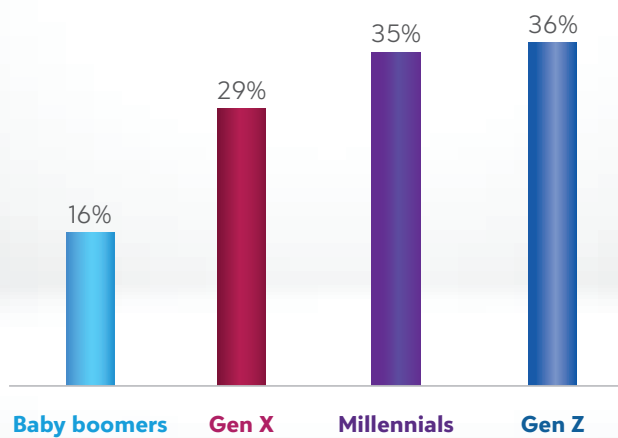
Reasons Cited for Spending Less on Instant Scratch Games

13% Money	9% Inflation	6% Everything	5% Save Money	4% Can't Afford	4% Ticket	3% Expensive	3% Food
10% Not Winning	6% Buying	5% Economy	5% Winning	4% Cash	3% No Money	2% Finances	2% Gamble
		5% Income	4% Spend	4% Gone	4% Difficult	2% Pay	2% Lottery
						2% Playing	2% Spend Less
							2% Tight

It's Not Just Lottery

It's worth noting that these players weren't singling out instant scratch tickets in their belt-tightening – 65% indicated that they had cut their spending on other forms of entertainment as well. This tracks with a recent Statista report that cites a decline in audio and video subscription services, especially among younger consumers. The study indicated that 36% of Gen Z (24 and younger) had cut back on these services as a result of inflation³.

Entertainment Subscription Cancellations Due to Inflation in the U.S. by Generation



The Final Word

As we have noted in multiple issues of Data in Motion, instant scratch game sales have achieved record highs over the past two years as players continue to explore different value propositions and new players enter the category. So in many ways, this recent softening of sales could be seen as a stabilization or correction of this incredible surge. It is also worth pointing out that despite recent economic pressures, our survey of players (cited above) indicated that fully 66% are either spending the same or more on instant scratch games as they did one year ago.

Still, we shouldn't take this recent decline lying down. It is vital that lotteries manage their instant scratch game portfolio to meet the needs, wants, and expectations of players wrestling with how to responsibly manage their discretionary income in a fast-changing economy. Variables such as price point mix, payout, number of games in market, order quantities, and launch frequency (just to name a few) all must work together to drive sales and deliver maximum revenues to the good causes they support at a time when they need it most.



HEALTHY PLAY™
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Scientific Games proudly supports Responsible Gaming Education Month, including educating our employees around the world.

Sources:

1. Based on sales data in *Infuse*, Scientific Games' Business Intelligence Platform
2. 1Q National Survey
3. Statista, Media Trends and the Economic Downturn

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