# Data in Motion

Marketing & Insights

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SCIENTIFIC GAMES

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

In our April 26 issue of Data in Motion we discussed how, more than ever, consumers are researching, browsing, and purchasing products online. We also looked at how this trend is at odds with the fact that 96% of the U.S. lottery industry's FY2021 revenue was generated at brick-and-mortar locations[1]. In an effort to close this gap, we shared two of McKinsey and Company's Five Zeros Shaping Retail[2] – Zero Difference in Channels and Zero Need for Assistance. In this issue of Data in Motion, we cover the remaining three of McKinsey's Five Zeros.

### The Five Zeros Shaping Retail


### Zero Wait for Delivery

The days of "Allow 2 – 4 weeks for delivery" have long passed. The pandemic accelerated this trend with 90% of consumers now considering two- or three-day delivery as the standard baseline. Home delivery and curbside pickup of items such as groceries and home goods have even made same-day delivery the expectation for 30% of consumers[2]. Prior to COVID, only 19% of consumers had used online grocery services. In 2022, that percentage jumped to 73% or 153 million people[3].

It is expected that 20% of all grocery sales will come from online shopping by 2026[4] and retailers are gearing up. Walmart+ InHome, for example, allows for delivery straight to a shopper's home with the option of having an employee put the purchased goods away in the home or place them on the shopper's doorstep or garage. And California-based Save Mart is collaborating with Amazon to provide customers with 2-hour delivery[5].

This desire for fast delivery of products should be considered as lotteries build their ship-to-home solution. Below are a few questions lotteries should consider:

- What technology and services would need to be in place to allow for fast, efficient, and secure fulfillment of home-delivery of lottery products?
- What consumer pricing models would enable quick delivery of lottery products? For example, should lotteries consider minimum order requirements or an annual membership fee for premium shipping?
- What security features should be in place to ensure lottery products are shipped securely and delivered to the correct recipient?

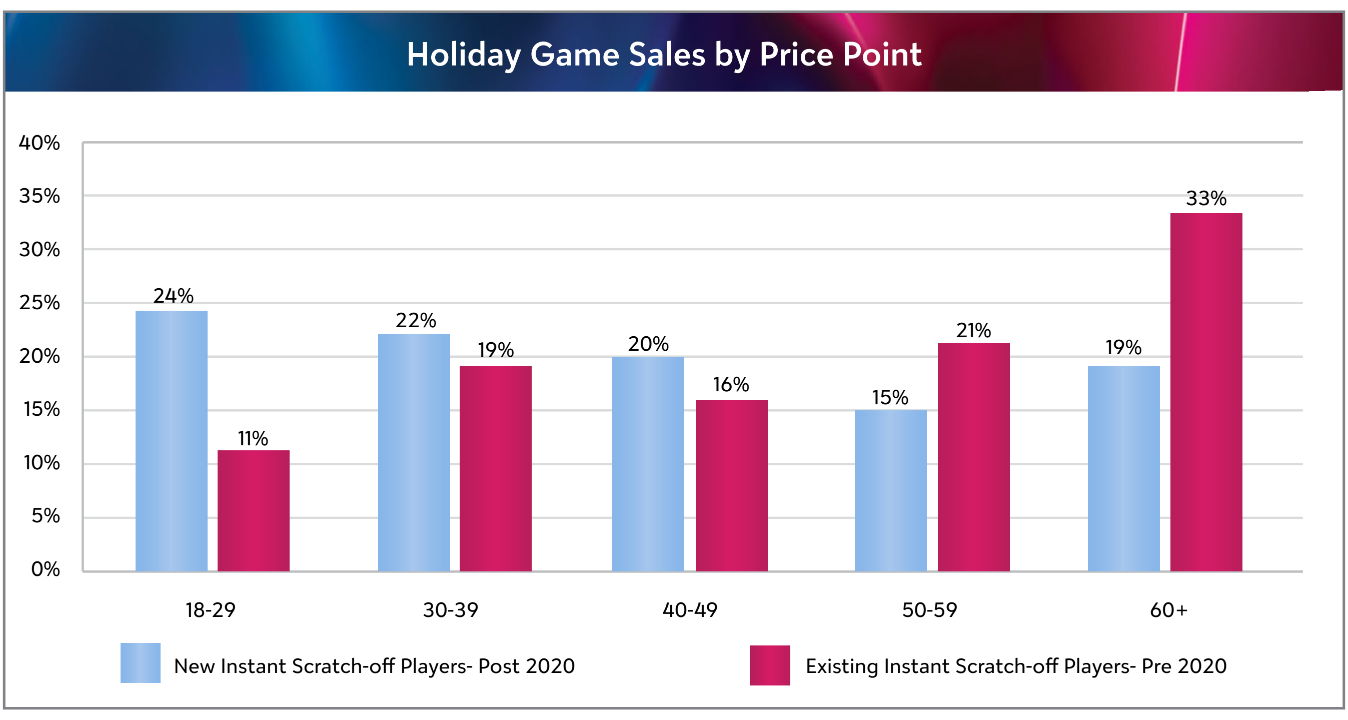
### Zero Tolerance for Inaction

While a company's primary objective is to generate revenue, it is becoming increasingly important to consumers that companies generate that revenue in a socially responsible manner. Environmental and Social Governance (ESG) efforts are common in corporate America and include a broad range of initiatives including environmental stewardship, Diversity, Equity, and Inclusion (DEI) programs, and community investment. And doing good has been good business – when considering over 2,000 academic studies, McKinsey and Company found that in 70% of the cases, there was a positive relationship between a company's ESG score and their financial return[6].

Younger generations are especially attuned to the social implications of their shopping habits with roughly two thirds of Millennial and Gen Z investors saying they are concerned about various ESG issues such as income inequality and carbon emissions[7]. Contrast this to investors aged 58+ who said they were only somewhat or not at all interested.

These differences in values by generation are important because Scientific Games' own research has found that most new lottery players (defined as having played for the first time in the past two years) skew young (46% are under the age of 40). These new, younger players are more likely to purchase lottery products once a week or more across all price points, heavily over-indexing at the $20+ price points[8]. So if we as an industry want to keep these new, younger players engaged (and we should), it's important that we understand the value they place on social issues when considering how and where they spend their money.

### New Players vs. Existing Players – Age Ranges




### Zero Wiggle Room for Inflexibility

Of all the changes in our day-to-day lives that COVID wrought, perhaps the most visible and long-lasting has been the shortage of workers. Referred to as 'The Great Resignation,' the workplace exodus affected the retail and service industries (e.g., restaurants) most as workers left to find jobs that allowed for more flexibility and work/life balance. As a result, these businesses were perpetually short-staffed, desperate to hire, and looking for ways to keep customers happy in the face of long lines and longer waits. Many turned to technology, including self-checkout and other frictionless platforms, to address this shortage of workers (as discussed in the last edition of Data in Motion).

Trade styles that traditionally sell lottery products – convenience stores, grocery stores, etc. – were especially hard hit by staffing shortages. So it's imperative that we as an industry also look to technology to help our retail partners. For example, are there ways to automate certain labor-intensive retail processes, such as licensing, ticket orders, account reconciliation, and managing out-of-stock situations? With less staff at retail, how do we prevent shrink? Are we taking full advantage of the self-service technology that exists to enable the purchase of lottery products?

### Final Word

We hope that you've enjoyed these past two issues of Data in Motion where we've covered McKinsey and Company's Five Zeros Transforming Retail. While not lottery-specific, we believe the report provides a wealth of information that is relevant to our industry and raises a number of important questions of how current shopping trends are likely to impact the sale of our unique product line – games of chance that generate much-needed revenues for a variety of good causes.

Sources:
1. LaFleur's 2021 Lottery Almanac, 2. The 5 Zeros Transforming Retail, 3. https://nielseniq.com/, 4. https://explodingtopics.com/blog/shopping-trends
5. https://www.winsightgrocerybusiness.com/, 6. https://www.mckinsey.com/, 7. https://www.gsb.stanford.edu/insights/
8. Scientific Games' ONE™ Segmentation, 2021

Contributor: Corinne Law | Editor: John Paul Candler | Design: Sarah Schroeder