

# L5 | PERSPECTIVE



**Opportunities for  
Increasing North  
American Lottery Sales  
Among Younger  
Consumers**

**OCT  
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# Introduction

Gen Z and Millennial consumers are re-shaping industries with their habits and preferences – and industries must adopt new strategies and approaches to attract and retain these customers. The lottery sector is no exception.

Many of the industry leaders that Level5 works with in the Canadian lottery space are interested in proactively embracing the trends and habits of younger consumers to secure continued success and sector growth.

As a result, Level5 conducted proprietary research to better understand habits and preferences of lottery players by age demographic. We surveyed more than 800 North Americans and segmented our data based on age, region and play frequency. From this research, we've identified issues that serve as low-hanging fruit, and mean lotteries are leaving sales on the table.

## At a glance

American and Canadian consumers are often thought to have different preferences and habits. However, in the case of our research, results by country were very similar across key areas of interest. We did however find notable ways that under 35 and over 35 segments differ, and with it, specific recommendations for North American lotteries who are seeking to attract and engage Millennial and Gen Z players.

### 01

Engaging younger consumers around purpose



**64%**

of those under 35 are unsure where lottery proceeds go

**2x**

The under 35 cohort would be 2 times more likely to play the lottery if they knew the funds went to support social causes such as funding sports or arts programs in their communities

### 02

Communicate the purchase process and product options in a way that targets this demographic



**40%**

of respondents under 35 are unsure what products to buy at the kiosk

**2x**

The under 35 cohort are more than 2 times less likely to understand the purchase process

### 03

Add more opportunities for social connection during play



**2x**

Nearly twice as many players under 35 play the lottery because their friends and family do as well

**3x**

Players under 35 are three times more likely to play the lottery as an activity they do with friends

Unsurprisingly, where online play is available, players under 35 gravitate towards it as their preferred channel of play

# Engaging younger consumers around purpose.

## What we know:

Gen Z and Millennials care deeply about social issues and view their purchase decisions as a mechanism to drive positive change. This is a departure from their older counterparts, who have focused on contributing to societal issues through charitable donations. The habits and preferences of younger audiences, coupled with economic uncertainty, high inflation rates, and record-high cost of living prices mean they demand transparency and accountability from brands when spending their hard-earned dollars.

In fact, the [PWC 2022 Consumer Report](#) finds that ESG concerns influence half of all consumers – in the US specifically, 39 percent of respondents indicated their purchasing behaviours are influenced when buying a product or service from a company with respect to social factors (supporting human rights, diversity and inclusion of workers, or local community support).

This is all excellent news for the lottery sector, given lotteries across North America raise significant funds for governments and public goods.

For instance, the Michigan State Lottery contributed over [\\$1.49 billion](#) in the 2021 fiscal year to the state of Michigan School Aid Fund. In Indiana, the lottery commission has generated more than \$6.7 billion [since 1989](#) to causes like local police and firefighters' pensions and the Teacher's Retirement Fund.

## The pain points:

Young consumers are unsure where lottery dollars are allocated and as a result, not giving credit to lotteries for the social and environmental impact they create.

According to our research, 74 percent of under 35 respondents care about the organizations they purchase products from supporting social causes – however, 64 percent of those same respondents are unsure where lottery proceeds are allocated.

## What this means:

Sales from younger demographics are being left on the table because of this lack of awareness. Our under 35 respondents would be two times more likely than their older counterparts to play the lottery if they knew the funds supported their community and could tangibly see the impact to social programs.

## Putting it in action:

By educating consumers through targeted awareness campaigns, lotteries across North America can leverage their connection to funding social programs, to drive sales in younger consumer segments. Additionally, where possible, lotteries can aim to pursue purpose-driven partnerships with organizations aligned to causes that resonate with players from younger demographics.

## Social impact outcomes drive sales:

After learning a brand supports social causes, younger consumers are 85 percent more likely to trust the brand, and [84 percent](#) more likely to buy their products. Young consumers are clearly outcome-driven – purchases become highly relevant when social impact outcomes are clearly communicated. Ideally, lotteries can give young consumers examples within their communities to understand firsthand the impact created by their purchases. While this can be difficult to do in some jurisdictions, it is certainly something to aspire to where possible.

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# Communicate lottery purchase processes and products.

## What purchase processes are in place?

Our research shows that the under 35 cohort are two times less likely to understand the buying process behind lottery games than that of their older counterparts. They lack the knowledge to play the game.

## What products to buy?

According to our research, 40 percent of respondents under the age of 35 are unsure what products to buy at the lottery kiosk. As it stands, lottery players have many choices to make. There are 153 options for instant games in [Massachusetts](#), 60 types of scratch tickets in [New York](#) and 11 draw options in [New Jersey](#).

While high volume is a core strategy of the industry's business, the implication of this approach may pose risks if trying to connect with younger audiences as they may feel overwhelmed due to a lack of knowledge / education about the products. The paradox of choice is a well-documented effect – decision satisfaction can decrease when too little, and in the lottery case, too many choices are presented.

## Addressing the education gap:

Clearly, younger consumers are unsure what products to buy, and how to buy them. Creating awareness among the younger demographic and communicating the processes and benefits of specific products can drive engagement.

## Taking it further:

To specifically target young consumers and drive sales in that segment, lotteries can target products to player segment needs. By doing so, they can connect the dots for consumers about the value proposition of specific products. Further, creating awareness among the younger demographic and communicating the processes and benefits of specific products can drive engagement.

## Begs the question:

Academic research indicates that abundance of choices for consumers [results in a "mind freeze"](#) at the point of purchase. In fact, Gen Y and Z consumers tend to be [more confused by overchoice](#) than those relatively older – leading to increased inaction and delay when making purchases. Younger consumers prefer curation when it comes to choices. This leads us to wonder - does the proliferation of lottery products cause an accidental negative experience for current and new players in the younger demographic? An interesting topic worthy of further investigation.



# Adding a social dimension to playing the lottery.

## What we know:

Young people, especially Gen Z and Millennials crave social connection – they have grown up with it being easily accessible online. **82 percent** of this under 35 cohort uses social media to stay connected to friends and family. The way this generation engages socially affects all sectors, and the lottery industry can execute on this opportunity to attract new and younger players.

## Appealing to digital natives:

Unsurprisingly, where online lottery play is available, our study showed that players under 35 gravitate towards it as their preferred channel of play. Gamification of experiences and finding connection through digitally enabled social experiences are becoming increasingly prevalent: for example, Strava and Apple Fitness Challenges allow individuals to connect and participate or compete with their peers around shared interests.

## Young people prefer social experiences:

Our study showed that nearly twice as many players under 35 play the lottery because their friends and family play.

And players under 35 are three times more likely to play lottery as an activity to engage in with friends.

## Post-COVID connection:

COVID-19 exacerbated the need to feel socially connected. More online connection took place than ever before: from Zoom calls, to social media, and the proliferation of online communities. Thus, consumer spending in the US declined exponentially during the pandemic: in-person services, travel and entertainment were heavily affected.

Now craving social connection and new experiences, **51 percent** of US consumers detail a desire to satisfy their post-pandemic spending wants, particularly in the entertainment and travel categories. Demand for events and experiences is at an all-time high – with some ticket prices up as much as **100 percent**. Consumers are willing to spend dollars if it means they are experiencing something and connecting with family, friends and loved ones – no matter what channel the experience presents itself on.

## Putting it into action:

Given younger segments want to play online, and they are conditioned to bridge physical and digital experience, lotteries can drive sales to target younger segments by moving on the moment. By embedding social dimensions into games and broadening the experiences they offer, lotteries can engage new and younger audiences.

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# Conclusion

Lotteries have a long history of tapping into needs and preferences of players to deliver engaging products and experiences. Every generation has differing habits and priorities. As lotteries seek to deepen engagement with Gen Z and Millennial audiences, this research points to just a few areas of low-hanging fruit that can be addressed to drive an increase in play.

## About the Authors



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**Efram Lebovits** works closely with client leadership teams to align and capitalize on strategic opportunities and overcome significant business challenges.

His work spans the private, public and not-for-profit sectors – all with the aim of driving sustainable growth through market-driven insights and guided by ownable and actionable strategies. He has served the lottery sector for several years working on a variety of strategic, brand and transformational topics. A cornerstone of Efram’s engagements is his ability to build alignment and organizational support for the work that he leads in conjunction with client partners. Efram received his MBA from the Ross School of Business at the University of Michigan, and a BBA from the Schulich School of Business at York University.



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**Laura Richard** is an insights-driven strategist who works collaboratively with client teams to develop innovative, ownable solutions to their most pressing business questions and challenges.

Leveraging a background in purpose partnerships and her time spent as an operator, Laura supports her clients in their journey to becoming purpose-driven, articulating the right promise to stakeholders and finding ways to meaningfully and authentically engage with customers and employees. Laura’s experience spans public, private and not-for-profit sectors, and she has worked on brand and strategic mandates in the lottery sector. Laura received her Honours BSc from York University, graduating Summa Cum Laude.

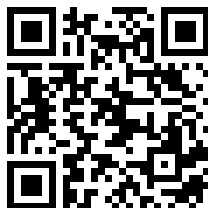


**Evin Demirli**

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**Evin Demirli** is a Director at Level5 Strategy. His aptitude for helping clients collect insights, build strategies and drive change in their organization has garnered Evin the recognition as a trusted partner and outcome-driven leader.

Since joining Level5 in 2016, he has supported a variety of clients on their transformation journey. Evin works with large public sector government organizations, national retail and consumer brands and new venture start-ups, to implement their strategic vision and power growth. Evin received his Bachelor of Commerce and Masters of International Business from Queen’s University.



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