

Seeing North American Lotteries in a Global Context



By **Stephen Wade**

Principal, Lottery Management Consulting, LLC

The Global Lottery Data Compendium (GLDC) is a grand work of scholarship produced by the World Lottery Association (WLA), headquartered in Basel, Switzerland. The GLDC is based on direct reports from about 150 member lotteries from all around the world. Some lotteries that belong to NASPL are also members of WLA – if you work for one of the 25 North American lotteries that have this dual membership, you may have seen the GLDC. Like NASPL, the WLA also has associate members drawn from the major vendors in the lottery industry, and likewise if you work for one of these, you may have seen the GLDC.

To date there have been five annual editions, starting in 2014, that are accessible (to members only) from the WLA website. Each was distributed directly to members, as a handsome blue-and-orange covered book, in past years. But my guess is, most of my readers will not have had a chance to appreciate these volumes. So, let me entertain you with some thoughts that come from perusing what has been published.

First of all, on a personal note, I like to be reminded of the people from around the world that I have met at various lottery functions, just as I like to renew acquaintances when we actually meet at NASPL events. The GLDC states that over 100,000 people are directly employed, on a full-time basis, by lotteries and their vendors. Does that seem like a lot of people, or like a highly select group? All in one place, they would be a city of modest size

– perhaps a lot of people. These people run an industry that, in 2017 alone, sold over \$300 billion in lottery tickets. That’s over \$3 million in sales per employee, on average – that sounds more like a highly select group. Either way, it’s positive to be a part of it.

Second, again on a personal note, I like to be reminded of places that appeal to me, as a sometime traveler, that are attractively exotic yet have that familiar institution of the state sanctioned lottery. Could I possibly get a consulting gig with Pacifique de Jeux, in French Polynesia, or with Lotto New Zealand? Or, after it gets light again in the northern hemisphere, Veikkaus Oy in Finland?

Travel daydreams aside, it is interesting to see our North American enterprise in the context of the world lottery industry. We are not the biggest player. WLA draws members from five regions of the world: Asia and the Pacific, Europe and the Middle East, North America and the Caribbean, Latin America, and Africa. And that order of naming is also the order of importance, in terms of sales. We have consistently been number three, with about one-quarter of world sales. This is not an artifact due to excluding non-WLA-member lotteries in North America; the GLDC uses our more inclusive NASPL data in estimating the global totals. Between (fiscal) 2014 and 2017, North American sales as recorded by NASPL grew from about \$81 billion to over \$91 billion. Yet this double-digit growth moved the North American portion of global sales slowly, from 25% to a level not

yet exceeding 26.5%. This is because lottery sales expanded globally. Global growth has been largely due to advances in the regions of North America and the Caribbean, and Asia and the Pacific.

Here in North America, we know that instant games have been a big driver of increased sales over the past few years. Currently, instant games account for about 59% of traditional product sales among U.S. lotteries (they are somewhat less important in Canada). Yet the GLDC shows that worldwide, among WLA members, instant games account for only about 25% of sales. Draw games are by far the more important category, accounting for about 54% of sales, with the remaining 21% or so coming from “sports games.”

SPORTS REPORTING

The GLDC defines sports games broadly, in order to include the great variety of betting opportunities offered by state sanctioned lotteries around the world. Sports games in the broadest sense include not only the parlay bets on multiple match outcomes that are familiar to the Canadian lotteries (and increasingly, of course, to U.S. lotteries), but also single-event bets, typically on a fixed-odds basis, of the kind that were hard to find (legally) in North America until recently. Some WLA-member lotteries are involved in horse racing, whether on a fixed-odds or pari-mutuel basis. Some even offer novelty bets, as on the outcome of the Academy Awards. All these activities

roll up under the “sports games” category as currently used in the GLDC.

It is certainly intriguing to U.S. lotteries that this somewhat amorphous category accounts for nearly as much reported sales volume, worldwide, as does the familiar instant game. What significance can this have? Is this the shape of our future?

Here, I must assert my scientist self, and point out that reported sales may not be all that significant. Every sale, after all, carries with it a liability to pay prizes, and prize expense is the single biggest cost of running any lottery game, or any lottery. If we are concerned with raising money for good causes, it is much more important to know what is left after paying prizes, or Gross Gaming Revenue (GGR). It is only on the basis of GGR that comparisons across the whole spectrum of lottery games can be meaningfully made. Thus in North America, instant games and draw games have roughly equal importance to GGR, even though instant games outsell draw games 6-to-4.

Even though we may prefer to know GGR, it is usually sales that are reported. The exception is where we agree that sales make no sense, as with electronic gaming machines or video lottery terminals. There, the high rate of returning prize money to players (often >90%) sustains engagement with the gaming session and leads to important GGR. Tracking the \$9 that the player will keep, out of \$10 in a session, as those \$9 cycle again and again through the machine, would produce an absurdly large and meaningless sales number. In this case we have agreed to talk about the net, or GGR. With other games, there is not universal agreement on how to talk about, much less report, the financial result.

The application of this to worldwide “sports games” is that I am not sure what is being reported. Those of us who are new to sports betting have heard from our European and Canadian colleagues that sports betting is a thin-margin business. That is, lotteries must compete with established black market providers for

sports betting dollars, and consequently the rate of return to players must be more generous than in many lottery games. NASPL has made the initial decision to report sports betting numbers as GGR, but how does the reported worldwide volume of sales in sports games relate to GGR? I am comfortable admitting that I do not know.

Given that the GLDC is based on reports from over 150 lotteries, operating in over 80 countries around the world, it would amaze me to find out that they have all reported in a standard and universally applicable way. I do know that obtaining and integrating all this information is very demanding work, very ably handled by the small WLA staff in Basel. Those who heard the association's Research and Communications Manager Matthew Spinks talk about the GLDC project at the Professional Development Seminar last summer in Phoenix will appreciate some of its challenges. Although most of us in North America are fluent in the English language, we still sometimes struggle for clarity; the effort of communicating clearly is often higher elsewhere.

GLOBAL TRENDS

What we do know about sports betting, both intuitively and on the evidence provided by the GLDC, is that it taps into popular culture in a deep way, and benefits from the energy generated by the “sports as entertainment” industry. The data in the GLDC suggests that globally, sports games are nearly as important as instant games. We know that the global picture obscures the current detail that North America accounts for a lot of the instant business and very little of the sports business. As North American jurisdictions ramp up their sports offerings, will sports games become the #2 lottery category globally? Or, alternatively, will the rest of the world catch up with North America by selling more instant games?

We might agree that another global trend that must influence growth in both of these game categories is the

role of digital connectivity in serving the products. The North American instant game business grew to dominance through effective physical merchandising. The size, color and variety of the printed tickets made them a recognizable presence in the right kind of store. And, significantly, the instant game has play value independent of any drawing or other scheduled event. The decline in entertainment value of televised lottery drawings has not hurt the instant game business.

Increasingly, however, instant games are becoming available through a digital channel that is complementary to physical retail. How size, color and variety contribute to success in the digital channel is still being worked out. Yet wherever instant games are presented, they are independent of real-time events. While this may have been an advantage in physical retail, it represents a lost opportunity in the digital channel. That is because most of the digital traffic in our current world serves entertainment. If instant games are static while entertainment (in sports and other forms) streams nonstop, then instant games miss the opportunity to be relevant to that (lavishly curated) torrent.

Sports games (in the broad sense used by the GLDC, as well as the more familiar ones) on the other hand make themselves dependent on, and part of, that entertainment-industry torrent. People may enjoy a feeling of participating in current events by betting on them. This becomes practical with the speed and convenience of the digital channel.

My guess, then, for what it is worth, is that in some near-future year the GLDC will show “sports games” as the #2 lottery game category worldwide, with differences between North America and the rest of the world shrinking.

The 2019 edition of the GLDC (based on 2018 data) is due to be released in the first quarter of 2020. I hope you get a chance to look through it, for all the reasons I mention and more! ■