

Case Study:

Cashless Purchasing Trends Through Ohio Lottery Vending Machines

A look at the initial results of the Ohio Lottery's implementation of cashless payment options in vending machines.

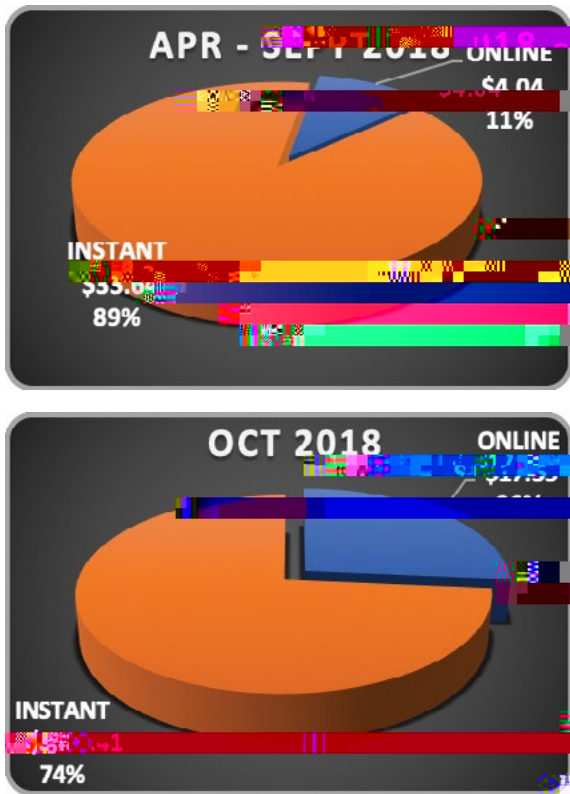
By Scott Hoss, Senior Marketing Manager, INTRALOT

The Ohio Lottery began accepting cashless payments (credit and debit cards) through its self-service vending equipment on November 10, 2017. The Lottery utilizes two types of self-service vending terminals provided by INTRALOT: WinStations (referred to as TVM in the following charts) that vend both instant tickets and draw games, and the family of MP terminals that vend only draw games. Lottery players have become increasingly comfortable with this new form of payment and have increased their cashless spending month over month since the inception of the program. In order to help ensure responsible gaming practices, the Ohio Lottery added a velocity control measure that limits cashless spending \$700 per week. The basket size available to players per transaction ranges from \$10 to \$100 in increments designated by the Lottery of \$10, \$20, \$50 and \$100.

A breakdown of cashless spending over the last six months shows a month over month increase of cashless transactions (as a percentage of overall vending sales) as more and more players have become comfortable with the implementation of cashless payments. The following charts show the percentage of cashless transactions over the last six months.

As mentioned earlier, cashless sales increased for both instant and terminal generated games in October, but terminal generated games saw a larger increase in terms of percent change, especially for Powerball and Mega Millions. The distribution of average daily cashless sales from April to September 2018 compared to October 2018 shows significant growth for both instant and terminal generated games, culminating in an increase of \$13.31 average daily online increase and an overall increase of \$28 in cashless sales per vending terminal in October.

Average Daily TVM Sales Apr-Sept 2018 vs Oct. 2018



There are many product mix variations in any given self-service instant ticket vending terminal, making it difficult to create an accurate analysis of the impact of cashless pay on individual games. The same is not true of the MP family of terminals where the products offered on the terminal remain consistent across all deployed machines.

There are currently 5,089 MP terminals deployed in Ohio, among eight separate retail trade-types. The "other" trade-type category in this analysis consists mostly of Turnpike locations that are open 24 hours per day.

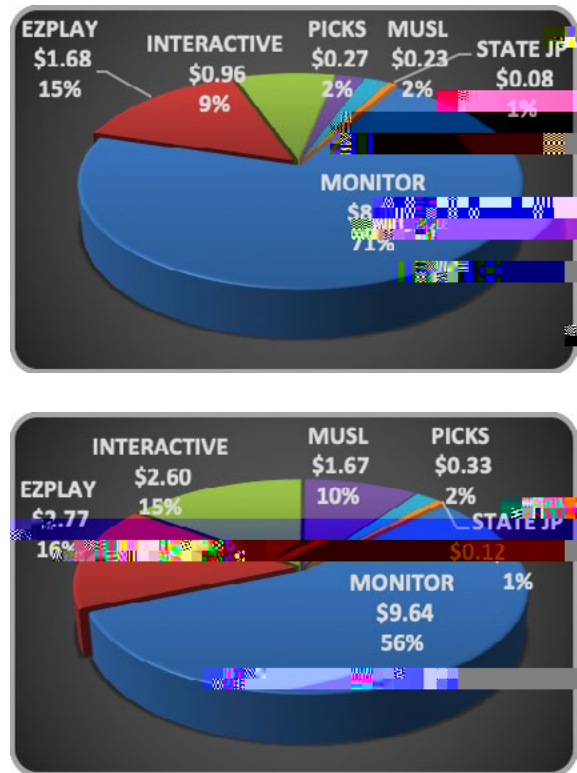
Games sold on the MP machines are broken out into six categories; MONITOR (Keno, Lucky One), EZPLAY (family of

terminal generated instant win games), INTERACTIVE (family of terminal generated instant win digital games), PICKS (Pick 3, Pick 4, Pick 5), STATE JACKPOT (Rolling Cash 5, Classic Lotto), MUSL (Powerball, Mega Millions, Lucky for Life). Note that Mega Millions is not specifically a MUSL game but is put into the MUSL category of multi-state games.

As these illustrations point out, the large jackpots of the MUSL games in October affected not only overall cashless spending by \$5.89 per day (or 52 percent) but also resulted in a significant increase in distribution of spending across all game categories. The percentage of average daily sales on these machines over the six months prior to October was two percent but climbed significantly to 10 percent in October.

The data also show that there was an ancillary benefit of the jackpot on the MP machines: Players that were playing to win the massive jackpot also tried the new instant win digital games that are played by interacting with the touchscreen of the MP terminal. INTERACTIVE games increased from nine percent of cashless sales on the MP to 15 percent of cashless sales in October. MUSL and INTERACTIVE categories did siphon some play from MONITOR game sales, but there was an overall increase in average daily sales.

Average Daily MP Sales Apr-Sept 2018 vs. Oct 2018



The impact on sales as a result of the large MUSL game jackpots was realized across all retail business types. During this time, the business types that enjoyed the greatest increase in cashless sales in October were C-stores and Other (mostly Turnpike locations open 24 hours). The likely reason for larger increase in cashless sales at these business types is that patrons of those retail locations more commonly make cashless purchases. This analysis, along with market research conducted by Crestwood Associates in Ohio in the fall of 2018 taught us that players are more likely to make cashless payments for lottery games in business types where they routinely use their card(s). In business types such as bars where there was an assumption that cashless sales would surge, the growth in this trade-type has been limited, likely due to the fact that patrons are more likely to pay with cash in bars. The chart on this page illustrates the increase of cashless payments in each of the eight trade types and reflects the 52 percent increase in average daily cashless sales in October compared to average daily cashless sales during the six-month period prior to October 2018.

The research conducted by Crestwood Associates supports and reinforces the data that has been collected since cashless payments have been made available to Ohio