

# **Business Challenges for Lotteries in an E-Commerce World**

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# Cash Carrying

- In a 2012 survey<sup>1</sup>,
  - Three in four Americans (73%) say they use less cash today than 10 years ago
  - Members of Gen X (ages 30-39) are most in favor of paying for everything electronically and not carrying cash (61%)
  - 44% of Baby Boomers (age 55 and over) favor a cashless society
- In a 2014 survey<sup>2</sup>,
  - 78% of respondents said they carry less than \$50 in cash:

▪ Between \$20 and \$50	29%
▪ Less than \$20	40%
▪ Don't carry cash	9%
  - Respondents from Western U.S. were more than twice as likely as their counterparts in the Midwest or South to say they don't carry cash.

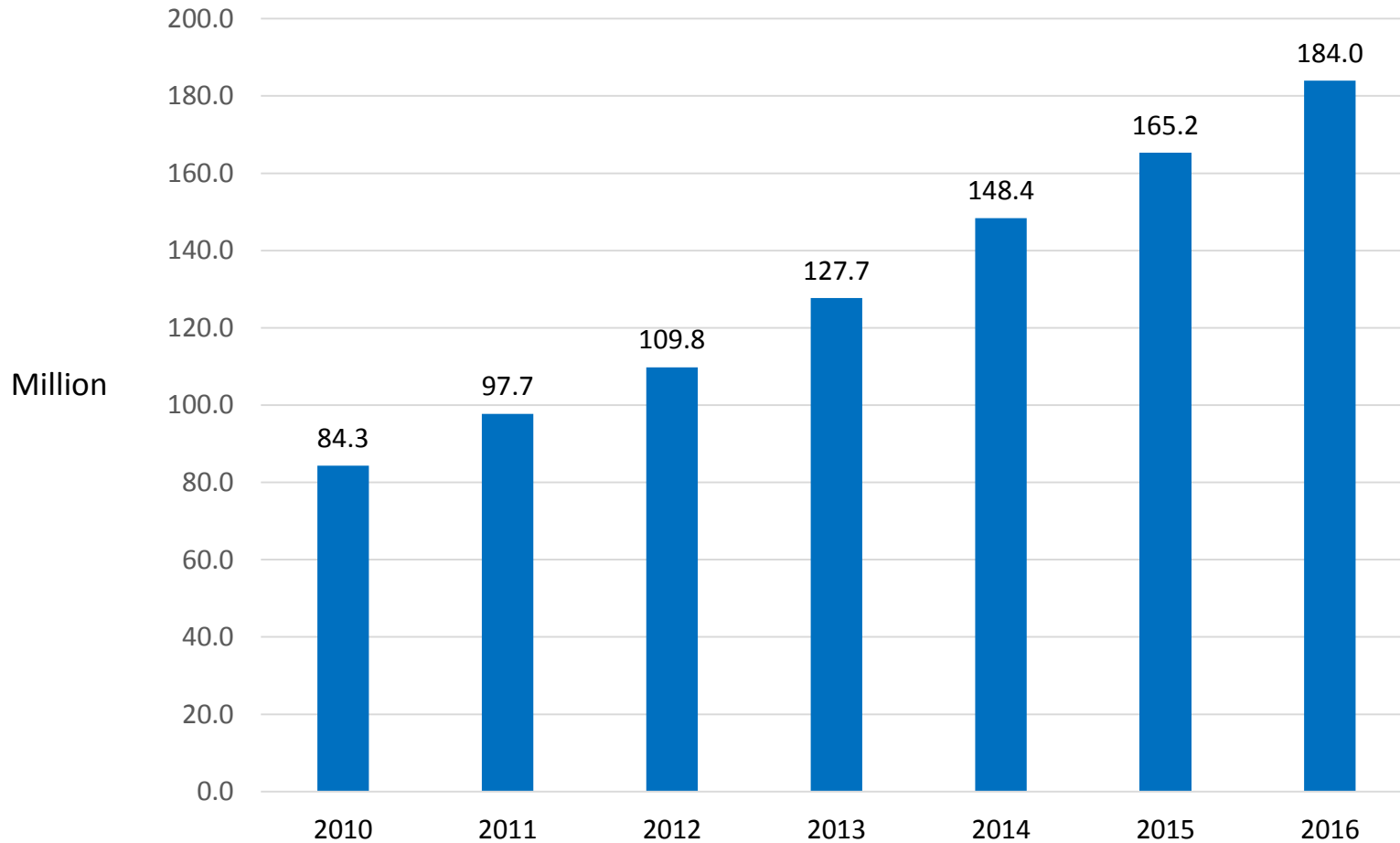
*Sources:*

*<sup>1</sup>2012 MasterCard report*

*<sup>2</sup>2014 Bankrate.com Financial Security Index survey, May 4, 2014*

# PayPal – Registered Users

*118% increase from 2010 to 2016*



Source: Statista.com

# Apple Pay

- Launched October 2014
- 10 million contactless-enabled terminals worldwide, 2.5 million of which are in the U.S. (up from 2 million in February)<sup>1</sup>
- \$10.9 billion in purchases in 2015 (estimated)<sup>2</sup>
- 500% increase in transactions year-over-year in third quarter of 2016; September purchases alone surpassed entire FY15 purchases<sup>3</sup>
- Recently added partnerships with 26 U.S. banks and credit unions. Total partnerships in U.S. total over 600.<sup>4</sup>

*Sources:*

<sup>1</sup>*BI Intelligence*

<sup>2</sup>*Reuters, Timetric research*

<sup>3</sup>*Apple*

<sup>4</sup>*Apple*

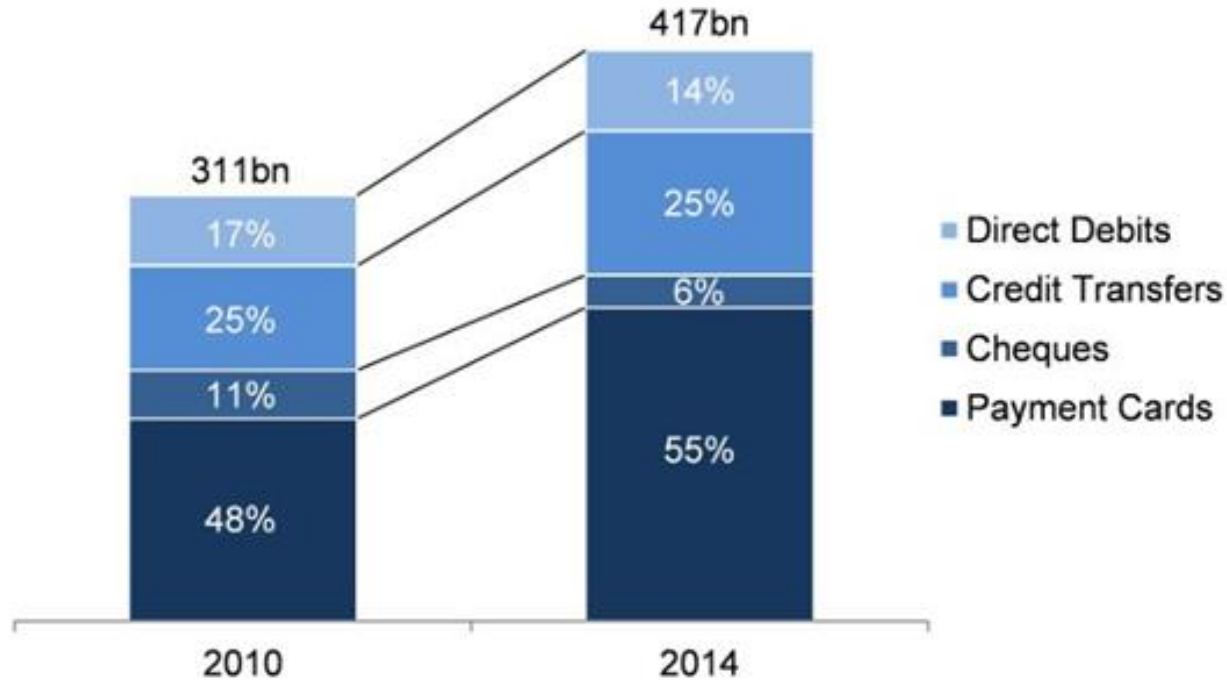
# Cashless Transition

- Payments companies are:
  - Improving security
  - Expanding their mobile offerings
  - Building additional commerce capabilities
- Alternative technologies could disrupt the processing ecosystem
- Devices ranging from refrigerators to smartwatches now feature online purchase and payment capabilities

*Source: BI Intelligence 2016 payments Ecosystem report*

# Cashless Transition

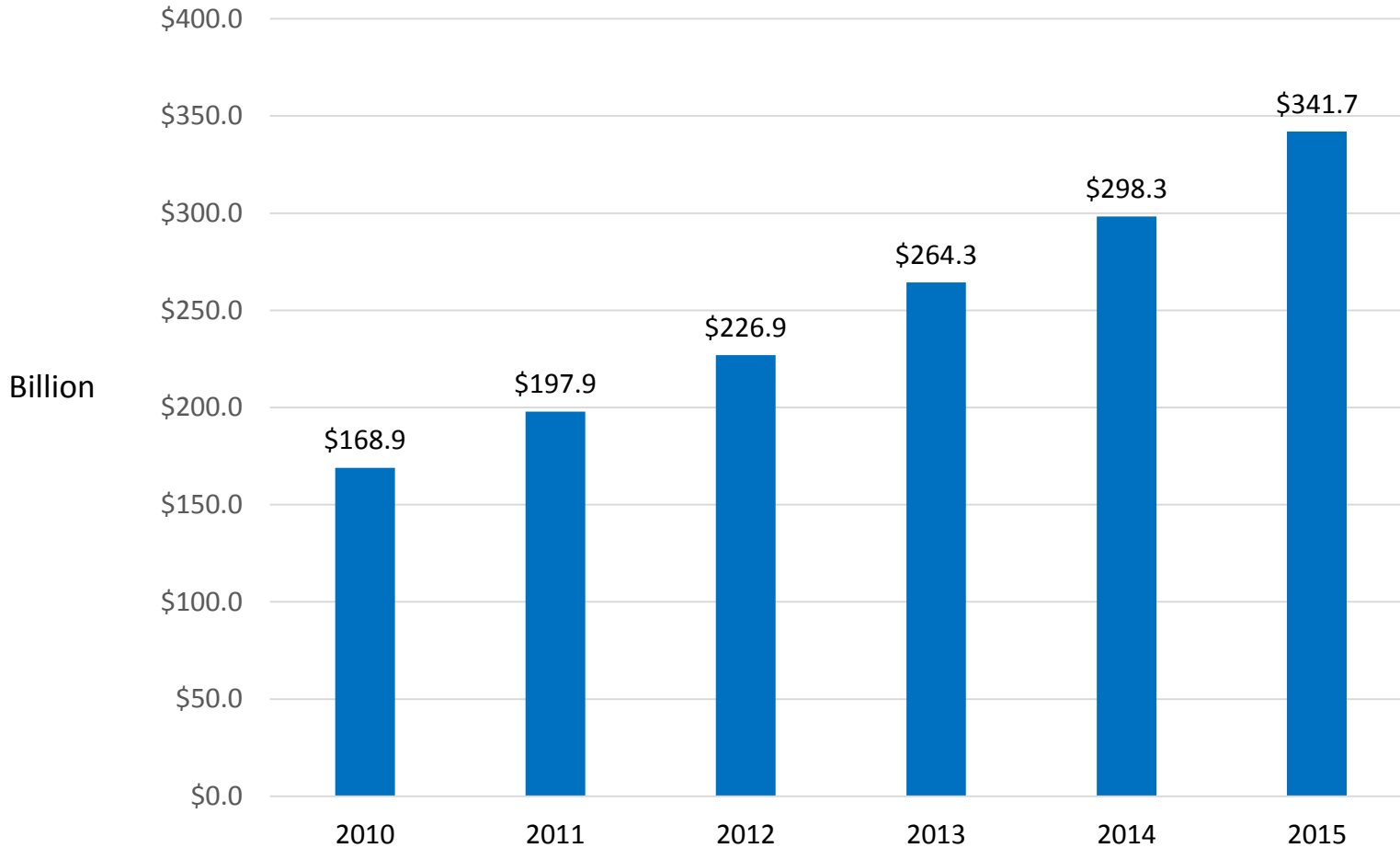
Number of Cashless Payments Worldwide by Type



Source: *Global Payment Cards Data and Forecasts to 2020 (RBR)*

# E-Commerce Sales in the U.S.

*102% increase from 2010 to 2015*



*Source: U.S. Commerce Department*

# Growth of E-Commerce

- U.S. e-commerce sales have grown 10% or more each year since 2010, with 5 of the 6 years hitting 15% or more
- Online sales accounted for more than a third of total retail sales growth in 2015
- E-commerce accounted for more than 10% of all retail sales in 2015 when factoring out items not normally bought online such as vehicles and fuel

*Source: U.S. Commerce Department*



# Holiday Shopping

- In the 2015 holiday shopping season, mobile devices (smartphones and tablets) drove 30.4% of online sales<sup>1</sup>
- Retail e-commerce holiday season sales grew 13.4% from 2014 to 2015, while retail sales overall fell flat, growing just 1.7%, the slowest rate since the 2008-09 recession<sup>2</sup>
- The 2015 holiday season “really crystallized the fact that mobile is here”<sup>3</sup>

*Sources:*

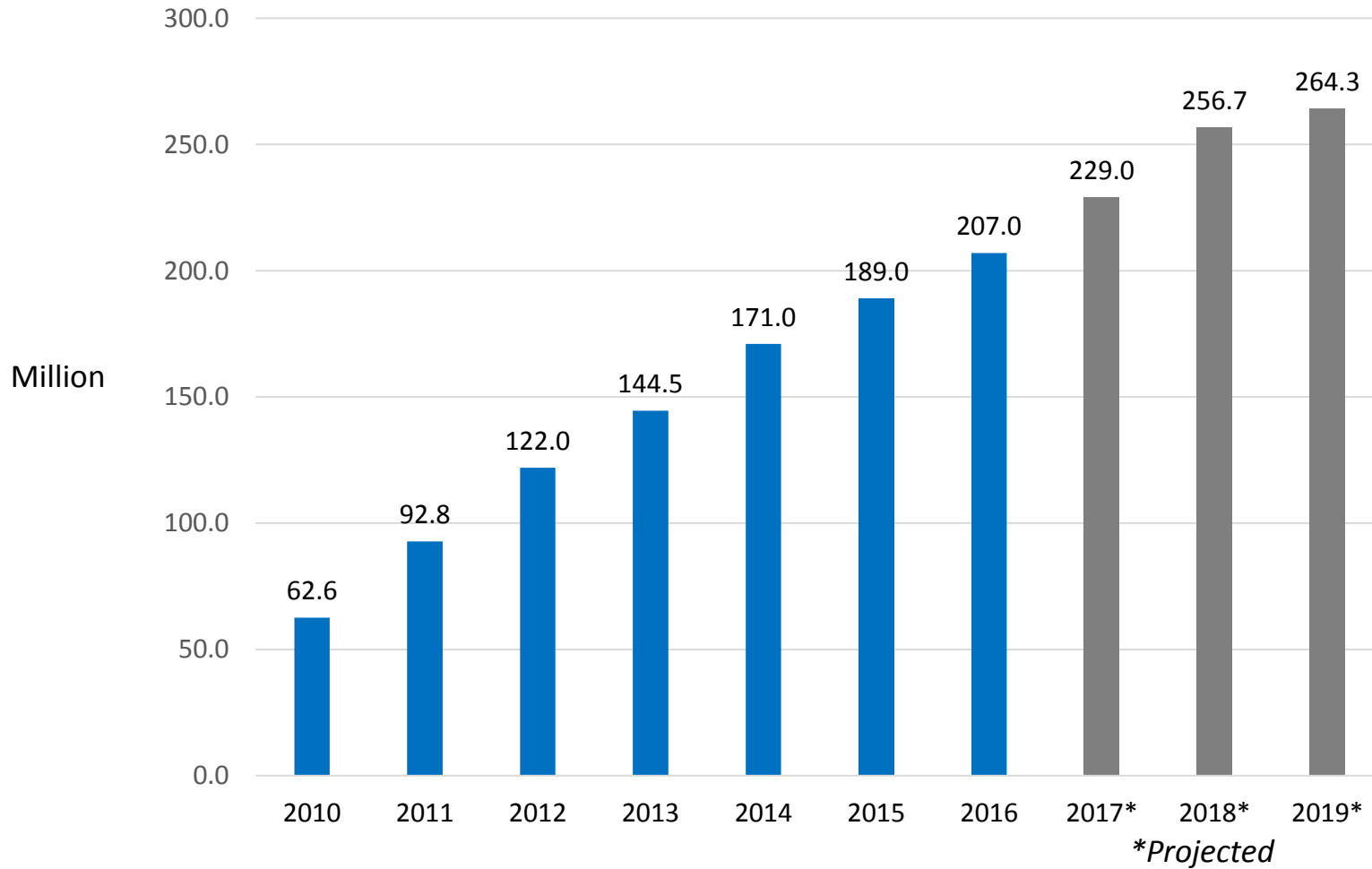
<sup>1</sup>*Custora*

<sup>2</sup>*eMarketer*

<sup>3</sup>*Elizabeth Jackson,  
Chief Marketing Officer, HookLogic*

# Smartphone Users in the U.S.

*231% increase from 2010 to 2016*



Source: Statista.com

# U.S. Lotteries Today

- Four U.S. lotteries currently offer single-ticket sales online:
  - Illinois (March 2012)
  - Georgia (November 2012)
  - Michigan (August 2014)
  - Kentucky (April 2016)
- *Delaware Lottery offers online casino-style games*
- *Virginia Lottery offers subscription sales since 2005.*
- *Minnesota Lottery offered online products from September 2013 through August 2015*
- Less than half of 45 U.S. lotteries accept credit card payments for in-store purchases<sup>1</sup>

<sup>1</sup>Source: CreditCards.com research, January 2016