



ACS Submission: Future of Lotteries

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to DCMS's call for evidence relating to the National Lottery and other lotteries. ACS represents 33,500 local shops ranging from retailers trading under their own brand, to chains of independent retailers, including SPAR, Costcutter and Nisa, to multiple groups including The Co-operative, McColl's and BP. All these businesses provide a vital community service, selling a wide range of products and services, and as a sector, they employ 386,000 staff¹.

The Role of Lotteries in Convenience Stores

Three-quarters of convenience stores offer lottery products². By far, the most common lottery products offered in-store are for the National Lottery, with 36,000 retailers offering lottery tickets in the UK, and a further 10,000 offering scratch cards. This is still a relatively new product category for convenience stores, with the National Lottery having launched in 1994. The National Lottery proved to be an extremely valuable development for convenience stores, not only bringing new income in the form of retailer commission³ offered on sales, but also introducing new customers to stores and bringing footfall (particularly in the run up to twice-weekly Lotto draws). ACS is proud of the role that local shops have played in the success of the National Lottery. Retailers have actively promoted the games and taken part in new marketing activity. This has driven sustained growth for the National Lottery which has generated £32bn⁴ for good causes. Many of these good causes are in the communities served by retailers selling National Lottery games, which has allowed stores to promote the value of the National Lottery to local customers.

More recently, new products including the Health Lottery have entered the market, which work through existing store systems. Many retailers operate the Health Lottery and the National Lottery side by side and this has strengthened retailers' position in the market, as well as opening up new sales opportunities. Retailers also work with society lotteries and local charity lotteries, but this accounts for a relatively small part of the sector.

Lotteries are now increasingly available online. This opens opportunities for a wider audience to play lotteries, in keeping with changing technology and lifestyles. The increase in online lotteries has to some extent blurred the lines between the National Lottery products and mainstream gambling. This is to some extent an inevitable development, playing lotteries online has eroded the differentiation between these products and mainstream gambling.

¹ [ACS Local Shop Report 2014](#)

² [ACS Local Shop Report 2014](#)

³ 5% on draw based games and 6% margin on scratchcards

⁴ [The National Lottery: Life Changing](#)

The Future of Lotteries

ACS recognises the challenges faced to balance the needs of a wide variety of stakeholders when considering the future of lotteries. ACS does not take a stance in favour of a particular course of action, but we would like consideration to be given to the following features of the lotteries market that would support convenience stores the most.

The existing position, where one large operator holds a high market share has benefited retailers because:

- **Very large jackpots attract more people to play lotteries** and these can only be available through games with significant scale. Particularly where there are rollover weeks offering larger prizes.
- **A large, closely regulated operator has the scale to develop an orderly approach to site selection**, including policies on removing retailers from the network where sales targets or responsibility standards have not been met. While ACS reserves the right to support any member in a dispute over the award or removal of a National Lottery terminal, we are satisfied that the relevant process and criteria in place, are fair and transparent.

The ability for properly regulated competitors to enter the market offers some advantages for retailers who find their negotiating position strengthened. More retailers have the privilege of offering lotteries if there are a number of competitors in the market, because not all retailers can be part of the National Lottery network.

The move to online participation in lotteries is a threat to local shops through lost sales. The transfer of National Lottery sales from retail outlets to online has been limited. We believe this is due to local shops having already been established as the primary outlet for the National Lottery, and the high proportion of impulse sales for National Lottery tickets including scratch cards. Lottery games developed online would be of concern to local shops because there is the potential that sales from lotteries in-store would be transferred online further. This trend could inevitably undermine the benefits of lotteries for retail businesses.

The introduction of scratch cards in betting shops would further undermine the positive links between lotteries and local shops. ACS' Community Barometer shows that convenience stores are viewed positively by local people and by councillors, whereas betting shops are often thought to be a negative part of the mix of outlets on a high street. The report shows that 49% of consumers and 56% of councillors believe that convenience stores have the most positive impact on their local area, compared to 1% of consumers and 0% of councillors who believe that betting shops have the most positive impact on their local area⁵. Allowing betting shops more opportunities to sell lottery products would be detrimental to local shops and could exacerbate strongly-held concerns in many communities about the proliferation of betting shops and the closure of other local stores. There is also a significant difference in the environment of a betting shop and of a convenience store, and it is important for the Department for Culture Media and Sport to consider evidence relating to

⁵ [ACS Community Barometer 2014](#)

the likelihood of lottery players moving into other forms of gambling once they are frequenting betting shops.

Next Steps

ACS would be happy to expand on these points with officials as required, and we wish to be consulted as the department develops policy in this area.

For more information on this submission please contact Edward Woodall, ACS Head of Policy and Public Affairs, Edward.Woodall@acs.org.uk or call 01252 533014