

FROM COMPLIANCE TO COMMERCIAL EXCELLENCE

The Hidden Revenue
Opportunity in Every Lottery
Retail Transaction

April 2026





ABSTRACT

The Evolution

Mystery shopping isn't what it used to be.

We've watched it transform from basic compliance checks into something far more valuable: a way to identify why some retailers consistently outperform others. When lottery operators track both compliance and sales performance through mystery shopping, patterns emerge. Retailers who follow proper procedures – age verification, ticket validation, customer interaction protocols – typically show stronger sales performance. This isn't coincidence. These behaviors reflect operational discipline that affects every customer interaction.

The Gap

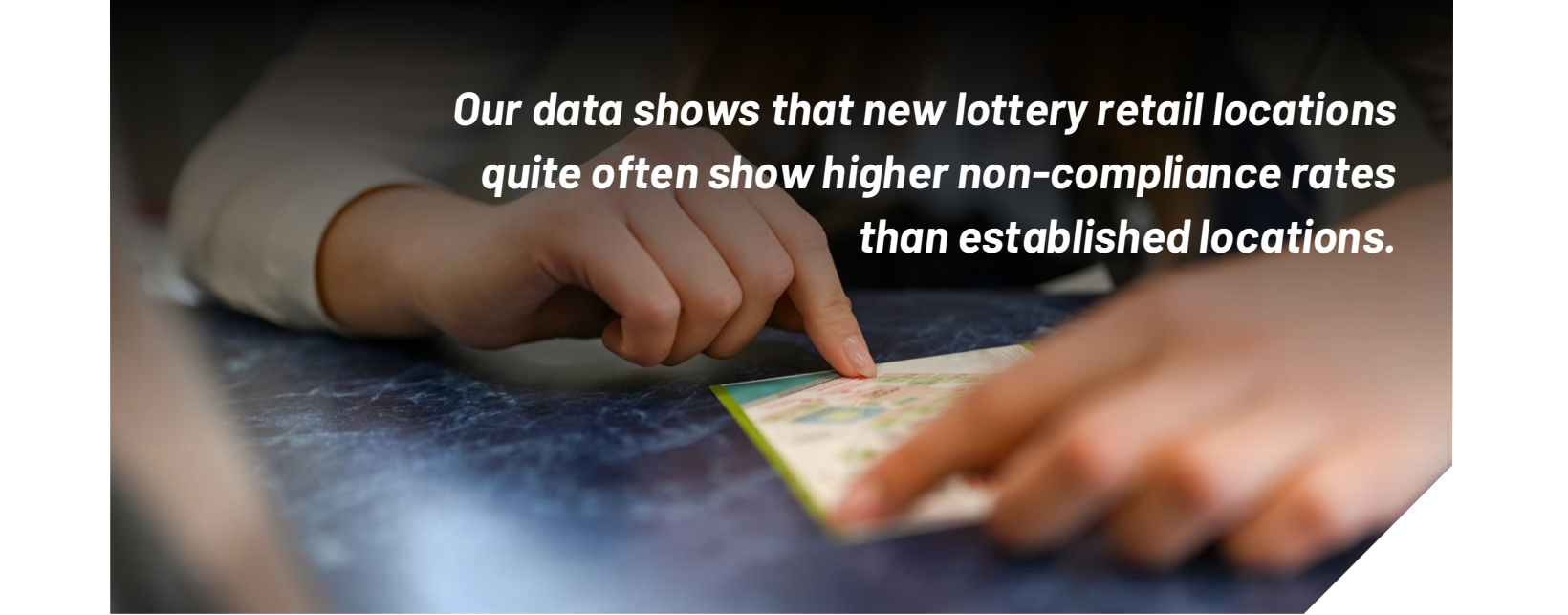
The compliance gaps in lottery are real and concerning. Our mystery shopping data consistently shows that lottery retailers perform far worse on age verification than retailers selling other age-restricted products like alcohol and tobacco. This gap represents both a regulatory risk and a missed opportunity to elevate retail standards.

The Shift

The regulatory environment has shifted dramatically. Fines have increased, but more significantly, regulators now expect documented proof of ongoing monitoring efforts, not just incident response. Mystery shopping provides this documentation while serving as a strategic tool that separates market leaders from organizations scrambling to catch up after preventable failures.



Retailers who follow proper procedures – age verification, ticket validation, customer interaction protocols – typically show stronger sales performance.



Our data shows that new lottery retail locations quite often show higher non-compliance rates than established locations.

Today's Lottery Reality

The lottery compliance landscape has changed more in the past few years than in the previous decade. Several factors are driving this shift.

1 Regulatory scrutiny has intensified dramatically. Following high-profile cases of youth gambling harm, regulators across North America have increased fines over the past five years. More critically, many are now requiring operators to demonstrate proactive compliance monitoring, not just reactive incident response. The era of “we’ll fix it after we’re caught” is over.

2 The retail environment has become significantly more complex. In addition to traditional convenience stores and gas stations, lottery products are increasingly available across diverse retail formats including grocery checkout lanes, dollar stores, pharmacy chains, plus self-service vending machines and digital platforms. Each new channel brings unique compliance challenges; our data shows that new lottery retail locations quite often show higher non-compliance rates than established locations.

3 The wider gambling landscape is putting pressure on lotteries. Today’s gambling and iGaming markets have cast new light on

youth gambling and harm prevention as responsible gambling is taking center stage in many public and industry conversations. While traditionally thought of as different from faster-paced forms of betting, lotteries are invariably being brought into the equation, making it all the more important to maintain strong compliance standards.

4 Lotteries need to find new customers. Retail networks are still the largest contributor to lottery sales, making clerks and store personnel critical agents for success. In an era where lottery games are abundant and always being refreshed, these sales agents ultimately hold the key to suggestive selling, upselling, and player education; particularly relevant for new players and customers who are less familiar with the category.

5 Perhaps most challenging: retail staff turnover remains high across all retail sectors. The person you train today might not be there next month. This constant churn means compliance training isn't a one-time event, it's an ongoing challenge that requires continuous reinforcement. Mystery shopping becomes one of the few consistent touchpoints for performance feedback.

The Challenge

Traditional approaches to compliance monitoring in the lottery sector are a weak point, and most lottery operators don't even know it.

Consider the typical compliance strategy:

- Scheduled training sessions;
- Periodic audits by internal teams;
- Self-certification forms;
- Compliance tracked through spreadsheets and quarterly reports.

Everyone knows the drill, follows the script, and checks the boxes. This approach assumes that sporadic checks and good intentions are sufficient to ensure compliance across thousands of daily transactions happening across expansive geographies.

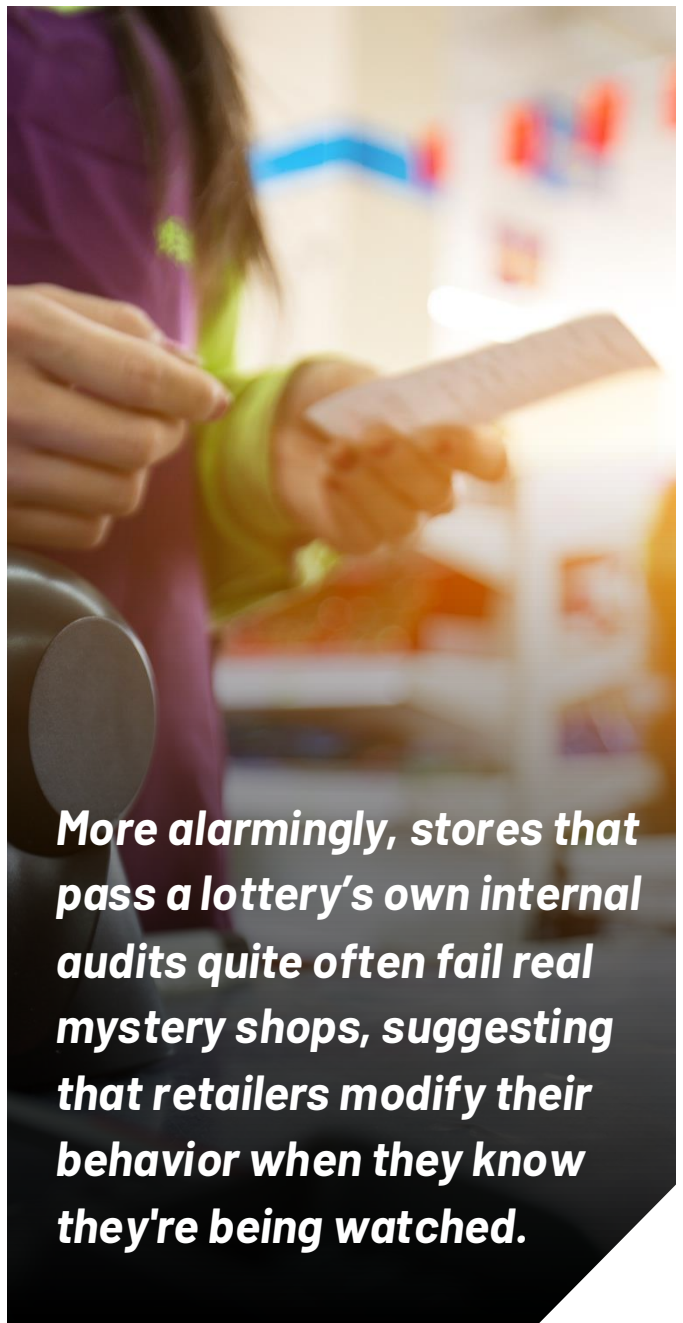
The data tells a different story. When comprehensive mystery shopping programs are implemented, they consistently reveal that as many as half of lottery retailers can fail basic compliance requirements. More alarmingly, stores that pass a lottery's own internal audits quite often fail real mystery shops, suggesting that retailers modify their behavior when they know they're being watched.

The deeper problem is what traditional monitoring misses entirely. Beyond basic ID checking ...

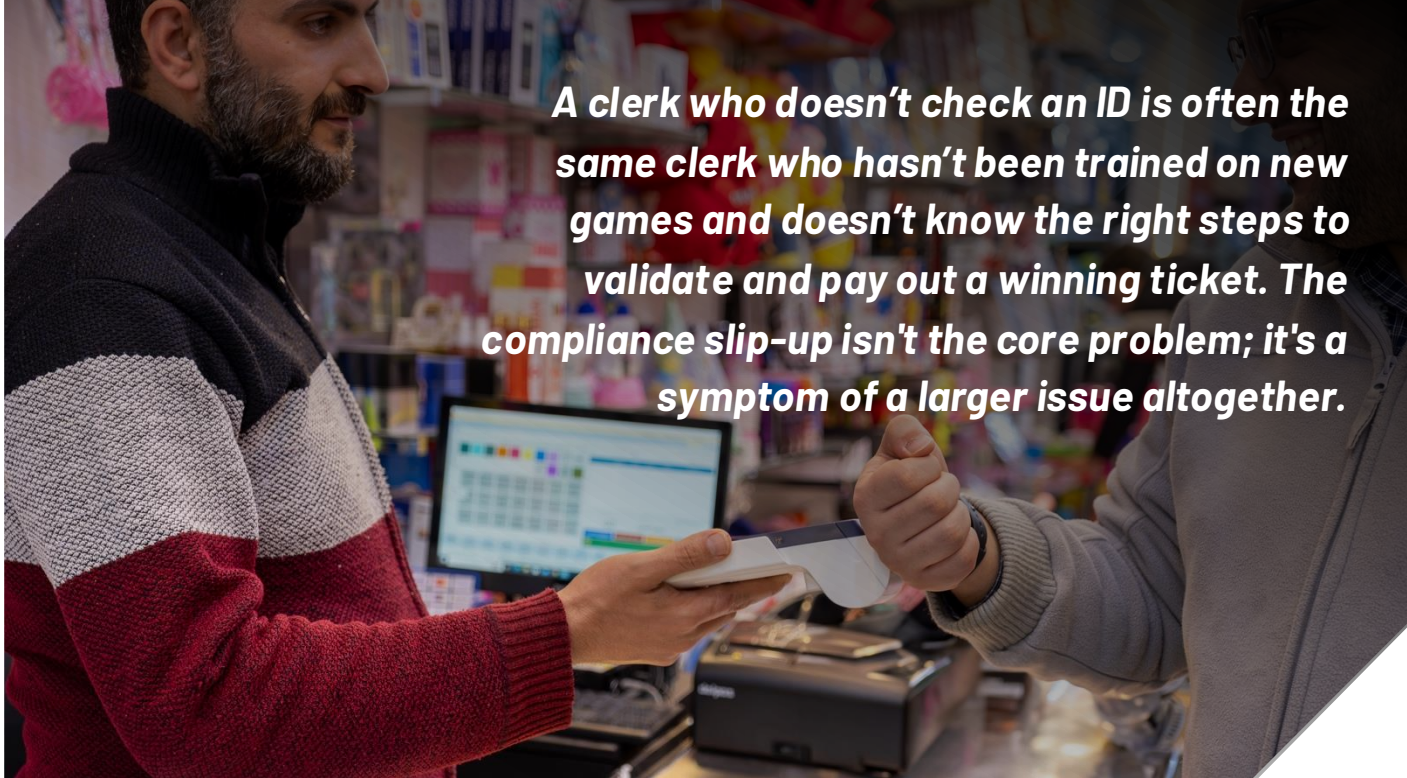
- Can clerks properly validate tickets?
- Do they know how to handle unusual situations?
- Can they explain responsible gaming resources?
- Are they mentioning new games or promotions?

These operational details – which directly impact both compliance and sales – remain invisible in traditional compliance frameworks.

Most concerning: problems typically surface only after they've become serious. A regulatory notice. A customer complaint that escalates. Media attention. Social media exposure. By the time issues become visible through these channels, the damage is done. Mystery shopping could have caught these issues weeks or months earlier, when correction was still possible.



More alarmingly, stores that pass a lottery's own internal audits quite often fail real mystery shops, suggesting that retailers modify their behavior when they know they're being watched.



A clerk who doesn't check an ID is often the same clerk who hasn't been trained on new games and doesn't know the right steps to validate and pay out a winning ticket. The compliance slip-up isn't the core problem; it's a symptom of a larger issue altogether.

Ipsos Point of View

Through years of mystery shopping across lottery and other age restricted categories, we've learned that the best programs don't chase compliance as a separate goal. Instead, they focus on running a great retail operation, and compliance naturally follows.

This runs counter to how most lotteries approach the challenge. **Typically, the compliance team is focused on preventing risk, while the sales team is focused on growth.** They work on different tracks and rarely share information.

Our data suggests a different approach. When mystery shopping evaluates the complete retail interaction – not just compliance checkpoints – several things happen. Retailers receive more comprehensive feedback. Store managers can coach on the entire customer experience. **Performance improvements affect both compliance metrics and sales behaviors.**

Consider what makes this shift powerful: When a clerk is evaluated only on whether they check ID, that single behavior becomes the focus. When they're evaluated on greeting customers, product knowledge, proper procedures,

suggestive selling, and service quality, checking an ID becomes a natural part of a good customer service routine, not a separate, awkward step that interrupts the sale.

We've seen lottery operators transform their retailer relationships by repositioning mystery shopping. **Instead of presenting it as surveillance or enforcement, they frame it as a performance health check.** Results go directly to store managers for immediate action. Improvements are celebrated. High performers are recognized. This approach typically generates better compliance outcomes than punitive models – and retailers actually welcome the feedback.

After years of this work, we've learned one thing: if you're only looking for compliance failures, you're missing the real story. A clerk who doesn't check an ID is often the same clerk who hasn't been trained on new games and doesn't know the right steps to validate and pay out a winning ticket. The compliance slip-up isn't the core problem; it's a symptom of a larger issue altogether.

The Compliance Performance Matrix

We've developed a framework that helps lotteries understand and optimize their compliance-performance relationship:



This matrix stops you from treating all retailers the same. Instead of just a pass/fail compliance number, you get a practical map of your entire retail network. You can see exactly which stores need immediate intervention, which ones are your hidden gems, and which high-selling locations are secretly your biggest risks.

Stores receiving real-time feedback from mystery shopping results improved compliance rates significantly within 30 days.



Evidence from the Field

Ipsos works with North American lotteries on comprehensive mystery shopping programs across thousands of retail locations annually. Compliance shop programs evaluate both ticket validation procedures and age verification rates.

In aggregate, **only about half of all retail locations properly requested identification** from young purchasers. After six months of targeted mystery shopping with repeat shops and feedback loops, these same compliance rates improved, but not nearly close enough to 100%. Critically, however, locations showing the greatest compliance improvements also showed the strongest increases in average weekly lottery sales (controlling for jackpot conditions).

Interestingly, compliance failures aren't random; they tend to cluster around specific patterns. **Retailers fail age verification checks nearly twice as often during evening shifts. Ticket validation errors spike during high-traffic periods.** Armed with this intelligence, lotteries can implement targeted training and retailer coaching that addresses root causes rather than symptoms.

Perhaps most importantly, our meta-analysis of shopper programs identified that traditional retailer training was ineffective. Stores that received quarterly training showed no better compliance than those trained annually. **However, stores receiving real-time feedback from mystery shopping results improved compliance rates significantly within 30 days.**

What This Means for Lottery Leaders

Lottery executives must recognize that their retail network is both their greatest asset and their greatest liability. Every transaction is a moment of truth that either builds or erodes public trust.

- 1 ABANDON** the myth that annual audits and self-certification provide adequate compliance assurance. They don't. If you're not mystery shopping at least monthly, you're operating blind.
- 2 INTEGRATE** compliance metrics into commercial performance discussions. Compliance shouldn't be the responsibility of a separate department; it should be embedded in every operational decision.



- 3 LEVERAGE** mystery shopping data to spot the warning signs. The patterns in these shops can help you predict which locations are heading for trouble before a major incident occurs.
- 4 RECOGNIZE** that different channels require different approaches. The compliance challenges in a corporate-owned store differ vastly from those in an independent convenience store. Your mystery shopping program must reflect these nuances.
- 5 ADAPT** to today's omnichannel reality. The line between buying in-store and buying on an app is blurring, making it easier for traditional compliance frameworks to break down. Mystery shopping must evolve to evaluate these hybrid transactions.

Getting Started

The path forward requires commitment but isn't complex. Lotteries are taking these immediate steps:

First, get a baseline.

Start with your highest-risk locations to understand the scale of your problem and get some quick wins.

Your scenarios need to be realistic.

Don't just test for a simple ID check; see what

happens when a clerk is faced with a long line and a difficult customer.

The data is useless if it sits in a report.

Make sure results get to store managers soon and often so they can act on them immediately.

Connect the dots.

Overlay your mystery shopping results with sales data, customer traffic scores, retailer firmographics, and other customer research where available. That's where the most valuable insights are.

And most importantly, this has to be about coaching, not punishment.

If retailers see this as a 'gotcha' program, you will lose their trust. Frame it as a tool to help them improve their business, and they'll welcome the feedback.

The lottery sector stands at a crossroads. Operators who continue treating compliance as a necessary evil will find themselves increasingly vulnerable to regulatory action, public backlash, and commercial decline. Those who embrace mystery shopping as a strategic capability will build resilient, high-performing retail networks that deliver sustainable growth and earn public trust.

About Us

Some of the world's largest brands trust Ipsos mystery shopping because our programs are better designed and executed and integrate more easily with consumer research. As the largest mystery shopping provider in the world, Ipsos mystery shopping can reach retail locations across almost any geography, with the ability to shop and/or audit close to 100% of our clients' retail networks. **Our significant strength comes from owning and controlling our own shopper panel.**

Ipsos has been conducting mystery shopping programs for North American lotteries for the past decade. Our programs range from focused compliance audits to comprehensive retail experience evaluations.

Our lottery mystery shopping programs can answer a variety of objectives:

- **Age verification** testing using age-appropriate shoppers with documented protocols that meet regulatory requirements.
- **Ticket validation** scenarios testing clerk ability to identify issues and follow proper payout procedures.
- **Responsible gaming** evaluations measuring whether retailers provide required information and resources.
- **Training evaluations** for new games and promotions, measuring how informed retailers are on the lottery's products and promotions, and their ability to suggestively sell to customers.
- **Pilot location testing** of new equipment, self-serve terminals, or other retail installations at select retail locations.
- **Auditing** of the overall retail experience including signage, promotional materials, planogram adherence, and store conditions.

What Distinguishes our Approach

We understand lottery-specific compliance requirements across different jurisdictions. Our shoppers receive specialized training on lottery products, regulations, and the unique aspects of lottery retail that differ from other age-restricted products.

Our reporting platforms provide rapid feedback, allowing for immediate coaching opportunities. We can configure alerts for critical failures, track improvement over time, and identify patterns that predict future compliance risks.

We work with lottery compliance teams to design scenarios that reflect real-world challenges their retailers face. This isn't about catching retailers off-guard; it's about understanding what actually happens in stores and providing actionable feedback for improvement.

For lottery operators facing increased regulatory scrutiny or seeking to elevate their retail network performance, our mystery shopping programs give you a clear picture of what's happening in your stores and a practical plan to help your retailers improve.

For more information, please contact:

Scott Morasch

SVP, Client Officer

scott.morasch@ipsos.com

Becky Harris

SVP, Mystery Shopping

becky.harris@ipsos.com

Joey Lam

VP, Mystery Shopping

joey.lam@ipsos.com