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I N T E R N A T I O N A L

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LOTTERY AND RETAILERS MODERNIZING TOGETHER

Feature Interviews

Beth Bresnahan

Executive Director, DC Office of Lottery and Gaming

Michelle Carney

Vice President, Global Lottery Marketing, IGT

Mary Harville

President & CEO, Kentucky Lottery Corporation

Ian Hughes

Chief Commercial Officer, GLI (Gaming Laboratories International)

Pat McHugh

Executive V.P. and Group Chief Executive Lottery, Scientific Games

Charles McIntyre

Executive Director, New Hampshire Lottery

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PGRI PUBLIC GAMING INTERNATIONAL

Publisher & Chief Executive Officer

Paul Jason
pjason@publicgaming.com

President

Susan Jason
sjason@publicgaming.com

Brand and Design

Dan Eggers Design

**Honored Founders
Doris & Duane Burke
Contact Information**

T: +425.449.3000

F: +206.374.2600

For email address changes, subscription requests and requests to be placed on our e-Newsletter distribution list, contact:

sjason@publicgaming.com
PGRI, Inc.

218 Main Street, #203
Kirkland, WA 98033
PublicGaming.com

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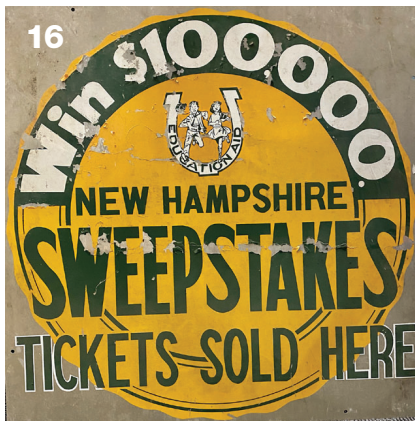
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From the Publisher

Retail is still king. That's a great thing as no other games-of-chance operator has the massive retail network that Team Lottery has. Most other business models can be easily and inexpensively replicated, especially online models. So it is a beautiful thing when Lottery's proprietary asset proves to be so valuable. Jim Acton consulted leaders on the commercial side of the industry to delve into the massive changes shaking the retail industry and how Lottery can turn them to maximum advantage for the benefit of players and stakeholders.

What great timing for the judges of the United States Court of Appeals for the First Circuit to rule in favor of states' rights to decide regulatory policy for games-of-chance within their own borders. The U.S. Dept of Justice was trying to broaden the purview of the 1961 Wire Act to apply not just to sports betting but to other games-of-chance like lottery gaming. Congratulations to the New Hampshire Attorney General office who, on behalf of the New Hampshire Lottery, challenged the legality of this opinion, and won. Other states and the entire industry owe them a big thanks as their fortitude and principled actions to defend the rights and the interests of states, of their lotteries and of the good causes that depend on lottery funding for smoothing a path for other states to offer their products online without fear of reprisal from the federal government. (Though it is still possible that the U.S. DoJ may take the appeal to the U.S. Supreme Court, in which case the highest court of the land would hopefully decline to even hear the case or rule against the U.S. DoJ if they did.)

The **New Hampshire Lottery** was established in 1964, making it the first U.S. lottery in the modern era. Now, almost sixty years later, the NH Lottery continues to be a leader in digital transformation, modernization, and diversification of the game portfolio. When I asked **Director Charles McIntyre** to put this amazing trajectory into historical context, I did not expect the article (page 16) to be so thoughtful and expansive. Thank you, Charlie!

It is so exciting to see an industry veteran, someone who has served in the same lottery for sixteen years, be appointed to the leadership position. As president and CEO of the **Kentucky Lottery Corporation**, **Mary Harville** is applying a vision that is borne of experience and understanding of the business. And that benefits all KLC stakeholders. What also comes across in our interview is her respect and appreciation for her team that is leading the Lottery on a tear, launching new games through new channels of distribution, and breaking sales and profit records every month.

These are trying times, but the Executive Director of the **DC Office of Lottery and Gaming Beth Bresnahan** is tackling more initiatives – major ones like sports betting and iLottery – and not in a moderated, sequenced agenda but all at once, or at least in rapid-fire fashion. The DC Lottery bears no resemblance to what it was even a year ago and is quite an exciting story of a will to overcome obstacles and tenacious focus on execution in what is a wildly complex regulatory environment and during a most inhospitable consumer marketing environment.

The common theme for these lotteries and so many others seems to be that the adversity of turbulent times can be a catalyst to positive change, to innovate and move faster than ever before. Since we have to figure out new ways to do things anyway, we may as well take the opportunity to make more sweeping changes to achieve more ambitious goals. And why not apply the crisis mind-set of fast-tracking the decision-making process to everything we do just because it is the more effective way to operate?

Thank you also to **Pat McHugh**

(**Scientific Games**), **Michelle Carney (IGT)**, and **Ian Hughes (GLI)**. So much of the brain-trust and resources required to drive change and progress comes from our commercial partners. And it's been a lifetime since they have been called

“Since we have to figure out new ways to do things anyway, we may as well take the opportunity to make more sweeping changes to achieve more ambitious goals.”

upon to deliver this number and variety of large-scale solutions to unanticipated challenges and in warp-speed time. Read their interviews for insights into how consumer behaviour and technological innovation are driving change and vice-versa in a positive-feedback cycle, how the market-place is being transformed as a result, and get a preview of what is in the pipeline

for solutions that will keep Team Lottery out in front of the game-of-chance industry. And thank you to Scientific Games, Abacus Lottery Solutions, Carmanah Signs, and NeoPollard for your editorial contributions to this issue!

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Paul Jason, Publisher
Public Gaming International Magazine

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Retail Modernization, Traditional Lottery played at Retail consolidates its position as the game of the people, and the growth-leader of the games-of-chance industry

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(Women in Lottery Leadership), Diversity and Inclusion and Mentorship drive increased productivity, performance, and results

August 18 & 19:

Sports Betting and Lottery, a Special Friendship, A Journey into the Omni-Gaming Environment of the Future



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EMBRACING AN UNCERTAIN FUTURE WITH A FOCUS ON THE OPPORTUNITIES FOR POSITIVE CHANGE

Mary Harville, President & CEO, Kentucky Lottery



PGRI Introduction: While Mary Harville was appointed to the position of CEO in September, she has been a member of the senior management team since joining the Kentucky Lottery as senior vice president, general counsel and corporate secretary sixteen years ago. This inter-disciplinary team collaborated to produce average annual increases in sales of 4.7% over the last fifteen years, 5.6% over the last ten years, and 6.8% over the last five years. And now, not that anyone was entirely prepared for the unique challenges of the current times, the Kentucky Lottery has adapted and is set on a course that continues to meet the expectations of players, retailers, and Lottery stakeholders alike.

Paul Jason: The Kentucky Lottery has been so successful over a long period of time. Are you optimistic about the headroom to sustain your annual growth rate of over 6%?

Mary Harville: Yes. Like many lotteries, at the end of March 2020, our YoY sales were more or less flat. But fourth quarter of the last fiscal year (ending June 30, 2020) was the Kentucky Lottery's best quarter ever. And now, for the first five months of the current fiscal year (i.e., July 1 to November 30), total sales were \$79.6 million or \$140.2 million more than last year. That is a 31.9% increase over the same period of FY 2020. Internet sales for FY 2020 increased by 68% over FY 2019. And iLottery sales in Q1 of FY 2021 are up 218.9% over Q1 of FY 2020. While we probably will not end FY 2021 with a 31.9% YoY increase in annual sales, I am confident that our positive momentum will continue into 2021 and beyond. Our stakeholders depend on it.

Wow. Instant scratch-offs must be doing

well along with iLottery during this period of social distancing. But clearly your land-based retailer partners are also doing well and your multichannel approach has proven out for everyone.

M. Harville: Many lotteries did well over the last nine months for a variety of reasons. Not only did racetracks and casinos close down for a while (though Kentucky does not have casinos, they are right across our border), many other forms of recreation and social entertainment like movies and restaurants were closed and even continue to be restricted. Lottery continued to be a viable outlet for entertainment throughout this entire time. Most state governors deemed retailers and grocery stores to be "essential" businesses that were allowed to stay open. Lottery continued to serve existing players, but also attracted new players and increased player-ship from casual and lapsed players. But there is more to the story of why lotteries performed well during this time of severe disruption.



Like my colleagues all across the country, we leapt into action at the first signs of disruption in the middle of March. Our LSR's (Lottery Service Representatives) were pulled out of the field, but from the start, they determined how to adapt to these unusual circumstances. They have great sales automation tools on their iPads, utilized them effectively, and figured out how to accomplish their job from home and on the phone. When they have been allowed back in the field, it has been under very restrictive conditions. I joined our LSR's to visit retailers and see how the face of Lottery to the customer was holding up. Of course, we were all masked up and followed all our social distancing guidelines. I was very impressed when I saw how our sales force had adjusted their methods to serve the retailers while minimizing in-person interaction. The productivity of the time spent in the store with store managers and staff was fine-tuned to the minute.

Our sales force recognized the critical need for inventory to keep the stores stocked with product and meet an increased demand. I

A close-up photograph of several hands of different skin tones stacked on top of each other in a supportive grip. One hand is wearing a white dress shirt cuff. The background is blurred, showing what appears to be a casino or gaming environment.

NAVIGATING THE FUTURE

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am so proud of our team for their vision, astute judgment, and execution as they made sure our players always could continue to play the games they love. And our retailers deserve credit for accommodating the need to do things differently and enable our team to apply creative solutions for keeping the dispensers and ticket vending machines stocked with product. It is amazing and wonderful to see how well our retailers and LSR's have worked together to serve the players in spite of not being able to meet face-to-face in the stores for large parts of the last nine months. And when LSR's have been allowed to be in the field, it is only for a maximum of four hours a day, and each store visit must be completed within ten minutes. That can be very difficult when an LSR may have to wait ten minutes to even see the store manager! It takes years to build this kind of trusting relationship between the LSR's and the retailers, and I so appreciate all their efforts and flexibility.

The sales force has been tremendous, but

tions while staying consistent with the values of dedicated public servants. And now we are strategically mapping the pathway forward to ensure a bright future for the good causes that depend on lottery funding and for all lottery stakeholders.

It seems like adversity brought out the best in everybody. Everybody got their creativity and ingenuity engines going and probably invented solutions that will continue to enhance performance long after the pandemic is over?

M. Harville: Absolutely yes. In a way, the pandemic gave us permission to be more decisive and action oriented. The urgency of the situation left no time to over-analyze and conduct ongoing research and discussion before taking action. We threw out our SWOT (Strengths, Weaknesses, Opportunities, Threats) analyses that had been done in December of 2019. Of course, COVID 19 had changed many things, including many of the assumptions of a pre-COVID SWOT. But, as Dwight Eisenhower said, "Plans may

also received 575 new Gemini Touch 28s (TVM's) under the contract extension, and we were concerned that may be too many. That is no longer a concern. Thankfully, these initiatives were already in place prior to COVID. The pandemic just helped us identify our priorities.

Likewise, new shopping behaviors like BOPUS (Buy Online, Pick Up in Store) began before the pandemic but are gaining momentum much faster than they would have without the impact of social distancing on in-store shopping. Like other lotteries, we are actively looking for ways to loop lottery into the trend of BOPUS.

And even more relevant is iLottery. We had not exactly put iLottery on the front-burner until we saw that the pandemic would cause many consumers to need an alternative to going into the stores to play the lottery or to leaving their homes for other forms of gaming or entertainment. It became very important to ensure that all iLottery functionality was 100% operational and ready for a significant increase in volume and new players. And we were ready, but now we've got to be certain that we keep that momentum and keep those new players. We negotiated the extension of our iLottery contract with IGT during the pandemic, and you can bet that this extension included significant enhancements that will keep the Kentucky Lottery ahead of the curve and exceeding player expectations, including the expectations of our new players. We'll be able to offer more games, include more third-party content, and offer targeted promotions. We will also increase the budget for advertising the digital platform.

What do you do to encourage your team to embrace the opportunities embedded in times of uncertainty like this?

M. Harville: I would point out that the lottery sector has been very fortunate. We have not been beset with the kind of intractable obstacles facing some industries, like airlines and restaurants and many others. We should all be grateful for that good fortune and appreciate the hardship that others are facing through no fault of their own.

Our senior management team is seasoned, experienced, and effective at operating the lottery and leading through difficult situations. One of the things that we have done when dealing with issues, even more than before the pandemic, is to re-frame the issues,

I feel that everyone on our team is discovering skills they did not know they had and is excited about the impact they are having on the ongoing success of the enterprise. Heavy reliance on inter-departmental task forces is definitely something we will continue into the post-COVID era.

our entire organization deserves credit for making everything work so well. The LSR's depend on support from the entire Kentucky Lottery staff and from our commercial partners like IGT and Scientific Games who kept us flush with instant scratch-off games during a time of unanticipated spikes in demand and severe disruption of supply chains.

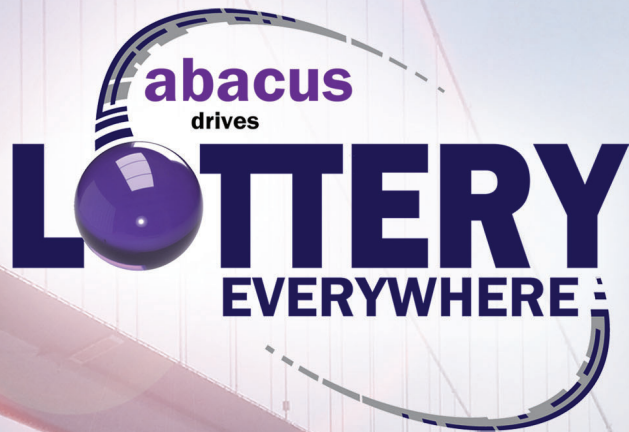
The pandemic represented a whole new set of unanticipated obstacles to overcome. The leadership of the KLC, and all state lotteries, faced this adversity with ingenuity and the willingness and ability to pivot to make sure we continued to meet our financial obliga-

be worthless, but planning is everything." We set about planning for a whole new world. While we had to re-think everything, the trends were not altered lock-stock-and-barrel. Many of the trends identified in our original SWOT analysis were just accelerated by COVID. For instance, cashless functionality in 1,470 ticket vending machines (TVM's) was included in our last contract extension with IGT, even though we did not know a pandemic was coming. Now we see even more consumer demand for cashless purchasing, and we are making the implementation of cashless functionality a priority. We hope to have that completed by the end of the FY 2021 (June 30). We

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re-visit assumptions, re-define objectives, and organize inter-departmental teams to re-imagine solutions. For example, instead of calling the task force a “COVID crisis management task force”, our V.P. of Marketing, Edie Frakes, named it “Gone Viral” to help us all get into the spirit of forward and positive momentum, rather than just dealing with a problem. Our V.P. of Finance, Rick Kelley, heads up this group and is fondly called Captain COVID. Rick and others like Rick are excited to be involved in areas somewhat outside their primary skill set. They embrace the opportunity to interface with leaders whose vocational discipline and perspective is different from theirs, to learn new things from them and from this process, and to work collaboratively to create new solutions and strategies. I feel that everyone on our team is discovering skills they did not know they had and is excited about the impact they are having on the ongoing success of the enterprise. Heavy reliance on inter-departmental task forces is definitely something we will continue into the post-COVID era.

I should also point out that Marty Gibbs was the interim CEO through the initial months of the pandemic, assuming that role the second week of March. I was not appointed CEO until September. So, much of our pandemic response was undertaken by our senior team, under Marty’s leadership. This team has been very effective at sorting out the problems and obstacles, quickly addressing the short-term needs in a crisis and clarifying action-plans, as well as setting the stage for longer-term goals.

Is it a priority to build out the cross-channel promotional infrastructure that drives online players to retail and vice-versa?

M. Harville: I would not describe it that way. At least at present, our priority is to give our players what they want, where they want it. We are extremely focused on modernizing at retail and truly optimizing the in-store player experience, particularly with TVMs and cashless functionality. We are doing everything we can to optimize the iLottery player experience too. And we will have

cross-promotions that incent the players to interact with the Kentucky Lottery on all channels. But we do not presume to drive the players to play in any particular way, or on any particular channel, other than how and where they want to play. We simply want to give the consumer what they want, whenever and however and wherever they want it. The pandemic has shown us that all boats rise with the tide. Retailers and iLottery have both done well and that is because we focus on the customer, the lottery player, and not so much on achieving a pre-determined mix of channels or products.

Retailers and iLottery have both done well and that is because we focus on the customer, the lottery player, and not so much on achieving a pre-determined mix of channels or products.

I Lottery has been successful, no doubt. But we remain committed to the success of our retailers. Many of our core players love playing at retail and we want these players to continue to feel that way, so we will always have a fabulous portfolio of lottery games that are only available at retail, and this includes our popular Fast Play games, introduced in 2019, and our new Kentucky Jackpot family of scratch off games, which offer a unique second chance promotion.

The pandemic seems to have illuminated the fact that the consumer is more able and willing to migrate to new and different game categories. Is that a trend that will accelerate and, if so, what does it mean for traditional lottery?

M. Harville: Yes, for sure, this trend will continue. It started several years ago. Many players and especially younger players do everything on their mobile smart phones, so offering the Kentucky Lottery app became a priority. Now, the pandemic has accelerated this trend and we see we must focus on

improving our iLottery channel to be able to meet consumer expectations and compete with other, similar forms of entertainment. But we will remain committed to meeting consumer expectations at retail as well, because, as the pandemic has shown, many players will continue to purchase at retail. That being said, modernization of the retail channel is important to meet their changing expectations, including promoting our TVMs and cashless functionality, finding ways to tap into the new purchasing behaviors, like BOPUS, and, as well, offering products in new types of retailers.

With effective modernization at retail, I believe lottery will continue to be the game that so many people love to play. Online is where the competition will be intensifying. I think we can expect sports betting operators to raise the bar when it comes to online player attraction and retention strategies. What it means for lottery is that we need to raise our own game to deliver the best iLottery-playing experience we can.

We have been talking about external realities, and the need for customer-facing changes motivated by the pandemic. What about internal operational changes?

M. Harville: Many of our operations are being re-assessed for opportunities to improve. An example is that we have closed our last regional office. We have effective retailer cashing agents that cash up to \$5000, and several retailers throughout the state are designated as super cashing agents with authority to cash up to \$25,000. We closed this regional office for the pandemic, and it soon became clear that we didn’t need that office at all. In addition, we discontinued the use of external auditors for our daily drawings. Our process is robust and built to ensure integrity without the application of external auditors. Even so, we continued to use auditors until COVID made that problematic. So COVID became the catalyst to doing what could have been done sooner.

Pre-pandemic, we were still doing ball machine drawings for several games. RNG (Random Number Generator) was used

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EXPANDING INTO SPORTS BETTING AND ILOTTERY DURING TURBULENT TIMES

Beth Bresnahan, Executive Director, DC Office of Lottery and Gaming (DC Lottery)



PGRI Introduction: 2020 has been a most turbulent year for everyone, but perhaps even more so for the DC Lottery which launched sports betting in the midst of a near global event shutdown and had to contend with a major drop-off of its primary player-base of commuter traffic. Thankfully, the Director of the DC Lottery brings a wealth and diversity of experience to the task of leading in these challenging times. Prior to her appointment as Executive Director of the DC Lottery, Beth served as Executive Director of the Massachusetts Lottery, recognized for its status as the highest per-capita sales jurisdiction in the world. That assignment followed a successful tenure as Director of Marketing and Communications. Sales at the Massachusetts Lottery increased every year during Beth's five years of senior management, breaking the \$5 billion mark in her last year of leadership there.

And now, the DC Lottery is on a tear. In spite of pandemic, 2020 has been an eventful year of implementing new game categories and opening up new channels of distribution, like internet and Mobile. I asked Director Bresnahan to provide some insight and color to the interesting set of challenges and opportunities incumbent with managing both traditional games and GambetDC, the DC Lottery's sports betting app, and now launching iLottery right on the heels of sports- betting.

Paul Jason: The DC Lottery serves as both regulator, license administrator, and operator of sports betting. Could you explain the District's sports betting regulatory model.

Beth Bresnahan: It is a unique structure compared to other U.S. jurisdictions that have legalized sports betting. On December 18, 2018, the Council of the District of Columbia passed the Sports Wagering Lottery Amendment Act of 2018 which legalized sports betting in the District and named the Office of Lottery and Gaming as both the regulator of private-operated sports book facilities and as an operator of its own sports book offered via the DC Lottery brand. This legislation cleared congressional review and became law on May 3, 2019. The legislation also changed our formal name from the Office of Lottery and Charitable Gaming to the Office of Lottery and Gaming (OLG) to reflect our newly-expanded role. DC Lottery is the brand under which the OLG markets and sells its games.


The statute is fairly complex as there are two classes of private operator licenses (Class A and Class B) that we are responsible for licensing and monitoring for operational compliance, as well as establishes and codifies several areas where betting activity is restricted.

The statute dictates that Class A Operator licenses may be issued at

four designated stadiums and arenas in the District – Audi Field, Capital One Arena, Nationals Park and St. Elizabeths East Entertainment and Sports Arena. Class A Operators may conduct sports betting independently or in conjunction with a licensed Management Services Provider (another license type) to run the sports book operation. There is a 2-block exclusionary zone around each of the Class A facilities where no sports wagering activities can be licensed. The Class A facilities can run their mobile app within their 2-block zones, but the DC Lottery app is restricted from operating within it. A Class A license is valid for 5 years and the initial fee is \$500,000. We issued the first Class A license on July 31, 2020 to American Wagering, Inc. (doing business as William Hill) for a sportsbook at Capital One Area – home of the Washington Capitals and the Washington Wizards. There are two additional Class A applicants in varied stages of the licensing process.

Like Class A Operators, a Class B Operator may apply to conduct its sportsbook operations independently or in conjunction with a licensed Management Services Provider. There is no restriction on the type of business a Class B Operator can be (could be a bar, restaurant or hotel setting as just a few examples). There is no designation where a Class B facility must be located. However, it is important to note

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i shapes
the
future

I want to be ahead of the game
i want to thrive and conquer
i want intense experiences
i want solutions that fit into my world
i am your player, are you ready for me?

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EVOLUTION

PGRI INTRODUCTION: The New Hampshire Lottery was established in 1964, making it the first U.S. lottery in the modern era. Now, almost sixty years later, the NH Lottery continues to be a leader in digital transformation, modernization, and diversification of the game portfolio. When I asked Director McIntyre to put this amazing trajectory into historical context, I did not expect the context to be so thoughtful and expansive. Thank you, Charlie!

Charles McIntyre, Executive Director, New Hampshire Lottery

If ever there were words that captured the essence of what is needed in running a business, a government agency – or in our case, the amalgam of both of those things – it would be the insight of Charles Darwin. The famed naturalist who traveled the globe in search of the origins of growth and change, and discovered the phenomenon of biological evolution and natural selection, the fact that organisms change in order to adapt and survive. Type in the words ‘Darwin’ and ‘quote’ and dozens of memes pop up with art and images of a grandfatherly and wise Darwin looking upon us and urging the change and growth necessary to reach our full potential. The problem is...he never actually said that, not even close.

The quote is either attributed to the *Origin of the Species* or the *Voyage of the Beagle*, both long and dense reads for people who are not scientists. In reality, the quote was from a Louisiana State University Management Professor, who was paraphrasing what Darwin actually wrote and distilled it for ease of use. Herein lies the rub - ease

of use. The path towards our understanding of evolution was not easy. The path towards understanding and adaptation is long, fraught with peril and fails as often as it succeeds. For every eagle there’s a dodo bird that evolved itself straight into oblivion and a tasty morsel.

The New Hampshire Lottery faced a similar issue, a predictable one. Before I arrived in 2010, the lottery had endured its sixth straight year of declining sales. New Hampshire Governor John Lynch and the members of the Lottery Commission were unhappy. Well, unhappy doesn’t begin to do it justice as they were 37 steps past unhappy – downright cranky would be more accurate. Governor Lynch has a Harvard MBA and had enjoyed a successful business career and his patience had been worn thin. When I was introduced to him during my interview in

June of 2010, what I thought would be a five-minute quick ‘hello’ turned into a 45 minute discussion about product mix, price escalation and the retail footprint for optimized merchandising. I knew then we were in trouble.



“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change.”

Charles Darwin

RE-ORG/RE-TOOL/RE-DEPLOY

This was the three part strategy for turning around the Lottery’s moribund sales. We sat in the Lottery office and tried to think about ways to make the product better, more accessible and bring the retailers into the fold. I was a lawyer and so hilariously inexperienced at sales it was pitiful. But away we went ...and nothing worked for a while. Sales were still plummeting, all were impatient, and I was asking if I could get my job back at the Massachusetts Lottery. But then the changes we made to the tickets, and to the prize structures and to the shipping schedules worked. A new bonus program, whereby stores got higher levels of commission for increased sales, worked. We conducted copious amounts of research and listened to the results. Then structure surrounding market segments, player attitudes and message-testing took shape, and we changed how we looked, how we communicated with our players and then how we were perceived by the

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players. The New Hampshire Lottery had really never done that before. We looked inward to understand how we might adapt and grow.

So this was my first lesson learned: evolution starts from within. Too often we look to technology, or new gimmicks, to cure a slide. First thing is to identify what you do really well. Second, clarify what we are allowed to do, and brainstorm about what we would like to do differently. Thankfully I had paid attention at the Mass Lottery, and made changes consistent with insights gained by my Massachusetts experience and what I knew would work in New Hampshire. Our profitability went up 19% in two years, with no new products or channels, just organic growth. Compare it to a golfer that thinks he has to buy the latest driver every year. He would be better off spending the money on lessons and range balls to improve his game. A poor craftsman blames his tools.

During the same period, we really made an effort to create lasting dialogues across the disciplines. Gone were the silos that had stunted communication between department heads. Success has a thousand parents, and failure is an orphan – so everyone was bathed in the credit that we enjoyed. That's when we noticed we all thirsted for more.

Fast forward a few years and next came the move towards legalization of Daily Fantasy Sports. The nascent industry was in a gray legal area in NH and the industry wanted to ensure a clear path towards fantasy sports legalization. We had always looked upon that industry as de facto sports betting. So rather than oppose it, we welcomed the draft laws, and made sure they were regulated by the NH Lottery. I was not sure, but I thought the law forbidding sports betting might be overturned in the near future. Regardless, the law was passed and the fantasy operators had to become licensed through our agency. A small thing, but important in our evolution.

WALKING UPRIGHT

After 2010, the NH Lottery had met its



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revenue goal every year, never off by more than 1%, rolling into 2017. Performing well creates a lasting impression with the stakeholders that builds a well of capital, which can prove useful. But just as important, we had never been a problem. We hadn't pushed for gaming expansion, we stayed in our lane and did the job. So when the prospect of regulating Keno and iLottery came about, the Legislature, through all their deliberations, never opposed it on competency grounds.

The growth of Keno required folks at the lottery to think differently because it was only going to be sold in bars, and we had virtually zero bars as traditional lottery retailers. We had to recalibrate licensing and sales staff to work with owners that work hours well off of a traditional 9-5 job. We also had to adjust games and promos to align better with the bar patron crowd. Changes like this require a constant sense of re-evaluation that hopefully translates into allowing the process to be streamlined and the results to be maximized. So that was Keno, or as we brand it, Keno603. That initiative allowed us to dramatically increase our footprint, so that our retail network grew from 1200 to 1400. Not only did our terminals sell Keno603, they also sold Powerball, Mega Millions and

more, and that retail expansion helped the overall sales number. It seems that the spine connecting our back to our head was moving slightly forward and our gaze had improved and elevated to see towards the horizon.

USING FIRE

Along with the approval of Keno came the approval of the sale of lottery tickets over the internet. I thought we were set up to handle it. I was wrong. We made more mistakes in our growth and no doubt we burned our hands a couple of times. One lesson that is worth noting: If the first payer impression of iLottery is unfavorable, glitchy, or boring, it will be twice as hard to get the customer to come back. Whatever it takes, try and do it right the first time. As it happens, we forgot something – I won't say what, but it was a big thing. There I was, with our Chief of Sales and Product (Kelley-Jaye Cleland), begging

the State Commissioner of Information Technology (Denis Goulet), for a favor – a big one – actually groveling would be more accurate. God bless Denis, he was a former private sector guy that cut through more red tape than you can imagine and September 4, 2018, we launched, the first Tuesday after Labor Day. We didn't tell anyone, it was a soft launch for fear of things unseen. Fear of the unknown is powerful, but it didn't stop us from putting one foot in front of the other, and the launch went smoothly.

A quote I often use (and this one, the guy, Louis Pasteur, actually said) is, "Chance favors the prepared mind." Since so much of our business relies on luck, we got lucky – crazy lucky. We had a \$1 Billion jackpot run one month after we launched. In six weeks we had gone from rubbing two sticks together to wielding a full-fledged flame thrower. But along the way we learned about stuff like customer acquisition costs, lifetime player value (differentiated between draw games and instant players) – the different ways to measure the path of a customer who reaches our website and deposits funds. We now live by search engine optimization and tracking in real time dollars spent in advertising and dollars

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PEDAL TO THE METAL

LOTTERY'S DRIVE TO SERVE GOOD CAUSES RACES TOWARD MODERNIZATION IN 2021



Pat McHugh, EVP and Lottery Group Chief Executive, Scientific Games

PGRI INTRODUCTION: 2020 was a challenging year that taught us all a great deal on many fronts. More than ever before, good causes will rely on the financial support generated by government lotteries. And the role of instant games to help protect lottery profits and ensure future sustainability is more vital than ever. The most important aspect of recapping the story of instant games over the last 11 months is to understand the picture going forward into 2021.



Paul Jason: Instant scratch off sales continue to increase for most U.S. lotteries. What can be done to keep the momentum and get new players to keep playing and preserve the activity level of core players who are playing more during the pandemic?

Pat McHugh: The lottery industry has demonstrated incredible resiliency in our products and ingenuity in adjusting to the circumstances to make sure the games continued to be available to players. I am so thankful and proud of the way our Scientific Games team and our lottery customers collaborated on creative solutions to keep our employees, customers, and retailers safe while maintaining the retail supply chain. Through COVID, consumers' demand for great games never waned, particularly for the entertainment of faster playstyle games, and economic impact increased the need for funding to support good causes. Coming out of COVID, the industry has a great opportunity to accelerate investment in their game portfolio to retain these new players.

Instant scratch game success during the pandemic starts with the same fundamentals

we always adhere to, portfolio management. It's the foundation of our Scientific Games Enhanced Partnership programs, or SGEP. The way to bring in new consumer groups and optimize the overall performance of the product category is to have a wide variety of games that appeals to the widest variety of playstyles and preferences. While that sounds obvious, the analytics and strategy to execute that is not easy. It requires significant history of game data attributes to pull from, plus expertise to analyze the full game portfolio, then develop a real plan to optimize as a portfolio over time – as opposed to looking solely at attributes of individual games.

The top 10 performing lotteries, as measured by weekly per capita instant game sales, operate with Scientific Games as the primary partner, providing all or almost all the games. This partnership enables us and our lottery customer to properly balance the entire instant game portfolio for maximum consumer reach. This is always at the forefront of our primary relationships. Where most adjustments have been needed during the pandemic is ramping up our manufacturing and game distribution services so that we can meet our customers' needs. Our scale

and resources become especially important when there is sudden, unanticipated spike in demand as there was back in March and April of last year. The demand never subsided, and we have adjusted manufacturing to this new normal of increased instant game sales.

Additionally, we manage the supply-chain logistics to ensure that inventories are tracked on a daily basis and the games are delivered so retailers are always properly stocked. Of course, demand has continued to be strong. So Scientific Games continues to keep our manufacturing working over-time with employee safety measures in place and applying our R & D and portfolio management approach to maximize game choices for the players and sales for our lottery customers. Thirty-four of our U.S. customers had record instant sales in FY2019-20, and 12 of those were SGEP customers where we provide analytics and insights, logistics and other services to manage the instant product category.

What were you thinking when the pandemic first hit back in March? Did you anticipate that demand for instant games would increase dramatically and so begin immediately to increase production?

P. McHugh: Our primary concern was keeping our employees safe and healthy. Secondly, from a business perspective, I was thankful for how well positioned Scientific Games was with planning for disaster-recovery scenarios and supply chain diversity. And we were bullish that the right moves were to not disrupt normal game launch schedules and to keep retail inventory pipelines full to avoid out of stock conditions. We have given special attention over the last few years to the importance of diversifying our supply chains, making sure we had in place a variety of methods to maintain inventories in multiple hubs, applying multiple methods of measuring product-specific usage so we know what we need to manufacture, creating multiple ways of inter-facing with the retailer, having multiple options for how we get the product to the retailer, and making sure all the right games are in all the right places at all the right times, and having multiple layers of process to enable disaster recovery for our customers. I am also very thankful to our customers for being flexible to allow us to balance the need for employee safety with the business of keeping the retailers stocked with product.



We have operations in China and were alerted to the possibility that the effects of the pandemic may be much more severe than anticipated back in January. We began to prepare for the worst early on, weeks prior to everything shutting down, getting ahead on production and fine-tuning our inventory management and supply-chain logistics. We wanted to make sure we had the inventory and the means of getting it to the stores so our customers would never run out of games. Filling the pipeline was the first

phase. Ensuring no disruptions to distribution was phase two. The diverse supply line and excellent relationships with shipping partners was critical as shipments across national borders were severely impacted. Ensuring the stability of ongoing manufacturing to meet the continuing increase in demand was phase three. We knew that most essential retailers would remain open and hoped that playership would be steady. So while we did not predict the spike in demand, we were prepared and kept our operations running overtime to keep the product flowing.

How have your analytics and insights platforms interpreted the impacts of the pandemic on play styles and preferences, and what changes to play style, preferences, and consumer expectations are they projecting for the next twelve months?

P. McHugh: Our MAP™ and Game Gallery™ platforms are our tools that capture data that helps guide our game planning and marketing strategies. These platforms house 60,000 instant games and nearly three million data points of weekly sales data. Both platforms are part of our suite of Business Intelligence (BI) tools, which also includes our Infuse™ enterprise platform. Each includes data from multiple sources which is the real benefit of BI: bringing together disparate sources of data and identifying meaningful patterns and interpreting insights.

During the pandemic, our analytics and insights teams pored over data that revealed the underlying factors driving trend-lines in games and markets. These tools were being applied long before COVID-19. But their relevance became mission-critical in a global crisis pandemic.



Some big-picture trends emerged. Perhaps related to the influx of new players to lottery, terminal-generated Fast Play instant win games really took off in the early stages of the pandemic and continue to be hugely successful. Traditional instant game sales increased over 15% year-over-year even in the most recent 12 weeks same period, and it is about the same for the 52-week year-over-year period. Fast Play sales are up over 15%. iLottery sales are up over 100% in most of the jurisdictions that offer the games online. That year-over-year growth rate may soften a little as we go forward, but we expect the influx of new players and the increased online activity of all consumers including core lottery players to continue to drive outsized performance in iLottery.

Another important trend is towards the higher price-point games. Twenty dollar and over games saw a 29% year-over-year increase in the last 12 weeks, and 24% increase over the last 52 weeks. Of course, these big-picture trends can be discerned without the application of sophisticated data-analytic tools. It's not enough, though, to know that there are accelerated shifts in purchasing of higher price-point instant games, Fast Play and growing affinity for instant-reward digital games. What the combination of data in MAP, Game Gallery and Infuse enables us to do is drill down on the detail to evolve and recast the underlying multitude of game attributes for optimal performance. For instance, we are analyzing in quite granular detail the degree to which the increase in Fast Play games is being driven by an evolution in core lottery player preferences, as well as the influx of new players are migrating over from casino style games.

The business of generating entertainment value for players is not static. It is always in flux, and the rate of change is increasing dramatically. Maintaining momentum, creating the games that will excite players in three and six months, is an ongoing challenge that can only be met with the application of effective business intelligence tools that produced advanced data visualization to guide our efforts. This is why we are very bullish going into 2021.

Did the pandemic provide an opportunity for operators and retailers to appreciate the effectiveness of tools like SCiQ®, predictive ordering, and other retail modernization initiatives?

P. McHugh: Yes. For example, we saw an

increase in our retail cashless payment programs, and lottery customers and retailers relying more on our automated predictive ordering systems. Investing in retail modernization technologies and processes is a top priority for Scientific Games. We think there's a great opportunity for predictive ordering tools for inventory management, and automating supply chain management lotteries and retailers to transform the business. Tools like our SCiQ intelligent retail ecosystem, single-ticket-activation, enhanced point-of-sale technologies, AI-enhanced self-service vending, and others that may have been optional in the past will become critical going forward. Cashless payments were up 15% May to August 2020. There are many more data-points that conclusively demonstrate how investment in modernization is paying off in a big way for lotteries and retailers. And retail modernization is delivering a more convenient and entertaining user experience for players.

How is the role of loyalty programs and player clubs and cross promotional initiatives going to change to further engage players in this new omnichannel marketplace?

P. McHugh: All forms of digital engagement have accelerated during COVID. That's true for our digital loyalty and promotions programs for players buying at retail, as well as players buying online and via mobile. We believe strongly in beginning the digital engagement for retail players. This was true before the pandemic and is true now and going forward. A sustainable iLottery program depends on digital engagement on multiple levels, including players clubs, effective loyalty programs, and cross-channel and cross-product promotional initiatives that excite the players. In 2020, we launched nearly 500 "achievement challenges" that incent and reward players for trying other games. We issued 1.5 million coupons as part of our digital loyalty programs. The gamification strategies we are applying are producing remarkable results.

Will the increasing number and accessibility of gaming options cause players to be more likely to migrate across multiple game categories to try new and different games?

P. McHugh: Your question speaks to the bigger issue I'm very passionate about: the sustainability of our industry in a world exploding with new gaming and entertain-

ment options. Our competition is not just with other wagering game categories. Lottery now operates within the extremely competitive environment of recreational and entertainment consumer products. This is a highly fluid and dynamic market and consumers are constantly shifting their attention from one product to another. Consumers are migrating across a landscape rich with exciting options, and doing so with much more ease and fluidity than ever before. So, yes, the challenge of getting attention, engaging interest, and staying relevant has become a daily, even an hourly, mission. Our team and our customers rely heavily on our ONE Segmentation™ consumer model which allows us to look across gaming and entertainment options and see how different groups of consumers have different motivations for engaging. Applying this model mitigates some of the guesswork and allows us to develop products and programs that align to consumer expectations.

Really, the good news is Scientific Games has been deeply embedded in using consumer motivation for product development for many years now. And when you are tuned into the 'why' of the experience consumers are looking for, you are much more effective in creating the 'what.' We have demonstrated that in our ability to position products in a way that players recognize there is something for them across multiple categories of gaming.

Another industry asset is lotteries' established retail distribution network. The lottery sector has the decisive competitive advantage where it counts most: trusted brand power, fabulous product that the consumer knows and loves, and a distribution infrastructure that is next to impossible for other forms of gaming entertainment to replicate. That is why Scientific Games is so focused on continued innovation investment in both lottery retail and digital channels.

I would like to once again expressing my appreciation to our customers for their flexibility and genuinely collaborative spirit during these challenging times. We are looking forward to seeing our customers in person again, and visiting with everyone at an industry event – hopefully sooner rather than later.

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Reimagine **Next**

Accelerating Into the Future

PGRI Introduction: The long exit from the coronavirus pandemic presents not only challenges but a vital opportunity. Lotteries can use this period to emerge stronger by advancing plans to accelerate retail modernization and employ solutions that also address Covid-related health and safety concerns. Michelle Carney discusses how the company is positioning itself to support lottery customers in this effort to move forward.



**Michelle
Carney**

Vice President Global Lottery Marketing, IGT

Paul Jason: What is IGT doing to support lotteries as the pandemic stretches on?

Michelle Carney: From the start we've worked closely with customers to solve specific pandemic-related challenges, whether related to points of access, safety protocols, draw and instant sales, payments and more.

There's really been a wide range of targeted needs, depending on the jurisdiction globally. In some cases, we've helped customers with solutions to mitigate temporary store closures or suspended sales at social-environment retailers. In other cases, it was necessary to extend prize-claim periods to help lotteries better accommodate players, or adjust settlement rules to prevent retailers from being charged for unsold tickets during closures or lockdowns. Among dozens of examples, our goal has been to support customers through the challenges and help ensure that their business operations continue on all fronts.

As time has gone on, operators are also revisiting their modernization plans and efforts. We've all seen how the pandemic accelerated consumer acceptance for digital solutions in everything from payments to QR codes to play slips, and everyone has new hygiene and safety concerns. The expectation is that some new preferences and behaviors will remain in effect when the pandemic recedes.

Operators understand that it's an opportunity to offer a more contactless player journey at retail and transform other aspects of the player experience with digital solutions, even for lotteries that cannot yet sell digital tickets. As an industry, we've been talking about this evolution for a while. IGT believes it's even more important to consider now as part of long-term business planning, and we see our role in supporting this effort as being **"Future Forward, Results Driven."**

What do you mean by Future Forward?

M. Carney: Prior to the pandemic, we were already working with customers to pursue some of these opportunities – to sell in more locations and reach more potential players, and to meet changing retail and consumer demands.

In the past 18 months we have brought to market products that improve the accessibility and convenience of lottery games. With self-service, this meant developing an award-winning new vending terminal, the GameTouch™ 20, to meet the requirements of the world's largest retailer, with about 1,900 units now deployed across 15 jurisdictions. We have deployed more than 1,800 GameTouch™ Draw machines with a slimline profile to enable self-service sales of draw games in more retail and social environments. IGT also now has over 13,000 GameTouch™ 28 self-service vending units in the field, with new GUIs and attract

screens to draw in new players. A cashless option has been incorporated into all our lottery vending machines, enabling a wider variety of payment options. We were the first to use the NASPL standard API to enable in-lane sales in the U.S. And as the pandemic accelerates the acceptance of digital payments and contactless transactions, we're ready to support customers with more ways for consumers to play and engage through mobile and digital solutions.

Future Forward, Results Driven means that we're providing effective tools like these that operators can apply today and that also anticipate their future needs. It means we're continuing to build on our history of bringing innovations to market that drive the industry forward, and we are committed to enabling our customers with the latest technological innovations to drive growth.

In asserting this commitment, we're listening to our customers in terms of what is important for their retailers and players, learning from our operator experience, using a range of insights to make investments in R&D and other resources, and developing roadmaps that meet the evolving needs of our customers and their players.

What else is IGT doing to help customers emerge stronger from the pandemic?

M. Carney: We recognize that many jurisdictions will have challenges with state budget deficits due to shutdowns and other pandemic-related effects. In many cases the jurisdiction will look to the lottery as one of its biggest revenue producers and call on the lottery to present new ideas and new ways to generate revenue in support of economic recovery.

We are working with our customers to develop business plans to help generate economic recovery in these stressed times and help them advance with detailed product roadmaps to meet consumers' changing behavior patterns. Along with what we know from our own operator experience in regions around the world, we're also factoring in broader consumer trends and insights from our work with research firms such as Foresight Factory, a longtime partner.

Tell us more about IGT's approach to enabling an omnichannel experience – where the future is heading.

M. Carney: 'Connected Play' is how we refer to IGT's vision for the omnichannel journey that bridges the retail and digital space. Beyond a set of solutions, it's a way of thinking about how retail and digital are going to converge, what trends we and our research partners see coming into play, and creating the roadmaps and investments to make that evolution or convergence as smooth as possible. IGT is addressing these changes and trends ourselves in markets where we are the operator and



applying that experience in the solutions we create.

The front of the Connected Play wave is the convergence of digital and retail, and the digitization of the retail lottery journey: digital play slips, cashless payments and prize redemptions, and digital tickets. As a result, a data point is created for every player transaction, giving operators visibility of retail player behavior for the first time. This allows operators to understand individual player behaviors, needs, and preferences – and even harness the power of AI to build and optimize behavioral models to deliver optimal communications to players, pinpointed to the right time in their daily journey. Finally, the one-on-one relationship with retail players, enabled by the digital retail journey, provides a direct communication path through the app. This means operators have the opportunity to give players a truly connected lottery experience together with improved Responsible Gaming efforts, delivering greater player engagement and more seamless and helpful service to forge new and stronger relationships with players in the future.

Future Forward encompasses all of this – the larger goal for the industry and how we can help customers achieve those priorities and align with new consumer expectations.

What trends do you see as important in the near future as you look ahead?

M. Carney: Good question! This is something we're asked about frequently by customers, especially regarding changing consumer behavior. We have offered trend information and updates in the past, most recently related to the pandemic. The latest insights will be presented in IGT's forthcoming **Lottery Trend Report for 2021**, available at **IGT.com/FutureForward**. ■





Future Forward

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Learn more at [IGT.com/FutureForward](https://www.igt.com/FutureForward)



How has (or hasn't) the pandemic changed the future of recreational gaming?

Ian Hughes, Chief Commercial Officer, GLI (Gaming Laboratories International)



PGRI Introduction: 2021 is shaping up to be a landmark year for regulatory and policy changes impacting the gaming industry. States budgets are stretched, and funding for good causes is needed more than ever. State lottery operators have performed well in this time of crisis, fulfilling their obligations to generate funds to support good causes that serve society. Lotteries have the tools, the trusted brand, the highest standards for Responsible Gaming, the distribution network, and the operational infrastructure and expertise along with the real-world experience to be the operator of choice as policy-makers assess the different pathways to regulate games-of-chance. And consumers continue to want safety, convenience, and more ways to engage.

Since 1989, GLI has been the industry's trusted advisor in all forms of gaming technology, including iLottery, iGaming, and sports betting. GLI assists regulators, manufacturers, suppliers, and operators to successfully navigate the exciting world of land-based and online gaming and all its spaces – iGaming, sports betting, iLottery, Esports, proxy gaming, live dealer gaming, social gaming, casino gaming, and more.

Paul Jason: GLI has always expanded in a conservative way, ensuring that they are always best at whatever service they rendered for clients. How are GLI's capabilities being leveraged to help its clients prepare for a future that is not only uncertain, but rushing at us in warp-speed?

Ian Hughes: The GLI culture, engendered from the very beginning by co-founder and CEO James Maida, has always been about the science and delivering superlative service to our clients and excellence at everything we do. That is much more important than expansion and financial growth. To that end, we always want to make sure that the addition of new business units complements and augments, and does not distract from,

our current services and operations. GLI's original business focused on testing and ensuring that equipment and technology performed as intended, and as specifications claimed it does and as regulators and contracts require them to. Over the years, though, the range of technical and security issues surrounding the operation of electronic gaming machines and the IT platforms that support the whole gaming ecosystem have expanded. The need to integrate best-in-class solutions from multiple service and hardware suppliers increased the complexity of the challenge to future-proof the business.

Operators want to invest in the technology that will support their operations into the future, that ensure security and reliability and meet the needs of their customers. And

as prudent shepherds of limited resources, everyone wants to maximize ROI. They need to understand how the life-cycles of technology are evolving. Where will advancements come from; what areas of the IT infrastructure are less likely to be replaced by new inventions and technological innovation? Conversely, what areas are poised for change that will render the current technologies obsolete before their ROI time-lines have reached maturity? How do we manage the whole investment process to meet short-term needs and also be flexible to evolve with the times? These are the issues that preoccupy us at GLI.

There are no easy answers to these questions. GLI has built its business and its reputation on the foundational principle that it is about merging the needs of the real-world market-place with the science. We have from the beginning been immersed in the business of understanding in granular detail how the technology of games and gaming IT platforms work. Our clients asked us to leverage this special vantage to provide a comprehensive range of consultative support services and so that is what we have done. The core of our philosophy is that every service we provide be a core-competency. Each product, capability, and service is integrated into the GLI portfolio with the same attention to excellence as testing and forensic auditing was more than thirty years ago. We must all work together to preserve the integrity and security of this industry, and modernize its IT infrastructure for the next generation of players. The healthy long-term sustainability of the gaming industry depends on it.

How have the technical issues and the requests for guidance from changed over the last nine months?

I. Hughes: I don't know if anyone thought COVID19 would last as long as it has, and of course we are still dealing with it. The short-term need was for contactless transactions and guidelines and tools to enable players and operators to continue to interact in social environments. GLI was tasked with figuring out how to create the testing tools and systems that will keep players and staff safe while engaging in recreational gaming. The business of sanitizing everything on a regular basis would seem to be rather low-tech. Technical solutions, though, can help to flag the frequency of machine play or when a player leaves a specific game and the timing for when the equipment should be cleaned. Digital wallets, ePayments and other digital tools enable us to get away from the unsanitary currency of cash. Many of these trends were in place already. But what may have taken three or four years to reach mass-market acceptance is now getting there in three or four months. Fintech (Financial Technology) has burst onto the scene as a whole new sector poised for radical innovation and rapid penetration of the market for financial management and transactions. This rapid adoption of new technology and tools does create a pressing need for testing to ensure all systems are performing as desired and intended. GLI is investing heavily in the business of testing these new products and helping everyone understand how to integrate them into existing IT and gaming infrastructures. We are also helping regulators understand the implications of innovation in Fintech for anti-money-laundering and Responsible Gaming objectives. Further to that, GLI is assisting the community of commercial manufacturers and suppliers in their quest to develop the products and services that prevent fraud and criminality, and protect the players from harmful behaviours. We are advising gaming operators in the building of process and internal control

procedures that support the implementation of the new technology tools that address these next generation issues. And in addition to testing new products and solutions, GLI functions as an information hub to support the entire industry and accelerate development of technological solutions.

The industry was perplexed last March about how much should be invested in solutions that address what we hoped would be a short-term problem. Now, while we do not know how priorities might change when the concern over the pandemic is mitigated, we expect much of these changes to be seen for what they are – improvements and enhancements that will stay in place and contribute to the long-term sustainable growth of the gaming industry.

You point out that much of the technological solutions brought to bear over the last ten months were already in the pipeline and ready to launch. But wasn't there a bottle-neck when it came to the testing and vetting of these next gen' products and solutions?

I. Hughes: GLI works with manufacturers and regulators on an ongoing basis, typically in the development phase and definitely in the beta stages of readying a product for the market. It's true that the work-load has been more intense over the last year, but it's not as if we were starting from ground zero. iGaming, iLottery, sports betting, mobile-centric gaming and initiatives that appear to be new have been on the front-burner for years now. So while we did not predict anything like the COVID19, we were ready. Along with manufacturers and commercial technology providers, GLI responded quickly to deliver solutions that met the short-term needs caused by the pandemic. And many of those solutions are making us better as an industry.

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The willingness and ability of the consumer to experiment with other brands will make the cost of new player acquisition go down. But it will also make it more challenging than ever to retain repeat player-ship.



NAVIGATING THE FUTURE OF GAMING

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POWERBALL IN PRIMETIME

"Alright, let's pick a winner now!" With millions of viewers watching, Powerball® had another magic moment on network television to ring in the New Year. Shortly after the iconic Times Square Ball Drop, Ryan Seacrest and country music singer and Powerball correspondent Jessie James Decker announced Carlos Mabry of Washington, D.C. as the winner of the POWERBALL First Millionaire of the Year® drawing during the ABC broadcast of *Dick Clark's New Year's Rockin' Eve with Ryan Seacrest 2021*. For the second year, the national Powerball promotion has awarded \$1 million to a lucky lottery player on the top-rated New Year's Eve broadcast.

"Partnering with dick clark productions has given us the opportunity to showcase the Powerball brand, its support of lottery beneficiaries, and the thrill of winning on network television," said May Scheve Reardon, Powerball Product Group Chair and Missouri Lottery Executive Director. "This year, we were able to share Powerball's story with an even larger audience."

Despite Times Square celebrations being closed to the public, the 49th edition of *Dick Clark's New Year's Rockin' Eve* outperformed last year's show, with the first two hours growing viewership by 15% and the final primetime hour becoming the highest-rated entertainment telecast of the season in Adults 18-49, tying "The Masked Singer" Thanksgiving episode. According to Nielsen, more than 28.3 million viewers tuned in during the broadcast's peak quarter hour from

12:00-12:15 a.m., which included the POWERBALL First Millionaire of the Year® drawing.

"We are continuously looking for new ways to promote Powerball that makes the product more relevant to a younger demographic," said Gregg Edgar, Chair of the MUSL Marketing and Promotions Committee and Arizona Lottery Executive Director. "Through this promotion, we've been able to capitalize the star power

of Ryan Seacrest, Jessie James Decker, and the New Year's Rockin' Eve brand on television and social media to introduce Powerball to a whole new player base."

On a local level, the DC Lottery experienced major success promoting Mabry's journey as a finalist and \$1 million winner on social media, encouraging fans to follow, share and cheer on Mabry using the hashtag #DCforTeamCarlos on its social media platforms.

The hashtag quickly gained traction with mentions by news reporters, radio stations, and professional sports teams including the Washington Capitals and Washington Wizards.

"Ringin' in the New Year with a million-dollar-win was not only a windfall for the Mabry family, but it was also an exciting journey for the DC Lottery and our players as we spent the weeks leading up to the big drawing engaging with Carlos via traditional and social media on the prospects of becoming Powerball's First Millionaire of the Year," said Beth Bresnahan, Executive Director of the DC Lottery. "While Carlos was stunned when his number was drawn, I am fairly certain I heard a collective roar throughout the District cheering #DCforTeamCarlos!"

This year, 19 lotteries participated in the 2021 POWERBALL First Millionaire of the Year® promotion.

P O W E R BALL
FIRST MILLIONAIRE
OF THE YEAR®
LIVE ON
DICK CLARK'S
NEW YEAR'S
ROCKIN' EVE

Throughout 2020, lotteries held second-chance drawings and contests to determine a national pool of semi-finalists. Five finalists were randomly selected from that pool to move on to the New Year's drawing for the chance to win \$1 million. Like all things in 2020, this year's production and winner experience looked different than the inaugural event that flew more than 300 Powerball players and their guests to New York City for a VIP experience and New Year's Eve gala.

To protect the health and safety of the five finalists and their families, dick clark productions and the Multi-State Lottery Association opted for an alternative format. The VIP experience in New York City was replaced with a New Year's Eve at-home party prize package including a \$12,500 cash prize, deluxe surf-and-turf dinner for eight, 70-inch LED TV, karaoke system, \$500 gift certificate to Party City, and more. All five finalists were interviewed live on-air from their hometowns by Jessie James Decker leading up to the \$1 million drawing.

"There were so many powerful stories that came out of the interviews with the finalists from last year's promotion that producers decided to add a fifth Powerball segment to this year's broadcast," said Kevin Patrick Smith, Senior Vice President of Business Development and Partnerships, dick clark productions. "Ryan Seacrest was also able to join Jessie James Decker in the Powerball Studio for the life-changing moment."

Interviewing the finalists from their hometowns added



Ryan Seacrest and Jessie James Decker



Carlos Mabry & Family

several layers of complexity to the production. In addition to adhering to public health guidelines set forth by state and local officials, all five locations had to be audio and visually connected to programming in New York. Leading up to the broadcast, dick clark productions worked with all five finalists and their families to get them comfortable with appearing on network television.

Meanwhile, in New York City, a space in a high-rise building overlooking Times Square was converted into the Powerball Studio

for the \$1 million drawing. To oversee the drawing, MUSL's Director of Draws and Productions Sue Dooley departed for New York City on December 24. Dooley, like all production personnel, had to follow specified health and safety protocols in order to participate in the show.

In the end, after months of preparation, the POWERBALL First Millionaire of the Year® promotion culminated with 12 minutes of premier content on the top-rated entertainment telecast of the season. The Powerball

Product Group has already approved a third installment of the promotion, and talks have begun on how to expand the promotion to even more states, while delivering Powerball players another premier experience.

"We want to continue to build Powerball's brand on a global level," Edgar added. "At the same time, we're continuing to build enthusiasm about the game at the state level, and we will be working closely with our lottery partners in the months ahead to accomplish both." ■

Advancing Lottery with Retail Modernization

The year 2020 may have brought us the term “new normal,” but changes have been incubating for years when it comes to selling lottery at retail.



Consolidation in the c-store industry has continued after a brief pause last year. Several major chains have announced mergers and acquisitions in the past few months, and the most significant is 7-Eleven's purchase of Speedway. In August 2020, 7-Eleven announced that it will buy 3,900 Speedway stores in 35 states from Marathon Petroleum Corp. for \$21 billion. The purchase is “the biggest acquisition in the history of the U.S. c-store industry in terms of size and price tag for a purchase that doesn't also include a refinery,” according to *CSP Daily News*.

At the same time, c-stores keep modernizing their operations, product offerings and how they engage with customers. Research published by Bluecore in 2020 revealed that up to 39% of c-store brands in the U.S. and Europe are prioritizing how to improve customer experiences and deliver more value.

The major changes taking place among c-store chains are sending waves throughout the industry, including lottery. In the U.S., c-stores account for approximately 63% of all lottery sales, and in some states the figure is as high as 93%, according to data from *La Fleur's*.



Adapting to Change

As c-store chains consolidate and streamline their operations, retailers are continually forced to reevaluate how they position their products in stores and create easier checkout processes. All of these changes add pressure on product suppliers to conform to chain store strategy, including store design. That means in order to keep up with the altered retail landscape, the lottery industry needs to find new ways to adapt.

“These stores are looking for fast and frictionless product delivery. Lotteries must be prepared for these inevitable changes with modern solutions,” says Jeff Martineck, VP Global Instant Product Innovation & Development for Scientific Games. “It's all about consumer convenience, data-derived products and intelligent channel execution.”



Scientific Games developed its *SCiQ*® intelligent retail ecosystem to help lotteries and retailers modernize merchandising, selling, accounting and securing instant products. The company serves 150 lotteries and retailers in more than 50 countries around the world and is the leading innovator of lottery retail technology in the industry.

Putting Data in Motion

In contrast to most other products at retail, the lottery industry sells billions of products every year without unit-level tracking. Lotteries and retailers until now have received minimal data about player purchases, as well.

“If we were going to design the first automobile today, we wouldn't design it fueled by gasoline. In 2021, the obvious choice would be electricity. The only reason that's not the case is because it's always been done a certain way,” says Joe Fulton, Director of Product Management for Scientific Games. “If we were going to just now start selling instant games, of course we'd have unit-level tracking, and *SCiQ* is the only thing that offers this to the industry.”



A key to retail modernization is using data to make smarter product decisions. *SCiQ* delivers unique insights into the lottery market basket, such as who is buying games, what other games were bought, how many games were sold in a purchase, or if a game was bought with similar games at other price points. Having this kind of data enables retailers to manage the lottery product more effectively. Lotteries can fine-tune their product portfolios to maximize sales and make sure the right games go to the right stores at the right time. In addition, using *SCiQ* in combination with a loyalty app can

SCiQ Ecosystem Positions Lottery for the Future of Retail

tie purchases to specific players and give insights into what players like.

"All this information was nonexistent before SCiQ," Martineck said. "It's the intelligent evolution of lottery product retail execution."

Keeping Games in Stock

As retailers modernize, products have to earn their prominent placement on c-store counters. Making lottery valuable and economically viable for retailers is essential. Notably, preventing out-of-stocks can have a significant positive impact on sales—and ultimately, lottery profits.

A recent study by Scientific Games in Arizona demonstrates the negative impact of empty bins on sales at major lottery retailers. For the last year, a leading chain lottery retailer in Arizona had an out-of-stock percentage of 8.58% with estimated lost sales of about \$8.5 million. This translated into about \$74,000 in lost sales per store. Reducing the out-of-stock percentage by just 1% could generate \$1 million more sales for the c-store chain.

The real-time data provided by SCiQ helps prevent out-of-stocks so retailers can keep selling. Scientific Games reports that retailers and lotteries fully adopting the features of the SCiQ ecosystem can drive a 15 to 20% increase in instant game sales.

Securing the Product

In December 2019, a man jumped behind the counter of a metro Phoenix convenience store to try to steal lottery tickets. To his surprise, the store's SCiQ bin securely safeguarded the instant games, minimizing the lottery product loss to the retailer. Even if the thief had managed to remove tickets, SCiQ inventory management and ticket

tracking technology enables a lottery to void any stolen tickets within minutes.

Reducing shrink and theft is a top concern for c-stores, and unsecured tickets create a liability for retailers and lotteries. If they don't know where all their tickets are, they cannot know if they have been activated, sold, stolen, etc.

"Knowing the status of each ticket at a unit level allows retailers and lotteries to keep them secure," Fulton said.

Meeting Tomorrow's Needs

Legendary New York Yankees catcher Yogi Berra famously quipped, "The future ain't what it used to be." The adage is as true in lottery as it is in baseball. Trends in consumer behavior indicate how the industry needs to expand its technology and service to meet the expectations of tomorrow's players.

Scientific Games takes this approach to innovating new technologies with advanced capabilities to help retailers sell lottery. The company's technology solutions facilitate in-lane sales, as well as cashless payments and prizing. Incorporating mobile with SCiQ enhances players' shopping experience and streamlines the checkout process.

"With mobile, we are bringing the in-store experience into the pre-store online ecosystem," Martineck said.

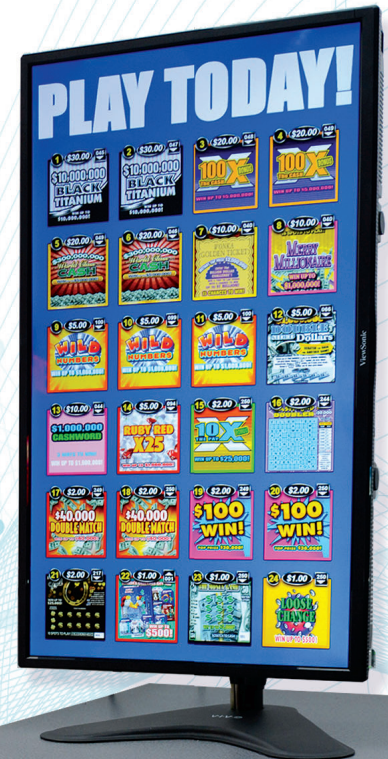
As retail continues to consolidate and modernize, lottery must innovate to keep



growing and delivering proceeds to good causes. The bottom line is that retailers won't keep instant games where they are if they continue to be sold like they are.

"We have to give retailers and lotteries ways to make products easier to sell and players to buy. SCiQ is a significant way for the industry to evolve as retail is changing," Martineck said.

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LOTTERIES, PREPARE: INNOVATION IS MOVING AT A RAPID PACE

The future is here — COVID-19 has shifted how we work, shop and consume entertainment



It's no longer a question of 'if' but rather a question of 'when', and it's no longer a question of 'either/or' but a question of 'and'.

**Liz Siver, General Manager of
NeoPollard Interactive**

Ferris Bueller probably had it right when he said, “Life moves pretty fast—if you don’t stop to look around once in a while, you could miss it.” The onset of coronavirus pandemic and global health crisis has caused a seismic shift in the way people go about their daily lives and routine activities. Tasks that used to occur in person are now increasingly done virtually, as people adhere to varying government safety orders and precautions.

“At NeoPollard Interactive (“NPI”), the pandemic has certainly accelerated the iLottery conversations we’re having with states and provinces in North America,” explained Liz Siver, General Manager of NPI, at the recent PGRI Lottery Expo: Transformed.

There are a variety of iLottery programs in market today, including full iLottery with e-Instants and draw-based games (DBGs), online subscription services (or “eSubscriptions”), DBG-only sales, and more. Ad-

ditionally, iLottery is referred to in a variety of ways within the industry, such as Online Gaming, Online Lottery, Interactive Gameplay, and iGaming. Regardless of the specific products offered online, or the terminology used, iLottery is here and it is the future.

“It’s no longer a question of ‘if’ but rather a question of ‘when’, and it’s no longer a

“The data clearly shows that they (retail and iLottery) continue to grow alongside each other; the evidence existed before the pandemic and has only been reinforced during it,” she says.

As partner to the industry’s most profitable iLottery programs, including Michigan, Virginia, New Hampshire, North Caro-

**IT IS CRITICAL THAT WE ALL
KEEP A DOOR OPEN TO THE
FUTURE, VERSUS BUILDING
A STRATEGY THAT IS SOLELY
FOCUSED ONLY ON TODAY.**

question of ‘either/or’ but a question of ‘and’ Siver says.

Thinking of classic duos through the ages, like peanut butter and jelly, Bert and Ernie, and Sonny and Cher, Siver suggested another timeless combination—Retail and iLottery. The COVID-19 pandemic has proven that retail lottery sales and iLottery can coexist and has brought that reality into the spotlight.

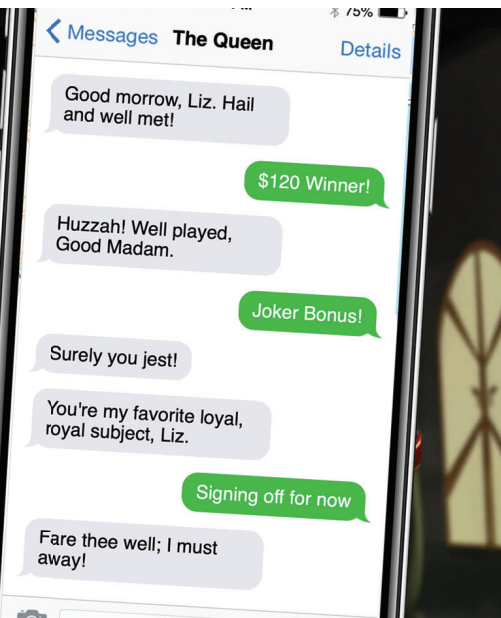
lina, and Alberta, NPI is well-versed in the implementation of omnichannel programs that have proven to successfully cross players between lottery channels. In addition to developing omnichannel programs that offer unified player experiences, another hallmark of NPI’s approach to iLottery is its commitment to providing cutting-edge, innovative, and entertaining gaming experiences to players across all demographics.

“We are delighted to say that nine out of 10 top-performing eInstant games are developed by our Game Studio. As your iLottery partner, we work hard to create a player experience which is equal to, or better than, an e-commerce experience on other online channels.”

“We take seriously our responsibility to help you, our iLottery partners, to drive revenue for the good causes you support in the face of the pandemic and changing government budgets,” said Siver. “We’re certainly hearing the necessity to drive revenue in our everyday conversations—it is critical that we all keep a door open to the future, versus building a strategy that is solely focused only on today.”

As technology evolves, players are expecting more from their iLottery experiences, which emphasizes how it is critical to understand the differences between driving a content strategy versus a product strategy. Taking cues from outside of the lottery industry, Siver draws parallels to large content providers and how their approach to personalization increases engagement with the services they offer.

Brands such as Netflix and Spotify personalize their users’ experience by suggesting relevant content that is likely to appeal to



a customer based on their behavior. This approach to personalization offers interesting prospects for iLottery and reiterates the need for lotteries to offer content that not only resonates with a variety of player preferences, but also ensures that the user experience is positive and engaging.

As Siver explained, “The e-commerce norms of today apply to the iLottery business. We need to keep simplifying the player experience by making it easier to register, to fund accounts, and to cash out.”

To enhance the user experience even further, Siver used an example of incorporating additional senses into the mechanics of a game. For example, Siver offered the concept where a player could engage with

a game by talking to characters, like the Queen of Diamonds, using voice recognition as part of the gameplay.

“Audio adds so much to the user experience. It can also add to accessibility for all players.”

In addition to bringing engaging entertainment experiences to players, NPi acutely understands the need for lotteries to have responsible gaming controls woven into their iLottery programs. Therefore, an iLottery content strategy and user experience must offer ease of use and player engagement without diminishing the focus on responsible gaming best practices.

In her concluding remarks, Siver spoke about future developments in iLottery, including the integration of artificial intelligence and augmented reality, and the importance of increasing the opportunities for multiplayer socialization in eInstant games to broaden the player base.

“Innovation in the iLottery sector is occurring regularly and the opportunities are increasing by the day,” Siver said. “NPi is excited to build upon our existing relationships, and to create new relationships to bring the best of iLottery to lotteries throughout North America.” ■



NeoPollard Interactive, based in Lansing, Michigan provides state and provincial lotteries with solutions that deliver the expertise, operational services and industry-leading technologies lotteries need in order to generate new revenue through the iLottery Channel.

RETAIL MODERNIZATION: A LOOK ACROSS THE LOTTERY INDUSTRY

Jim Acton, Lottery Industry Consultant, Acton Strategies

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ost of us enjoy year-end reviews. And lists are very big. What were the top songs? Top movies? Biggest sports stories? Clothing trends? 10 most creative uses for pumpkins?

Given what we all endured over the last ten months, pandemic-related lists dominated most reviews of the year (most major movie releases were postponed anyway). What TV shows

did we binge the most? Most popular take-out food? Go-to at-home activity?

CNBC recently published an article titled “6 ways the coronavirus pandemic has forever altered the retail landscape.” The list could have been compiled by anyone in the lottery industry.



TOUCH-FREE SHOPPING

CNBC writes: Before the pandemic, a big part of shopping was the hands-on experience: Eating samples at the grocery store. Spending an afternoon in the fitting room. Trying on lipstick at the beauty counter. Swiping a credit card on a long-desired purchase. Many retailers are now trying to stand out for the opposite reason: They are making it easier for consumers to avoid shared surfaces and limit interactions with employees or other customers. That's led to investment and expansion of contactless checkout approaches — particularly by grocery stores. As a way to provide a more touch-free experience, several grocers have expanded availability of smartphone apps customers can use to scan items and tally up orders.

ACCELERATION OF E-COMMERCE

CNBC writes: Customers shopped online before the pandemic, but a desire to limit trips to stores unleashed new demand and encouraged retailers to roll out new options. The result: new habits. Americans will continue to shop at stores, but they also may schedule curbside pickup or sign up for grocery delivery services.

In the U.S., over the course of 2020, almost 36% of online nonfood spending was supported by physical stores, according to research by GlobalData. This is up by 2.6 percentage points since the start of the year. This means that as opposed to ordering goods from sites like Amazon, consumers are realizing they can receive the same nonfood items from their local supermarkets and big box stores. This is a good trend for lotteries, which do not sell on Amazon and can only sell to players within their state's borders.

GlobalData also reported that about 68% of U.S. shoppers say they are going to use curbside pickup at stores more in the future and nearly 60% say they will collect more of their online purchases from inside stores. Consumers still want the ease, speed, and familiarity of shopping at their local store but with the added feature of safety.

This is not surprising to lotteries which have seen the amazing increase in scratch ticket sales, a real-life example of the need for instant gratification and the appeal that in-store retail shopping continues to hold for consumers.

Following are the insights of a few lottery industry leaders into how Retail Modernization trends are impacting the lottery industry.

PANDEMIC PUTS RETAIL CHANGES ON OVERDRIVE

"Luck is what happens when preparation meets opportunity"

Seneca, Roman Philosopher

Not many of us would have considered ourselves as "lucky" in 2020. The pandemic uprooted society and caused severe hardship and even worse for too many people. It also forced a major shift in plans for the lottery industry. But years of preparation provided vendors and lotteries alike the opportunity to focus on players and retailers and enact new initiatives, many of which were in the pipeline and ready for launch but scheduled for the future. The pandemic upended that timetable as this is no time to keep powerful new tools, products, and initiatives on the shelf waiting for some right time in the future to actually put to use. The pandemic freed us up to act with a more pressing sense of urgency commensurate with these challenging times.

Jeff Martineck, VP of Global Innovation at Scientific Games, points out that the changes that were needed for the lottery industry to succeed over the past 11 months had been in development in recent years and are now being adopted and deployed at hyper-speed. A two decades-plus veteran of the lottery industry who started his career at the Connecticut Lottery, Jeff leads Scientific Games' global innovation efforts and cross-company innovation teams. The company's focus is on innovation that modernizes the lottery experience to ensure its customers' growth.

"We've seen that convenience has become more important to consumers in choosing where they shop," Jeff said.

"This trend accelerated in 2020 and we expect it to continue. Where there is curbside pickup, where consumers can get everything in one quick stop, and where they might have touchless payment methods — these types of conveniences have grown in importance.



Jeff Martineck, V.P. Global Innovations, Scientific Games

"Technology has changed how players interact with lotteries. A trend for all retail including lottery is cashless payments, such as tap-and-go, where no money exchanges hands at retail and the player simply uses their mobile device to pay for their purchase. A significant advancement is the comprehensive digital wallet, where players can purchase lottery games seamlessly across all product lines in a mobile environment that also includes responsible gaming features. Some states allow all game entertainment products, while others may be limited. And an interesting impact of these payment methods is that higher price-point players are more likely to utilize this technology."

CATERING TO ALL PLAYERS

Attempts to modernize the lottery — such as iLottery and technology which bypasses the checkout counter — have typically faced some retail headwinds. Retail partners have been concerned that iLottery would siphon off players and in-store consumer spending, even though the data and evidence make clear that technology transformations benefited the brick-and-mortar retailer by introducing new consumer groups to lottery and bring new players and shoppers into their stores.

IGT's Paul Riley, Vice President Retail

Innovations & Partnerships, says that lotteries and their commercial partners are working together to provide support to both sides, to consumers who want easier access to play the lottery and to retailers who want to maximize in-store shopping, and letting the results chart the future course. “The industry has now seen the success of this approach, where there is iLottery and retail remains profitable,” said Paul. “The best-case scenario for a lottery is to make it easy for their players to play on multiple channels. And even where the lottery isn’t regulated to offer digital play, we want to make it easy for players to use all channels available, whether through a clerk at retail or a Lottery Vending Machine (LVMs) or playing on their smartphone in the store where that is an option.



Paul Riley, V.P. Retail Innovations and Partnerships, IGT

“The biggest advantage the industry had going into last year was the expanding knowledge base about players. Operators now have more data and insights into players’ likes, dislikes, and motivations,” he said. “Players clubs and second chance drawings have provided lotteries with further data on player preferences. Most lotteries have apps, and that allows them to get information to players quickly and efficiently. This movement toward the convergence of digital and retail – what IGT calls Connected Play – is a focus that many lotteries were already adopting but accelerated quickly throughout 2020 as the pandemic unlocked the resolve to meet the needs of customers, players, and retailers alike, in this difficult time.”

One thing that hasn’t changed is the players’ desire for convenience. Paul said that the pandemic has prompted IGT and its lottery customers to strategize on how best to get product into player hands while keeping everyone involved safe. “The past year hasn’t changed players’ desire for lottery products, as they appreciate the entertainment

value of our games as well as the winnings,” said Paul. “But the pandemic has certainly pushed hygiene and convenience to the top of the list of issues of where we devote resources. The demand for convenience and consumer options has driven the rise in multiple channels. iLottery, LVMs, in-lane, smartphone, as well as further adoption of convenience (and COVID-fighting) features such as cashless payment and digital play slips.

“We don’t need a crystal ball to see that the change in how lottery products are purchased at retail will continue to evolve beyond the formative trends established over the past year. What takes place in the next year and beyond will be determined by many factors, not the least of which is regulatory modernization. Some states will have to change state legislation to allow players more access to lottery (i.e., iLottery approval, more flexible cashless options, or increased self service). It also requires investment, collaboration, and the willingness to change and adapt. For instance, some states have begun to offer lottery in-lane, which provides another channel to drive incremental sales and engage with consumers in a more convenient manner. Let’s make it as easy as possible to get lottery products into players’ hands.”

INTERNATIONAL EXPERIENCE PAYS OFF DOMESTICALLY

While the retail transformation we witnessed in 2020 might have caught some observers by surprise, the lottery industry has been moving in this direction for years. At INTRALOT, their work in the United States is informed by many years of activity with its European customers. Concepts that many in the U.S. were just hearing about for the first time had actually been in place for many years in Europe and other international markets. So INTRALOT has had a head start on both knowledge of the trends and implementation of the technology.

“We weren’t caught by surprise by what took place in 2020 because service-driven customer experiences, like buy online, pickup in store and curbside pickup, have been happening for years,” said INTRALOT VP of Marketing Kim Williams. “The pandemic has shown us that we must be ready to transform in order to stay connected to consumers and continue to keep their business.



Kimberly Williams, V.P. Marketing, INTRALOT, Inc.

“For better or worse, lottery customers now expect service like they receive in other consumer-facing sectors. Amazon and Walmart continue to win the race to dominate the retail landscape because they are nimble enough to respond to ever-changing shopper needs and behaviors. For Walmart, people will continue to visit their retailer locations because people will still want to see, touch and feel the products. And this parallels the lottery industry. We must find ways to empower brick and mortar retailers because the in-store experience is not going away anytime soon.”

OLD METHODS INFORM NEW INITIATIVES

When your title is Vice President of Retail Growth, retail modernization hits close to the heart. Rick Droste spends his days at Pollard Banknote working on initiatives to help lotteries provide retailers with products for players, while also keeping an eye on the future. A mix of old school and new wave.



Rick Droste, V.P. Retail Growth, Pollard Banknote

“Pollard provides ‘entire store’ offerings to retailers – we print tickets, provide acrylic ticket dispensers, manufacture in-store POS,” said Rick. “At the same time, we offer iLottery platforms through our NeoPollard joint venture. Modernizing the at-retail player experience is critical and something

we take seriously. COVID has certainly moved health and safety to the top of the list of factors we must consider in our retailer outreach and efforts. How much contact must players have with clerks at retail? Can we add vending machines and ticket validators into the retail environment and ensure a positive impact on sales? These are the types of issues we are working on right now.”

NeoPollard Interactive, Pollard’s joint venture with NeoGames, supplies platforms and games to AGLC (Alberta Gaming Liquor & Cannabis), Michigan, New Hampshire, Virginia and North Carolina Lotteries. Even for those lotteries which do not offer iLottery, the player data and insights gleaned from iLottery jurisdictions provides valuable business intelligence that is being applied to all areas of the business.

As the former Deputy Commissioner of the Michigan Lottery, Rick has seen firsthand the positive impact that iLottery can have on the entire lottery organization, particularly in across-the-board modernizations. “Not all lotteries can offer the full iLottery program like that in Michigan,” said Rick. “But the lessons learned from iLottery can help everyone. Lottery apps must be as robust as those offered by major retailers with ticket info and players club options. So much is done on our mobile phones today and lottery can’t be the only consumer product marketing business that does not provide a robust mobile platform.

“At the same time, retail locations can also take a lesson from the online environment where in-person contact with a lottery representative is restricted,” said Rick. “Lighted and electronic monitors display clear ticket information to players before they approach the counter. Ticket validators provide immediate information without the need to approach a clerk. Vending machines offer products without a counter purchase. Finding ways for lotteries to sell instant tickets in new retailers and in-lane has become a priority for many lotteries. We know that, just like with iLottery, players will become more comfortable with non-traditional retail offerings.”

INNOVATION, INFORMATION TAKE CENTER STAGE

At Scientific Games, the entire organization collaborates to deliver quick and efficient

When the goal is to increase revenue, modernizing the retail experience – whether in the store or online – needs to be at the top of everyone’s “to do” list.

service and innovative products that lotteries need to maximize profits. Enter Jeff, whose group divides its work within the critical areas of the lottery industry – researching and developing the next trends in instant games, working with lotteries to support the draw game category, looking for opportunities to integrate digital, and modernizing the retail experience to ensure the industry’s sustainability. His group of industry veterans has never been busier than in the past year, and their efforts won’t slow down in 2021.

“Innovation has always been at the core of our work at Scientific Games, and that is increasing this year,” said Jeff. “Our innovation obviously extends beyond lotteries to retailers. While the big chains have adopted modern technology across their categories, we want to make sure all retailers have access to the most advanced lottery products and solutions.

“In the U.S., 72% of C-stores consist of chains with 50 or fewer locations. We believe that consolidation in the C-store industry will continue at a record pace, presenting challenges for lotteries to remain influential in how retailers display and support their products. Approaches like our SCiQ® retail ecosystem will provide the strategy to work with these changes across the widest range of retailer types.

“To us, it goes back to the convenience of buying lottery products. Make it seamless and friction-free for the player to get in and out of the store, whether they prefer draw, scratch or digital games. If a particular jurisdiction doesn’t allow credit card purchases, then we can work with the lottery on a digital wallet where they can place their order and then just pick-up their lottery purchases. We learned over the past year that down-the-road innovations need to take place now to protect and maximize lottery sales and profits.”

INTRALOT has used data for years to drive its efforts across the world. The trick has been to take vast amounts of data and make it usable by lotteries. Again, this is another service that has taken on even more importance for lotteries. “We believe there will be even more reliance on CRM systems over the next few years,” said Kim. “The data collected on players will allow retailers to drill down to customer behaviors and become more efficient. For both instant tickets and system-based games, retailers only have so much space and bandwidth. With efficient data, we can offer products that players are buying and eliminate those that are no longer working.”

As Kim and her colleagues at INTRALOT look to the next few years, they see various trends that are here to stay – retailer curbside pickup, home-delivery services, increase in e-wallet usage, email and programmatic marketing increases to service an increase in customized “shopping lists.”

Of course, some of the need to modernize at retail is also driven by finances – more specifically, enormous budget shortfalls facing many states. Two of the states hit hardest by the pandemic are searching for sources of revenue. New York Governor Andrew Cuomo recently stated his intention to regulate and tax sports betting as his state will have a \$15 billion shortfall this year. California’s shortfall is closer to \$50 billion. Michelle Carney, IGT’s Vice President Global Lottery Marketing, said these challenges can result in more support for lottery modernization efforts.

“In times of economic hardship, state governments look to the Lottery for new sources of revenue,” said Michelle. “This has historically been a good opportunity to promote awareness and acceptance of initiatives to modernize and accelerate growth, and to educate legislators on expansion opportunities – for example, self-service, Keno – and technological advancements such as cashless, mobile, and iLottery. These are the times that call out for change and can breathe new life into initiatives that previously did not have broad acceptance.”

When the goal is to increase revenue, modernizing the retail experience – whether in the store or online – needs to be at the top of everyone’s “to do” list. ■

Freeing ourselves from Legacy Technology and Transforming the Retail Experience

The lottery terminal that was the “saviour” of the fledgling lottery industry some decades ago is now an impediment to explosive growth. The fact is that the NASPL



retail modernization committee was inspired to action in 2015 because the biggest and most efficient retailers (like Costco, Wal Mart, CVS and many of the bigger regional retailers like Hy-Vee and Giant Eagle and many others) find lottery a difficult category because of the operational problems with having the lottery terminal required to function outside of their EPOS (Electronic POS). Many industry experts contributed to the NASPL API working committee, and Abacus embraced the opportunity to be a part of the team that would spearhead these efforts. Abacus was pleased to bring to the table the expertise it had acquired in Europe and in banking and hoped to apply to the lottery sector.

Abacus plans to go live “in-lane” in three to six states in 2021 with multiple retailers. And while initial efforts will be quick-pick Mega and Powerball tickets, this will just be the tip of the iceberg. As other draw games, instant, true digital instant, and even sports betting can soon follow where regulatory statutes allow. The idea behind the standard API was that new companies could develop exciting new games that State lotteries and individual retailers could test and experiment in a cost-efficient manner.

In three years, Abacus believes that at least twenty state lotteries will be well on their way to integrating into the EPOS of the top retailers in their respective States. This will allow lottery to be sold in self-serve lanes, via BOPIS, Scan-Go, and even touchless. We expect traditional instant to be sold in-lane either with SCiQ or on a ticket-by-ticket activation method.

We are at the beginning stage of retail transformation. Lotteries everywhere will begin to realize that we have to be wherever the customer is, not in the cage or constrained by the terminal. Customer satisfaction will lead to increased sales and much more money to the bottom line for good causes.

We are here to serve.

Visit us at www.lotteryeverywhere.com

Please contact Terry Presta, Head of Business N. America, t.presta@abacus-bv.com

Retail Modernization Begins with Effective In-Store Messaging

Maxwell Goldstein, Vice President Sales - Americas, Carmanah Signs, and **Nadene Beyerbach**, Marketing & Sales Support Manager, Carmanah Signs

In-store advertising is as critical as it has ever been. Consumers now want to spend less time in-store, reduce trips, and increase basket size in an attempt to reduce interactions. As a result, it is essential for lotteries to reach players effectively while they're in-store.



Carmanah's parent company, STRATACACHE, continues to roll out technologies that provide a frictionless customer experience, increase average check, and enable suggestive sell. For example, STRATACACHE's suggestive sell software is being used by McDonald's and Burger King to automatically suggest products to drive-through customers based on their orders. Walkbase, another STRATACACHE technology, is being used by retailers such as H-E-B to facilitate curbside pick-up, alerting the retailer when shoppers are approaching in order to prioritize order preparation and meet vehicles as they pull up.

On the hardware development side, STRATACACHE recently expanded its product line to include LINQ all-in-one intelligent tablets. Purpose built for reliability and scale in high volume retail environments, the tablets are integrated across all digital signage (including Digital Menu Board), interactive experience, and mobile commerce platforms in the STRATACACHE family. LINQ tablets address the need to personalize and automate digital solutions, such as pickup automation, next gen point of sale, product discovery, wayfinding, and assisted selling tools, to truly tailor digital engagement with consumers and retail employees.

Where does lottery fit into this new customer-driven demand for contactless shopping and increased convenience? Eliminating pain points at brick-and-mortar retailers has become increasingly important. The need for lotteries to modernize their retail presence is more relevant than ever, not just at the point of sale but throughout the store. Our lottery customers tell us that retailers are looking for lotteries to partner with them in new ways to help sell lottery products.

Carmanah has had great success partnering with lotteries and retailers around the world using many variations of Digital Menu Boards, which have been proven to increase sales and boost player engagement. Working with our lottery customers and vendor partners, Carmanah has also been rolling out smaller footprint digital signs embedded in retail fixturing (such as Countertop Display Units), as well as introducing newer technologies including Digital Shelf Edge Displays and outdoor digital solutions.

The expansion of in-lane lottery sales also remains important as players seek convenience and fewer points of contact. In order for in-lane to work, visibility at checkout is paramount. Studies have shown jackpot communication, via Wirelessly Updated Jackpot Signs or Digital Signage, to be a critical part of successful in-lane programs. Carmanah is working with all solution providers to expand lottery retail networks and generate more revenue at the point of sale.

To learn more about how Carmanah can help your lottery modernize its retail presence, engage players, and increase sales, please contact Maxwell Goldstein, Vice President North America Sales at mgoldstein@carmanahsigns.com, or visit carmanahsigns.com.

for every new game we introduced, but we kept the ball machines for the daily games. There was no reason to continue to use ball machines for the dailies, except for the concern that players might complain. So now, no more external auditors and no more ball machines. We considered whether to announce that these changes were being done as a result of COVID, leaving the option to return to the former process. But we decided not to go in that direction, because, while the pandemic certainly was the impetus for the change, the reality is that it was time for the change to be made. We received only a couple of complaints.

I think everyone has learned how to adapt and take advantage of the opportunity to change our methods, execute more decisively, and end up improving operations going forward.

The pandemic definitely has caused us to look at things differently. When we think something should change, we are much more likely to go for it now than before. We, as an organization, have learned how to adapt and take advantage of the opportunity to change our methods, execute more decisively, and end up improving operations going forward.

Like most lotteries, we did have a solid, detailed business continuity plan. Although we did not specifically anticipate a pandemic, our IT department had taken steps to ensure we were prepared to switch to telecommuting and videoconferencing. We did not anticipate prolonged telecommuting, but we quickly implemented a policy to cover it, and now, for the future post-pandemic workplace, HR is in the process of determining any roles that can be performed just as effectively at home, which roles can be performed with a divided schedule of home and office, and which roles require a full-time presence in the office. This plan is being readied for implementation and hopefully will be in place when we are in a position to allow staff back in our corporate office and in the field.

Our field staff has done such a fantastic job over the last year and is now re-thinking how they might further optimize their

talents and capabilities to enhance productivity. The basic idea is that whatever amount of time is invested in pre-planning the field work delivers a superlative ROI. The cost of time spent in the field has always been extremely high. Our field staff is working on ways to get more work done at home, to conduct more of the business on the phone and via e-mail and sales wizard so that the time spent with the retailer in the store is highly focused and delivering benefit to the retailer and the players. Retailers have adapted and worked with us to make this approach work to everyone's advantage.

Another high-priority initiative is Corporate Social Responsibility. Arch Gleason (former KLC President) was, and Chip Polston, our Sr. V.P. of Communications, is, a leader in the field of responsible gaming. RG continues to be a mission-critical value to the Kentucky Lottery. But we are expanding the purview of RG to include diversity, inclusion, and gender equality as core values that we are dedicated to advancing. This is particularly important to me, as the first woman to be president of our state lottery. We feel we need to be a part of the movement that is reinventing a more just society that embraces diversity and a culture of civility as the right pathway, not only because that's what is fair, but because it will make us a more effective and productive corporate enterprise. All our stakeholders, including millions of lottery players, expect nothing less than for us to genuinely walk-the-talk. It is more important than ever that the corporate culture reflect the values of the dedicated members of the Kentucky Lottery team. Moreover, research shows that an organization's public commitment to corporate social responsibility, being a good corporate citizen, does have an impact on consumers, especially younger consumers. They want to do business with an organization they can feel good about.

Sports betting is the other top-of-mind topic. Does Kentucky have a sports betting agenda?

M. Harville: The governor's office and legislature are considering the possibilities for regulating sports betting. But their plates are quite full right now so it is difficult to predict what will happen or when it may happen. When PASPA (the federal prohibition of sports betting) was overturned a couple years ago, the Lottery was asked to make a presentation to the committee of our legislature that vets proposed gaming legislation. We invited Scientific Games and IGT to demonstrate the electronic devices that process sports betting wagers for legislators to see how they worked. Our presentation also illustrated the different regulatory models that could be applied to the sports betting sector. It was basically an introduction to sports wagering. We discussed the possible venues for offering sports wagering, the pros and cons of restricting it to horse-race tracks or to opening it up to a broader range of locations, including appropriate lottery retailers and the internet.

We also communicated that the Kentucky Lottery is able and willing to perform in any capacity that is helpful to the Commonwealth of Kentucky. We are certainly capable of implementing a regulatory framework, administering a licensing process, and/or operating the games. The main idea is that the manner and methods in which sports betting should be regulated are political policy decisions made by the governor and the state legislature. We act strictly in the service to the state, support whatever model the elected representatives of the people determine serves the best interests of the people, and are pleased to assist in whatever ways our political stakeholders deem best.

I believe we've established a foundation of trust with the legislature, because we don't advocate for a particular course of action but instead, are available to objectively share our expertise in the gaming industry to help inform their decision-making process. We appreciate their willingness to ask us to be a part of the discussion.

You played a decisive role in the shepherding of all the regulatory changes, new games, and new channels of distribution that have taken place in Kentucky over the last sixteen years, and the last five years in particular.

Continued on page 48

that a Class B License cannot be issued within the 2-block zone of a Class A facility or in areas of the District where gaming licensed or operated by the OLG is prohibited (commonly referred to as the Federal enclave). A Class B License is valid for 5 years and the initial fee is \$100,000. There are several Class B applicants in varied stages of the licensing process.

“The pandemic has cut hugely into that commuter traffic and therefore a significant source of our revenue. Diversifying our portfolio of games and modernizing the ways we make those games available to the players has truly become mission-critical to the goal of growing revenues.”

In addition to license application fees associated with privately-operated sports wagering, the District collects a 10 percent tax on operators' monthly gross gaming revenue.

After much fanfare, which included a controversial contract award to our gaming system vendor to stand up a lottery-operated sports book, a court-ordered temporary restraining order to stop all work under the contract, and a pandemic that caused a global shutdown of nearly all sports, we launched the much-anticipated DC Lottery-operated sports betting platform, GambetDC, on May 28, 2020. Wagers on the mobile app and website can be placed in many areas of the city; however, no wagers can be accepted within the 2-blocks surrounding the four major arenas designated as Class A locations, as well as within the “Federal enclave” that includes the monumental and governmental core of the District, along much of the Potomac waterfront, or land abutting Rock Creek Park. There's a lot of intricate geofencing involved, to say the least. In addition to the digital component of GambetDC, we will file regulations and begin rolling out a network of retail sports betting locations in mid-2021.

So each statutory change literally requires an act of U.S. Congress?

B. Bresnahan: Once legislation of any kind is approved by the D.C. council and is signed off by the mayor, it is then sent to Congress for approval. So, it literally takes an act of Congress to make changes here. For instance, the complicated location-based restrictions that we are required to comply with are embedded into federal legislation and would require Congressional

action to strike down. The Appropriations Act that created the DC Lottery in 1982 stipulated that the Lottery cannot license or advertise its products within the area defined under the Shipstead-Luce Act of 1930. The Shipstead-Luce Act created the U.S. Commission of Fine Arts to protect the architectural integrity of the buildings in the monumental core of the District. The Lottery did not exist in 1930 and the internet did not exist when the restrictions were placed in 1982, but that congressional act is now interpreted as prohibiting online gaming transactions offered or licensed by the Lottery.

How would you geofence broadcast TV?

B. Bresnahan: That is not technically possible without refraining from all TV advertising but, we made every effort to ensure that any of our land-based out-of-home advertising does not cross over into the restricted areas. For instance, when we purchase advertising on the sides of busses, we refrain from placement on busses that have routes passing through these prohibited zones. We are not penalized if it happens because of detours or unforeseen events. But we do need to be very careful and mindful of all the location-based restrictions. We miss out on a tremendous amount of

sponsorship opportunities because so many events are held either within the National Mall or in that governmental core. In fact, the core business district of the District of Columbia falls within that Shipstead-Luce mapped area. That makes it difficult to grow our footprint and revenue as we can't do business where most of our commuters or visitors and the general public are conducting their everyday business.

It just does not seem like the Shipstead-Luce Act of 1930 or the Appropriations Act that created the DC Lottery in 1982 intended this level of regulatory fussiness over games and media channels that did not even exist then!

B. Bresnahan: Of course, many states must deal with the problem of obsolete statutes or regulatory restrictions that need to be modernized for a new world that includes the internet, smart-phones, and new game categories like sports betting. Every jurisdiction that offers mobile gaming has to comply with the Federal Wire Act and implement geofencing to prevent transactions from outside of their jurisdictional borders. The thing that makes our situation unique is that the boundaries wind around individual blocks within a very small geographical area, and our regulatory statutes must be addressed by the U.S. Congress which always has more than a few other issues on their plate, most of which are more pressing than issues like the location-based operational restrictions on the DC Lottery.

Are there incidents wherein the geofencing system fails to detect that a player is on the wrong side of the street?

B. Bresnahan: The system works quite well and does accomplish what it is tasked to do. The problem, though, is that the average consumer does not know, or care about, about the implications of the Shipstead-Luce Act on where you can play lottery games, right? The player may be walking down Pennsylvania Ave, does not realize they crossed into a restricted area even though they are still within the boundaries of the District, and does not understand why they are halted from wagering on GambetDC, the DC sports betting app. They just think our app is malfunctioning. We have been proactive with consistent messaging, but consumers do not always pay rapt attention to pop-ups and digital

Continued on next page



messaging that does not seem relevant to the specific activity they are interested in. So, some players mistakenly conclude that our iLottery app doesn't work so feel there is no reason to come back to our website until we get it fixed. Not the ideal user-experience.

But to your question: Yes, geofencing works quite well, almost flawlessly as far as we know. To be on the safe side, we apply a 200-plus meter buffer zone surrounding the jurisdictional borders. You can access your GambetDC account from anywhere and you can deposit funds from anywhere. When you then click on 'play' or 'bet', you are checked again for geolocation. If you fall outside of the District's boundaries, or you are within one of the restricted zones, the system shuts down access to wager, generates a pop message explaining the laws along with the map showing the restricted areas, and that you need to go to a place where betting is allowed within the District. There may be some regulatory tolerance for the boundaries of the restricted areas not being perfectly precise in every single instance. But there is zero tolerance for non-compliance with jurisdictional boundaries as those are proscribed by federal laws and require a fail-safe buffer zone.

We are rarely satisfied with the current status of anything, and are always working toward continuous improvement, adding to the foundational layers that have been built while taking on new projects that enhance the relevance of the DC Lottery.

It's great that your political constituents are authorizing the DC Lottery to expand into new game categories and channels of distribution.

B. Bresnahan: We are fortunate to have supportive leadership in the Chief Financial Officer and that the D.C. Council has recognized the need to modernize and diversify gaming options to grow transfer to the General Fund. is the OLG is now taking on the licensing and regulation of electronic games-of-skill, also known as the "gray machines". The legislation in D.C. largely mirrors the COAM (coin-operated-

amusement-games) legislation in Georgia, except that cash payouts up to \$600 will be allowed and the locations where they can be placed are very specific. Bars and restaurants licensed and endorsed by the District's Alcoholic Beverage Regulation Administration will be allowed to apply to offer these electronic skill-based games, but not convenience stores, liquor stores or other locations that traditionally sell lottery games.

So, in 2020 you were tasked with licensing operators for sports betting and electronic games as well as launching your own lottery-operated sports book and iLottery. Quite the action-packed agenda. Causes me to wonder if we should be careful what we wish for!

B. Bresnahan: We haven't slowed down in nearly three years. When I came onboard in 2018, I asked the staff to provide a SWOT analysis of sorts as to where the organization has been and where we wanted to go. The team wanted to be formidable players in this extremely competitive market, and recognized that in order to do so we needed to modernize our portfolio and take on as much as we could to maximize the potential of the

and Maryland and commute to the District for work. The pandemic has cut hugely into that commuter traffic and therefore a significant source of our revenue. Diversifying our portfolio of games and modernizing the ways we make those games available to the players has truly become mission-critical to the goal of growing revenues. So, we committed to doing whatever it takes to get there ... beginning video-conferencing calls at 7 a.m. or working into the night to finish draft regulations required the following day, or editing functional specifications to perfection and detailing launch plans for every component to flow smoothly. Then when it comes down to implementation, the devil is in the details. You need to think like a consumer, really put yourself in their shoes. I, along with members of the team, pour over the actual player experience to learn what it feels like to navigate our digital systems and player journey. We are constantly looking to refine and improve. We analyze in granular detail how our messages are being communicated to the players and retailers to ensure they are consumed as intended.

There have been many days, particularly this year, that we broke down thinking we had hit a wall in our progress or that may not have the bandwidth to do more, but that caused us to pause and reflect on all that we have accomplished, get motivated and more resourceful to take the next step. We are a small lottery with limited resources that must operate like the 'little engine that could'. The days have been extremely long, but DC Lottery staff can each take personal pride for being a part of the tight-knit team that makes it happen.

And it's not as if you can relegate sports betting to a status of being complete and finished so now you can move onto iLottery.

B. Bresnahan: This is not an iterative process, completing one task and moving onto the next. It is accretive – we are rarely satisfied with the current status of anything, and are always working toward continuous improvement, adding to the foundational layers that have been built while taking on new projects that enhance the relevance of the DC Lottery. There is always the need for change to meet and exceed consumer expectations, and the opportunity to improve with new and better process and technology. And in the end, we can look back on one of

DC Lottery and its contributions to the District. We are sandwiched between two extremely successful lotteries with Virginia and Maryland. This is also the third most successful North American casino market with six casinos in neighboring Maryland, including MGM National Harbor just five miles from our office. We are a very small jurisdiction with limited revenue-generating opportunities, so we need to be innovative and seize whatever opportunity we can. Combine that systemic challenge with the fact that our player-base is heavily comprised of commuters, people who live in Virginia

the most disrupted years of our lives, and we can be proud of all we have done together.

Your resume is interesting for its diversity – print and digital media strategist, head of marketing at one of the most successful lotteries in the world in Massachusetts, then director of the Mass Lottery, and now navigating a complicated political regulatory structure as you lead the DC Lottery.

B. Bresnahan: I was a journalism major who had aspirations of becoming a sports reporter. It didn't play out as I had hoped, and I went to work in a PR role for the state of Massachusetts.

I started at the Mass. Lottery in 2005 and was fortunate to learn from some of the best and brightest people in the industry. Industry legend Jimmy O'Brien (who had left the Mass. Lottery to work for Scientific Games) would often preach to us "do not let an administrative problem get in the way of a great marketing plan." It was there, and largely from Jimmy, where I learned that no matter what the challenges may be, there is always a way to make things work and was able to see how resourceful people can get things done in spite of obstacles. Whether it be an antiquated IT system, limited operating budgets, or inadequate advertising funds, if you think innovatively and creatively there will always be a way to get it done. Our system was at end of life and when duct tape and fishing wire wouldn't work to "MacGyver" terminals together, we had to search on eBay for parts that were obsolete, yet we still managed to generate \$5 billion in sales.

I count myself blessed to have learned these on-the-job lessons and apply them to the various roles I've served in throughout my career and certainly at the DC Lottery.

The management model of the Massachusetts Lottery is so different from the DC Lottery. Are there advantages to outsourcing much of the daily gaming operations and IT to commercial partners?

B. Bresnahan: In Massachusetts, we owned and ran our own gaming system. It took some getting used to working with a vendor and not having the bulk of the gaming operations or staff on site. For many years, the DC Lottery staff largely viewed its role to be contract administrators. There was an impulse to turn responsibility over to our vendors, our commercial

partners, to figure everything out and make it work. We do appreciate the support of our vendor and put no small amount of demands on them to produce creative solutions and execute on them. But we, the DC Lottery, are ultimately responsible for the outcome so we've taken a much more significant role in shaping our products and platforms for our specific market.

I am so proud and appreciative of the entire DC Lottery team for being flexible, resilient, and resourceful in putting forth quality offerings. They all embraced the opportunity to step out of their comfort zones, to get involved in unfamiliar areas of the business and be a part of the solution in ways they were not necessarily accustomed to.

Is there anything that you might comment that you would do differently or that surprised you about the sports betting implementation?

B. Bresnahan: That is hard to say what we would have done differently because the circumstances we faced during implementation and launch were so unique with the political and statutory structure, the geographic restrictions and then adding in a pandemic. We were standing up a licensing and compliance program for private operators while simultaneously working to structure the lottery-operated offering. Things were moving very quickly and there was a great deal of pressure to deliver, so I am certain that we have areas where we can improve on both the regulatory and operations side. We continue to observe both programs in action and will work to refine regulations and recommend statutory changes, where appropriate, to ensure the District of Columbia's sports books offer world-class entertainment options to bettors.

Did the challenge of the pandemic accelerate the implementation of sports betting and iLottery?

B. Bresnahan: The pandemic created challenges in the launch of sports betting. We initially planned to launch the digital platform, GambetDC, in March 2020 and roll it out at retail in Fall 2020. As we were preparing for a pre-launch demonstration of GambetDC, the NCAA canceled March Madness and MLB announced its season was suspended. In the days that followed, more leagues suspended play and it caused us to press pause on the launch until there

were more events to wager on. We went live on May 28, 2020. GambetDC at retail locations was moved to later in 2021 and we advanced the launch of iLottery, which was initially slated for 2021, to fill the gap.

Has the easy access and increased variety of game categories caused the modern consumer to be more willing to migrate to new and different games – lottery players trying casinos and sports betting and vice versa?

B. Bresnahan: There are so many viable entertainment options available, so the days when players stayed true to a gaming category and did not try new brands or experiment with new game types seem to be behind us. We saw, for instance, that during the pandemic instant scratch-off sales surged in states where casinos closed down. Some of that increase has dissipated with the casinos reopening, but lots of play across categories continues. Here in D.C., we have a limited number of residents (500,000 adults) and a reduced number of daily commuters, so we are using our players club, which up until May focused solely on promoting traditional lottery games, to as a way to introduce everyone to our new game categories and ways to play. We will also use our digital sales platforms, but we are first focused on standing up our channels to make sure the operational components are solid and our digital connection with the player-base is established before we start aggressively cross-promoting. And more consumer-facing cross-promoting is in our future. Portfolio management will take on a whole new dimension as lottery operators diversify into new categories of gaming and offer new channels of distribution.

The DC Lottery is not the biggest lottery in the country, but we are set on a very progressive path towards modernizing our portfolio of games and the way we make those games available to the consumer. As more and more states authorize their lotteries to transform operations to achieve their full potential, to manage games of chance in a responsible way that protects the players and serves society and maximize funds for good causes, and as we eventually emerge from this time of pandemic ... I think these opportunities represent the beginning of a golden era for everyone – for players and lottery stakeholders alike. ■



PULSE of the Industry

These news stories comprise a very small fraction of the gaming and lottery news stories posted every day to PublicGaming.com. Too, these stories are the highly edited short versions. You can visit our news website PublicGaming.com and access all of its departments for free, including search to read the full version of the articles. Sign up for our free e-newsletter by sending your e-mail address to sjason@publicgaming.com.

NORTH AMERICAN NEWS

Jobs in Lotteries: California, Connecticut, Georgia, Kentucky, Mississippi, North Carolina NCEL, South Carolina SCEL, Texas, Washington, DC Lottery

U.S. Court of Appeals for the First Circuit Rules in Favor of New Hampshire Lottery in Federal Wire Act Case

Former Director of Arkansas Lottery, former, NASPL President, and Lottery Industry Hall of Fame member Bishop Woosley joins the ABACUS Solutions North American team as a consultant



IGT Leads New Era in Cashless Gaming with Completion of Nevada Regulatory Approval



IGT Awarded Contract Extension from Iowa Lottery to Supply Innovative Instant Ticket Games and Services

IGT signs a seven-year contract extension with Supreme Ventures Limited ("SVL") to continue providing world-class lottery technology, content, and ongoing services and support in Jamaica

IGT signed a one-year contract extension with the District of Columbia's Office of Lottery and Gaming (DC Lottery) to provide instant ticket games and related services through December 1, 2021.

Kentucky awarded \$1.3 billion in internet gambling case against Pokerstars

Missouri Lottery Again Earns Highest Rating in State Audit



The Missouri Lottery voted Thursday to ban retailers from selling more than \$10,000 worth of tickets to one person in a 24-hour period

Scientific Games extends its existing seven-year instant games and hybrid lottery games contracts with Loto-Québec through January 31, 2022



iLottery is Here! DC Lottery Launches New Online Sales Platform



DC Lottery is the 24th NASPL and/or WLA-member to go live with IWG's award-winning digital e-Instant games and the seventh lottery in the US to do so.

New Hampshire Lottery Goes Live with IWG's Progressive Jackpot-enabled e-Instant Games



Pollard Banknote together with NeoGames signs a four-year iLottery contract extension with the Michigan Lottery



Pollard Banknote Bolsters its Roster of Licensed Games with the Addition of Atari®

The Nebraska Lottery launches Pollard Banknote's Arcade Classics Super Ticket – the first-ever game featuring Tetris®, GALAGA™, and PAC-MAN® in a Big Ticket format.

Washington's Lottery has opened a retail store in NorthTown Mall to sell tickets and also serve as the agency's new regional office.

Just after midnight on New Years Eve, Dick Clark Productions and POWERBALL® announced Carlos Mabry from Washington, D.C., as the winner of the POWERBALL First Millionaire of the Year drawing during ABC's live broadcast of "Dick Clark's New Year's Rockin' Eve with Ryan Seacrest 2021."

See article on page 32! For more information on the "POWERBALL First Millionaire of the Year" promotion, visit www.powerballrockineve.com.

Atlantic Lottery Corporation 500-percent surge in Online Gaming Results

Iowa Lottery sales continue ahead of projections

Michigan Legislature Approves Interstate Online Poker

Bill awaits governor's signature

New York State Gaming Commission approves Jackpot for concierge service lottery

Inspired Entertainment, Inc. signs a new long-term agreement with Entain plc to provide its Virtual Sports products across Entain's online brands and retail venues.

Apollo Global Management Inc. acquires Great Canadian Gaming Corp for US\$1.9 billion

SPORTS BETTING IN THE U.S.

Online Sports Betting, iGaming Officially Live In Michigan

Georgia lawmakers filed a bill Thursday that would allow online sports gambling in the state

Kentucky State Rep Introduces Bill to Regulate Sports Betting, Online Poker

Disney Does 180 on Sports Betting, Sees it as Crucial Driver for ESPN Streaming Service

With three pre-filed bills on tap, Missouri likely to OK sports betting in 2021

FanDuel Group launches global sportsbook platform powered by Scientific Games' OpenSports™ technology in West Virginia

NY considers sports betting as tax revenue from casinos tumbles by \$600M amid pandemic

Tennessee sports gambling continues record-setting streak with \$180.9M in December bets

With Florida tribal deal stalled, senator offers sports betting bill

Colorado Launches Online Sports Betting & Is Poised For Success In 2021

Retail casino gaming revenue down in Pennsylvania, but iGaming and sports betting soars

New sports betting app debuts in DC

See page 14 for interview with the Beth Bresnahan, Executive Director of the DC Office of Lottery and Gaming.

Will Esports Betting Carry Momentum From 2020 Into 2021?

Table tennis outpaced baseball and hockey in wagering on Oregon Lottery's Scoreboard app in 2020

Puerto Rico Senate Bill paves the way for sports betting and esports law

Churchill Downs moves towards single-brand-strategy with rebrand of BetAmerica Sportsbook and iGaming Platform to TwinSpires

Higher prize payout rates introduced over the summer of 2020 helped Taiwan Sports Lottery recoup losses from earlier in the year

New Hampshire lottery says first year of sports betting profitable, online gaming popular

888 Holdings to expand online sports betting into Iowa in 2021

Lotteries Playing Key Role In State-By-State Sports Betting Rollout

WORLD NEWS

The European Lotteries, the European Casino Association and the World Tote Association join forces to fight illegal online gambling

As part of European Commission's ambitious mission to make Europe 'fit for the digital age' the new Digital Services Act has added real impetus to tackling illegal online content through its notice-and-action mechanism. The European Lotteries, the European Casino Association, and the World Tote Association are joining forces now to harness this momentum. There has never been a better time to strengthen the fight against illegal online gambling, which leaves European consumers vulnerable and constitutes a real problem in the fight against money laundering.

Visit www.european-lotteries.org to view the Open Letter from the Alliance Against Illegal Gambling.

IGT (International Game Technology PLC) Announces Agreement To Sell Italian B2C Gaming Business For €950 Million In Cash

"The transaction enables IGT to monetize its leadership positions in the Italian B2C gaming machine, sports betting, and digital spaces at an attractive multiple to comparable Italian transactions, providing us with enhanced financial flexibility," said Marco Sala, CEO of IGT. "Aligning with our recent reorganization, the favorable rebalancing of our business and geographic mix reframes and simplifies our priorities while improving the Company's future profit margin, cash flow generation, and debt profile."

The transaction values the businesses being sold at an enterprise value of approximately €1.1 billion. The businesses being sold generated about €207 million in aggregated adjusted EBITDA1 in 2019, placing the transaction in the upper band of valuation ranges achieved by the most recent Italian benchmarks. IGT expects that the transaction will close in the first half of 2021.

OPAP S.A. announces the Company's Board of Directors.

Kamil Ziegler, Executive Chairman of the BoD of OPAP, Executive Member Jan Karas, CEO, Executive Member

M. Harville: The velocity of change certainly accelerated in recent years. Prior to then, innovation was focused on updating existing draw games or producing a new draw game every now and then, creating new instant scratch-off games, and getting more inventive in the advertising and promotion space. This steady-as-you-go approach has been upended by the explosion of gaming options that compete with lottery, by the internet which delivers easy access to those gaming options, by digitization of the in-store shopping experience, inventory management and the business of supporting our retail partners, and just by the application of technology to enhance all aspects of both back-office and customer-facing operations. Much of what was not viable a few years ago is now mandated by players who have higher and higher expectations in the world of evolving technology. Ensuring that modernization stayed aligned with our political stakeholders as well as compliant with all regulatory statutes became a mission-critical component of strategic planning.

The catalyst that started everything for us and for many lotteries, as far as the Internet is concerned, was the Department of Justice ruling that clarified the meaning of the Wire Act to apply to sports betting and not to lottery. That 2012 ruling basically opened the doors for lotteries to make their games available online and within their own borders, so long as legal within the state. Regulatory policy in the games-of-chance industry is decided at the state level, and fortunately, the statute governing the sales of lottery in Kentucky is broad enough to be interpreted to include the internet as a sales channel. We immediately began laying the groundwork to be able to offer internet sales.

Things started to take off in 2013 when we implemented Keno as a precursor to developing a full-blown internet strategy. Sequencing the implementation of new initiatives in this way worked very well for us. With the success of Keno locked in, we turned our attention right back to the internet and soft-launched iLottery in 2016. Like most lotteries, we did meet with some resistance from various interest groups. But we worked diligently to be transparent and address their concerns. We internalized their input and I feel we ended up with a more thoughtful and balanced

approach for enabling a diverse set of voices to guide our iLottery strategy and action-plan.

Did the process of interacting with your legislative constituents for Keno create a foundation of relationships that contributed to your ability to manage the political environment and retain support, or at least defuse opposition, for iLottery?

M. Harville: Yes, I would have to say it did. Interfacing with legislators, retailers, and others for the process of launching Keno did establish a pattern of communication and trust that I think translated well when we came back around with our proposed introduction of internet lottery sales. We educated our stakeholders as to exactly how we would conduct internet sales, with geo-location, deposit limits, and other protections for the consumer. Our stakeholders were and are very aware of our commitment to responsible gaming, to transparency in communications, and to doing everything the way we said we would.

How does your background in law prepare you for leading a state lottery?

M. Harville: Over 32 years practicing law, and especially the past 16 years as the KLC's Sr. V.P. and General Counsel, have served me well and made the transition to President & CEO and very natural one. My years spent in private practice, engaged in business litigation and representing a number of state agencies, provided a solid background in addressing legal and business matters, from contracts to regulatory compliance and employment matters. Being general counsel for the lottery took it to a new and different level. An effective general counsel in the lottery industry (and there are a number of excellent lottery lawyers across the U.S.) not only knows the business and mission, inside and out, but must be strategic, be able to build consensus, and identify the pathways forward that effectively balance a wide variety of sometimes conflicting objectives.

A lottery is unlike any other market-driven consumer-focused business in the world because it has no singular mission to maximize shareholder value. Its mission includes maximizing funds generated for the benefit of good causes – in the Commonwealth of Kentucky, the Lottery funds college scholarship and grant programs.

But our mission also includes service to all the people of Kentucky and the diversity of leaders who represent their interests. Our statutory duty requires the maximization of revenues, but also that we ensure the welfare of our players. Our mission necessarily must include compliance with regulatory constraints which are constantly evolving. And we must also be sensitive to the spirit as well as the letter of the law and stay aligned with our political constituents who sometimes have conflicting agendas. A vital skill set for leadership in this business is strategic thinking to address and manage this broad range of expectations and obligations, and to forge a cohesive approach towards fulfillment of a complex set of goals.

You have always, not just upon your appointment to CEO but from the very beginning sixteen years ago, embraced the opportunity to engage in the broader issue of how to optimize performance, how to integrate the legal, regulatory, and political dimension into the corporate mission.

M. Harville: Operations, marketing, sales management, advertising are all fascinating areas. While I do have an affinity for the discipline of the law, when I joined the Kentucky Lottery sixteen years ago, not just as general counsel but as senior vice president and member of the executive management team, I was immediately intrigued by the bigger-picture strategic challenge of integrating all perspectives into a thoughtful action-plan. It went far beyond legal analysis and advising, and required sorting out the best overall strategies and action-plans to maximize potential, minimize risk, and deliver the best results for the people of Kentucky.

I consider myself very fortunate and blessed to be able to learn from and collaborate with some of the most innovative and effective strategists in the industry, and these are the members of the experienced and talented team at the Kentucky Lottery. I want to thank our entire team for their laser-sharp focus on our mission, even during the unprecedented circumstances of a pandemic, and for being fine people and wonderful friends as well. I am so proud to be a part of our team and very excited for the great things that we will accomplish together over the coming months and years. ■

One aspect of this picture is that modern technology is agile technology which is provisioned with the functionality to be compatible with industry-wide standards. Much of the existing infrastructure, and the products and component parts of that infrastructure, continues to deliver the functionality required by the modern player and market-place. The challenge is to integrate new technology, new products, new technological solutions, into a system that is based on legacy platforms and technology. GLI's more recent focus is not so much on the individual technology pieces as on how those pieces fit together to produce a fully integrated operational platform and a seamless, friction-free player experience.

For instance, player identification is a key component to Loyalty Programs and Players Clubs. The technological tools and standards that ensure security and integrity for Loyalty Programs are not the same as those required for cashless transactions that involve not just loyalty reward points but actual funds. New technological tools needed to be integrated into the existing player-account systems to enhance player identification and transaction security. That is no small task that required the collaboration of operator and multiple manufacturers and technology providers along with the assistance of GLI. We harvested testing best-practices and methods from other industries, including cross-pollination from multiple sectors of the games-of-chance industry; and we facilitated the regulators' inspections which had always been done in the field and were now being conducted in video-conferenced sessions. At the same time, we are all stretching to make the process of player identification more automated. Reducing the number of steps and increasing the portability of data across multiple devices and even platforms, creates an easier, faster, and more convenient player experience.

Every operator has its own unique way of integrating its technology partners into its enterprise-wide IT management system. So, operators all have different pathways to meet the functionality standards required by regulators. There is no universal system of internal controls and methods to audit the process. GLI assists operators in applying the most efficient and effective way to meet the new regulatory requirements.

Since we do not have a crystal ball to predict

the future, we are always doing everything we can to prepare ourselves and our clients for whatever may come. It is our business to understand not only where the recreational gaming industry is heading, but where the entertainment and all consumer-facing industries are going, and the way technology is evolving to enable progress wherever that may be. How exactly will the explosion of streaming services be applied to the gaming industry? What will be the technological and security inflexion points? A few years ago, manufacturers were moving away from creating all their own gaming machines and instead using third party game engine developers who in turn were innovating with new concepts like subscription games. How does that work and what will the regulatory issues be like? Manufacturers and regulators also bring ideas and trends to our attention so we can get a jump on the whole process of researching, testing, identifying the issues, and engaging in the multiple iterations involved needed to launch a product into the market.

There used to be a handful of recreational gaming options – mainly lottery and casinos. Now there are new games and channels of distribution and devices that deliver access to new game categories popping up every day.

Is there a trade-off between the number of steps and the length of time of it takes for the player to register and the level of security that you're able to preserve?

I. Hughes: It is well-known that every extra step to the registration process can lose 30% or more of your new registrations. They simply won't take the time to go the extra step and just leave the website. That is why Amazon's one-click ordering and attention to making the consumer experience as easy as possible is so essential to its success as an online vendor. Additional steps do enable an increase in security. But that does not mean that fewer steps are necessarily less secure. Operators and technology providers are working together to enable personal information like drivers' license numbers

and such to be easily ported over from personal identification tokens or digital wallets. Of course, there are strict rules like the BSA (Bank Secrecy Act) that protect the confidentiality of personal information.

So it is not a matter of giving up a measure of security in order to enable more efficiency. Instead, it is a matter of finding technological solutions that allow you to preserve the highest level of security while also making it more efficient and easy for the user experience. Amazon and others may lead the way and then it is up to us to transfer the technological and process solutions and apply additional standards appropriate for the games-of-chance industry.

What are some other issues that GLI and operators that are new to iLottery will be facing over the coming months?

I. Hughes: I think we are starting to see an expansion in the number of game content and service and platform providers supporting the iLottery industry. More companies that occupy space in the supply

chain between the lottery operator and the customer means more complexity, and a widening diversity of integration and security issues that in turn create more regulatory compliance issues. There are state laws, there are federal laws, and there are the higher standards that state lottery operators want abide because they know it is important to preserve the reputation for integrity and security. GLI can help to navigate this hierarchy of priorities, integrate the multiple pieces that ensure security and integrity, and advise on how to install the technological infrastructure that delivers an efficient and effective solution.

What inflection points should operators and manufacturers be thinking about going forward?

Continued on next page

I. Hughes: Most of the basic cornerstones to success in this industry are not changing. For instance, the determination of who operates the games and how they are regulated has always had a critical bearing on the success of the operator's business model. In the realm of things we can't necessarily control but need to understand are regulatory issues that can make or break huge swaths of the gaming market-place for the operator. GLI's core competency has always been to assist regulators and manufacturers in their efforts to ensure compliance and deliver a gaming experience aligned with public policy objectives as defined by legislative and regulatory statutes. To that end, we make it our business to understand the legislative process, the values and priorities of shapers of public policy, and the ways those are being translated into new laws that define our industry.

Security and integrity have always been mission-critical. Without that, you have no players. The new inflexion point in this

space is that digital connectivity creates additional layers of vulnerability and the methods of cyber-crime are constantly changing. That makes preservation of security and integrity a dynamic and never-ending initiative.

Fundamental to success has always been and continues to be to create the best player experience. Content is king but the new inflexion point that operators are thinking about is how the overall player experience functions as an ecosystem that includes more than the game itself. The whole experience from when you first enter the ecosystem, maybe by seeing an ad somewhere or a link on social media, to logging on and accessing the games to checking your account, to the responsible gaming and marcomm' messages you receive ... if everything is fun, easy, convenient, intuitive, then you will want to come back and play again. And that brings us to another forward-leaning challenge: brand loyalty is much more fleeting than ever. Even when the consumer loves your

brand and your games, they are still going to try other brands. The willingness and ability of the consumer to experiment with other brands will make the cost of new player acquisition go down. But it will also make it more challenging than ever to retain repeat player-ship.

Amplifying that challenge will be the further fragmentation of the recreational gaming market. There used to be a handful of network TV stations. Now there are hundreds of channels the average consumer can tune into. Likewise, there used to be a handful of recreational gaming options – mainly lottery and casinos. Now there are new games and channels of distribution and devices that deliver access to new game categories popping up every day. The key success-driver going forward will be continuous ongoing improvement to retain player-ship. Delivering the best games within the most positive overall player experience will be more mission-critical than ever. ■

Charles McIntyre continued from page 18

“We hadn't pushed for gaming expansion, we stayed in our lane and did the job. So when the prospect of regulating Keno and iLottery came about, the Legislature, through all their deliberations, never opposed it on competency grounds.”

taken in as a result. No longer do we just run ads and hope. Now there is monthly analysis and review to ensure our tactics stay aligned with our goals. Evolving from our naiveté, we now have a fully built-out digital lottery group, staffed by people steeped in the digital experience, led by a tech guru with an MBA who has forgotten more about digital commerce than I will ever know. But the adoption of internet requires us to think in more analytical way than we had previously.

WAY MORE FIRE

We were approached during the 2019/2020 Legislative session to draft a sports betting bill... under the Lottery's auspices. So we wrote the bill, and included everything you possibly can in a sports betting bill, assuming that they would remove certain

provisions, add new ones, and alter others. We also thought that various special interests would weigh in on certain aspects, perhaps object to terms and conditions that we deemed relevant, and that would have a significant impact. Much to our surprise and abject terror, the Legislature approved the bill almost untouched. Really wasn't expecting that. Throughout the process, pundits kept suggesting that outside forces were driving the enactment of the bill and its language. “Company X must have done this?” “Had to be Y company?” Truth was much simpler – our Chief Compliance Officer John Conforti sat in his office, studied the various bills from around the US, and wrote what he thought was the best piece of law. I may have made a few changes, and we submitted it, just the two of us.

The law had assumed it would take a year

to realize revenues. The Governor wanted it earlier – much earlier. He really wanted to be able to take the first bet on the Super Bowl, on the new platform. He was able to place the first bet much ahead of our schedule, and ahead of the NFL Playoffs. We executed a contract with DraftKings on November 25th and launched mobile and internet December 30th, more than six months earlier than predicted. I'm not certain if it was the fastest contract execution to launch, but it sure felt like it. Governor Sununu placed the first bet, live on television and the program has been tremendously successful, building out both a first class mobile/internet experience and two top-notch retail facilities that are entertainment destinations.

THE VIEW BACK

I love to tell the folks I work with to stand back and look at the mountain we climbed; from the oldest lottery in the US that in many ways acted like it, to a fully digital lottery that now offers a range of experiences, both physical and virtual. We still do everything we did twenty years ago. We just try to keep up to date with advances that happened twenty minutes ago. Like what Mr. Darwin didn't say, adaptation has been key to our evolution. ■

PGRI Live! eConference Schedule has Changed

Live Online

PGRI's digital platform is where the audience of thousands of industry professionals convene to forge new pathways that enable us to stay connected, share ideas and best-practices, and preserve our feeling of community. Let's take this opportunity to transform for a new age, a digital era rich with tools for collaboration, communication, and interaction. This is a time for aspirational goals to inspire us to stretch the boundaries for what can be accomplished, invent entirely new ways to change the world, and embark on a journey fueled by vision-driven momentum to meet the future head-on ... with gusto, confidence, and actionable strategies.

Join us for PGRI Live!

Join us for PGRI Live! Four events, each being 5 hours in total length, and scheduled for

1:00 pm to 3:30 pm. EST over two days:

April 12 & 13:

Retail Modernization, Traditional Lottery played at Retail consolidates its position as the game of the people, and the growth-leader of the games-of-chance industry

May 19 & 20: Digital

Lottery 2021, The digital connection transforms the gaming landscape

June 16 & 17: WILL

(Women in Lottery Leadership), Diversity and Inclusion and Mentorship drive increased productivity, performance, and results

August 18 & 19:

Sports Betting and Lottery, a Special Friendship, A Journey into the Omni-Gaming Environment of the Future



Follow **PublicGaming.org** (our conference website) or **PublicGaming.com** (PGRI home-page and news website) for virtual conference and webinar updates, and to track the production process as we work together to create a new kind of experience, digitally transformed to not just enable but enrich and enhance the joy of working and striving together. Visit **PGRItalks.com** to view video-recordings of Post-COVID19 Lottery: the Movie which premiered on October 25.

Give Your Players a Chance at Everlasting Fun

Contact your Sales Rep for more information.

