PGRI LOTTERY EXPO & POST-COVID19 LOTTERY: THE MOVIE
EXECUTIVE SUMMARY OF THE ILOTTERY ROUNDTABLE

ILOTTERY ROUNDTABLE LEADER:

Gretchen Corbin, President and Chief Executive Officer, Georgia Lottery Corporation

PANELISTS:

Richard Bateson, Chief Commercial Officer, JUMBO Interactive

Kevin Hall, Executive Director, Virginia Lottery

Doug Pollard, Co-Chief Executive Officer, Pollard Banknote and Co-CEO of NeoPollard Interactive

Stephanie Weyant, Deputy Executive Director, Marketing & Product Development, Pennsylvania Lottery

Andrea Williams, Senior Marketing Manager - PlayLottery, IGT

What are the key drivers for success in the world of online lottery? The path towards adoption of online lottery sales has been slow-going since the Illinois and Georgia lotteries launched in 2012. Thankfully, it appears that we may be nearing the proverbial tipping point. With the expansion of all games-of-chance categories over the last ten years, and now with the explosion of sports-betting into the U.S. market, maybe it is time for state governing authorities to allow their own state lotteries to make the products available online. The Georgia Lottery has been building out its iLottery program for the last eight years with CEO Gretchen Corbin leading the way for the last three years. New Hampshire, Pennsylvania, Rhode Island and Virginia are some more recent entries into the iLottery space. iLottery will hopefully be implemented by more and more U.S. lotteries over the coming months.

When Virginia Lottery Executive Director Kevin Hall's year started, he had the typical "to do" items on his list:

- Continue to provide a strong product line-up for players

- Support retailers with cutting-edge technology and sales tools

- Grow returns for Virginia's Department of Education

2020 would prove to be the turning point for the Virginia Lottery. The House and Senate passed legislation allowing for iLottery in February and the Governor signed the bill three weeks later. After an all-out sprint, the iLottery site launched on July 1. All this in the middle of a pandemic with lottery employees working from home.

A three-year lottery veteran, Kevin recounted his 2020 iLottery experiences as part of the iLottery panel at the PGRI Lottery Expo. He was in good company, as some of the industry leaders on iLottery joined him to provide an in-the-trenches overview of the path to iLottery and what can be expected post-launch. The industry expectation is that with lotteries still dealing with COVID19-related sales issues, more states will explore iLottery platforms as pathways to increase sales.

As an update, there are now eight lotteries featuring iLottery platforms:

- Illinois (Launched 2012)

- Georgia (2012)
- Michigan (2014)
- Kentucky (legalized 2013, launched 2016)
- New Hampshire (2018)
- Pennsylvania (2018)
- Rhode Island (legalized 2019, launched 2020)
- Virginia (2020)

For lotteries considering going the iLottery route, or which are helping their state's government explore the possibilities, the insights from the experts on this panel of iLottery veterans are most enlightening. They each shared their experiences and tips for those wanting to learn more about iLottery, putting together plans to present to

legislatures or to start the iLottery process, or already moving towards launch. Let's start with those on the frontlines with lotteries and then move to the commercial partners that create and support the platforms.

STATE LOTTERY OPERATORS

With product, marketing, research and iLottery under her purview at the Pennsylvania Lottery, Stephanie Weyant undertakes a fair amount of multi-tasking each day. But with traditional sales channels taking a hit during the initial COVID19 restrictions, the spotlight was firmly on the lottery's iLottery platform, which initially launched in 2018.

"We felt very fortunate to have iLottery during the height of the COVID19 pandemic. Having our Draw Games online gave players an alternative during stay-at-home orders," she said. "It didn't entirely close the gap for the loss of traditional sales, but it helped. And overall, just before our second-year anniversary, we hit the $1 billion mark in top line online play."

That's quite the rapid beeline to a billion dollars in online sales. What does Stephanie owe to Pennsylvania's great success? Actually, she believes that the seeds of their iLottery success were planted more than 10 years ago.

"Around 2009, we started getting our digital infrastructure in place, building our online community, social media followers, VIP Club, our app and then a mobile friendly website," she said. "The great thing about all these component parts of our iLottery program – and something I think lotteries should keep in mind – is that most of these digital activities can be done without any kind of legislation. A lottery can just launch them to support the mission of connecting with its audience of traditional lottery players. Of course, you are also laying the groundwork for the eventual launch of online sales and iLottery activity.

"Take our VIP Players Club, for example. We've offered the Club for many years and we've been building the database of members. When we finally launched iLottery, we had a database of around 750,000 to whom we could market the program. Today, there are more than one million members of our Club. It makes for a powerful marketing tool."

About 700 miles south of the Pennsylvania Lottery, Gretchen Corbin has seen her

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iLottery activity continue to grow. Mission-critical to their iLottery agenda was that the online connection augment and help its retailers, and not hurt the lottery's traditional sales avenues and retail partners. The Georgia Lottery launched its iLottery platform in 2012, but it has only been the past few years that the lottery has started to offer the full array of online lottery products.

The increase in online offerings in Georgia has certainly helped the lottery's bottom line. But Gretchen has been careful to always remember the importance of their No. 1 sales avenue – retailers. "From a traditional lottery and corporate mission perspective, retailers are our best friends," she said. "We wanted to make sure everything we did in the iLottery platform was communicated to our channel partners, that retailers understood what we were doing and why it was a good thing for them as well.

"To no one's surprise at the Lottery, iLottery acted as a cross-promotional piece for the traditional retailers. When our iLottery sales have grown, our brick and mortar retailers' sales have grown as well. Building this mutually reinforcing synergy between the different channels is so vital to the sustainable growth of iLottery in the future."

The new kid on the iLottery block is Virginia. While always keeping in mind the importance of traditional retail locations, the Commonwealth refused to let the headwinds of retailer resistance stop the Virginia Lottery's efforts. In fact, retailer campaigns to block iLottery had effectively stopped prior efforts by Virginia until the legislature placed iLottery within a sweeping set of expanded gaming opportunities, including sports gambling and casinos.

As Executive Director, Kevin remained focused on iLottery, even as the political

winds were blowing in the direction of the Virginia Lottery overseeing the other new forms of gaming headed his way. His staff had worked too hard for too many years to not keep up the fight, particularly with victory seemingly close in hand.

"We were having many circular conversations with our retail network, and it was not very productive," he said. "We showed them the data from Michigan, Pennsylvania and Georgia, and how other lotteries saw strengthened brick and mortar sales after iLottery launched. The relevance of the overall brand is strengthened with iLottery, and that benefits retailers, too. Just three months after launch, we're certainly seeing that in Virginia."

Also positive has been the financial results seen by the Virginia Lottery. The lottery ended the first quarter of its current fiscal year (July – September 2020) with more than $121.5 million in online play, shattering its iLottery sales projections for the entire first year by 56%. By the end of its first quarter, iLottery quickly grew to represent 18% of the Virginia Lottery's total sales portfolio.

Kevin is optimistic about the growth of iLottery, while also keeping his eye on the land-based retail network.

"We catapulted out of the gate with iLottery, and we're already seeing that it lifts both the digital and traditional sides of the business," he said. "Now it's up to us to 'put up or shut up.' Now we have to perform. We know from other lotteries that it means aggressively moving to build out an affiliate program, selling online game cards at retail, and launching crossover games and promotions that tie together both digital and traditional. We're eager to continue proving the case."

COMMERCIAL PARTNER

Behind every successful iLottery launch is a vendor which has spent years developing secure, user-friendly platforms and fun, engaging games. While it is easy to see the fruits of a commercial partner's labors on the printed product side – huge, noisy printing press, reams of paper, barrels of ink, etc. … the work on iLottery is undertaken by a team of people in front of computers, coding, designing, securing and monitoring.

Doug Pollard oversees both the traditional lottery products and iLottery through Pollard Banknote's partnership with NeoGames, which formed NeoPollard Interactive ("NPi"). NPi now provides iLottery programs in Michigan, New Hampshire, North Carolina, Virginia and AGLC (Alberta Gaming, Liquor and Cannabis Commission) in Canada. So Doug has been in the catbird seat to view the growth of iLottery.

There was so much instability in the first days and weeks of COVID19 and we felt so fortunate to have iLottery available to keep players engaged and sales moving forward.

"Michigan was a revolutionary step for our business because it was the first state to show that you could make money in this space, and that retail sales would grow along-side iLottery growth" he said. "Since then, you've seen other states come on board and they've all been successful. New Hampshire showed that Michigan wasn't a fluke. Then Virginia launched over the summer and eclipsed everything done previously.

"With the success of these programs, we know more lotteries will be joining the iLottery trend. COVID has certainly shown the importance of having alternative channels. It's driven up iLottery sales and net revenue, so that's been a positive

outcome for these lotteries. Another upside has been the addition of new lottery players. So good news all around."

At JUMBO Interactive, Richard Bateson has been in a position to observe the impact of iLottery around the world. The Australia-based company operates in a number of international jurisdictions and Richard also ran the digital platform at the United Kingdom's National Lottery for the Camelot Group, so he has experience on both sides of the iLottery experience.

"One of the biggest differences with the United States is stakeholder resistance and the regulatory barriers that lotteries must overcome," he said. "I think that if you asked, every lottery director would agree that iLottery delivers massive benefits to the brand, to net revenues transferred to good causes, and even to land-based retailers. It can be challenging to convince legislatures and retailers of the fact that iLottery is a net win for everyone.

"Hopefully, everyone is studying the best practices being applied in Pennsylvania, Michigan, Georgia, New Hampshire and other lotteries. Of course, the vendors are here to help lotteries at every step of the process."

In Georgia, Lottery President Corbin has been aided by IGT, which also runs iLottery programs in many jurisdictions across the globe. Andrea Williams is part of IGT's team that works with the Georgia Lottery to manage the growth of Georgia's iLottery program, particularly as COVID gripped that state. For Andrea, the immediacy of iLottery is one of the primary differences with traditional products.

"iLottery moves fast and it's something that those of us who work in this area every day find intriguing," she said. "We put out a daily promotion or send an email and get a response within minutes, or even seconds. And it's not just about iLottery sales. We also capture vital information about players' behavior, about the performance of the games, and even more granular data about which attributes of the games are attracting playership.

"We can then use that data and our research to understand play styles and preferences and apply those insights to improve game development and sharpen the messaging and promotional strategies. We also have live operator assistance which enables us to hear player feedback. They tell us which games they are playing, what they like about the games and what they don't like, and why they play certain games. The questions they ask guide our messaging and our efforts to design and build games that are easy to understand and play. This information is invaluable as we create new content and add features to current games that deliver the best possible experience for the Georgia players."

SUMMING IT UP

Gretchen perhaps said it best about iLottery – "Every day is a new adventure."

"Like my colleagues on this Roundtable, I'm proud of the work of my employees and the vendor community," she said. "There was so much instability in the first days and weeks of COVID19 and we felt so fortunate to have iLottery available to keep players engaged and sales moving forward. Our iLottery platform provided a place for our players to continue engaging with us from the safety of their homes.

"We knew we had a strong iLottery platform prior to everything that has happened. But now we understand just how important it is to our players and the recipients of lottery revenues. The hard work of the Georgia Lottery staff, of our commercial partners, and of our retail partners has positioned the Lottery to serve the state, the players, and most of all our beneficiaries for many years to come." ∎