FULL STEAM AHEAD

VIRGINIA SEES EARLY iLOTTERY SUCCESS, AND THEY'RE NOT SLOWING DOWN NOW

While the path was as windy as a back-country road, the Virginia Lottery finally reached its iLottery destination last July. With the launch of a new platform, Virginia joined its fellow iLotteries in offering its players the latest technology that brings the excitement of lottery games into their homes and onto their mobile devices. And the results have been extraordinary. Before the July launch, Virginia predicted eInstant sales for Fiscal Year 2021 to reach $228 million. The estimates were based on the first-year sales from the lotteries that had previously launched iLottery platforms. But every state is different and faces unique sales pressures, so Virginia wasn't sure what to expect.

How are the results through the first six months? In a word – amazing. "By bringing many of our games online and introducing eInstants to Virginians, not only were we able to meet some of our existing players where they already

were – online – but we are also attracting new players," said Virginia Lottery Executive Director Kevin Hall. "The increase in excitement of iLottery is directly translating into increasing revenue for our important mission of supporting Virginia's K-12 public schools."

iLottery ended the first six months of the fiscal year with more than $280 million in topline play, contributing to nearly $350 million in overall lottery profits. "The most impressive part about our introduction of this new platform to Virginians is the speed with which we were able to accomplish this," says Hall. "Once our legislature passed the bill legalizing online play in Virginia, our governor signed it, and we were up and running within three months. iLottery was in-market on the very first day we legally were permitted to offer it."

SUCCESS ALL AROUND

At the same time that players were registering and utilizing the digital platform, sale of lottery products at the Virginia Lottery's brick-and-mortar retailers were thriving. In other iLottery states across the country and the world, past performance indicated that digital and at-retail sales would complement one another and that proved to be the case in Virginia,

too. iLottery does not cannibalize retail sales. iLottery brings in new customers and augments retail sales. "Retail launched and built our industry, and retail will remain the core of our business," Kevin said. "Online sales make lottery products more relevant to digital consumers who place a premium on convenience. At the same time, we are very, very pleased to see strong year-over-year sales growth at the retail counter, too."

Scratch ticket sales are up more than 9% and daily draw game sales at retail have increased more than 20% since iLottery's July 1 launch, which is amazing considering the headwinds all lotteries hit earlier in the year when the pandemic forced many to stay indoors. This is early proof that iLottery can help strengthen a lottery's retailer network, as has been seen in other states.

In a unique position to bridge the iLottery and traditional sales worlds is Rob Wesley, the Virginia Lottery's Director of Digital. A 23-year veteran of the Virginia Lottery, Rob's previous job was running the sales department, so he knows firsthand how to work with the retailer network. "A
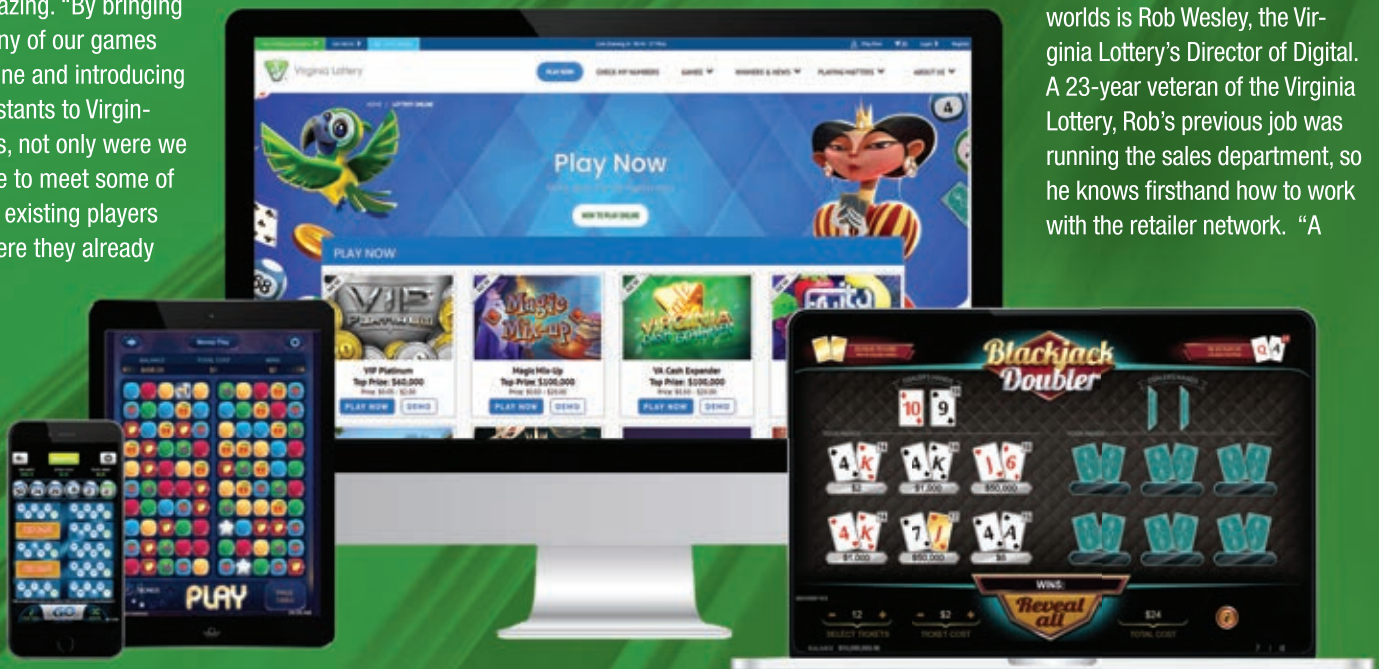
foundational component of the Digital Department is the omnichannel approach. This key strategy focuses on the customer experience at all touchpoints, which includes online and at retail. Growing our total business is our ultimate goal," said Rob. "Our retail partners sell more than $2 Billion a year for the Virginia Lottery, and we know expanding our business online will help retail sales continue to grow."

To demonstrate an ongoing commitment to bricks-and-mortar while also encouraging online play, Virginia launched Online Cash last November. Players can purchase an Online Cash voucher, either from a clerk or at a vending machine, or at their favorite retailer in denominations of $10, $20, $50 or $100. Specifically designed to benefit both sides of the business, retailers earn a 5% commission from that sale (just as they do with traditional product sales), and players can then use the funds from the voucher to deposit and play online.

To kick off the new year, the Lottery launched an Affiliate Program, which is an important aspect of the Lottery's player acquisition efforts and basically is a method of paying outside organizations to help the lottery acquire new players. Similar to the Michigan and Pennsylvania programs, affiliate partners market and advertise to potential iLottery players and, in turn, will earn a commission for every new online player the Virginia Lottery acquires. The program started with online-only partners, but a bricks-and-mortar retail solution is in development.

MANY BALLS IN THE AIR

To paraphrase the old car advertisement, the Commonwealth of Virginia has gone from 0 to 60 in 3.0 seconds when it comes to its gaming offerings. When Kevin took over as lottery director in 2018, Virginia had

appointed a special legislative committee to study expanded gaming. The results of the study created legislative momentum for iLottery. At the same time, the Virginia Lottery was assigned the key regulatory role over mobile sports betting and casinos.

iLottery was the first new gaming platform to launch on July 1, followed by live, legal sports wagering in late January 2021. "In the seven months since sports betting was authorized by state law, the Virginia Lottery crafted responsible regulations, accepted and reviewed applications, and awarded the first licenses to qualified operators," said Kevin. "We have built a licensing and regulatory program that protects consumers and ensures the integrity of legal sports wagering in Virginia."

In addition, the Virginia Lottery Board approved the first draft of casino regulations in early February. The regulations apply to proposed land-based casinos in Bristol, Danville, Norfolk and Portsmouth, which were endorsed by voters in those localities in local referenda in the November 2020 elections. A fifth casino, in the City of Richmond, has been proposed and is pending a public referendum in November 2021. The 2020 casino legislation required adoption of an initial regulatory framework by April 2021.

CULMINATION OF YEARS OF WORK

Once given the legislative green light, iLottery in Virginia was up and running quickly, enjoying a launch that greatly exceeded expectations. That's probably because Virginia has been meeting its customers online for many years now. Beginning in 2005, the lottery modernized its "Lotto by Mail" subscriptions program and began selling subscriptions 100% through the website.

Starting with Mega Millions, other games were added over time.

With the digital channel growing, it was time to officially and fully focus on this new way of interacting with its customers. So was born the Digital Department, with Rob transitioning from Director of Sales to take the helm of this new area and begin laying the foundation for fully transaction-enabled iLottery. After a few months of research and industry collaboration, the key elements were set: a relentless focus on the Customer Experience, a culture of Agility and speed, application of Data and Analytics as the business-decision driver, build-out of an Omnichannel program, and provision of Personalized, relevant and timely interaction with the players.

With the July 2020 launch of the iLottery platform, Virginia players now have access to three draw games (and more on the horizon) plus a large library of eInstant games. In short, there's something for everyone. Now the key is to keep players engaged. The lottery's supporting vendors – NeoPollard Interactive and Instant Win Gaming (IWG) – are veterans of iLottery so Virginia can certainly lean on them for recommendations based on their experience. The lottery knows what Virginia players want – what kinds of games work, payout structures they are looking for. So together with its vendors, the lottery can offer products that will attract and engage the players and drive sales. "Continued innovation is critical, particularly as we see new gaming opportunities created in the Commonwealth," said Kevin. "With sports betting live and casinos not far behind, lottery players will have choices for their gaming spend. By continuing to expand our channels and add to our portfolio, offering new and exciting games while personalizing the experience for our customers, we will ensure that the lottery continues to be a top enter-

tainment choice. That's great news for the good cause we support: Virginia's K-12 public schools."

In December, Virginia launched a progressive jackpot game created by IWG, one of the most innovative games on the iLottery platform. "Jungle Tumble Jackpots" has a base game that resembles other eInstants, but also includes a progressive "add on" with three jackpot prizes – a mini jackpot which will be awarded a few times a day, a mid-tier jackpot awarded weekly, and a top-prize jackpot which will most likely be awarded one a month. This all depends on the amount of play for the game.

WHAT'S NEXT?

"For 2021, our key focus will be new player acquisition and continuing to grow our Omnichannel programs. We started in a very modest and measured way with our advertising support for iLottery, so growth in this area along with growing the recently launched affiliate program will be keys to meeting our acquisition goals," said Kevin. "We have a cross-departmental team working on our Omnichannel efforts, with the current focus on improving the customer experience at those touchpoints directly impacting Lottery sales and profits."

The lottery will also upgrade its mobile offerings. So much lottery activity has moved to mobile devices and, while the lottery does already have a functional mobile app, they released an RFP last year to see what is available. The goal is for a new app to be launched this year which will offer full iLottery functionality and other features.

Obviously there will be no "rest for the weary" in Virginia, which is exactly how Kevin Hall and his staff want it. ∎