iLOTTERY LOOKS BACK
AS PAST EXPERIENCE INFORMS FUTURE PLANNING

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n the 1980s classic movie "Back to the Future," Marty McFly is sent to the 1950s where he meets young versions of his parents. Marty has to convince his parents to fall in love or he and his siblings will cease to exist. After a series of adventures, everything falls into place and Marty returns to real-time.

Alas, time-travelling DeLorean's only exist on the silver screen. But if we could travel back in time, the iLottery leaders of today might want to tell their younger selves,

"Don't worry…everything will work out." There was no historical anomaly, disaster, or wrong turn that diverted the launches and ongoing success of iLottery. The early stress propelled iLottery states to figure out the right courses of action to bring us to where we are today. And now, the foundation is set for others to leverage the experience of these early iLottery pioneers to get there even faster. Let's apply the lessons learned from these iLottery pioneers as we forge ahead with new ideas and insights to maximize revenues for good causes.

iLottery is now offered in different forms in Illinois, Kentucky, Georgia, Michigan, Pennsylvania, New Hampshire, Rhode Island, Virginia, D.C., North Carolina and North Dakota; and most are growing at double-digit rates. Just as important, the online connection is simply vital to preserving the relationship with an audience who expects to affiliate with brands on all channels, media, and personal electronic devices. We talked with the leaders of iLottery programs in the U.S. and asked them to hop in our PGRI DeLorean to

revisit the early days of Digital Lottery. What was happening in their states prior to launch, how did they prepare, and what guidance or suggestions do they have for their colleagues who are all on the Digital Lottery train even if the implementation of iLottery is not imminent?

GRETCHEN CORBIN
GEORGIA LOTTERY

The Georgia Lottery's pathway to iLottery is a real-life example of the adage "slow and steady wins the race." One of the first lotteries to launch an iLottery site, Georgia began with a simple Players Club in November 2012. While it provided limited gaming options for players, it allowed the lottery to create an online community and begin collecting the player data necessary for online sales.

Fast forward to today and the Georgia Lottery now offers:

- Players Club where players can enter second chance promotions
- A "Buy Now" feature where players can buy Cash Pop, Fantasy 5, Mega Millions, Powerball, and KENO! tickets
- Also under Buy Now, players can buy interactive Diggi Games, with prizes up to $350,000
- iLottery prizes deposit automatically to players' accounts, up to and including $600

GRETCHEN CORBIN
GEORGIA LOTTERY CORP.

How did the lottery achieve this transition to full iLottery sales? "The team made a concerted effort to communicate objectives and realistic expectations to stakeholders early and often," said Gretchen Corbin,

president and CEO at the Georgia Lottery. "Conversations with board members, legislators, retailers and responsible gaming advocates prior to the launch were key to early acceptance and success.

"The strategy early on was to 'crawl before you walk, and walk before you run.' A soft launch was designed to gather customer feedback to ensure the product being introduced met customer expectations. Marketing efforts increased over time as we made enhancements to our product offerings and methods of online distribution."

So the lottery has created a growing online community, built an engaging iLottery site and launched a variety of entertaining content. Now, how to keep players coming back? Like with other facets of the program, the Georgia Lottery has that covered.

"Player retention is a major focus for the Georgia Lottery interactive team," Ms. Corbin said. "We spend a lot of time and effort analyzing usage data to determine patterns of play, when a player may be losing interest, and other specifics. We tailor promotions to increase player engagement, and we've seen significant success in reducing player churn."

Prize payout also can play a role in attracting players, but the lottery sees this facet of their program in a larger context. "Payout is an important metric but not always the primary one when considering how to attract, retain and engage players," Ms. Corbin said. "It should be considered in the context of the composition of your overall online portfolio (draw games, KENO, etc.) and your e-instants portfolio (in terms of game mechanics and variety), price points, launch frequency, promotions/rewards program, and the structure of the prize pool."

To those lotteries with iLottery programs on the horizon, Ms. Corbin has a few words of advice. "Communicate early and often with stakeholders. Work collaboratively with your vendor partner(s) to tailor offerings to players. Invest time and resources into ensuring a top-notch user experience: Survey your players, perform usability tests, etc."

MARY HARVILLE
KENTUCKY LOTTERY

To call Mary Harville a supporter of the online sales of lottery products would certainly be an understatement. The more

accurate word is "pioneer" as Ms. Harville has been on the frontlines of fighting for iLottery for almost 10 years. She describes Kentucky's strategy as "survive and advance."

MARY HARVILLE
KENTUCKY LOTTERY CORP.

Named President and CEO of the Kentucky Lottery Corporation in September 2020, Ms. Harville previously served as General Counsel. In late 2011, the U.S. Dept. of Justice issued an opinion that internet sales of lottery games would not violate the federal Wire Act. In 2012, Ms. Harville joined other lottery executives in Washington, D.C. to fight to keep the Wire Act from being amended to change that USDoJ opinion. Their arguments were convincing – the Wire Act, and the 2011 opinion of the DoJ, remained in place (and has been recently affirmed in federal court).

On the heels of the D.C. success, the lottery's board voted in March 2013 to offer Keno and internet-based sales. Keno was a bit simpler as there were a number of states from which to learn. But back then, iLottery was not as prevalent so they took a more measured approach.

"We encountered a number of people who said we shouldn't sell on the internet," said Ms. Harville. "I recall one very uncomfortable meeting in particular with a group of retailers about it. We even had a legislator wanting to file a bill making all Lottery transactions cash-only, which would have effectively eliminated internet sales. All this meant we had to take a much more deliberate and careful approach right out of the gate."

That approach involved a modest launch. On day one, players could choose from only three traditional lottery games to play – Powerball, Mega Millions, and an in-state

nightly game. There were five Instant Play games ranging in price from 50 cents to $3 available at launch (these numbers now include five traditional games including Keno, and almost 60 Instant Play games from 50 cents to $20).

To prepare for the launch, the lottery rebuilt its website to increase its capacity, as it would be evolving from a marketing-only website to an all-purpose site that included processing lottery transactions. When looking back, according to Senior VP of Information Technology Gary Ruskowski, the main thing he remembers was the number of choices that had to be made.

"When you start down this path, be prepared to make decisions you were not aware would come your way," said Gary. "You're looking at a completely different model to go to market. We had a lot of unknowns that we had to make decisions about, because it was so different than anything we'd ever done in retail."

And, of course, there was retailer outreach. This is an area of concern for many lotteries and Kentucky took this communication seriously. For Ms. Harville and her colleagues, it was a bumpy road at first. "Lotteries now are at such an advantage over those of us who were early adopters because of the data and evidence they have available," said Kentucky's Director of Interactive Content and Customer Service Lauren Walker. "We were convinced retail sales wouldn't be harmed as a result of our iLottery sales, but the only data we had on the effects at brick-and-mortar locations at the time was from Europe. This was a non-starter with many of the people to whom we tried to make this argument. The evidence now is so clear, and here in Kentucky, retailers have enjoyed more sales and commissions every year since our iLottery launch. Retailers can now even ask other retailers about how this has played out for them."

Fast forward to 2021 and the iLottery program offered by the Kentucky Lottery is in the midst of its best fiscal year since launch. iLottery sales in FY20 totaled $45.0 million and accounted for 3.7% of total Lottery sales. In FY21 (through 2/28/21), those sales have skyrocketed to $74.7 million, a 255.5% increase over the same period in FY20, and accounted for 7.6% of total Lottery sales.

With the scars to prove their hard work to get iLottery planned and executed in Kentucky, here are tips they have for colleagues at other lotteries:

- You don't have to recreate the wheel. Talk to staff in states (like Kentucky) who have gone down this path and can provide years' worth of experience and insights.

- Have your legal ducks in a row and do your homework with legislators, Governor and retailers.

- If your lottery has not been collecting SSNs and other personally identifiable information, know that offering accounts to players opens the lottery up to a whole new area of risk that must be addressed.

- When introducing a digital product, explore the various ways that something could go wrong and have a plan in place. For example, consider how you will help players who are having problems with the product, address their questions, understanding/evaluating fraud controls. This needs to be clearly addressed in the vendor contract.

- Incorporate a wide variety of consumer end point devices (phones/tablets/laptops) into your testing efforts and refresh the device portfolio as new devices are introduced over time.

- This testing can be a huge issue for lotteries who prohibit employees and vendors (including third party vendors) from purchasing lottery products. This can pose a significant barrier to appropriate testing.

- Take a look at what staff changes/process changes you need to address to have your teams working effectively.

"In the end, we convinced everyone we were going to do this the right way. And we did," said Ms. Harville. "That's been proven. Our retail sales remain higher than at any other time in our history, and our iLottery sales continue to break records. All of this has combined to mean more proceeds for the college scholarship and grant programs we fund, which is at the core of everything we do."

STEPHANIE WEYANT
PENNSYLVANIA LOTTERY

The Pennsylvania iLottery ended the last fiscal year with over $63 million in profits and earned $42 million in profits through the first six months of the current fiscal year. With eye-popping numbers like that, it's hard to believe that the Keystone State has only offered iLottery for less than three years. More amazing is how quickly the lottery had to act to put the program in place.

Forward-thinking elected officials in Pennsylvania decided in 2017 that the state was ready for a host of new gaming options – iGaming, casino-run sports betting, video gaming terminals (VGTs) at truck stops, Keno and iLottery. The legislation passed in October 2017 and the lottery needed to be operating and generating revenue before the end of the fiscal year. The Lottery launched online on May 22, 2018. Seven months to find a business partner, re-assign internal staff, communicate with players and launch a program. "No sweat," said Executive Director Drew Svitko and Deputy Executive Director for Marketing and Products Stephanie Weyant. Or perhaps they used more colorful language.

STEPHANIE WEYANT
PENNSYLVANIA LOTTERY

"Everything happened so quickly that we could only operate on one speed," said Stephanie. "We didn't have time to add employees for launch and we didn't have a separate iLottery division at that point. So employees with already-full plates were asked to add iLottery to their job duties. And while we've added a few employees since launch, for the most part it's the same teams handling the work. The marketing team is handling advertising, the product team is handling the games, the New Media team is handling digital, etc."

A unique aspect to the Pennsylvania launch was that because of the compressed launch schedule, the lottery was given expedited procurement authority in the expanded gaming legislation. This allowed the lottery to suspend the typical RFP process and enter into an initial two-year contract. While that sounds helpful, it was a double-edged sword for the lottery. "Selecting a vendor was the only way we could launch quickly, but with only a two-year contract, it also meant that we almost immediately had to start planning for a full RFP process," said Stephanie.

One component of the Pennsylvania platform that was important to Drew and Stephanie was to provide an open platform. The RFP was designed to give the primary vendor a financial incentive to partner with the best third-party game providers. The platform provider assumes costs and adds value to the process of integrating third-party content, so the lottery believed they should share in any financial upsides, share in the success of a diversified portfolio of games provided by multiple suppliers. "With different companies involved in our program, we are able to gather recommendations from a wealth of experts and make very informed decisions," said Stephanie. "These experts are on the forefront of iLottery innovation, so we get the latest information from programs around the world. "One example of this is launch frequency rate. Is it weekly, every other week? Are more games better? We have our opinions, and we can work it out with the experts who have operated in other jurisdictions."

So what advice does Stephanie have for her lottery colleagues? "When someone reaches out, I tell them to do what they can in advance to prepare their organization and players," she said. "Build out your digital infrastructure, your online community, your database of players. Think about your team – who are the key people in your organization who can be a part of your iLottery program, who are up to the challenge.

"And call on other lotteries that are offering iLottery programs. We are all more than happy to share information and lessons learned along the way. With the number of lotteries offering iLottery, there are now best practices available to the industry. And the vendor community is a great resource, even for lotteries where iLottery might be far down the road. There are a lot of experts available to help lotteries."

KELLEY-JAYE CLELAND
NEW HAMPSHIRE LOTTERY

Kelley-Jaye Cleland is the living, breathing example of Ferris Bueller's observation that "Life moves pretty fast." In the summer of 2017, she was the Director of Sales and Product Development, making sure her sales representatives had the tools to properly service their retailer network and planning their ticket releases. Then in July of that year, the NH Legislature broke the gaming dam and placed iLottery, Keno and sports gaming on the lottery's plate. Instead of heading for the state's famous White Mountains, Kelley-Jaye and her team dug in and tackled their new tasks with gusto.

"With a small team, we focused on Keno first and launched that product on December 15, 2017," she said. "We quickly pivoted to mapping out what we wanted for iLottery. With an extension to the Intralot gaming system contract also came the addition of utilizing a third party for iLottery. The vendor chosen for that was NeoPollard Interactive, due to their success in Michigan as well as their seamless user experience."

KELLEY-JAYE CLELAND
NEW HAMPSHIRE LOTTERY

Then, in September 2018, New Hampshire joined the small group of lotteries that offer iLottery programs. On the occasion of the launch, Executive Director Charlie McIntyre said: "The New Hampshire Lottery's focus is squarely on our players. Everything we do is driven by our players, and we are constantly striving to offer players new opportunities. iLottery is a strategic response to our technology-driven culture – you can now play the New Hampshire Lottery anywhere while in New Hampshire."

Starting with eight eInstant games at launch, the New Hampshire program has grown quickly. The iLottery program now features 55 eInstant games, Mega Millions and Powerball, with new eInstants launching every other week and plans for additional draw games. Financially, iLottery has been a boon to the state of New Hampshire. In Fiscal Year 2020, iLottery brought in $10.73 million in net gaming revenue; half-way through FY21 the program had earned $10.96 million in net gaming revenue.

Today, in a reflection of her expanded role at the lottery, Kelley-Jaye now holds the position of Chief Product and Program Officer. Since iLottery launched, the NH Lottery also offers sports gambling, both through mobile devices and in-person at two sports books. (Sports betting is overseen by a separate team under the guidance of Director McIntyre.) With all these gaming options, Kelley-Jaye and Charlie nonetheless stress the importance of supporting their retailer network. "You cannot forget your roots," Kelley-Jaye said. "The majority of our profits still come from scratch tickets. We are constantly looking for ways to integrate iLottery into retail and vice versa. In whatever we do, we always have our retail partners in mind."

What is Kelley-Jaye's advice to other states considering iLottery? Here are a few of her tips:

- Be sure your website is ready for e-commerce – from a mobile-first approach to load testing to a clean user-friendly experience.

- If you choose a different vendor than your incumbent lottery systems vendor, remember you need to stand-up a separate Internal Control System, Remote Gaming system, and the like.

- Start creating your digital strategy. Having a player's club to begin the player acquisition process is super helpful. Ensure your advertising agency is steeped in e-commerce/digital. Marketing for iLottery is different than traditional lottery. And iLottery marketing is a heavy lift. There are two sides to it – retention marketing/CEM/CRM and acquisition marketing.

- If you have a Business Intelligence (BI) tool, you are in good shape. Access to raw data and a visualization tool is important – and having people who can interpret those to ensure you are making data-driven decisions is key.

■ Know that e-Instants are different than scratch tickets from a payout and launch timing perspective. A higher payout and more content are key! And remember that creating omnichannel games and promotions should be part of all vertical planning.

■ For us, our iLottery requires monthly releases, which means being in a perpetual test cycle. Likely your current staff cannot support that. And testing means it needs to be done on mobile and desktop as well as different browsers.

■ You can try to only use existing staff, but you may break them. Consider hiring people in each business unit to support iLottery.

One thing that New Hampshire quickly found out is that creating an iLottery program is like remodeling your house. When your fix up one room, you then need to update another room, then another, etc. "You are essentially doing everything you do for traditional lottery through the web/internet," Kelley-Jaye said. "This means you need to evaluate everything, which can be cathartic, but it is a lot. From claims processes, forms, terms & conditions, FAQs, marketing, customer service, product/system enhancements, to game planning and launches, you are building a secondary system."

"This is why roadmaps are important. Be realistic with what you can do at launch and then have a thoughtful plan to continuously roll out new enhancements and games.

SHANNON DeHAVEN
MICHIGAN

I n the iLottery world, the Michigan Lottery can certainly be considered OG, social media slang for someone who has been around for a while. But don't call them "old school" because everything the lottery does is firmly rooted in the present with an eye towards the future.

Shannon DeHaven is one of the remaining pioneers who now oversees the operations as Deputy Director of Digital Operations. Remembering back to 2014 and the program's launch, she knew she was a part of something special. "When I joined the

Michigan Lottery in 2010, the michigan-lottery.com website had just launched and the lottery had procured a .com URL with the specific intent of eventually selling online," said Shannon. "I knew in that moment that I was surrounded by visionaries and I was looking at an opportunity to be part of something amazing."

SHANNON DeHAVEN
MICHIGAN LOTTERY

Fast forward to today, and the iLottery program in the Wolverine State is not slowing down. In fact, the Michigan Lottery was named Lottery Operator of the Year at the 2020 eGaming Review North America Awards. This award goes to the operator that demonstrates success in the lottery sector, with particular regard for growth and commercial success, innovation and differentiation, quality of product, brand and marketing. Among the judges' comments:

"Very impressive performance. Clearly many well-thought and well-executed innovations across payments, product and marketing … Impressive growth and some great innovations around DBGs. Taking an innovative approach to the lottery experience with a focus on online … A fantastic entry and covers everything you might expect."

Honors like that reflect the work and planning the Michigan Lottery has invested in its program. The platform built more than six years ago still stands strong. "Right from the start, we focused heavily on building a great digital experience and customer database," said Shannon. "Our early efforts included developing mobile apps, increasing traffic to the website and

learning how to communicate with players in a manner that kept them coming back. Some have called this "the space between," but we like to think we were building a foundation."

When the iLottery program launched in 2014, the lottery created a new digital division. The idea was to bring a different view to the iLottery business, separating it from the retail side of the organization. However, every business unit at the lottery was involved and contributed to the evolution of the iLottery program.

"When we looked at digital lotteries in the U.S. market, it was still a new space," said Shannon. "There were no experts. As one of the first to launch iLottery, we wanted to foster a culture that would attract the best talent, talent that was o.k. with risk, that was eager to learn and learn fast. We wanted a data-driven, goal-orientated environment, that was also fun."

The small group soon grew to ten people, and that group has swelled to a team of 20 digital employees. And success has followed. The Michigan Lottery was North America' first $1 billion iLottery operator and finished FY2020 with more than $1.9 billion in topline iLottery sales. The iLottery success has only helped the retail operations, with land-based retail increasing 150% since 2013, which is faster than the national U.S. average including non-iLottery states.

As you might imagine, Shannon is a most sought-after voice for lotteries researching iLottery. "If you're still in the phase of consideration, I would suggest placing your focus on the player's digital experience, with a mobile-first mindset and building your customer database so you have a starting point," she said. "If it's coming soon, just brace yourself and build a support system. Don't be afraid to reach out to those of us who have been there. We have a small but strong iLottery community."

One final thought from Shannon on the impact of iLottery on a lottery's staff: "If you're looking for a bonding activity for your lottery, launch an iLottery program!"