



Gwen Dean

Director, New York Lottery



Driving continued growth in the world's seventh most profitable lottery

Paul Jason: Driving growth year-after-year in the seventh most profitable lottery in the world must have its own set of unique challenges. For instance, given the constraints of very limited resources, how do you decide which products, market segments, promotional strategies represent the best opportunities for further growth.

Gwen Dean: The State of New York has a diverse blend of consumers, cultures, languages, retailers and landscapes. In addition to the state's large size and population (19.8 million), New York's geography and retailer base are quite different by region. With two major reporting areas, Upstate and Downstate, each region has its own unique challenges, strategies and measures to achieve sales goals. Downstate (New York City, Long Island and Hudson Valley) represents 75% of total lottery sales and has a much greater population density and mix of retailers than Upstate, which constitutes most of the State's land mass, but only 32% of the population.

To optimize growth at the retail level, we prioritize retailers and routes by using key factors such as sales, opportunity and retailer cooperation. This structure creates a flexible approach that empowers our sales team to dedicate resources to those retailers who are best positioned to drive the greatest sales growth. Retail strategies differ by region. Upstate is generally comprised of corporate and chain locations that value standardization and interaction at the C-suite level. Downstate has small-format, i.e. Mom-n-Pop, shops that require more individual attention and customized merchandizing solutions.

To manage current and future growth, the New York Lottery is keenly focused on consumer behaviors and attitudes. Rather than building plans based on varying

degrees of player-ship, we conducted research to gain a deeper understanding of New York's diverse consumer base. The research produced six consumer clusters ("segments"), with four segments showing the greatest opportunity to grow sales, playership and aid to education. With these segments defined and prioritized, we can define unique, consumer-based business objectives to guide the development of our FY2020-2021 plan and map out future direction.

Going forward, all our efforts will be prioritized through the consumer lens. We plan to evaluate our games, promotions, enhancements, retail solutions, customer experience, engagement and new concepts using consumer-based objectives, research and insights. When possible, we will leverage solutions across more than one cluster recognizing that different engagement tools and messaging may be required to attract different segments.

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With the consumer at the core of all we do, New York's growth strategy is, not surprisingly, data driven. To support this direction, we plan, measure and pivot. Cross-functional teams operate within a matrixed structure to quickly realign based on new insights and unexpected shifts in consumer behavior. While still in the early stages of transitioning to this new organizational structure, we are now at the point where we can comfortably pivot to address opportunity.

What product categories, or even specific games, represent the most exciting potential for growth over the next 18 months?

G. Dean: Two consumer segments show the greatest short-term growth opportunity. We are focusing on increasing sales and aid to education by aligning plans with these two segments over the next 18 months.

To reach these groups, our short-term plans include aligning scratch strategy with consumer expectations, further developing plans to use digital products to fuel our drive-to-retail efforts, improving digital engagement and considering new distribution channels. On a parallel path, we are mapping out a five-year plan to grow our player base and increase aid to education across all four opportunity segments.

What is exciting about this approach is the development of plans that align with consumer segments and tracking against those plans. With shared direction, clearly established goals and objectives, and mechanisms to measure and obtain feedback, we believe high-level innovation is inevitable.

What modernization tools and strategies represent the most promising pathways to drive sales growth?

G. Dean: Regulated courier delivery of lottery tickets has the potential to drive incremental sales and fits within the delivery model that consumers now expect. Across every industry, younger demographics prioritize convenience, expecting online services for eCommerce,

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food delivery, appointments, transportation and entertainment. Digital behavior by age shows the 18-54 bracket dominating nearly every delivery category. Given the demand, it is not surprising that internet delivery and subscription services are growing at staggering rates. New York recently adopted courier service regulations to support this model. We are excited to allow this feature to players in New York and look forward to incremental sales as a result.

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In the meantime, we need to improve the tools available to lottery retailers as they become more impatient with anything that is burdensome to manage as technology improves other aspects of their work. Lottery must constantly assess the retailer’s experience and optimize. Removing friction from the application process, training, inventory management, accounting and redemption will improve the retailer experience which, in turn, will improve retailer support of lottery.

What are the highest priority initiatives of the New York Lottery for this coming fiscal year?

G. Dean: The obvious answer is, we want to exceed last year’s record contribution to education. And, we are developing short- and long-term strategies to do that. I would characterize that as Priority 1. We do however have a Priority 1A that is also creating a lot of buzz in New York: Going Green.

We have already implemented a number of Green initiatives aimed at reducing our carbon footprint as part of a larger Corporate Social Responsibility plan implemented by the New York State Gaming Commission, of which we are a part. We have identified a “Green Thumb” who is charged with auditing the lottery’s day-to-day practices looking for ways to lessen our impact on the environment. And, we are asking the same of our vendor

partners.

The Lottery uses environmentally conscious materials such as soy-based inks and recycled content to produce its point-of-sale materials. Our tickets themselves are recyclable. We recycle our marketing materials and provide field staff with eco-friendly cars. We are also asking vendors to re-think use of resources in a manner that does not sacrifice the integrity of the games or the entertainment value our players expect.

We are looking at everything we do to expand our Green efforts and further infuse this thinking into our culture.

What do you think is the most important objective for WILL? (Women in Lottery Leadership)

G. Dean: Mentoring future leaders is a critical element of this important program. Lottery has challenges that are unique to this business. An industry leader that can selflessly share industry knowledge, provide counsel and help guide a mentee’s development will provide a sound launching pad for future leaders. Providing opportunities for women to share their experiences and support each other in an environment without judgment is also very important. Women supporting women is very powerful.

Another component of this program that is equally important is the recognition that diversity in this industry is paramount to future success. Exposure to different ways of thinking, living, talking, learning and solving problems opens the door to better solutions. Diversity fuels innovation. To stay relevant, we will need to innovate at a much faster rate, especially as technology influences consumer behaviors in unpredictable ways.

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What’s your perspective on the changing retail environment? In other words, how are you planning for the cashless and cashier-less future of retail?

G. Dean: Retail is changing fast.

Consumers expect a frictionless experience and retail is working hard to keep up with that expectation. As I read about the future of retail in trade publications, I try to think about how lottery will fit into various models. As the industry continues to consider ways to handle a cashless purchase, how will retailers address paying cashless prizes? What can we do to create the same “thrill” and “churn” without cash? What does a customer experience look like without cash or a cashier? Vending currently exists, but is the experience frictionless? How can we help retailers improve their experience with lottery using technology?

New York, and the industry as a whole, is working on the answers to these questions. The future of retail through the consumer lens should always be a consideration when developing long-term plans. Consumers own their experiences more than ever before. If the lottery experience does not align with expectations, there are always other options. Consumer expectations and convenience must drive every decision when thinking about the changing retail environment.

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The last point brings up the matter of Responsible Gaming and how we as marketers should incorporate the principles of informed decision making and harm minimization into this new retail space. New York has made significant inroads in this regard, working with the business leaders and our partners in the Responsible Gaming community on the issues of age verification, preserving privacy, and empowering retailers to use their discretion with handing out Problem Gambling hotline materials when interacting with at-risk customers. Responsible Gaming efforts have evolved in the retail space and will continue to be an important element of future retail plans. ■