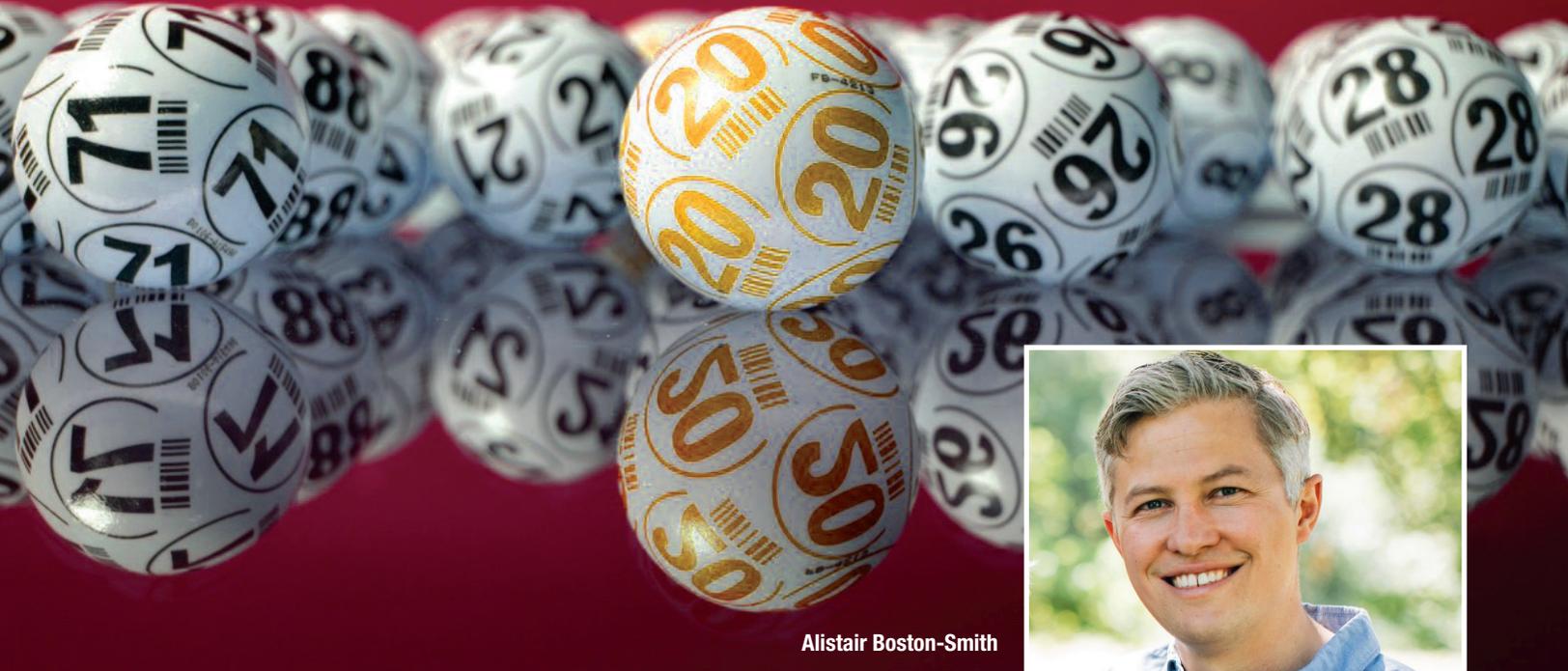


# How 2020-21 Changed Lotteries Forever

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**Alistair Boston-Smith**, Chief Strategy Officer at Bede Gaming, takes a look at how technological changes have been the catalyst for transforming consumer behaviour, what these new preferences mean for lotteries and how COVID changed everything.

## A Brief History of Lottery

To understand the most recent changes and their impact on the industry, we have to first look at how Lottery began and how it evolved. Much has been made about the history of the Lottery and ancient gambling practices. The Chinese lay claim to the earliest recorded keno slips and the Romans were also fond of a flutter. Emperor Augustus was even believed to have used money from the sale of lottery tickets to fund repairs in Rome and the oldest lottery in operation today, the Dutch lottery, was originally started as a means to raise money for the poor ... Showing that since its onset, Lottery funding has been used for local communities and projects.

It wasn't until the 15th Century that lotteries began giving money as prizes, the first most notably being in Belgium, which is bestowed with the honour of inventing the modern lottery some 600 years ago.

Interestingly, the US was an early adopter of lotteries. Many of its founding fathers and historical

institutions were involved with or funded by organised lotteries. The country also currently boasts the world record jackpot offering (over \$1.5bn in January 2016).

Lotteries continued to develop their retail products until the late 1990s when the world suddenly found itself at the dawn of a new digital age. Gambling would look at this new channel with interest. However, not all countries would permit it, taking issue with a lack of regulation online and certainly, customer behaviour at the time indicated that retail was the more popular vertical. UK national statistics showed that even 10 years later (2009-10) only 4% of adults had bet online but by the following year that figure jumped significantly to 11.2%.

The introduction of digital and its influence in the entertainment industry was starting to have an effect on player and consumer behaviour. And the UK was not the only country experiencing this phenomenon.

## The Technological Era and its Impact

Since the turn of the millennium, developments in digital technology have been with the sole purpose of putting the end-user at the centre of its functionality. What are customers after? What are they trying to do? How can technology make it easier?

This has led to handheld devices, accessible media and cross channel selling, all in an attempt to facilitate our day-to-day lives. However, at the start of the 2000s, it was mainly younger people and top San Francisco execs adopting the technology. Advancements were widely acknowledged but the technology was clunky and the products awkward; Netflix was a DVD mail service, phones could only store 10 messages, even in the early days of Facebook you needed a university email to sign up. Technology was very much targeted at the younger generation and the stage of life at which they were at, thus driving a slower uptake by older generations and other industry sectors.

However, there was no denying that technology was making lives easier, communication across the world was more accessible, exposing us to information and ideas that would have previously taken weeks to discover. Suddenly, the wider business industry was looking at how they too could take advantage of digital.

By the 2010s, consumers, understanding the potential capabilities now offered, were demanding better, more personalised experiences. To do this though, the industry needed data with which to understand their customers' behaviour - something that until then had only been done through time-consuming activity like surveys and feedback forums. Now, businesses understood that not only did they not have to interrupt their customers' experiences but they could also actively learn from their interactions to provide an enhanced and engaging customer journey.

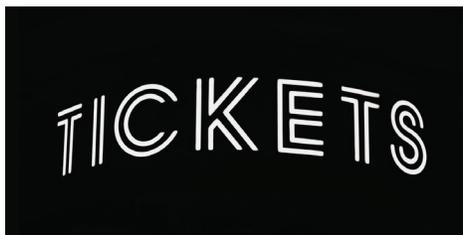
Welcome to the Data Age.

Up to this point, giving away your personal information would have been viewed with suspicion and certainly the older generations were sceptical but the rewards for customisation outweighed the negatives of sharing data. So consumers opened up to brands.

This directly influenced customer expectations. We have now come to always expect a great experience. We expect things to be easily accessible and delivered almost instantaneously. Anyone who can't provide is dropped for someone who can. We simply go elsewhere.

This is where consumer behaviour started to drive the development of new technologies. It is also the point that all generations embraced digital technology, accepting its use in daily life. Card payments, streaming services, plane tickets ... the list goes on. It is a self-perpetuating cycle too. Certainly, in the UK, we are seeing High Street Banks shutting their branches in small towns and villages. This is driving further uptake of far more accessible digital services and without the demand, banks are finding it difficult to justify having so many real estate venues in smaller places when online services are more profitable and more in demand across their audience demographics.

The biggest change in behaviour, acceptance and development of digital practices has however, only happened in the last 2 years. Even with huge advancements in technology in the last 20 years, digital was still seen as the bridesmaid to in-person experiences. Technology was mulled over but secondary to the still larger avenue of bricks and mortar retail. On the roadmap but not a priority. 2020 changed all of that.



## How Covid Changed Everything

It goes without saying that 2020 was an extraordinary year. A year that affected every single person on the planet. It was also absolutely pivotal in the revolution of the digital era. The Covid-19 pandemic shifted focus completely to a digital only or digital-first experience. Stripped of physical, in-person events, we went online – working, shopping, and socialising from our homes. Businesses had to very suddenly push digital practices to the top priority and rethink their marketing and reach strategies.

Our behaviours and psyche both professionally and personally have changed completely over the last 24 months and with everything now at our fingertips and proof that we can run effective lives remotely, we will struggle to go back.

The entertainment and leisure industries were one of the most impacted by the pandemic. Restaurants, cinema and gyms immediately switched to online services. And it was no different for the gambling industry. In some sectors, the switch to digital had already made huge in-roads, particularly in mature markets like Europe where sports, bingo and casino games have been widely embraced in their digital format for some time. However, in other sectors and countries that have traditionally viewed retail as the biggest and most profitable channel, the arrival of Covid-19 highlighted how essential digital is to business continuity. No longer is digital entertainment catering to one section of a target demographic but across the board and the benefits it can offer to both business and consumers can no longer be ignored.

The pandemic put digital operations and processes at the forefront for businesses and is now critical for both survival and growth.

## What it Means for Lotteries

The juxtaposition of the pandemic's impact on how lotteries operate is fascinating. It changes both

everything and nothing.

Lotteries have always placed customers at the heart of their business. They are a masterclass in putting loyalty and trust at the core of their interaction with customers. Providing an engaging and safe entertainment space to fund local initiatives hasn't changed since the beginning of the modern lottery 600 years ago. And none of that changes in the digital era either.

What has changed is how customers, from all demographics, now consume entertainment. Their expectations, demands and judgement have also changed and been amplified by the pandemic. As consumers, we are less forgiving of poor experiences. We expect to have what we want, when we want and we expect businesses to both entertain us and know what we want without asking. That is the trade-off for accessing our data. For lotteries, this means providing an accessible digital alternative to retail. It also means acknowledging competition from other forms of entertainment. And it means providing alternative avenues to ensure continued traction and loyalty with customers. All whilst providing the same great and safe experience.

## Thriving in the Next Evolution of Lottery

To compete on this new playing field, it is essential to be able to interpret data accurately and to react quickly to it. To achieve this, you must have the right people, practices, and platform in your arsenal. Lotteries are huge organisations, which enjoy the perks of being in a big structure but also the hindrances of being slower moving than younger, smaller counterparts. This means, culturally, lotteries still have a journey to go on to catch up to avoid losing customers to competing products and entertainment. Retail and digital channels need not compete, they can work together to create a seamless interconnecting experience to delight customers. Your chosen digital partner should understand this. The selection of a digital partner by lotteries is critical to supporting, guiding and manoeuvring them through the necessary technological changes to successfully navigate these new waters.

Customers have always been the central focus for lotteries and in 600 years this hasn't changed. What has changed is how consumers now interact with brands. Digital is no longer the bridesmaid. Digital has arrived and is here to stay. Lotteries must put digital front and centre; at the heart of their growth strategy. It is what customers want and that, after all, has always driven the evolution of Lottery. ■