

After Two-Year Absence, Rebecca Paul's Industry Leader Panel Makes a Triumphant Return



The highlight of each year's North American Association of State and Provincial Lotteries (NASPL) in-person annual conference, and each bi-annual World Lottery Summit, is when Tennessee Lottery President and CEO, and World Lottery Association president, Rebecca Paul sits down with the leaders of lotteries' commercial partners to discuss the pressing issues facing the industry. The pandemic has interfered with so many in-person events over the last couple of years and so we were very pleased to reconvene this important leadership meeting at PGRI Lottery Expo Nashville. Further to that – We are all looking forward to the triumphant return of the joint WLA/NASPL conference and trade-show in Vancouver, Canada on October 16-22!

Fortunately, the wait ended in Nashville in October as **Rebecca Paul** reprised the lottery industry leader panel. She was joined by:

- Richard Bateson**, Chief Commercial Officer, JUMBO Interactive
- Byron Boothe**, Chief Executive Officer, Intralot, Inc.
- Jay Gendron**, Chief Operating Officer, Lottery, IGT



REBECCA PAUL

Pat McHugh, Group Chief Executive, Scientific Games Lottery
Doug Pollard, Co-Chief Executive Officer, Pollard Banknote
 As Rebecca noted in kicking off the session, there has been no shortage of opportunities for people to talk over the past almost two years. "One of the things that happened during COVID was that the number of Teams and Zoom meetings increased dramatically, so we've talked a whole lot more frequently than when we had to wait until we were in person," she said. "We've had a lot of opportunities to discuss many issues. But now, let's ask our panel – what one topic are we not discussing that we really need to be discussing because of its importance to the industry?"

Richard Bateson kicked things off. "Creating initiatives that protect our players is how we will keep a sustainable industry going into the future," he said. "It's not just about having popular and relevant games. As the number of channels increases, we need to ensure that we are marketing through the correct channels and protecting players along the way. Managing the player experience through all the changes in the lottery industry will be critical."



RICHARD BATESON

Pat McHugh's view is that the industry needs to concentrate on advocacy. "Our industry, although highly successful, continues to face headwinds that will challenge our ability to move forward and keep beneficiary funding growing. In other parts of the world, we've seen lottery lumped in with other forms of gaming and we end up being reactive to the challenges. Lottery is different than casino, and we must make sure that is understood by the stakeholders who influence the future of lottery. I think we need to be very deliberative as leaders of this industry, and proactively get our stakeholders to talk about why we exist. We fund college scholarships, programs for senior citizens, funding for municipalities. It is vital that we get these important messages out there. We need to proactively shape the message so our constituents appreciate the difference between lottery and commercial gambling."

Byron Boothe thinks we need to focus on our customers. "A critical issue is the future of customer acquisition," he said. "Today,



PAT MCHUGH



BYRON BOOTHE

we have been able to utilize and leverage our retail partners' ability to bring customers to the purchase location in a relatively inexpensive manner. But as we move further into the digitization of our products, there will be an adjustment to the cost of acquisition and retention. We must be ready for this eventuality."

Jay Gendron said the industry has to focus on future technology. "As an industry, I'd like to see us address the technological advancement of Cloud computing," he said. "The federal government and many U.S. states are moving critical applications to the Cloud. Currently, the way that U.S. lotteries are set up under their facilities management contracts prevents them from utilizing this technological advancement. I think it would be in our collective best interests, as the industry presses forward to modernize, that we make sure lotteries can include these types of advancements in RFPs. IGT is prepared to help lottery customers take advantage of all the benefits of moving to the Cloud and pass these benefits on to players."



JAY GENDRON

Doug Pollard

brought our attention to one of the newer entries into the games-of-chance sector. Sports betting may not be a direct competitor to lottery, but it is definitely competing for the discretionary spend of the consumer on recreational gaming. "We've done a terrific job over the past few years of bringing players into our business and driving more proceeds for good causes," he said. "But there has been an enormous spread of sports betting over the past few years and that has changed the gaming landscape. We still have lotteries that can't accept debit cards, yet sports betting has entered our jurisdictions with enticing offers, a bombardment of television ads, and multiple payment options. I am concerned that lottery may get swept into the same bucket as other games-of-chance like sports betting. Sports betting provides far less revenue to good causes compared to lottery. And sports betting does not have the history of integrity and security that lottery



DOUG POLLARD

has. We've got to be more proactive in communicating the difference because when there's a backlash against gaming expansion, we don't want lottery to get lumped in with other sectors like sports betting. That would negatively impact iLottery, lottery, and our retail partners as well."

On Doug's point about sports betting entering more and more states, Rebecca said lotteries are feeling the impact of the influx of advertising that promotes the sports betting websites. "The cost for the lottery to advertise has gone up dramatically because there are only so many 30 second commercials," she said, "and they've taken up so much of the available ad time that it has driven up the costs to advertise. So our advertising costs have gone up substantially because of the competition for ad time. Those states without sports betting (yet) need to keep that in mind going forward."

Changes Needed to the RFP Process?

All five business partner representatives have much experience working with lotteries and most of that activity is achieved through the successful response to lottery Request For Proposals (RFPs). While this is the avenue that most government agencies use to secure vendors for larger projects, it can be a challenging process for those who operate in the lottery industry.

With that in mind, Rebecca asked "If you had a magic wand and you could change one thing about how we all do RFPs, what would you change?"

Up first was Scientific Games' **Pat McHugh**. "I would recommend that RFP evaluations are profit-driven," he said. "On the lottery side, you're running a hugely successful consumer goods business. But how do you work with stakeholders and vendors to think of this business as an investment? The profits on the lottery side of the business are directly impacted by the investments made by vendors and lotteries. The ROI of those investments are very high, which means the resources invested by lotteries will lead to exponentially higher funds generated for the benefit of good causes. The same can't be said for other government agencies which do not generate income or a financial return. So I suggest changing how lottery stakeholders view costs impacts to growth over time, and RFPs are perceived to be ROI-driven instead of cost-driven."

Doug Pollard focused on price. "I don't think you should buy an important revenue generating product on price alone," he said. "Decisions should not be just cost-based. You're going to pay pennies for most of the services you sell and make quarters in terms of margin. There's a lot more at stake. Lotteries need to look at the entire picture, assess a wide variety of value-adding capabilities, and determine what are the most important factors to choosing your vendors."

Given the fact that investing in lottery infrastructure also enables investment and innovation for players and retailers, **Jay Gendron** at IGT said, "All companies and lotteries want to innovate, and innovation costs money. We spend a lot of money in research and development each year. And there is nothing more disheartening than seeing an RFP released that covers 10 years with a technical-to-price ratio of 50/50 and which essentially places little emphasis on R&D and technology – the things that differentiate vendors and make their offers unique from one another. My one wish would be that more states follow the path of those jurisdictions that have made the technical-to-price ratio much closer to an 80/20 ratio. With that, you are incenting the vendors to invest in your infrastructure not only on Day One but for the entire length of the contract."

For Intralot, **Byron Boothe** said working with different parts of the RFP process is critical. "I think one of the main issues with procurement is policy," he said. "And policy requires education, and education requires familiarity with the legislative and executive branches in the states. You need those allies because the lotteries that want to modernize the process will be changing 15-20 years or more of procurement rules and procurement cut-and-paste templates. So, going in a direction that changes technical versus price scoring methods requires engaging lottery partners throughout government. I think that's how we can get the outcomes we're looking for."

Richard Bateson at JUMBO said, "I firmly believe in aligned incentives that drive behavior. I think as an industry we are probably at risk of having long contracts that are 10, 15, 20 years in length and the vendors aren't incentivized to invest in ongoing technologies. There are industries out there that are much more agile than ours because they are driven to constantly invent and innovate. Lotteries need to work with the vendors to

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invest in the growth and profitability of the business for the benefit of good causes. If your vendor isn't incentivized to help you get through the challenging years ahead your future viability is at risk."

Update on Inclusion and Diversity in the Industry

The final portion of Rebecca's panel was devoted to a topic close to her heart. As founder and leader of the Women Initiative in Lottery Leadership (WILL) program, Rebecca has been a champion in the advancement of women, as well as other groups, for decades. She asked the panel a question she has asked at many NASPL conferences over the years: "What are you all doing towards diversity and inclusion? When will we have the first woman on this panel?"

Doug Pollard kicked off this portion of the panel by considering Rebecca's entire inquiry. "I appreciate this question because I do see it more broadly than women," he said. "As I look around the room, there are many women in the audience who are great leaders, and this is especially true at Pollard and NeoPollard. The broader goal of work-place diversity is an important part of every company today. As a public company, we are held to a high standard, so we've been working on these issues for some time. We have a long-standing philosophy about Investing in Good, and now have a formal task-force focused on the challenges faced by women and people of color and working to highlight the blind spots that might exist. Top management is equally engaged in supporting the efforts of everyone to drive progress, diversity and inclusion in the work-place and in our work-force."

Scientific Games has women leaders at many different levels said **Pat McHugh**. "Our Board's Vice Chair is a woman and we have more diversity on our Board than ever before," he said. "We are much more deliberate in our focus on gender and ethnic diversity across our global organization, and more proactive in our talent recruitment. We spend more time in the community, supporting DE&I initiatives and providing internships. Our female leaders at Scientific Games' global lottery headquarters serve as mentors to future women leaders in greater Atlanta. We support and engage with industry groups like WILL. Our A Class program, now in its third year, identifies and readies a diverse group of future company leaders from

around the globe. By 2023, A Class will have created a path for more than 100 employees to become the next generation of Scientific Games leaders."

Byron Boothe said that while Intralot has created a strategic group to look at hiring, there are challenges. "We believe we have created pathways to senior leadership for women and actually, we have a number of female leaders right now," he said. "We are excited about promoting from within and providing opportunities to our employees, and that includes diverse groups. Hiring right now is challenging as a new generation of potential employees has an adjusted mindset about the workplace. So our challenge is to work with our current employees, help them succeed, ensure that we keep diversity in the forefront, and hire new employees with an eye toward supporting women and people of color."

Prior to Richard's remarks, **Rebecca Paul** noted that JUMBO has been a supporter of WILL from the start, donating \$50,000 for scholarships. "We are proud of our sponsorship of WILL because these types of groups are actually taking action towards how we deal with discrimination and inclusivity," **Richard Bateson** said. "Some of these issues are as much societal as they are industry issues. We have all worked on these issues but there is much more to be done. In our efforts to be inclusive, we must continue to focus on recruitment and how we present ourselves to our players as well as our internal teams. The approach we take and the programs we create must be built into the culture and what we live and breathe throughout our organizations."

IGT has taken a number of proactive steps, including hosting monthly sessions on diversity, and Rebecca has been a recent guest speaker. "We have made a lot of progress in this area over the last several years and there is still more to do," Jay Gendron said. "We have a Global Diversity & Inclusion Council and an employee who is a Vice President of Diversity and Inclusion. Senior level executives are required to have diversity and inclusion training as part of their jobs. One thing we can all do as an industry is mentor our younger employees. Most people on this panel and attending this conference have benefited from the help of others during their career. We should take that as a responsibility to pass on the same kind of help to the next generation of employees."

Rebecca wrapped up the panel with a simple question: "What keeps you up at night?"

Pat: "It goes back to what I said about advocacy for the industry. We must ensure that our stakeholders understand why lottery exists and the importance of its mission. I think everything else we talked about here gets easier if we're doing a good job of that."

Doug: "Two things. The first is iLottery – we're almost two years into a pandemic that should have driven us to make the products available online, yet we are not very close in many jurisdictions. The second is the supply chain and hiring issues. We need goods, we need paper and ink to print tickets, and we need people to get the work done. These issues keep me awake, too."

Jay: "Digital transformation. There are 24 states with legalized sports betting, and we have only 12 states that can sell lottery via interactive channels. I think it's incumbent upon all of us in conjunction with NASPL to make sure we advocate for our industry to make sure we're not left behind on the digital front. Right now, my concern is that the lottery industry is not keeping pace with where others in the broader games-of-chance industry are going and where we need to be."

Byron: "I agree that it's digital transformation, mainly from a policy perspective. When we meet with legislators, they are perfectly fine with sports betting being conducted on 10 million phones but insist on thinking of iLottery as an expansion of lottery games. It's a major disconnect. It requires education at both the legislative and executive levels. We have to think differently as we continue down the digital road."

Richard: "Are we doing enough at this point in time, with record sales, to help our players understand what digital means to them? We have consumers who are cashless, they're not interested in the traditional ways of interacting with lottery. We have some talented people in this industry who must continue to look at the growth drivers and how we focus on them. Our competitors in the gambling industry are working on initiatives that are taking a bite out of our business. Let's make sure we're fixing our roof while the sun is shining. We can't wait."

Rebecca will be back with these leaders in a few months at the WLA/NASPL conference in Vancouver. ■