

ACHIEVING EXPLOSIVE GROWTH IN THE FIRST YEAR OF DIGITAL INSTANTS SALES

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PGRI Introduction: Randy Spielman joined the North Carolina Education Lottery in June of 2007 as a Financial Analyst and has worked in a number of product development roles prior to his current position. Now, with over 16 years of experience in the lottery industry, Randy is responsible for all game development efforts as well as digital platforms and programs at the N.C. Education Lottery. He has been responsible for significant product and program launches at the lottery during this time, including the digital instant games rollout in November of 2023.

Prior to rejoining the Lottery, Randy worked as the Director of Customer Success for Pollard Banknote, where he was responsible for working with their key accounts to optimize their scratch-off game portfolios.

Paul Jason: How did you achieve such explosive growth in the very first year Digital Instants sales?

R. Spielman: Our launch of Digital Instants was somewhat unique in the North American experience. We started selling draw game subscriptions online in 2013; then moved to lottery single draw sales three years later. So we had years of experience selling games online prior to adding Digital Instant games in November of last year. That served us well when it came time to launch Digital Instants. First, we had the technological infrastructure, internal resources and contractual elements in place that positioned us to move quickly to implement another digital product. Second, we had around 500,000 registered depositors built up over years of selling draw-games online, having been able to market our online program during

significant jackpot runs over the past four to five years.

The other thing that we had working for us was a well-established loyalty program. In addition to the 500,000 depositors, we had another million players in the database that were engaged in one form or another with our loyalty program. From a technological, cultural, and registered player data-base standpoint, we started from a really good place. Digital Instants folded right into our existing infrastructure. Implementation went quickly and smoothly.

E-commerce is so different than traditional retailing, and digital lottery much different than traditional lottery. KYC (Know Your Customer) works better when you actually do know your players, as you do in the online world and don't in the

retail environment. Key Performance Indicators are based on data-sets that simply aren't available in the retail space of anonymous players. And unlike the retail world, digital is a market-place that demands more products being launched at a much faster rate, along with constant updates of everything from user interfaces to promotional initiatives. Our crawl-walk-run approach to e-commerce enabled us to learn about digital commerce and digital gaming over years of marketing draw-games online. Turning on Digital Instants was a big step, but we had all the pieces in place and knew what we needed to do to make everything run smoothly.

How did you stage the rollout of Digital Instants?

R. Spielman: The digital Instants launch went live on all digital channels, including our Mobile app, simultaneously. We knew it was vital to launch the new Digital Instant games across all of our Digital Instant channels at once, including our robust and fully vetted Mobile app. We had a large number of active draw-games players who we anticipated would be quick to try digital instants. So we went with a slightly smaller portfolio of games than we really wanted in order to ensure that we could launch the program on day one on our Mobile app. Now, less than a year later, 70% of our Digital Instants transactions come through the Mobile app.

Do you now think of yourself as a Digital-First company?

R. Spielman: Well, of course, we think of ourselves as a customer-first company. Like other retailers, we believe we can be successful at retail and successful online, and the two can complement each other. But to your point, it was back in 2019 that we converted to our current iLottery platform and that is when Mark (Michalko, director of the N.C. Education Lottery) recognized the direction everything was going in and shifted our mentality to see online as being mission-critical to building the direct interactive relationship with the players that is so key to long-term growth and sustainability, and he established a department focused on optimizing the full potential of digital channels and gaming. Online iLottery is no longer just about convenience for the players, an additional way for them to interact with Lottery. It is a true growth-driver that adds tremendous value to the overall player experience and to our ability to continually enhance that experience. Digital platforms provide an incredibly rich canvass to innovate, modernize, create new gaming experiences, and otherwise enhance value to the players.

activity may have migrated from retail over to online. But the net effect of our online connection is absolutely positive for retail. Digital enables a CRM (Customer Relationship Management) approach that is nothing short of transformative. It enables us to reach consumer groups who weren't even playing lottery and bring in new players who proceed to also play at retail because we apply promotions that incentivize the players to interact with us on all channels. It enables us to connect with core players better with promotions and messaging that appeal to their play styles and preferences. Digital enables the omni-channel relationship that is based on seamless interaction with the consumer and that is what drives sales across all channels, including retail.

Digitally-driven CRM helps us tailor promotions and messaging that appeals to the specific interests and preferences of the players. And the players appreciate that, so in turn they pay more attention to our messaging. As we get to know which players prefer to only play Instants, which players only prefer draw games, which players try new products, which play the same games again and again,

who didn't play or regularly engage with lottery previously. Now, with our focus on KYC and CRM, we are able to nurture that player base and provide incentives that drive players to retail which benefits everyone including the players.

How relevant would the digital connection be if you did not sell lottery tickets online?

R. Spielman: Super relevant. Digital Lottery is all about the online connection with your players, completely apart from where they play the lottery. The future of any consumer-facing industry is CRM and KYC and those are based on digital channels. You have to Know Your Customer to nurture and sustain the long-term relationship that is key to success. Digital lottery is about loyalty programs, second-chance programs, digital messaging, providing informational resources to the players, and the dynamic interaction that does not happen at retail.

Amazon has shown how Customer Relationship Management is the decisive competitive differentiator. This will be even more true going forward. Look at how casinos have built tremendous loyalty programs even though their goal is to get the customers to come into the casino, not play online. Commercial operators in the games-of-chance space, like Jackpocket-now-DraftKings as well as casinos, other sports betting operators, and online casino operators are all highly focused on CRM as the pathway to building loyalty which is the basis for long-term sustainable growth. We all need to invest more in Digital Lottery regardless of whether we are currently selling tickets online.

Lotteries have limited budgets. But there are many ways to engage the players online that fall within whatever budgetary constraints apply. The ROI is absolutely there even though it can be hard to quantify. The data shows us that the value of players who are active on the loyalty program is easily twice that of players who are not engaged with the loyalty program. And that is just over a short-term, like six months. The lifetime value of the engaged loyalty program player is exponentially higher. And to be sure, other gaming operators without an effective CRM program will be very vulnerable going forward. CRM is also important as a defensive measure with the ongoing expansion of gaming across the country.

“DIGITAL LOTTERY HAS TRANSFORMED OUR UNDERSTANDING OF DATA AND ANALYTICS AND HOW TO TURN DATA INTO ACTION-PLANS.”

What percentage of the North Carolina Lottery sales come from digital channels?

R. Spielman: In the first twelve months of Digital Instant program, we did a little over \$2 billion in sales. And it continues to increase as Digital Instants have exceeded scratch-off sales in the last three months. Total online sales including draw games now comprise approximately 40 percent of total North Carolina Lottery sales.

And retail sales continue to increase as well? Online sales aren't cannibalizing retail sales?

R. Spielman: I think some of the player

which players are more likely to respond to promotions that are redeemed at retail and which players never play at retail, etc. ... our promotional response and conversion rates go up because the players appreciate that the messaging and promotions are more relevant to their individual interests. And once we have these insights, we can drive players to retail as well as create a better experience for them wherever they choose to play. This type of relationship and understanding of our players' behaviors wasn't possible prior to the expansion of our digital channels.

The digital platform brings in players

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How are retail and iLottery business functions (like game development, promotional strategy and implementation, draw games and Instant, etc.) coordinated? To what degree are retail and iLottery teams working together?

R. Spielman: Different functional areas do work independently to some degree. The beauty of the way that we are structured is that product or game development teams are working hand in hand with the digital teams to build a comprehensive launch and support plan for each of our games. Everyone works with their counterparts in the other channels to build a comprehensive and integrated approach that encourages players to engage with us on all channels. Everything is geared towards optimizing the lottery portfolio with a diversity of games and promotions that appeal to the largest variety of players and motivations. Retailer support and marketing plans are coordinated with iLottery launch schedules and promotions. The digital teams coordinate with the product teams to make it as easy as possible for the players to migrate back and forth from retail to online. And CRM initiatives encourage players to engage with lottery on all channels as well.

The content in the digital space is so different than what we're used to doing in retail. In retail, you have your twelve-month plan and then six months later you get with your vendor(s) to start working on the next twelve-month plan. In the digital space, we don't have a plan so much as a framework that helps us stay consistent with priorities and objectives and allows us to adapt to current trends we are seeing in the market in a way that we can't do with retail product plans. There is so much new content and new ways to engage the online player, so you want to take full advantage of that. The framework must allow us to be flexible and agile to move quickly in this digital environment. Too, the online players expect far more diversity of games launched at a frequency that is twice that of retail. We make sure that our online launches and promotions always complement our retail launch schedule and promotional programs.

We are working towards further integrations that support omni-channel games that will be similar in nature that can be played across channel. It might be a

licensed property or just a game that has a similar play-style or theme. This way we are always facilitating the omni-channel experience, promoting online at retail, and using promotions to send the online player back to retail.

How do you promote online at retail?

R. Spielman: First, make it easy and intuitive for the player to interact with us online. We are trying to use imagery and protocols that connect the online and offline worlds so the player feels at home when they are on our website. We want the online experience to augment or amplify the retail experience, not replace it. To your question, the digital platform is a tremendous resource of information for the players. Even those who only want to play at retail still have questions that can't be answered by the POS displays or the clerk. Our website is a treasure trove of information that players want to access, like how many prizes are remaining for scratch-off games, or to check and compare the odds, or what numbers won the draw games and such. And maybe they'll explore around and find they want to play some digital instant games as well.

vistas for how we can improve our way of doing business and enhance the player experience. Of course, we will never have the same amount of data about the retail player. We can, though, apply this new mindset that appreciates the importance of Knowing Your Customer to retail, and get more creative at identifying KPI's to help guide our efforts at retail. Some of the digital KPI's translate directly to retail, or maybe a retail equivalent to the digital KPI can be created. And some of the insights we glean from the data captured in the digital space apply to retail players as well as online players. Digital has shown us how data analytics can transform our business performance and that also applies to retail.

Do you think players continue to “stay in their lane” and not migrate across different game categories? Or should we think of ourselves as being in competition with other game categories like sports betting and online casinos?

R. Spielman: The rapid expansion of other gaming opportunities varies from state to state now, but easy consumer access to the wide range of gaming categories

“TOTAL ONLINE SALES INCLUDING DRAW GAMES NOW COMPRISE APPROXIMATELY 40 PERCENT OF TOTAL NORTH CAROLINA EDUCATION LOTTERY SALES.”

Is there anything about your online activities and efforts that have applied to retail?

R. Spielman: Digital lottery has transformed our understanding of data analytics and how to turn data into action-plans. Ours has always been a culture that values analytical evidence-based decision-making. But the amount of information and data you have access to in the digital world is exponentially higher than what you have at retail. New data-sets yield new KPI's, new ways to analyze player behavior, far better messaging and promotions ... it has opened up whole new

is affecting everyone everywhere, if not right now, then in the very near future. We may be a monopoly in the lottery space, but we certainly are not in the games-of-chance space. The acquisition of Jackpocket by DraftKings has created another potentially more direct form of competition for our industry that may accelerate the rate at which lottery players are incented to try other game categories.

So, yes, we do think of ourselves as competing with these other operators for market-share and for mind-share of the consumer. The premium on Knowing Your Customer, on effective CRM, on

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aligned with the regionals by supporting and reinforcing the service and value that they bring to the industry. Secondly, it is imperative that we uphold the integrity of the industry by continually evolving our risk management and security as well as our responsible gaming standards and refining our certification processes. Integrity also includes establishing a center of knowledge and information in combating illegal gaming as well as promoting and raising awareness of sports integrity. Thirdly the WLA will continue to build on its role as an informational hub and resource, and to provide expertise or best practices in special and relevant topics and fourthly evolve Good Corporate Citizenship. Similarly, we will establish a process for identifying the key topics and how to proceed with the development and presentation of business intelligence and industry knowledge. These are all areas where the WLA has a proven track record of success.

The WLA vision is to be recognized as the global lottery and betting game authority and to support its members in contributing to society. Therefore, we must set the standards of excellence for the lottery ecosystem, serve our members and help them to succeed and prosper.

Is there an example of how the competencies of the WLA complement the regional associations?

A. Kötter: The industry is evolving at different stages and in different ways across the globe. For instance, illegal gambling

or the business model of resellers has manifested in Europe over the past twenty years in ways that are just beginning to emerge in other regions such as the U.S. The WLA acts as an information resource and can help its members around the world understand, through case studies, how some of these issues have developed elsewhere, how lotteries have responded to threats, which strategies and tactics have worked well, and which have not worked so well. I've been impressed by how the Asian region embraced new technology in their lottery work and started to use AI to analyze the illegal market. We have just started a joint initiative with the Regional Associations to research the size of the illegal markets on a global scale. To uphold the core values of integrity and fair play in sport, the WLA, together with EL (European Lotteries), founded ULIS (United Lotteries for Integrity in Sports) as the main global player in the field of state lotteries.

The regional associations have a deep understanding of the local markets, gaming cultures, political environments, and the most relevant issues and needs of its members. Joint conferences and educational seminars reflect specific interests of the members and the WLA is happy to collaborate with the regional associations in providing experiences from other parts of the world. These are just a few examples of how the WLA and Regional Associations work together to add more value to lotteries.

How might lottery further its competitive advantage?

A. Kötter: First of all, we should take a measure of the unique attributes of lotteries that no one else has and how we might leverage those to better effect. Lotteries have been part of the day-to-day culture for decades. We have analyzed the development of lotteries for every crisis after the Second World War. How are lotteries affected by economic crisis? Political crisis? Changes in the competitive landscape? One truism is the amazing resilience of lottery products. Lotteries currently have a retail network that no one else has or even has any hope to replicate. Lotteries have an established, trusted brand and a mission to serve good causes. That makes us strong and unique. Our business is sustainably increasing, and we have the largest customer base in the whole gambling segment. Given the associations there is no other relevant player on a global level than WLA together with the regional associations in our segment. Building on these strengths, we should be able to identify and face the industry challenges if we anticipate new trends and technology, understand the customer, exchange information and innovate, learn from each other and think in cooperations. The WLA, and I'm sure also the Regional Lottery Associations are committed to serving their members and helping them succeed in these exciting times of disruption and opportunity. ■

application of data-analytics and building out new sets of KPI's that identify and measure the factors that matter most and which are constantly changing. Our competition is raising the bar on all of these business functions which means we have to be better than them if we want to promote loyalty and retain playership.

I was asked about the evidence to substantiate the concern that lottery players are subject to shifting some of their spend over to other game categories. I would respectfully submit that if we wait for the evidence to come in, it will be too late. We are proceeding on the basis that the

consumer has more choices now, and we need to continue to earn their playership. Lottery has the most storied history of any game, a resilience and popularity and life-cycle that is unlike any other product. I think it would be short-sighted of the industry to assume that guarantees future success. We are focused on leveraging the things that make lottery unique, an ongoing commitment to healthy play and the great work that is being done to support our beneficiaries.

I think we need to prepare for a dynamic market-place with consumers who expect us to continually "up our game". That's

why we are building a culture of nimbleness that expects consumer behavior and market dynamics to be changing faster than ever. We are embracing the opportunity to set new standards that keep our players engaged, that keep our channel partners committed to lottery, and that keep the good causes – public education in North Carolina – that benefit proud of their association with the N.C. Education Lottery. ■