iLOTTERY EVOLUTION CONTINUES AT THE MICHIGAN LOTTERY

DIGITAL LEAD SHANNON DEHAVEN PROVIDES UPDATES, FUTURE PLANS

In early March, prior to the nationwide response to the COVID-19 pandemic, Shannon DeHaven of the Michigan Lottery spoke to the assembled lottery industry representatives at the PGRI Smart-Tech 2020 conference in Miami.

Shannon is the Deputy Director of Digital Operations for the Michigan Lottery and after more than six years working on the program and four years overseeing its success, she has become one of the country's foremost experts in iLottery.

Shannon DeHaven, MI Lottery Deputy Director, Digital Operations

After six years working on the development, launch and operation of the online sales program for the Michigan Lottery, Shannon DeHaven has heard all manner of skepticism about the lottery's program.

- It will wreck the retailer network
- Players won't want to play a digital version of a ticket
- The payouts are too high to make money

But to use current lingo, Shannon "comes with receipts" which show that Michigan's iLottery journey has been a commercial success for the lottery and retailers, and an economic boon to the state. This success has certainly quieted the critics, said Shannon, Deputy Director of Digital Operations.

"It's understandable – people have a natural fear of the unknown," she said. "There can be conflict between the need for certainty and the need for change.

"But here we are nearly six years later, and the Michigan Lottery was able to return more than $1 billion to good causes in FY19, and iLottery played a role in that number. And we expect that to only grow into the future."

While not the first state to offer iLottery (MN Lottery holds that honor, although that program no longer exists), Michigan certainly set a standard for the industry. The lottery was headed by Scott Bowen, now SVP of Business Development for NeoPollard Interactive, and Shannon was a member of the digital team.

"In 2014 when iLottery launched, Michigan Lottery had 174 employees and produced $742.8 million for Michigan's K-12 schools. By all measures, we were a successful lottery," she said. "Today, the lottery has just a few more employees and contributes more than $1 billion to the state's schools. In addition to incremental lift from iLottery, we continue to see retail sales grow. I personally feel expanding our sales channels was critical to the lottery's success."

Like any success story, there are many chapters with ups and downs, positives and negatives but, ultimately, results that allow the business to continue to flourish. While others might want to focus on payouts and product mix, Shannon thinks there is an easy explanation for the success of the Michigan program – the entire online user experience from the registration experience, to marketing to games.

The game experience is critical. Why do some scratch tickets sell better at retail than others? The look of the ticket, call outs, how the winning experience is unveiled to the player. It's similar for iLottery in that all the details and attributes determine the success of the game.

"Digital has a very different user experience than a traditional product. The retail location lends itself to a more extended play style," Shannon said. "The players purchase their tickets, go home, wait for the drawing. Or they scratch a ticket in the store, in their car or at home.

"But with digital, the play is on the go. And it's a quicker pace. These differences mean offering a higher payout for digital products allows us to give the same extended experience to our players online."

Michigan Lottery's iLottery Net Gaming Revenue

FOLLOWING A MARKETING ROADMAP

As a marketer for most of her career, Shannon understands the importance of providing players and non-players with the necessary information to move them to the digital space. The journey to purchase is different for digital players than brick-and-mortar players, and the lottery is constantly addressing those differences.

"We don't have nearly 11,000 retailers to help sell our products online; foot traffic and point of sale marketing support is critical for traditional businesses," she said. "When we launched the iLottery program, we had to consider how reaching online players would be different and what the impact on retail could be. Our goal was to reach a new audience. To achieve this, we started by allocating funding to digital advertising to drive traffic directly to the Michigan Lottery website and our mobile apps.

"Digital media kicked off the user journey. We needed to make sure that we were driving traffic to the website but then once the player got to the website, we relied on our platforms to act as our online storefront. Much like point of sale that informs players and clerks that answer questions at retail, the website and mobile apps needed to be informative and accessible to our players."

Fast forward to 2018 and the lottery fully optimized its website, providing pertinent information to players and allowing the lottery to more easily update the site. The latter was among the biggest changes as the lottery could now more frequently update content, easily launch new games, include CRM capabilities, and deliver more personalized offers to players.

And players responded favorably.

"We have been able to improve our players' experiences with our learnings," Shannon said. "We can serve bonuses to iLottery players based on their unique behavior. Some of the bonuses might be working towards converting web visitors to online players. Other times we are simply focused on retaining our current players."

RETAIL TO DIGITAL/ DIGITAL TO RETAIL

The Holy Grail for iLottery sites is to engage retail customers on both the digital and the retail channels, and to do that without a negative impact on the r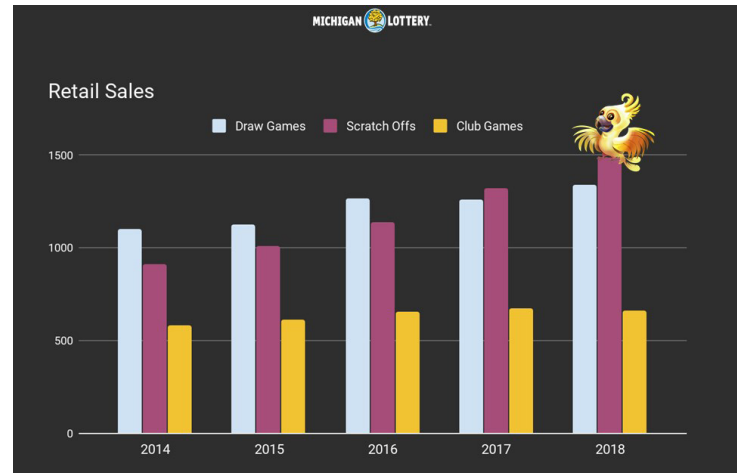etailer network. As Shannon puts it, they strived to "break down silos" between in-store, digital and mobile to focus on the lottery's most important business goal – increase contributions to good causes. This is where Shannon and other executives at the lottery, representing the different areas within the operation, put together a plan that would benefit all stakeholders of the organization.

"We reviewed the user experience from both sides of the business," she said, "and started to define how we would leverage retail outlets to drive traffic online and collect player information, and vice-versa. We then created immersive experiences that allowed players to naturally flow back and forth between the channels at their convenience. By doing this, we were able to double the number of retail players logging into their online accounts on a daily basis and triple the number of digital players logging into their accounts daily. We were then able to expand our marketing efforts to each group.

"As part of our overarching marketing strategy, we gave players a reason to go from in store to online but more importantly have provided them solutions that fit their needs and wants, giving them a value proposition to sign up for an account."

An example of marketing and promotions efforts geared to both sales channels is the lottery's daily Spin to Win. Introduced in 2018, this promotion allows players to log into their online account daily, spin a wheel and win either free play online, an in-store coupon or entries into a monthly drawing to win a cash prize.

The Michigan Lottery also built functionality within its iLottery program that allows players to purchase an Online Game Card at retail to fund their iLottery account. They also created a voucher that allowed their players to withdraw winnings from their online account and cash out at retailer locations. The efforts allow retailers to receive increased foot traffic, a sales commission and a cashing commission, all while Lottery is improving the user experience, making it easier for players to fund their accounts and providing a faster withdrawal option.

The success of these marketing programs is easy to track.

"We expect to send nearly $3 million in cash outs alone to retail locations in FY20," Shannon said. "That's $3 million that players can use in our retail locations. And we have given players who previously only bought at retail a reason to open an online account. Additionally, these efforts are helping us foster our relationships with our retail partners, giving them opportunities to benefit from our online traffic."

WHERE FROM HERE?

Lotteries are fully aware that how they build their digital footprints is critical to their economic futures. Loyalty, in all sectors, has moved online and has been accepted by players. It is only a matter of time before commerce also follows this path.

"How we evolve our online games is a big question on our minds these days," Shannon said. "What play mechanics should we be looking at? How can we enhance the prize tables while also staying within regulatory and responsible gaming guidelines? How can we use advanced technology to provide a more immersive experience? This is not only a challenge for the Michigan Lottery but for the entire industry. How do we continue to evolve our most basic and traditional products when society's attention span is getting shorter and shorter?

"How we answer these important questions will help all of us determine the future of online lottery sales. For me, I'm hoping that one day soon, it will be as easy as a Michigan player saying, 'Alexa, buy me a Powerball ticket for tonight's drawing.'" ■

MICHIGAN LOTTERY.

Retail Sales

■ Draw Games ■ Scratch Offs ■ Club Games