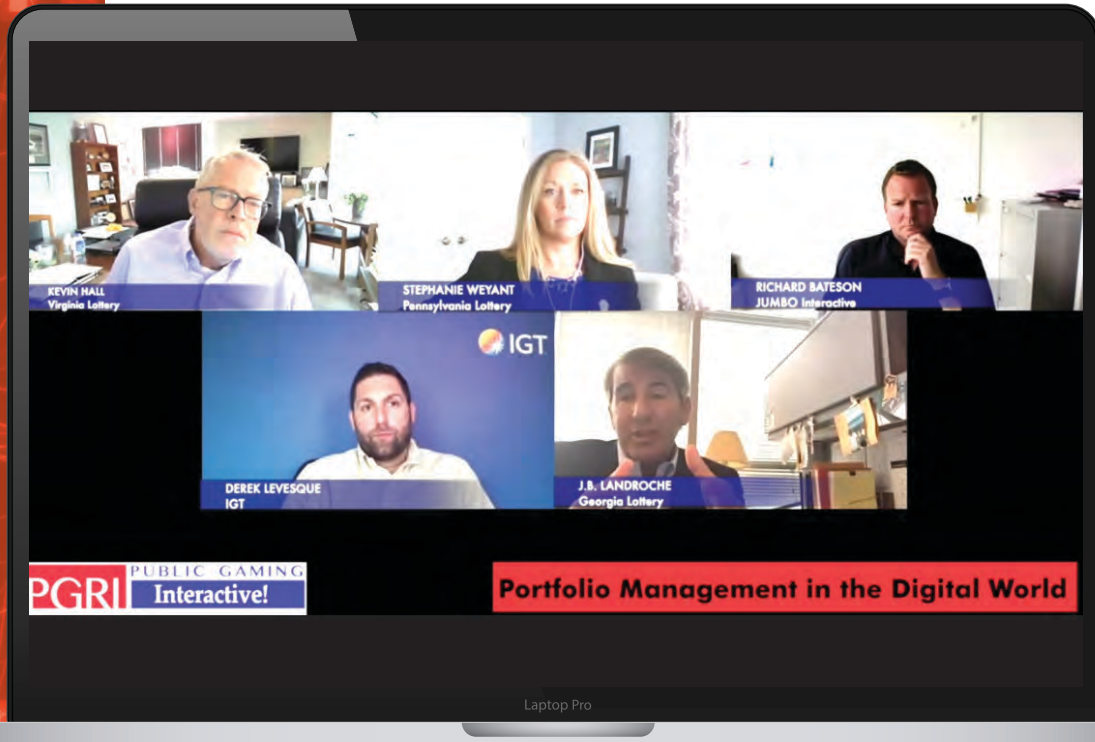




# PORTFOLIO MANAGEMENT IN THE DIGITAL WORLD



The following article is based on a Roundtable Discussion conducted at PGRI Digital Lottery eConference on June 17.

**T**he numbers on online shopping are eye-popping. According to Digital Commerce 360, a leading retail research organization, online sales were up 32 percent in 2020 over the prior year for a total of \$792 billion. For the first quarter of 2021, sales were up 30 percent over Q1 2020, nearly triple the increase of all quarters in 2020.

For the lottery industry, where at-retail sales have broken records in nearly every jurisdiction, the increase in the use of the digital sales channels hit a bit differently. While only around a dozen states are selling products online, most lotteries have a digital presence which only grew in importance over the past year-plus.

With all eyes on how digital sales will progress, this panel – titled “Portfolio Management in the Digital World” and consisting of iLottery veterans – offered a look at how lotteries can balance their online and retail products.

**Kevin Hall**, Executive Director of the Virginia Lottery which just celebrated its one-year anniversary of digital sales, served as moderator for the panel which featured:

**Richard Bateson**, Chief Commercial Officer at JUMBO Interactive

**J.B. Landroche**, Senior Vice President Corporate Affairs, Georgia Lottery

**Derek Levesque**, Senior Manager, U.S. Digital Business Development, IGT

**Stephanie Weyant**, Deputy Executive Director, Marketing & Products, Pennsylvania Lottery.

Stephanie said that one result of the increased focus on online shopping is that lotteries will now be held to the same high standards as businesses such as Walmart, Target and Amazon. “We see that the online players skew slightly younger than traditional lottery players and many of them shop online,” she said. “So they expect the same experience as Amazon and Netflix, with more game content and frequent updates to the site. They want more winning experiences. To them, it’s not so much a single purchase but a session, a longer-duration experience. And just like online shoppers, our digital players expect our platforms to be mobile friendly, intuitive, and frictionless. So overall I would say that the online player expects a different experience than our traditional player.

In the end, however, online and retail work together to attract players and drive revenue and we have to work equally on both offerings.”

In Georgia, J.B. said that their digital program has allowed the lottery flexibility and differences from what is offered at retail. “We do have slightly higher price points and top prizes currently offered at retail as compared to online. However, the interactive format allows us to offer a wider variety of play styles and the flexibility to attract players with bonus levels and interactive game mechanics. We are able to mimic the instant gratification that players receive from scratch tickets sold at retail.”

Derek said that from his work with IGT’s clients and observing the industry, he sees some common approaches that lotteries are applying to preserve a balance between digital and retail. “There are definitely nuances to each lottery, whether it’s a game preference, payout or just a particular player demographic that influences decisions,” he said. “Building an online portfolio that engages players is very important. This is where data plays a key role. We use it to understand the player and the games they play repeatedly so we can apply the insights and continue to build on the success of those games to engage more players, whether it’s through the theme or the mechanics. For digital, we can use the data to inform decisions and make changes quickly. For the retail product, those changes are made over a longer timeframe.”

The Virginia Lottery is the new kid on the iLottery block and the oldest program (Michigan) is still less than 10 years old. But in Europe and other parts of the world, digital lottery is old hat, just another part of the channel mix and product arsenal. And there are certainly lessons to be learned from those with experience all over the world. Cue Richard, who in a previous job oversaw the digital program for the UK lottery and now works for JUMBO which works with lotteries across the world.

“If you look at player expectations, lottery is not in isolation from other digital platforms, with players wanting greater interactivity,” Richard said. “We want greater engagement with our players and our games need to show that as well. Retail scratch ticket players want instant gratification and the

chance to dream. We want to translate that to online players who might want an instant reveal or want a story to be told. So we need to balance everyone’s needs and expectations. We also must keep in mind other competing opportunities that exist in so many states, such as casinos and online sports gambling. This competition impacts both retail and online and we need to stay ahead of this discussion.”

internal product team manages our entire product portfolio – scratch games, Fast Play, monitor games, draw games,” she said. “One team handles all of these games. We added one dedicated iLottery product manager to help with the increased workload. Some of the pros to having an integrated team is that they bring over a knowledge of all the traditional games and that sets up some really great cross product line opportunities. Since they’re managing all products, they



**With world class sites like Facebook, Amazon and Google leading the way, players expect the same quality from lotteries and their vendor partners. There are many non-lottery options for gaming and entertainment dollars, so it is imperative that the products and experiences we offer are relevant, fun and engaging.**

The rise in popularity of online sales does not mean lotteries are taking their feet off the retail gas pedal. If anything, it has resulted in enhanced communication between the traditional and retail sides of the house. The key word is portfolio management. “While our digital platform is managed separately, there is collaboration from the entire lottery team including those focused on the traditional product and retail channels,” said J.B. of his Georgia Lottery colleagues. “And we work closely with vendor partners, especially the interactive team at IGT, to manage the portfolio of games. Our product development team’s knowledge of our traditional scratcher games in the retail space provides invaluable expertise as we evaluate and refine our digital prize structure, price points and game themes to appeal to both existing and new players. And when possible, we try to align releases for promotions and marketing purposes between the two groups. It is truly a collaborative effort.”

In Pennsylvania, Stephanie’s product group has a slightly different structure. “Our same

can tie these games and promotions together. So with the one group managing the entire portfolio, they have a wide view of products and are better able to tee up some great marketing opportunities.”

“Of course, online products present different opportunities to the group and the approach is in fact different from retail,” she said. “You don’t have a limit on the number of games you can sell online like you do at retail. You can test and learn in real time in the online environment. We might launch an online game with a theme that maybe we would be a little hesitant to do at retail.”

Running one of the nation’s largest lotteries, Kevin has seen a lot in his time at the helm of the Virginia Lottery. iLottery was different: “One of my biggest surprises as a new iLottery state was the frequency with which we have to launch new products in the digital space to meet customer expectations,” he said. “It’s a challenge and an opportunity.” The panel certainly agreed.

In Pennsylvania, Stephanie said, “On the iLottery side, we’re launching one new

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game every other week; on the traditional side we launch four to six new scratch-off games every month. Our online players like the new games and they expect more games more frequently. The industry has established that bi-weekly is the minimum for iLottery. Our data is showing that we might be able to launch weekly or even more games bi-weekly, which we plan to test. I compare traditional lottery to a cruise ship which travels at slower and more methodical speed, whereas iLottery is a speedboat. Different speeds for different players.”

Richard said that at JUMBO interactive, they look at the frequency question through different prisms. First is content. “You’ve got to offer content that is relevant, and that might depend on the calendar. We know what types of content will work well at the holidays. But we spend a lot of resources on data to get a better view of the player – what content are they responding to, how often are they interacting with the program, where do they fit with their cohorts? Then we can start personalizing like Amazon does. The second part is offering the right types of games to players. You have players who want the chance to dream and gravitate towards Powerball and Mega Million. Others want the quick gratification that goes along scratch offs. The data you’ve collected helps to inform this process, including how often to offer games. You have a much more focused view and we’re not just providing new games for the sake of it, we’re providing new games that are relevant to the player.”

Staying on the topic of data, Derek said that the proliferation of data has made decision-making a lot more informed. “I’m really thankful I didn’t have this job five years ago without all the data I’m provided now because it would have been a lot more difficult,” he said. “But we have data down to levels that allow us to understand which demographics are playing what types of games, what games are resonating with certain groups, etc. And it all helps us build portfolios and roadmaps. As important as the games we are launching is also the timing of those games. Ensuring that our roadmap is diverse but also well-timed so that we’re making sure we address all the different player segments within a two- or three-month period. Because we’re launching so often, we have the opportunity to be innovative so that sales and player retention/acquisition are of the highest priority.”

Also important is the user experience and all iLottery programs and their vendors spend much time and resources on this component. The key, according to Kevin, is “to create a customer experience that is as frictionless as possible.” Picking up on that, J.B. said that years of online activity with other businesses has created expectations amongst lottery players of similar experiences. “With world class sites like Facebook, Amazon and Google leading the way, players expect the same quality from lotteries and their vendor partners. There are many non-lottery options for gaming and entertainment dollars, so it is imperative that the products and experiences we offer are relevant, fun and engaging.”



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Taking the user experience one step further, the Pennsylvania Lottery has adopted an omnichannel strategy whenever possible. Stephanie said it was a promise they made to retailers when they launched their program, that they would utilize strategies to drive new online players to retail.

“We are launching the same themes across multiple product lines, called cross-product-line launches,” she said. “Through this, we drive online players to the retailer, and retail players to online through common themes, brands and promotions. We started this with seasonal games, tying St. Patrick’s Day and Halloween games back and forth through bonus codes and coupons. Then we moved to licensed properties, like Grumpy Cat, Wizard of Oz, James Bond, Monopoly, and our NFL games (Eagles and Steelers). We think omnichannel is very important

to acquiring players, retaining them, expanding the base, and getting players to sample different products.”

Derek said that IGT will be dipping into the product move from digital to retail later this summer in Rhode Island. “Many of the games we’ve had success with on the digital channel have been derived from either themes or mechanics that resonate in the traditional market,” he said. “So Rhode Island will begin offering omnichannel games and we will closely monitor the results. Instant wins take a bit longer to get to market than traditional scratch tickets so we’ll start by printing one of our digital games and then launch both in August. My hope is that sales of both are strong and that we give players a choice between digital and retail. We’ll soon find out.”

Richard added that U.S. lotteries could look to follow some of their European counterparts in promoting multi-channel play – citing that multi-channel players are more valuable to lotteries than players who play only at retail or only online. He went on to say that in establishing a multi-channel “eco-system” it is important that lotteries retain control of their players and in particular their accounts – as the ability to market to their own players whether that be through direct marketing or cross promotion is a critical foundation to multi-channel success. Richard pointed out that it may be expedient to allow third party couriers to “harvest” existing lottery players and then mediate the interactive relationship between lotteries and players. But giving up control of the online interactive relationship with the consumers is not the best long-term strategy. Preserving the direct online connection to its players should be elevated to a mission-critical priority for all lotteries.

Kevin closed out the conversation with observations from Virginia. “Every day, we work hard to strengthen that bridge between the digital and traditional sides of our business,” he said. “Every state has to operate within certain guardrails, legislatively, politically, and culturally, and all of us have a responsibility to offer our products in a responsible way. My hope is that we take what we’re learning from the digital side to strengthen and support the traditional player and traditional retailer base, too. That will help make our entire industry stronger.” ■