



## iLottery: Managing iLottery for maximum growth, maximum player engagement, and maximum overall sales including retail

**T**he explosive growth of all forms of gambling – sports betting, land-based casinos, iGaming – has put U.S. lotteries in an offensive position as they look to protect their decades-earned position as providers of gaming content to their customers. This fight is critical to the mission of lotteries, as any revenue slips will mean a drop in the funds transferred to the causes they support. Preserving Lottery’s competitive position is also critical to the vast network of lottery retailers who depend on lottery sales to keep their businesses solvent.

**Pennsylvania Lottery Director Drew Svitko** has faced these challenges firsthand over the past few years as the gambling options have increased in Pennsylvania. The lottery is now up against casinos, sports betting, iGaming, fantasy sports, horse racing, and video gaming terminals at truck stops. The lottery has countered with one of the industry’s most robust iLottery programs but it is still a struggle to compete. “With this crowded landscape, we are all fighting to break through to our customers,” he said. “The question is ‘what steps should we take to compete in this current environment and continue to attract players to the lottery?’”

Drew moderated a panel of industry veterans well-suited to handle these and other vexing questions. He was joined by:

**Kelley-Jaye Cleland**, Chief Product & Program Officer, New Hampshire Lottery

**Brad Cummings**, Founder & Chief Executive Officer, EQL Games

**Mike Lightman**, Chief Commercial Officer, IWG (Instant Win Gaming)

**Derek Levesque**, Director Business Development, IGT

**Jennifer Westbury**, Executive Vice President, Sales & Customer Development, Pollard Banknote

**Kelley-Jaye Cleland**, who’s lottery statutorily oversees all gambling in New Hampshire, said it is not easy to battle the deep pockets of national gambling companies. But she has an answer – good content. “I’ve stopped looking at this as iLottery content vs. sports betting and focus on what the player wants from us rather than what we want to give them,” she said. “Our iLottery demographics show

a player about ten years younger than our traditional player. For Sportsbetting, the players trend more male and tend to be highly educated. We are trying to understand what they want to see and then offer that content. We can’t win the ad spend fight with the national gaming companies but we can certainly win the content battle.”

Given the competitive landscape, in both iLottery states and jurisdictions that can’t sell online, **Derek Levesque** said analyzing what you can do and then executing on it are critical. “For states with iLottery and non-lottery competition, there needs to be a value proposition for the players,” he said. “When you look at the payouts from a few years ago, the well-defined best practice was the payout needed to be around 85-87%, and bonusing and marketing spend needed to be 7-8% of gross gaming revenue. In a hyper-competitive market, those numbers are correct. But over the past few years, we’ve seen that the aggressive approach isn’t necessary in states like Georgia with less competition. They have the second lowest eInstant payouts in the U.S. but they are one of the fastest growing lotteries in the industry. It’s about understanding your market before you adjust your iLottery approach. Best practices are not stationary, they have changed over the past few years as other forms of gaming

*Continued on page 25*

enabling targeted campaigns based on past preferences.

Timely interventions can potentially make a significant difference to the lifetime value of a player. Once they leave a platform, they may not return for a considerable period of time, if ever. Take the example of trying to cancel an online service: customers are immediately offered reduced costs to keep their subscription, and online gaming and iLottery brands can act in a similar

way by offering engagement incentives at opportune moments within user journeys.

For any iLottery operator, providing excellent customer service is major goal. Integrating AI into customer service processes may provide a great deal of value, enhancing brand reputation with players who want queries addressed swiftly and expertly.

In offering advanced solutions across personalized experiences, while protect-

ing players from harm and lotteries from fraudulent activity, AI systems provide timely and crucial interventions along the player journey while using a fraction of the resources compared to previous methodologies. This advanced technology is fast-becoming essential across a wide range of online sectors and for lotteries, the benefits are already apparent, with operators able to achieve their goal of maximizing their proceeds to give back to their local communities. ■

*iLottery: Managing iLottery for maximum growth, maximum player engagement, and maximum overall sales including retail continued from page 14*

have grown. Knowing what's best for your jurisdiction is key."

As a content provider to iLottery states, **Brad Cummings** said diversification of content is what will help lotteries succeed going forward. "Lottery needs to separate itself from what is being offered by the competition, particularly iGaming," he said. "We know that iLottery is attracting younger players, so we need to provide content that speaks to that demographic. We offer games that are similar to Candy Crush because we know those types of game are popular. Let's look at what is working in other markets, such as Europe, as they are a few years ahead of us. Working with game studios that have been in the iLottery market for ten-plus years can help us shape where we need to take the U.S. market."

A full view of the player, how they interact with the lottery, will help lotteries create an overall positive experience, according to **Jennifer Westbury**. "We need to recognize how players join the lottery ecosystem," she said. "Some come through the iLottery channel, some check their winning numbers, some enter a second chance drawing. If we connect all those digital touchpoints, we get a complete view of the player and we can offer them experiences tailored to their needs. Great games are one piece of the solution but we need to create the kinds of experiences they are having with other forms of gaming. The discussion in the iGaming space is about what other kinds of games can they offer. Might they be looking at lottery-type games? We need to make sure that our players are reacting favorably to our products and that we aren't forcing them to migrate to another ecosystem."

**Mike Lightman** said that as the debates continue about what will work state-

by-state, lotteries need to continue the dialogue with their key government officials. "So much has changed over the past five years and there has been positive movement in offering digital options for players," he said. "But the conversations with, and education of, key stakeholders about iLottery and especially eInstants must continue. It's easy for an outside observer to look at an eInstant game and say that it's not really that much different than a slot game. We all know it is tremendously different, given the underlying structure, but we can't expect casual observers of gaming to know the difference. We must consider how we deliver this nuanced message and fight for the position that we know will best benefit players and ultimately lottery revenue."

With so many competitors in the marketplace, Drew asked two obvious questions: "Are there opportunities for lotteries to work together with the commercial operators, who offer games that compete with lottery games, and combine our strengths? Or does the industry instead fight the competition head on?"

Kelley-Jaye said that while it might seem like a good idea for lottery to work with other gaming companies, in the end, lotteries typically have missions completely opposite of for-profit companies. "When DraftKings started operating in New Hampshire, we were interested in collaborating," she said. "But after discussions, it was obvious that our core values were inherently different and that makes it challenging. Our core value is to raise money for education in New Hampshire and we want to do that responsibly, which is different than private companies. Maybe we won't do a DraftKings scratch ticket but perhaps we can place offers on the back of a New England Patriots ticket. That is

one way to bring some of the sports betting customers over to the lottery."

As a company that works with most jurisdictions that offer full iLottery, IWG has seen different models. Mike Lightman said that each lottery needs to create a plan that works best in its individual market. "There are a number of environments in which lotteries are operating," he said. "We have markets with both casinos and lottery, and the casinos are completely independent from the lottery, and then there are also markets where the lottery has some type of oversight of the casinos. When lotteries are involved in the management or oversight of casinos, it makes it easier them to work together. The Atlantic Lottery is a great example. They operate a very successful iLottery program as well as a very successful iCasino program. They can promote both across their combined player base. But in the jurisdictions where there is a sharp delineation between lottery and casinos, it can be more difficult for lotteries and casinos to collaborate."

Co-existing is Brad's mantra, as he doesn't believe there is much chance that casinos will help promote lottery in most states. "Having worked with casinos, I have a hard time believing that we're going to get much cooperation from them to take part in joint campaigns," he said. "The best we can hope for is that lottery can migrate casino players to our games, educate players on the different games and hope they view lottery as another form of entertainment. Lotteries need to control what they can and the rest will work itself out."

Derek sees brands as a key differentiator. "We've seen a lot of success in Canadian markets with eInstants that are similar to what players see in land-based and online casinos," he said. "That has been very helpful to the iLottery side of the business.

*Continued on page 29*

Having brands that are visible across all channels and so are familiar to the whole spectrum of players will help with player adoption. Casinos are more apt to work with us when they think that we are okay with players going back and forth between lottery and casinos. If this helps the Lottery, then it is something worth pursuing.”

But casinos and iGaming sites aren't the only competition for lotteries. Drew raised the issue of social gaming and video games, which are popular among the next generation of lottery players. He asked the panel, “How do we prepare for this group and make lottery attractive to these potential new customers?”

Jennifer rightly pointed out that all iLotteries currently offer social sites. “It's called demo mode,” she said. “We have to figure out how to introduce players to demo mode and get them playing our games. Pollard is very proud of our digital studio and we have seen how our games catch on with players of all ages. All game vendors are going to have to recognize the challenge of our competition and make better games that immerse players. Keep the game mechanics simple but make sure that the play style is interesting. It's the only way we'll compete to attract the next group of players we hope will eventually migrate to lottery.”

While Derek acknowledged that lotteries and vendors must consider what will be enjoyable for players on iLottery sites, he cautioned against straying too far from lottery fundamentals. “We want to offer games that are intuitive and easy to understand,” he said. “Most lottery games, particularly iLottery games, are simple to play. There are certainly elements that can be taken from social games and used to make iLottery games interesting to different groups of players. Making sure our games perform at a high level and provide winning experiences will, in the end, lead to the greatest chance of bringing players and driving revenue.”

Drew asked the panel to think about the future. “Sometimes we are so focused on the present that we don't adequately plan for the future,” he said. “But we all need to be looking down the road, to what changes are on the horizon. What are the threats we're not thinking about? What are the opportunities that we're not taking advantage of today.”

Unfortunately, Kelley-Jaye became something of an expert on “threats” recently, so she hit on the need to protect sites and data. “We had a cyberattack last August which was a real shock to us,” she said. “Fortunately we were able to move quickly and shut down our systems before any damage was done. But it was an eye-opening example of how we all have to treat our websites as carefully as we treat our central systems. Mobile has to be equally as secure. Our industry is built on security and integrity and it is critical that we are aware of all possible threats and we're ready if something happens. As more of our operations move to digital, maintaining a secure environment will be of paramount concern.”

## **If we want to maintain our livelihood and our dominant status within the gaming space, we have to figure out how to do things better.**

On a similar note, Jennifer said that lotteries have to move quickly to keep pace with other industries. “In this competitive world, where technology seems to be changing daily, lotteries have to be able to work just as fast anyone else,” she said. “If we want to maintain our livelihood and our dominant status within the gaming space, we have to figure out how to do things better. We do so many things so well. We just need to make sure we are working as quickly as possible. Let's look at our opportunities as the glass being half full. This is a moment when we can do even better to create more opportunities for players and the great causes lottery supports.”

Brad thinks it is content changes that will mark the next era of lottery products. “We are so focused on retail scratch tickets, and rightly so because they are a critical component of lotteries' revenue, but we should also be looking at future content and what will attract new players,” he said. “Why not use innovation to create draw game content that will appeal to the next

generation of customers? The Fast Play genre has been a success but what about Powerball and Mega Millions games that can be played on demand? You can have a rolling jackpot and players can play when they want instead of having to wait for a drawing every few days. From a profitability standpoint, growing these games could have a positive impact for lotteries and be a nice complement to the scratch ticket portfolio.”

Creating products that work for as many lotteries as possible can be a challenge, according to Derek, but vendors must continue to consider a number of different factors. “One of the challenges from the operator's side is just keeping up with the

speed of product requirements,” he said. “Each lottery wants different things, so for vendors, we must figure out how we create a configurable product with different features – responsible gaming, wager limits, self-exclusion. And as iLottery continues to grow, there will be a whole different set of needs. Keeping up with these changes and the pace of requirements will demand the attention of both vendors and lotteries alike.

Mike struck an optimistic stance when he looks to the future. “I'm excited to see where things go over the next five years, given how much things changed during the past five years,” he said. “The Internet space can move very fast but we need to keep an eye on maintaining a secure environment and offering quality content. If a lottery provides content that disappoints the players, we could lose them to competitors. We are held to a high standard and we must work every day to earn player trust.” ■