

EXECUTIVE SUMMARY OF ROUNDTABLE DISCUSSION
AT PGRI LOTTERY EXPO NASHVILLE

DIGITAL LOTTERY GROWTH IS SKYROCKETING – EVEN IN NON-iLOTTERY STATES

INDUSTRY EXPERTS TAKE A LOOK AT WHAT IS FUELING THE SURGE

With so much attention paid to the current and future growth of iLottery among U.S. lotteries, an outside observer might surmise that online sales of lottery products has swept the country. The truth is that the majority of lotteries are not selling via digital avenues. How all jurisdictions, including non-iLottery states, can optimize their online presence was the topic of a panel at the PGRI conference in Nashville in late 2021: The Cutting Edge Initiatives and Strategies Driving the Breakneck Growth of Digital Lottery Even in Non-iLottery States.

Iowa Lottery Chief Executive Officer **Matt Strawn** tackled this timely topic, joined by a panel of industry experts:

Shannon DeHaven, Vice President, Digital Engagement, Pollard Banknote

Lynne Roiter, former President and chief Executive Officer of Lottery Quebec, and current Secretary General of the World Lottery Association

Darrell Smith, Vice President, Sales and Marketing, Smartplay

Rebecca Swindle, Vice President of Strategic Development, Intralot

Matt began the session by pointing out that Iowa is one of the jurisdictions that is limited by law in providing online offerings. So this topic hits close to home for him.

“To me, the answer to the question ‘what does online lottery encompass’ is that it

encompasses a universe far beyond merely selling products online,” he said. “I’m one of those states that doesn’t have an iLottery portfolio – not traditional instants that have moved online, not mobile draw. And this is not something our policymakers seem interested in addressing in the immediate future. But that hasn’t prevented us from taking an aggressive approach in the digital space in nearly every aspect of our operations. We are building for a day that perhaps policymakers will want to give the Iowa Lottery an online portfolio of products to sell.”

The lottery at which **Lynne Roiter** worked for more than 35 years is the polar opposite of Iowa. “Our vision of the digital world is that as it exists and used by consumers for wide range of activities the lottery should be a part of that,” she said. “Our players and potential players should be able to access to our games on line in a safe legal environment. The lottery should be an integral part of our customers’ online lives. We should allow players to transfer what they are doing at retail to online, make lottery available at times when retail is not available. Basically, this is a mirror of the banking industry , every jurisdiction has online banking allowing its customers access to their funds and information at any time and any place. Lottery should be provided the same access providing responsible gaming controls.”

Picking up on Lynne’s point about customer access, Darrell Smith said that the move to online is all about ease of use for customers. Smartplay develops, produces and operates drawing machines and other winning

number solutions for lotteries, and has been deeply involved with online solutions for its customers. “A term used frequently in digital marketing and sales is ‘frictionless experience’ and that is what is needed for lotteries,” he said. “When you reduce the friction for customers, you make everything faster, not just sales but also the conversion to online. It’s only natural that adding a robust digital experience will increase the customer base and, in the end, improve the bottom line. For lotteries that can’t sell online, an engaging digital world only enhances what they are doing at retail.”

For **Rebecca Swindle**, the information that is curated from offering a digital player experience is invaluable. “Raw player data alone is critical. However, we’ve got to look beyond just the stats and begin to understand the context - the decisions and behaviors of our players and the context in which their choices are made. We can think beyond just acquisition, just transaction and focus on the entire player journey with lottery brands and products.”

Shannon DeHaven has been involved with digital lotteries for more than 10 years, first with the Michigan Lottery’s iLottery program and now with Pollard Banknote. She said that while the Holy Grail is offering online sales, creating a digital ecosystem for any online scenario is critical. “The biggest piece of defining a digital lottery is to have an overall digital mindset and focus on the technology you can provide to players,” she said. “Are you using technology that allows future growth, whether that is online sales or

simply an engaging experience? As Rebecca mentioned, the data you are provided is critical. Are you using that data to make relevant, quick decisions and pivot when necessary? Lotteries need to have a system and architecture in place that supports a complete digital mindset. If lotteries just take small steps, those small steps add up and you can just build from there.”

NO iLOTTERY, NO PROBLEM

With the majority of lotteries unable to offer the online purchase of lottery products, other digital avenues need to be explored. In Iowa, **Matt Strawn** has challenged his colleagues to do just that – create ways to use the Iowa Lottery’s online footprint to expand player interaction and data collection.

“While we can’t sell products online our VIP Club is one of our greatest assets,” he said. “We have more than 123,000 members which is over five percent of every person of lottery playing age in the state. This has afforded us the ability to be more efficient and frequent in our communication. So I say to my fellow lottery colleagues who can’t sell online: ‘let’s focus on what we can do’ because often it can be incredibly impactful to the player base and revenue growth.”

Rebecca added that lotteries now have the opportunity to redefine what a “traditional” lottery retailer looks like. “Now that so many of our retailers have an online presence, there really is no longer a traditional retailer,” she said. “Lotteries can work with the retailers to tap into their digital presence to expand the player base and achieve the cross-channel integration of digital and physical retail. This is known as unified commerce, where the customer is at the center of the retail experience and the product and merchandising are all tied into the same ecosystem. This approach can provide lotteries with a view of store visits and purchasing patterns and allows us them create online content and offers for each individual player digitally physically.”

Even without online sales, a digital presence creates reams of statistics. **Shannon** said lotteries then have to decide what to do with that data. “Are the rights tools in place to successfully turn the data into actions?” she said. “VIP Clubs are a critical piece of the online puzzle. Once it is in place, you need to have the tools that will allow you to grow

your members and then execute your plan. Otherwise, you’ll have a bunch of data but no real way to use it.”

Darrell pointed out that lotteries have a wealth of avenues for building the activity within their VIP Clubs, including using tools already at their disposal. “Personalizing the pathway to your digital offerings will only help increase the number of players you are servicing,” he said. “Finding opportunities within the sponsorships in which many lotteries participate will help you customize your offer to players. For us at Smartplay, we use the physical draw machines we provide to help lotteries move players to the digital world. Whether its festivals, state fairs or charity programs, the lottery machines attract attention that can then be leveraged to sign up players for online activity. We need to continue to find ways to move players back and forth between the brick and mortar and virtual worlds.”

As **Shannon** pointed out, technological advancements have allowed lotteries to reach players anywhere and anytime, but the messages must be clear. “Marketers now know that with the omnipresence of smart phones, coupled with membership in VIP Clubs, we can send messages to our players at the optimum moments,” she said. “Beacon technology tells us when a player has walked into a store, and we can send them a message geared just for them, perhaps a coupon for a ticket. And this technology isn’t just in lottery retailers, it’s all over. So, for example, if a player is attending a sporting event and the lottery has a relationship with that team, we can send them a message that is personalized to the experience and a product. This is an example of using data collected through a player’s online presence to promote future purchases.”

SPORTS BETTING IS HERE

While many lotteries can’t sell online, sports betting is nonetheless offered in these jurisdictions. **Matt** said this is the case in Iowa, where online sports betting operators along with 20 commercial casinos are bombarding his state’s consumers with advertising messages and marketing promotions. “We can’t ignore the growth of sports betting but from a digital standpoint, are there opportunities for us (lotteries who cannot sell online) in the aggressive posture

these groups take in customer acquisition?” he asked. “Should we be increasing our own outreach or do we build a moat around what we already have and try and keep these new entrants from poaching our share?”

At Pollard Banknote, **Shannon** said they encourage their customers to not get distracted by outside “noise.” “First and foremost, it’s critical to retain your current base,” she said. “You still have to think about acquisition but protecting your current base is important. The sports betting and iGaming companies are buying large amounts of advertising and we have limited budgets. How do we compete? That is why the loyalty programs and players clubs are so important. You are collecting data and understanding who the consumers are and what they purchase so you can send them timely, relevant information and protect your base. We can’t outspend these companies – in Michigan when iGaming launched, the casinos spent more on advertising in one month than the lottery spends in an entire year. Lotteries can’t compete with that type of spend. But if you’re smart about your marketing and use the data you’ve collected, lotteries can absolutely compete with the sports betting and iGaming companies.”

In Canada, the situation is a bit different because all gambling is controlled by the lottery. However, there is much competition from illegal operators and the steps they take to separate themselves from these entities can inform the actions of other lotteries. “We build that moat around our products by pointing out that everything we offer is 100% legal, backed by the lottery with state of the art RG measures”, Lynne said. “We also focus on player acquisition and retention. This takes many forms, including working with our sports team partners and targeted advertising.”

THINKING DIFFERENTLY

Matt wrapped up the panel by discussing the Iowa Lottery’s work with some of their retailers. One in particular, a medium-sized convenience store chain, was interested in adding lottery to their curbside pickup offers. They have age verification technology for liquor and tobacco and believe that lottery can be safely added to their “Amazon-like” delivery opportunities. “When you have retailers reaching out to us about engaging on these types of changes, you

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to act in a responsible manner as we work to attract players and promote purchases?”

Andrew Crowe said that at Sightline, we have years of experience with how the public views the use of credit cards. Applying insights from that experience to the lottery industry, Andrew spends much time working to show how cashless transaction technologies contribute to responsible play. “The use of credit cards at lottery vending machines is a great illustration of how we can use data for all facets of lottery business,” he said. “At first blush, many of our stakeholders think that allowing credit cards is irresponsible and perhaps shouldn’t even be allowed. But the use of credit cards transforms the transaction from an anonymous cash purchase, in which nothing is known about the player, into a record and data-point that can help the player be more aware and manage play more responsibly. Decisions on both the lottery and player sides will be more informed from that data.

“Once you start to have digital activity, the consumer now has better visibility into how much they are spending and are in a better position to self-regulate. Another benefit that is often overlooked is that the banks are also now involved in monitoring. They know the player’s debt- to-income ratio,

their credit score, income levels, normal behaviors, etc. and they know this is a gambling transaction. The bank is making a decision about the risk tolerance of this player at a transactional level. For lotteries, we’re not looking to squeeze the extra nickel out of the player. It’s about growing responsibly, empowering the consumer behave responsibly and working with you to make decisions that comport well with all other aspects of players’ lives.”

For **Richard Bateson**, the question is “How far do you want to take your responsible gaming policies? We have the data on our players’ patterns. So you can either commercialize it, do something with it to protect players or, even better, both. We know what works to promote purchases and we also know our at-risk players. How do we help this small population? It’s actually easier with digital than at retail. We owe it to our players and communities to offer safeguards that will protect them.”

Merv Huber said responsible gaming is a part of Scientific Games’ predictive analytics program. “We score every player on the percent likelihood that the player will self-exclude X months into the future,” he said. “It’s a powerful tool but how do you put it into use? Do you throttle back your marketing? Test and measure?

You could send your responsible gaming message to a group you’ve identified as likely to self-exclude a few months in the future. Send the message to half those players and hold a control group back. And then after three months, score them again. What did the predictive analytics say about the players who got the message versus those who didn’t? Did you improve that score? What did self-exclusion look like for those pools of players who did or did not get a responsible gaming message? It’s important to use the same tests and measure for responsible gaming that we use for all other marketing activity.”

Drew Svitko wrapped up with a few thoughts on data. “Obviously data is important to all of us and our businesses, and in some cases it’s because we can use it to do the right things and in other cases drive our businesses forward,” he said. “Data is the present and the future of our business. For those not selling online currently but see it in their future, please reach out to the lotteries which are able to offer online sales. We have our own data that could help inform your decisions. Even if online sales are not in your future, the data collected from other states might help your decisions, both with your current digital program and your traditional lottery sales.” ■

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realize that you must think and act differently,” he said. “For us, with no iLottery on the horizon, there are incremental things we can do to help our retailers and add players.”

Rebecca added to this idea of re-imagining the retail experience to include any type of digital. “There is no need for us to use the same trade styles, to limit ourselves in reaching our players,” she said. “We know our customers aren’t limiting themselves as the multiple retailers with which they interact are always selling them something and reaching them through their smartphones and other means. So let’s make sure we act like any other retail brands and send our customers offers on their phones and move them back and forth between in-person retail and digital.”

Darrell reiterated the importance of optimizing loyalty programs and VIP Clubs, particularly for lotteries which cannot sell

products online. “Let’s make sure we make our sign-up as simple as those in other industries,” he said. “As you look at what other industries, you see simple processes for joining their digital worlds, and certainly many lotteries have similar processes. But if you use a Facebook sign-on or just ask for email information and then start collecting information, you have simplified the process and you’ll see a greater conversion rate for players. In the end, it’s all about convenience.

Shannon emphasized that digital isn’t only about online sales and VIP Clubs. “There are a number of lotteries that have embraced the opportunities with social media and are creating some great content and have an entire personality around their brands,” she said. “Other are creating paid content that doesn’t really look like paid content which is important because it still has authentic-

ity. And that is critical. We want to engage our customers but not turn them off with overtly ‘sales-y’ content. Provide them with authentic content and you’ll keep them coming back.”

And as **Matt** said to conclude the panel, “For all us, even those who can’t sell online, there are opportunities to use digital to promote our businesses and reach players. We all need to figure out how we can best engage players in a mobile/digital world and demonstrate we’re relevant to their lives. Let’s become more efficient and more successful, always keeping in mind that the better we do, the better the good causes we support will do.” ■