

WHAT'S YOUR STORY??

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PGRI Introduction: Romana Dernovšek, President & CEO of the Slovenian National Lottery, has more than twenty years of experience in business leadership positions, designing strategies and organizational cultures, developing people and new businesses. She has been trained in Business & Marketing at the Management Centre Europe in Brussels, holds a degree in Organizational Sciences/Human Resources from the University of Maribor, and is a certified Supervisory Board Member of the Slovenian Directors' Association. More recently, she upgraded her executive education with a certificate in Circular Economy and Sustainability from the University of Cambridge. She is the Director of the Association of Lotteries active in territories of former Yugoslavia. She was awarded by the Manager's Association of Slovenia for her contribution to the development of female management and diversity at leadership positions. She volunteers as a guide of a rescue dog and is a licensed missing person rescuer. Romana advocates progress, cooperation, sustainability, integrity and bettering the lives of everyone connected to the lottery business.



Paul Jason: Susan and I were so looking forward to meeting you at the celebration of the 580th anniversary of the first lottery in Bruges.

R. Dernovšek: There were some cancellations like yours, but it was still a wonderful event. Three days of activities to commemorate the invention of lottery in Bruges almost 600 years ago. There are records which report in detail the circumstances which inspired the idea to hold a raffle to raise funds to support a goal shared by everyone, a lottery to support the common interest of society. The exhibition was fabulous, the festivities enjoyed by hundreds of locals as well as those of us who work directly in service to the lottery and government. We are all very grateful to Jannie Haek (CEO of Belgium Lottery) and his team for his vision to revive and

promote the history and the essence of the lotteries.

The human quest for meaning is front-and-center now. The history of lottery in Europe is so storied, and it's great that the Bruges celebration made it come alive for us like this.

R. Dernovšek: The most valuable companies in the world all have a compelling story to turn their customers into fan-clubs. To me, the mission of Lottery is a better story than any of them because ours is not just a story. Our mission to serve society, to lead in RG (Responsible Gaming) as well as Sustainability and CSR (Corporate Social Responsibility), to affiliate with the broadest range of stakeholders imaginable – which is everyone, not just shareholders – is who we really are. Many companies have great products,

but their brand is embellished with a great story that does not necessarily have much to do with the products themselves. Lottery exists for the purpose of serving society. We are truly one with our story.

That is what was so thrilling about the celebration in Bruges. The essence of Lottery has not changed in 600 years. People were and still are collecting funds for a common goal and at the same time change someone's life on the basis of pure chance. That timeless, steadfast presence is a testament to the authenticity of our mission. Our story resonates with society because it is genuine. Our product and mission are truly one with our corporate "story". The celebration of the 580th anniversary in Bruges celebrated a game that people love to play – can you think of

any product with a life-cycle of more than half a millennium? But it is Lottery's mission of service to society that has kept the brand, the products, and the business so alive and relevant for hundreds of years.

Do players value Lottery's mission to serve society and good causes? Or do people really only play for the opportunity to win a jackpot?

R. Dernovšek: I think that is a false dichotomy. All state lotteries in Europe dedicate most of their GGR to public causes. They are a key source of finance for organizations that provide services for social purposes, sports, the disabled and the disadvantaged, health, culture, heritage and more. In 2020 members of EL collected 16 billion Euros for good causes. The fact that the motivational driver is to win a jackpot does not mean that the role of Lottery as leader in CSR with a mission to serve good is not integral to the brand, the message, and the playing experience itself. Are you buying a Tesla because you like the car or

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because you affiliate with the values of the community of Tesla drivers? It's both, of course. You wouldn't buy it if it wasn't a good car; but the fact that it is a good car isn't really what motivated you to buy it. There are lots of good cars. The Tesla driver is buying into the shared experience of affiliating with millions of other Tesla owners with like-minded values. Apple makes great consumer products and Starbucks makes great coffee, but their success is based on a consumer connection that goes deeper than the specific attributes of the product. These companies combine great products with great stories.

Like you said, people are looking for meaning, perhaps now more than ever.

Successful companies know this and that is why they stretch to integrate a compelling story into their brand. And now social media has elevated the importance of meaning, purpose, and affiliation. People share their brand preferences, their likes and dislikes on all manner of topics and products, with

everyone. We want others to know who we are and what we stand for. We want to be a part of a like-minded community.

Behavioral economists have shown how our decision-making is driven by a multitude of factors, very few of which are "rational". Sure, the Tesla is a good car, the Apple a good computer, Starbucks a good cup of coffee. But the real buying impulse is driven by other factors, like the values, ethos, community that the products represent. And unlike these other consumer products, these values are already baked right into the Lottery playing experience. Or at least they should be. We need to appreciate the value that our "why"



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represents to the modern consumer, and find ways to make it come alive for the players, to make it be a part of the player experience.

And from an emotional point of view, who doesn't want to play the lottery? So, how can we connect the dots such that players affiliate with all the values that Lottery represents, causing them to feel good about playing the games, feel good about being a part of a community of millions who play the lottery?

R. Dernovšek: The key to connecting the players with all the values that Lottery represents is to unlock the potential of all of us who work within this industry. We need to start with ourselves, engaging all employees and lottery professionals to fully embrace the worthiness of our mission. It's not just about being good ambassadors for lottery. The next generation of consumer is more sophisticated, more capable of recognizing authenticity and truth and seeing through marketing hype, and even brand "story". We need to be the ones who genuinely live our cause. It is that strength of purpose and conviction that will inform the way we do business, the way we develop games and promotions and brand messaging. It informs all aspects of operations too – logistics, distribution, fulfillment, etc. – in ways that may not seem to directly shape our brand, but do in fact shine through to our audience. And insofar as CSR and support of good causes is in our own DNA, that will translate naturally into the work we do to produce the best player experience.

It's not enough to have a well-crafted 4-sentence company mission statement?

R. Dernovšek: Well, you need to start somewhere but effecting material changes in the culture is definitely a lot more than a nicely-worded mission statement. It's about everyone working together to inspire one another to truly embrace the mission with all their hearts and minds to unlock the potential of the organization to become much more than the sum of its parts. The culture supports everyone in their quest to be the best they can be. These aspirational goals may be easier said than done. But this kind of organizational cohesion is galvanizing successful enterprises all around the world to reimagine what can

be accomplished and achieve so much more. It may in fact start with an inspiring and on-point mission statement, which lotteries already have. Translating that into a cultural reality - our values, our ethics, our principles and high standards - that we live up to every day produces genuine value for the players and stakeholders. Collecting funds for public good is our cause. But that still only tells us where our money goes. It tells us nothing about how we came to earn that money in the first place. Was it by taking care of our players' wellbeing? Was it by taking care of our employees? The environment? Our impact on society as such? Was it by doing business with integrity? Demonstrating all of those is showing our values and our dedication. That is what builds communities. Let's work together to make lottery represent something positive and meaningful for every player and non-player.

People value being a part of something they can believe in, an enterprise that not only shares their values but is invested in changing the world for the better.

How have your studies at the University of Cambridge on circular economy and sustainability shaped your perspective as chair of the EL Responsible Gaming and CSR Working Group?

R. Dernovšek: Compared to the linear economy which uses natural resources for mass production and disposes these products after a single use, circular economy is a bigger picture philosophy that sees everything we do in an endless 360-degree cycle. It's a systemic shift driven by design, aimed to keep products and materials in use for as much as and for as long as possible, eliminate waste and pollution and regenerate nature. It is also an economic system for business to be more efficient, more resilient, bringing new business opportunities.

Instead of focusing on traditional calculus, circular economy and sustainability interventions can generate revenues, reduce costs, grow profit, improve cash-flow and

financial ratios, grow value of our brand and improve share price.

Yes, sustainability is a call to action to protect the planet and ensure societal inclusiveness and prosperity for all stakeholders, but it is at the same time a great vehicle of progress for the companies. It's a business imperative.

Lotteries are no exception. Besides caring about wellbeing of people in the working place and impacting the environment, our key externality to overcome is preventing addiction. By protecting minors and preventing excessive play we protect peoples' health.

All this deliver meaning to the talented employees within our own corporation. People value being a part of something they can believe in, an enterprise that not only shares their values but is invested in changing the world for the better. Sustainability includes all aspects of design, including the organic integration of employee morale and motivation with the value of the products and service and the mission and purpose of the enterprise.

Are consumers willing to pay more to support brands with a stronger commitment to CSR?

R. Dernovšek: Yes.

Consumers have indicated that they are willing to pay more to buy brands that reflect their values. And recent research indicates that the next generation of consumers is more willing than previous generations to truly walk-the-talk. Not only do consumers say they are willing to pay more, their commitment to supporting CSR is reflected in their actual buying behaviour – they are paying more to support a good cause. Patagonia, Veja, Tesla are companies whose products cost more than other comparable brands.

It is not easy, though, to build a story around your brand that is authentic and resonates with your audience. And it takes time. Lottery's brand is authentic – service to society, integrity, and fun is actually who we are. Lottery does resonate with the consumers – I think that has been demonstrated over the last twenty months of disruption especially. And we have been building our brand and our reputation for 580 years.

The thing is – sustainable design does not need to cost more. Just as commitment to quality may appear at first to increase costs, but the net long-term effect of doing things right is a reduction in costs as well as an increase in value to the consumer and sustainability for the benefit of all.

And the next generations of consumer are more sophisticated when it comes to discerning authenticity. There is no alternative than to live and breathe your dedication to sustainability. Of course, it needs to be thoughtfully integrated into the brand and even marketing communications. But generation Z and beyond are very unreceptive to anything that does not ring true. And their source of information and guidance is not messaging from the brand, it's communication with each other, which flows in non-stop unfiltered torrents on social media. So there is no alternative to making it real.

Lastly, while we do want to do the research and base decisions on evidence and data, we also need to realize that we will never have the whole picture. Decisions are always made with incomplete information. Industry leaders must have the vision and fortitude to make those decisions and forge ahead with confidence.

It occurs to me, though, that we should emphasize that everyone is in a position to lead, to take ownership of their own actions and ability to effect change and positive results. You don't need to be the loudest person in the room to be an effective leader. We are all working together on this, engaged in the business of making the world be a better place.

Over the last twenty-plus years, the EU Commission has chipped away at the authority of member states to decide how they're going to regulate gambling and lottery. Recently though, have they become more respectful of member states' rights to decide the best regulatory framework for their own country?

R. Dernovšek: I believe European Court of Justice (ECJ) has taken fewer "infringement" cases in which operators claim the government regulations are in violation of EU laws. The subsidiarity principle (i.e. authority to determine some matters of policy, like regulations of gambling and lottery, should reside with the member-state, not with the EU) is the position of the EU Commission and the ECJ. There needs to be a consistent application of the laws and regulations and they do need to comply with EU laws. But member-states

are entitled to a high degree of autonomy to ensure that regulations are consistent with their own gaming culture, public policy objectives, and preservation of Public Order. The balance between that and the principles of free-market competition and open borders was leaning too much the other way over the last twenty years and we hope it is leaning back in the direction of respecting the authority of member-states to determine the regulatory policy that is best for their citizens. Member-states have the right to manage the social costs of gambling and lottery and the manner in which the profits are channeled to help society as opposed to enriching private shareholders. The political and economic cultures of the EU are extremely diverse and should not be expected to all operate in the same way. The Slovenia gaming culture and market-place is nothing like that of the U.K or Denmark. Lottery or sports betting or gambling is not "just business" and shouldn't be treated as such. It's an economic activity with a particular nature, that should put people first and at the same time provide means for public good.

RG, CSR, and integrity are the highest values for members of the EL and WLA. A member state should reserve the right

Continued on page 55



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