

ARKANSAS EXECUTIVE DIRECTOR BRINGS FRESH EYES, VARIED BACKGROUND TO HIS NEW ROLE

Eric Hagler, Director, Office of the Arkansas Lottery (OAL)

PGRI Introduction: As the Director of the Office of the Arkansas Lottery, Eric Hagler is responsible for running all facets of lottery operations for the State of Arkansas, including administration of the Arkansas Scholarship Lottery. Mr. Hagler was appointed to the directorship in August 2020 by Governor Asa Hutchinson, leading to his return to Arkansas from Southern California where he held senior executive positions for almost two decades. Prior to joining the Lottery, Mr. Hagler co-managed a large commercial real estate portfolio for a Huntington Beach-based PFO with a market value of \$120 million. Over the course of his executive career, he has served as General Counsel to Wedbush Securities and Crowell-Weedon & Co. (now D.A. Davidson), where he was an equity partner. After completing his service with Crowell Weedon & Co., Mr. Hagler served as President of a Newport Beach, CA based investment holding company, where he navigated the sale of all subsidiaries to a Fortune 500 company. Prior to his corporate career, he served as a Special Associate Justice for the Arkansas Supreme Court, as well as serving as Benton County Magistrate Judge. Mr. Hagler began his career by serving as a prosecuting attorney for the State of Arkansas. He is a graduate of the University of Arkansas (B.S.B.A.), and the University of Arkansas-Little Rock School of Law (J.D.).



What do you think is the likelihood of iLottery being approved in your state, maybe in the next two years? Do you expect any other regulatory changes to be enacted in the near future?

Paul Jason: What are a couple of the high-priority initiatives planned for the Arkansas Lottery over the coming 12 to 18 months?

Eric Hagler: OAL is experiencing a record sales year. . But, with growth comes certain growing pains which can create inefficiencies. In response, we are simultaneously evaluating our overall operations. A prime example of our review is our migration to a fully-automated draw procedure, a process that was spearheaded by OAL Security Director Angela Springer. The automated draw procedure has served to advance the integrity and efficiency of our process. The newly implemented Szrek2 Solutions draw platform also serves to reduce the potential for error. Human verification is still necessary, but the process itself is a closed environment with a complete audit trail. Another example of our focus on operational efficiencies is the creation of a procedure for conducting an ongoing margin analysis of our game suite. Increasing sales is a true

and noble goal, however, there are points of inflection where the continued sale of certain games or price points simply does not make economic sense. This ensures proper balance within the game portfolio. We have only recently implemented the margin analysis method and we are in the early stages of gaining additional clarity around the ebb-and-flow of certain games and price points. Currently, we are using the data results for fiscal year planning, but we are eager to develop avenues for mid-year portfolio pivots designed to ensure that we are properly managing the profitability of our game suite. Meeting consumer demand is the primary driver for our offerings, but effective marketing can also drive sales to games that are in need of market traction. At the end of the day, OAL's statutory mission is "to raise Net Proceeds for scholarships in a responsible manner." We believe operational and financial efficiencies are the cornerstone for driving sustainable increases in sales.

E. Hagler: Our team is unified in the belief that e-commerce transactions are a critical component of the modern business landscape. The lottery sector has borne witness to both the successes and struggles of the early adopters of iLottery. There is now objective data available that serves to inform the decision-making process. What was once simply a hypothesis supported by a theory now enjoys proof of concept. There is no doubt that omni-channel distribution will be necessary for any lottery to effectively compete for consumer discretionary spend. We opposed a bill in the current legislative session that would have authorized a limited form of iLottery. Senior management's goals and vision for iLottery did not align with the proposed legislation. To be sure, I believe that Arkansas must move towards an adoption of iLottery to ensure continued growth. With that being said, we have a wonderful relationship with our lottery retailers and any move into the digital

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corporate retailer chains in Florida, began in October of 2020 and is on track for exponential growth in 2021. We began with two pilot locations under a proof-of-concept model and have shown a same store Scratch-Off sales increase of more than 20% when compared to the statewide average.

As a result of the sales successes, Winn-Dixie recently authorized an expansion of the project to 21 additional stores, and we are currently installing fixtures for an immediate “go-live.” This pilot will continue to grow the Lottery footprint by placing Scratch-Off games within the check-out lane as an additional point of purchase. It has proven to add player convenience and alleviate bottlenecks at the customer service counter, thereby, also reducing retailer labor pain points.

Our sales team continues to place a heavy emphasis on the promotion of **Cashless** purchase of Lottery at retail. We have support from large corporate chains, including Winn-Dixie, Speedway and Circle K, to promote debit acceptance at their locations with additional point-of-sale (POS).

We began promoting the Cashless option with incremental POS placement at 110 Speedway locations in September 2020, which showed significant positive year-over-year growth when compared to the statewide average. We leveraged this success and secured additional POS presence, specifically promoting debit acceptance, at approximately 300 Circle K locations and all of our 325 Winn-Dixie locations across Florida. We expect to execute on this messaging in the next 13-14 months.

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J. Davis: As a business enterprise, we are responsible for creating thoughtful and innovative methods to position the Florida Lottery for long-term success and sustainability. It is also incumbent upon us to identify best practices in our industry that will lead to revenue growth for our beneficiary and to then share these practices with our policymakers. In line with our Path Forward, iLottery is indeed

a platform that we are watching closely, recognizing that the final decision is up to our legislative partners.

As to other regulatory changes, Florida begins a legislative Special Session next week for the sole purpose of ratifying the 2021 Gaming Compact between the Seminole Tribe of Florida and the State of Florida, as well as other gaming-related legislation. We’ll have to stay tuned for what may come from the Special Session!

You've had an incredible run of success with your instant ticket product. How will you keep these impressive results going?

J. Davis: Diligence in product planning and ensuring best practices are executed in the field will remain our pillars for instant ticket success. We’ll continue to be extremely conservative in our product launch plans by supporting decision making through thoughtful research. However, the team is primed to remain curious in order to drive innovation within our instant portfolio. The fact is, we won’t change a whole lot where we have found success, but we will push the pedal to the floor for innovation. ■

channel must constitute a win-win proposition – which we believe is achievable. Mark Hearn, OAL Sales Director, consistently notes that there exists real-world evidence showing that those states who have launched iLottery have proven that traditional retail grows right alongside of iLottery growth; and, in many instances at faster than the national average. The pandemic environment motivated traditional retail outlets to explore forms of product distribution, so they too have observed the benefits of e-commerce platforms. Thus, we are confident that our retailers will be supportive partners in our development of omni-channel distribution. After all, every consumer retail business is being forced to think outside the box as a result of business lessons learned during 2020-2021.

Given your financial background, are there "best practices" you are able to bring over from other industries and past jobs that help you to lead the Arkansas Lottery?

E. Hagler: Interestingly, there are numerous operational similarities shared by lotteries and financial services firms. Both types of entities must delicately balance the dichotomy associated with ‘managing risk’ within a highly competitive business sector that is surrounded by risk and uncertainty. Accordingly, I view lotteries as “public trusts”, with lottery management acting in a fiduciary capacity on behalf of the citizens of Arkansas. This necessarily means that lottery personnel must approach their daily tasks with a keen eye on risk management. OAL has adopted a risk-matrix approach that is a

derivative of those utilized in the financial services sector. We are also using heat maps to identify areas of operational risk and inefficiencies. The list goes on, and over time, I expect that our team will introduce other processes and procedures that will be a variation of those currently utilized in the financial services sector. The business world is replete with examples of how a risk-based approach provides an overarching focus on best practices. It truly is a top-down exercise that must start in the corner office. ■