

Digital Integration Unlocks the Power of De-Channelization



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PGRI INTRODUCTION: Bede Gaming is a leading supplier of software to the lottery and online gambling industries, processing hundreds of millions of transactions per month and powering some of the sector's biggest brands globally. Bede provides operators with cutting edge digital tools to entertain customers in a safe and engaging gaming environment. Its single-code base, API-led open architecture empowers the operator to select and implement best-in-class products and services from multiple sources, content providers, and technology partners. As part of the Gauselmann Group, Bede is an integral partner to forward-thinking lotteries whose ambitions require innovative solutions to provide a world-class experience for customers to keep them returning again and again.

Integrating digital technology across all channels, media, and land-based systems and retailers is the top-of-mind mission today for lotteries and is the topic of our discussion with Alistair Boston-Smith.



Paul Jason: What are some of the hallmarks of the migration from a “Retail-First” to a “Digital-First” mentality?

Alistair Boston-Smith: A couple of decades ago, it was not so much “Retail-First” as Retail-Only, with Retail being the only channel for distributing lottery games. With the advent of the Internet, Mobile, and self-serve kiosks, the consumer has now moved a larger share of their time, their activity, and their purchases to digital channels.

Consumers themselves don't distinguish between “distributional channels”. They don't operate in a channelized world and as such, neither should we. Rather than switching to a “Digital-First” mentality, I propose we want to de-channelize altogether and instead, align with the way

consumers think about the way they move through space, how they make their way through this world, and their transactions with merchants and brands.

But isn't digitization the key to de-channelization?

A. Boston-Smith: Well, yes, of course. Player Account Management systems, Players Clubs, Loyalty Programs, and the ability to migrate from one POS to another are all supported by the digital platform. The players may play mostly on one channel or another, but their accounts are managed on the digital platform, and are accessed by the player through a user-interface that is digital, i.e. online, on Mobile, through

in-store digital interfaces, bar-code reader, etc. Digital is the unifying principle that integrates all the moving parts. So the player can play at retail, or on a self-serve kiosk, or online, or on their Mobile, and know that the points they accrue will end up in one place – their digital account. They know the promotions and communications they receive are based on the information gleaned from all their playing activity, from purchases at retail, online, self-serve, or wherever, and it's their digital connection that enables all these benefits to enhance the overall experience.

The de-channelization is a reference to the terms in which we, as brands, think. We put blockers in our own minds about the different channels that don't exist in

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that of the customer. The brand itself and the experience is the consideration, not where they are playing. Instead of pitting retail and digital to compete against each, they can work in harmony, creating smooth transitions for the customer between each and lifting each other up. De-channelizing our games by thinking like our players, significantly increases the potential for engagement and brand traction amongst our customers.

Digital enables players to evolve their play-style in whatever ways suit them. Many players will continue to play only at retail because that is what they have always done, that is what they are comfortable with and like to do and that is fine. They may use their digital account to enter second-chance draws and check winning numbers and their loyalty points and nothing more and that is fine. The advantage to both operator and player accrue, though, when the full capabilities of a robust Player Account Management system (PAM) are activated and used. Eventually, all gaming activity will be managed within a single PAM. Everyone benefits. And we might hope that the ease and convenience enjoyed by the player may even lead to increased play.

The fully integrated digital platform is also the most vital tool to promote responsible gaming. Anonymous play at Retail provides none of the tools or avenues for communication to assist the players in their journey towards an active and healthy play-style. The interactive relationship enabled by digital platforms is the key to evolving the customized dialogue that keep the players engaged and receptive to messaging that promotes responsible play.

What is the timeline for activating a fully-integrated digital platform?

A. Boston-Smith: The timeline is today, yesterday, now. I think you should maybe be asking when will it be too late? At what point will retailers, operators, and players have all moved into the new world of fully-integrated digital platforms, and anyone who is not there will be at a perilous disadvantage?

One part of the answer is that it depends on the maturity of the market. Ontario, for instance, has already evolved from

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a monopoly to an open market with multiple gaming operators. That means the provincial gaming corporation, Ontario Lottery and Gaming (OLG), now legally competes head-to-head with a wide variety of online providers – and I say legally because OLG has always competed with grey market gaming operators. We have witnessed first-hand that OLG has always held itself to an accelerated schedule of technology improvements and player enhancements that deliver the optimal player experience. One of the things they are doing to differentiate themselves is to ensure their portfolio of game categories is available to its players across multiple delivery channels to enable opportunities for the players to migrate seamlessly based on their preferences. This requires digital integration across multiple systems.

Bede is pleased to be one of OLG’s technology partners in their journey to be the players’ destination of choice for all games-of-chance. It is not a project with a beginning and an end. It is a continuous journey to walk with the customer, to change as their expectations change, and to embrace the opportunity to make obsolete the things that may have worked well in times past but are no longer the pull they once were and to be constantly building for the future.

OLG’s vision has inspired us to reimagine how the digital platform can transform the player experience for the next generation of consumers.

How is the role of retail evolving?

A. Boston-Smith: Retail continues to be the face of Lottery to the customer, and Lottery’s massive and proprietary network of retailers is a distinct and powerful competitive advantage. Retailers expect to be a full partner in the fully integrated digital platform. The symbiotic relationship between Lottery and Retailer won’t

only continue, it will be stronger than ever, with both sides benefitting more than ever. Retailers are like a ubiquitous billboard for Lottery, POS displays and signage and clerks who serve Lottery players. Retailers know they need Lottery to drive store traffic and collaborate with them on ways to modernize their relationship for the benefit of Lottery, Retailer, and Consumer alike. Lottery’s digital platform can even help retailers in their efforts to modernize and build out the new sets of KPIs being applied to measure and understand consumer shopping behaviour.

We are all in this together, stretching to continually improve our products and services, and the retail shopping experience to exceed consumer expectations.

Steve Jobs famously said that the consumer does not know what they want till we show it to them. How do we reconcile that with the notion of “customer-driven innovation”?

A. Boston-Smith: There’s something to what Steve Jobs says. I think he is being a little disingenuous, though, in neglecting to explain how we are supposed to know what to show them.

Traditionally, Lottery has thought of itself as being somewhat unique – competing in the “broader entertainment industry” but not necessarily competing with others in the games-of-chance industry, like casinos. In this case, until and unless they are shown something better, lottery players will likely be satisfied with a slow and steady rate of evolution. They may be hoping we show them some exciting new game concepts and new ways of accessing the games. But until we show it to them, lottery players could be expected to continue to buy what we give them, to play the games that we offer them in the stores where they are offered. But how about when the players become more and

more distracted with new and different gaming options, like sports betting, casinos, and online iGaming? These other games-of-chance operators are working hard to show them something better, to compete head-to-head with Lottery.

We need to continue to compete in the broader recreational entertainment industry and with other impulse-purchase items in the convenience store. But perhaps unlike a few years ago, I think we all realize that we are now also competing with other games-of-chance options. Competing with products that are in your own specific category changes the whole complexion of how we think about the mission to engage the consumer and retain player-ship. The challenge of getting attention and retaining interest and relevance becomes much more exacting when the consumer has more and more gaming options.

Well, to your original point: How are we supposed to know what to do, what to show the customer, if we don't ask them?

A. Boston-Smith: We recognize that player registration is the window to the changing tastes and preferences of the players. That is how we capture the data that tells us everything we need to know. You refer to Steve Jobs' lack of confidence in the ability of focus groups to provide useful insight into consumer tastes and preferences. He also said he could have asked a thousand people and nobody would have told him they wanted a graphical user interface. In our industry, players have a surprising lack of insight into what motivates their play. Almost everyone, for instance, says they prefer the giant prize pool to be divided up to produce a large number of millionaires instead of a small number of centi-millionaires. But we know they play for the opportunity to win the giant jackpot.

Capturing the record of all the real-world actions of the consumer is the most reliable way to understand how the player actually behaves. It's not just asking what games they prefer or even what they like about a game. With the registered player, you are analyzing dwell-time, tracking their journey across channels, and capturing countless data-points that will inform you about what the player actually wants based on their real-life behaviour. Going forward, the importance of knowing the customer, understanding their tastes and preferences, and updating the products and delivery systems on an accelerated

time-line will become mission-critical.

The competition in the games-of-chance sector has been honing these data-mining competencies for many years and they now have their sights set on the lottery player. Following two years of disruption, during which Lottery has performed quite well, the games-of-chance sector is now in a state of flux. Easy access to a much wider diversity of gaming options has smoothed a path for consumers to engage with a wider variety of game categories. One result of more products, more consumer choice, and broader distribution is that the market will likely expand. Even so, there will clearly be losers as well as winners in the competition for playership.

The good news is that the resilience of the lottery players' loyalty is off-the-charts. It is, so to speak, our game to lose. Lottery has the customers, Lottery has the distribution network, Lottery has the games that people love to play. And Lottery knows better than anyone how to operate within an increasingly rigorous regulatory environment. It's just a new era wherein lotteries everywhere, including North America, are adapting to a whole new competitive landscape, in which consumers migrate across multiple categories of gaming. Our competitors are capturing the data that is guiding their efforts to produce games that are more relevant and engaging, and an overall user experience that is customized to align with everyone's personal communications and lifestyle. It is important to know whether the player prefers texts, emails, something else, or none of the above. Do they play only at retail, only online, only on their Mobile, only on self-serve, or some combination? Do they play across a variety of game categories and are responsive to bonusing promotions, or stick with Lottery and are more focused on loyalty points and benefits?

It seems like the consumer is more willing now to share information about themselves for the benefit of building mutually beneficial relationships with companies that they want to do business with?

A. Boston-Smith: They do need to perceive material benefits to sharing information and taking the time to pay attention to players clubs and loyalty programs. But we do see the whole process migrating from a focus on short-term sign-up benefits and incentives to a more organic or holistic process of develop-

ing a mutually rewarding relationship.

Each generation of consumer is more sophisticated than the last. So, while security and other concerns of older consumers will always be of paramount importance, the next generation of consumers is more confident in the ability of technology and process engineering to function the way they are intended and protect their data. And they see the benefits of being more open to an interactive relationship, to sharing information and enabling brands to customize the user experience, deliver the products and services that are most relevant and avoid those that aren't. Consumers are smart enough to recognize the benefits to a more open, transparent, and collaborative journey through life.

So player registration is not just about online play?

A. Boston-Smith: No, not at all. Finland has over 50% registered players and something like 90% play across multiple channels, including retail. The more interesting phenomenon is that a high percentage of registered players play only at retail. They registered for the benefits they receive as a registered player even though they don't even play online.

Norway and Sweden require players to register, so 100% of their players are registered. I am not advocating for a mandate like Sweden and Norway, but would just point out that player-ship is as high in those countries as it is in most others. Ray Bates moderated a panel discussion for the EL/WLA Marketing Seminar (a virtual conference Feb. 2-4) in which the panel discussed the trend towards player registration.

Of course, our competitors in the casino sector have been highly focused on players and loyalty clubs for many years. Likewise, sports betting operators are pushing hard with aggressive sign-up bonusing to motivate players to register. These other sectors are steeped in the business of building the highly interactive relationship that is so key to effective player retention.

With the largest customer base that stretches across the widest range of demographic profiles, and a uniquely massive retail network, Team Lottery is positioned to apply digital technology to build the sustainable relationships that will support ongoing growth and ever-increasing competitive advantage. ■