

Following is an executive summary of one of the fabulous keynote speeches delivered at the World Lottery Summit Vancouver.

PLANNING STRATEGICALLY FOR DISRUPTIVE INNOVATION AND DIGITAL TRANSFORMATION



When you've worked with the likes of IBM, Johnson & Johnson and MasterCard, and are one of small group of people in North America trained to teach Stephen Covey's Seven Habits of High Effective People, you have a good idea of what moves consumers to support some products and reject others. While decades of data can help us plan, unforeseen circumstances – like a pandemic – can alter the path forward for even the largest companies.

Jim Harris, one of North America's foremost thinkers on disruptive innovation, observed how the pandemic demonstrated the need to be ready for any situation. In many industries, a decade of change took place in less than two years. As someone who leads strategic planning sessions for executive teams, Jim said the past few years have been a wake-up call for many companies about their business, their employees, and their customers.

"The changes we have seen since 2020 can be difficult to comprehend sometimes," he said. "For instance, in December of 2019, Zoom had 10 million daily users. The pandemic hit and the Zoom software was downloaded 300 million times in just 90 days. How many companies do you know that in normal situations grew their customer accounts by a factor of 30? The

fact that companies were able to handle this growth is incredible, but it also shows you the power of disruptive trends and events and how quickly they change our plans."

While the rapid change of the past three years has benefited some companies, there have been unanticipated consequences for others. Take for example foot traffic in dense commercial areas. As the pandemic gripped the country and workers were sent home, many office buildings sat empty. "Even now, the CEO of IBM said recently that only 20 percent of IBM's U.S workers are in the office for three days or more," Jim said. **"Pre-pandemic there was 95 percent occupancy of commercial real estate in the U.S and then the pandemic hit, and it went down to 10 percent occupancy. Last October it was back up to 47 percent, which is still half of what it was a few years ago. And you know what that means for the lottery.** Fewer people shopping at the convenience stores in or near office buildings, fewer people buying lottery tickets. And there really is no indication that the trend of remote work will change back to the pre-pandemic levels."

While office buildings and the businesses that support their workers struggle, e-Commerce companies have soared. Like Zoom's rapid growth in 2020, Amazon has altered how we shop (yes, sales have

flattened in the most recent quarter). The online sales of top retailers such as Walmart, Target and Best Buy combined don't equal Amazon's mind-boggling levels. And it is the e-Commerce route through which many millennials and Gen Z-ers are buying their goods. "Credit Suisse recently reported that 100,00 U.S. retailer locations will permanently close because of the shift online," Jim said. "Younger shoppers never want to go to a store, which means they won't be exposed to lottery products at checkout, like most of us were first exposed to lottery. So how will the next generation of players learn about lottery?"

The way money is spent has also changed dramatically, a trend that started prior to 2020. For younger consumers, if they can't afford a house, they still have options beyond living with their parents. If they can't afford a car, they don't have to walk or buy a bike. Between Airbnb and Uber, cost conscious consumers have options. "Airbnb recently reported that more than 25 percent of all Airbnb stays are now more than one month," Jim said. "And given the work attitudes of younger employees, the company itself allows employees to work in one of the 170 countries where they offer housing for 90 days at a time. So they can live in Vietnam and work with their team in North America and after 90 days move to Germany for another 90 days, and so on. If you're a millennial who worries

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households with children, at an impressive 53%. [Fig. 5]

However, saving the best until last, among past week Lottery players it bumps up significantly to 67%. When two-thirds of your core audience want something to happen, you'd be remiss to not do so. Or face the consequences. You know that Chuck doesn't appreciate consequences.

The market for gaming convenience is open for business. The soccer, baseball and martial arts dads of this world (including myself and Chuck), want 'ease' and 'accessibility' to help with the 'escapism' of our busy work/life balance lifestyles, and the data supports our case that most people are with us on this.

Just imagine the considerable uplift in both additional revenues for good causes, and smiles on State Governor's faces, each year, if legislation allowed online Lottery games in all 45 current lottery states. Americans supporting Americans. Chuck

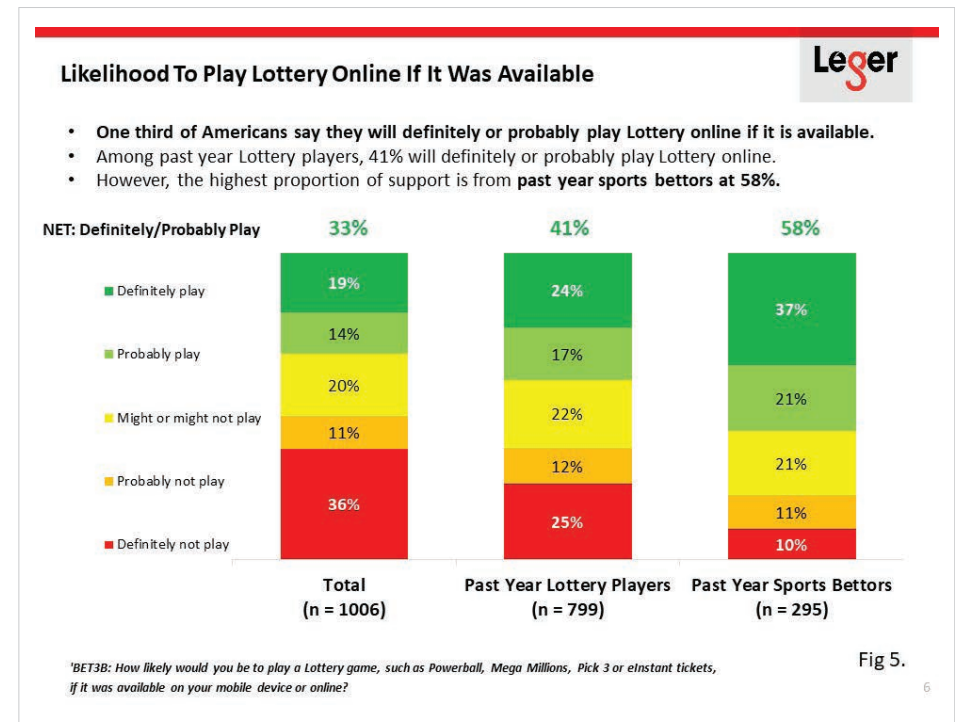


Fig 5.

likes that. He agrees that would be the correct 'home of the brave' decision. And being able to play Lottery games, from the mountains to the prairies, to the ocean's white with foam, seems like the appropriate thing to do.

Trust me I'm a researcher. And you don't want to disappoint Chuck.

Simon Jaworski, EVP, Leger USA
 sjaworski@leger360.com 609-558-1019

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about what you will experience in life, your employer is now helping you enjoy your free time while still providing Airbnb with your expertise. This is just another way to provide younger employees with a reason to work for your company." For the lottery, what does this tell us about this potential new group of players? "It says that millennials and Gen Z's are hungry for a richer life experience more than money. So, imagine a prize of ten years of travel, backed by an airline and Airbnb. That would certainly excite the younger players, and probably would be given a look by your more seasoned customers as well."

Jim emphasized the importance of storytelling in promoting businesses, and lottery is no different. "Steve Jobs once said that the most powerful person in the world is the storyteller," he said. **"The storyteller sets the vision, values and agenda that truly connects with your audience,**

and for the generations to come. In my opinion, the lottery industry has to do a better job of telling its story. Lotteries around the world do so much good for their communities and it's a story that needs to be told better, more loudly, more repeatedly, and more movingly.

"I Googled 'lottery' to find out more about the good things you do, and it took me 19 lines in to find that message," he said. "I saw information such as new point-of-sale technology but nothing about your good works. How do you change that? Well, look at what the younger generation has done with TikTok. Quick videos that tell entertaining and engaging stories. "How about sponsoring a competition for a quarter-million dollars where young people create lottery-related TikToks based on how lottery money supports good causes," Jim said. "Let them create a compelling message in 30 seconds that is also very

funny. This is a great way to engage the younger generation and get them invested in the lottery and what you do for society."

Jim's final thoughts on connecting with the players of tomorrow were to emphasize the importance of non-monetary prizes as much as money. "Remember that there are 300 million hours of volunteer time invested in updating Wikipedia and most of this is from younger people who are just trying to create a better tool for others," he said. "If you can engage with Millennials and Gen Z's beyond just monetary prizes, you'll be creating customers for many years to come. That is how you create a sustainable business model." ■