

LESSONS LEARNED OVER THE LAST 18 MONTHS



Pat McDonald, Director, Ohio Lottery
Lead of the Mega Millions Consortium

PGRI INTRODUCTION: Pat McDonald was named Director of the Ohio Lottery in February 2019. Prior to his appointment, Pat began serving as a member of the Ohio Lottery Commission in 2007 and has served as Chairman for the last eight years. Under his leadership, the Commission added Committees on Responsible Gambling and Audit to review and refine the agency's management practices.

As Director, Mr. McDonald oversees a \$4 billion operation through the sale of traditional lottery games at nearly 10,000 licensed retailers and the regulation of the video lottery terminals at Ohio's seven racetracks. In FY2021, the Ohio Lottery produced \$4.3 billion in sales resulting in a \$1.36 billion transfer to the Lottery Profits Education Fund.



Paul Jason: As Lead of the Mega Millions Consortium, could you comment on how the direction and initiatives of Mega Millions may be evolving over the next couple years?

Pat McDonald: While I don't have any announcements to make at this time, the Mega Millions consortium continues to evaluate game enhancement options to keep Mega Millions on the forefront of consumers' minds.

We're watching the impact of the recent Powerball change, but exploring all options (add-on games, price point, prize matrix, etc.) to see what makes the most sense.

Prior to being named Lottery Director in 2019, you served for twelve years on the Lottery Commission, the last eight as the chair. How does that service prepare you for and inform your leadership of the state lottery?

P. McDonald: My service on the Commission occurred at a time of growth for the

Lottery. During my tenure, the Commission approved new games and helped stand up a new regulatory structure for Video Lottery Terminals (VLT) at Ohio's seven racetracks.

While it wasn't my role to get involved in the day-to-day operations, I was able to get to know the staff—many of whom work for me today—and understand the impact of innovative ideas on our bottom line (education). For example, when I was first appointed, the Lottery added KENO to its product portfolio. This addition has been wildly successful. Last year alone, KENO exceeded \$575 million in sales. In 2012, the first racino, Scioto Downs, opened its VLT facility as a licensed video lottery retailer. Today, there are seven racinos under the Lottery's purview and they brought in over \$365 million in profit in FY'20.

How might the Ohio regulatory environment change over the next couple years: Is sports-betting or iLottery on the horizon?

P. McDonald: Recently, the Ohio Legislature authorized the Veteran and Fraternal clubs to offer charitable electronic instant bingo within their facilities. While we remain neutral on that, we pay close attention any time another competitor for the consumer's discretionary dollar comes into play. My job is to ensure that we meet (and hopefully exceed) the funding we've committed to Ohio's Lottery Profits Education Fund, and I intend to continue to innovate to stay competitive.

The Legislature is currently debating both sports betting and iLottery. Obviously, as Lottery Director, I would like to implement iLottery as we've seen how it brings in new players and is quite successful in the states that do offer it already; however, at this time, we are waiting on a decision from the Legislature.

What do you think the post-pandemic work-environment/work-style will look like? Full return to in-person office operations, or hybrid system with staff spending some days working from home?

P. McDonald: The silver-lining of the pandemic, if there is one, is that we've seen how our employees can thrive while working from home. I've reviewed long-term plans with my senior management team which will include a hybrid work environment for most departments.

How is the game portfolio likely to evolve? Which game categories do you expect to trend up over the next couple years?

P. McDonald: Given that our lottery is 47 years old, we have an expansive game portfolio. However, I've challenged my sales team to increase the penetration of our \$20 and \$30 games and work towards adding a \$50 scratch-off ticket by the time we turn 50.

Keno/monitor games are continuing to grow. We've seen double-digit gains the past few years, and as the world gets back to normal, I anticipate continued growth in that category.

Additionally, we're seeing growth in the fast-play games. This past year we added a \$40 EZPlay® progressive that is doing quite well.

Lastly, we've found that there are more

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cross-promotional opportunities across product lines (i.e. scratch-offs and EZPlay) that expose players to different play opportunities. Tying cross-promotions to known licensed properties, like PAC-MAN, helped us engage with the wider player community last year.

The pandemic has caused consumer lifestyles and shopping behaviors to change, which in turn has caused changes to the way we do business. Some of these changes may revert back to a pre-pandemic "normal", while others may not. What do you think the post-pandemic world will look like – how will it be different from two years ago?

P. McDonald: With over 10,000 retailers, we've seen the impact of the pandemic across the board. For example, it seems like the pandemic accelerated the modernization of customer services in the grocery store environments. We've seen increased use of

their curbside and delivery services, which can be challenging when lottery games are primarily sold in-store. On the other hand, the bars and restaurant businesses are returning to a pre-pandemic world but are certainly looking to make up for the revenue losses the pandemic brought. This has provided an opportunity to recruit new retailers and we've been able to expand the number of lottery games offered within these establishments as well.

How have the changes instigated by the pandemic changed the way business is done going forward, and the way the Ohio Lottery will serve its retailers and lottery players going forward into the post-pandemic era?

P. McDonald: We've instituted many enhancements for our players during the pandemic. While many of these programs were in our plans, the pandemic accelerated some, based on need. For example, when

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our regional offices closed, we found that many players did not feel comfortable mailing in their winning tickets over \$600. Therefore, we accelerated the launch of Mobile Prize Cashing on our website and MyLotto Rewards app.

In addition to mobile cashing, which we limited to prizes up to \$5,000, we also launched an online prize claim form for high-tier prizes above \$5,000. These were the prizes that players were most hesitant to mail to us, and it provided them a secure and convenient alternative which has proven very popular.

Recently, we've enhanced our mobile app, MyLotto Rewards, to allow players to exchange their points for \$5 and \$10 of Lottery cash to be used in retail stores. Thus far, this initiative has been quite popular, and we are seeing approximately an 85-90% redemption rate.

We utilized our social media channels throughout the pandemic to interact with and engage our lottery players. In 2021, we hosted a 30-minute live event on Facebook to promote the PAC-MAN® Scratch-Off. The event was highly successful with nearly 5,000 viewers joining and participating for the entire event. As a result of that success, we are planning for two more live events in December to promote our holiday scratch-offs.

When the pandemic prohibited us from filming our weekly game show, Cash Explosion, with in-person contestants and a live audience, my staff and our studio partner had to develop a creative alternative to ensure we didn't lose our fan base. We came up with a "Play@Home" version of the show that allowed contestants to participate remotely via Zoom. The series developed its own unique charm by

featuring contestants surround by their family and friends with home-made signs and proved very popular with our fans. After a little over a year with the Play@Home series, we have recently returned to in-person play with a live audience but have incorporated some of the most popular features of the Play@Home shows into our game play.

We are entering a very interesting period for the lottery industry, as well as the broader games-of-chance industry. As we leverage our strengths – brand equity, enduring popularity of the games, massive retail network, etc. – we also want to stretch to innovate, modernize, and evolve with our players and the changing tastes and preferences of the consumers. ■

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is a unique organization, and the success of the Tri-State games is critical to the three lotteries. I'm pleased we could gather in person and work to move our initiatives forward.

The history of the Tri-State Lotto Commission really tells the story of the U.S. lottery industry. The Tri-State Lotto Compact became law on April 23, 1985, allowing northern New England to offer Tri-State Megabucks. By July of that year, prior to the game going on sale, subscription sales were offered in all three states. Players could call the Lottery and purchase a subscription for 26 drawings (six months) or 52 drawings (one year). The United Parcel Service then delivered confirmation cards of those purchases anywhere in the continental United States.

On September 3, 1985, Governor John S. Sununu purchased the first Tri-State Megabucks ticket at Rockingham Park in Salem, New Hampshire. For \$1, players chose six numbers from 1 to 30. Drawings were held once a week. First day ticket sales amounted to \$50,000. The first drawing for the game was held on September 14, 1985 with a jackpot of \$993,140. That

first Tri-State Megabucks jackpot was won by Richard Campbell of South Portland, Maine.

The game was an immediate hit as it offered larger-than-ever jackpots. To keep up with player demand, the game quickly evolved within six months to a larger matrix of six numbers chosen from a field of one to 36. The change certainly paid off, as on June 14, 1986 a \$9,628,000 jackpot was won by Bertha Arruda of Westport, Massachusetts.

In May 1990, Tri-State Megabucks increased drawings to two days a week, with a new drawing added on Wednesdays. In 1992, there were two jackpots of over \$10 million, which dramatically increased sales, and on January 25, 1995, the jackpot hit a record of \$16,400,000. Two players, one in Vermont and one in Maine, split that prize.

Over the years, the Tri-State Lotto Commission has added games to complement Megabucks – Pick 3 and Pick 4, Gimme 5 and Fast Play. Periodically, the group has included scratch tickets to its offerings.

At the meetings in Kennebunkport, where centuries of political and maritime history

is on display on every corner, the Tri-State Lotto Commissioner celebrated its storied past while working with its partners to make sure it remains relevant in the quickly-changing gaming world.

Meeting host Gregg Mineo, Director of the Maine Lottery, said that while multi-jurisdictional games like Powerball and Mega Millions get the headlines, the Tri-State Lotto games play critical revenue roles in each of the three states.

"The pandemic certainly provided lotteries with opportunities to review their entire portfolios and for us, that meant taking a close look at the Tri-State offerings," said Gregg. "Our group has survived for close to 40 years because our players like our games and made them a part of their lottery purchase options. Our responsibility as stewards of the organization is to continue to monitor play patterns and, when necessary, make strategic changes.

"Tri-State is an important part of the history of the U.S. Lottery industry. But most importantly, it is a reliable revenue generator for the people of Maine, New Hampshire and Vermont. That is where our greatest responsibility lies." ■