

REACHING AN INFLECTION POINT FOR THE INDUSTRY AND THE MARYLAND LOTTERY



John Martin

Director, Maryland Lottery and Gaming Control Agency

PGRI INTRODUCTION: Appointed Director of the Maryland Lottery and Gaming Control Agency this past July, John Martin started his career in the lottery industry in 2009 at the Ohio Lottery. In 2011, he moved to Baltimore to begin his work with the Maryland Lottery, leading the sales, marketing, communications, product development and creative services teams. In 2015, he was promoted to Managing Director & Chief Revenue Officer, responsible for increasing sales and revenue for the MLGCA by overseeing the field sales force, developing corporate accounts, exploring new distribution channels and recruiting additional retail locations, of which there are currently 4,400.

The Maryland Lottery and Gaming Control Agency (MLGCA) is responsible for generating revenue for the good causes of the state, while also regulating Maryland's casino program. In FY2021, the Agency contributed an all-time record of more than \$1.391 billion to the State of Maryland.

Prior to moving to Maryland, John was Deputy Director of the Office of Sales Management at the Ohio Lottery, overseeing sales operations at 9,000 retailers. John has a communications background and is a graduate of John Carroll University in Ohio.

Deputy Director of Gaming Compliance at the Virginia Lottery. I am very excited for this opportunity to lead the MLGCA.

Your experience has prepared you for this role of overseeing both the lottery and casino gaming sides of the business.

J. Martin: This industry is at a most interesting inflection point. Over the last eighteen months, lives have been disrupted and as a result, people are challenged to be resilient, to change and adapt to adverse situations and unfamiliar circumstances. I think this disrupted environment represents an opportunity for us to introduce new ideas, new games and play-styles and new ways to interact with and play the lottery to a new audience that is much more receptive to fresh, new and different than ever before.

Our focus has been on those areas that we control, including Instant Scratch-Offs where we have potential to increase our per-cap playership in Maryland. Gordon was very good at installing systems that help to manage business and processes, clarify goals and interim markers, track progress and hold ourselves accountable in ways that drive positivity and focus on solutions and execution.

Paul Jason: Congratulations on your appointment to lead the Maryland Lottery & Gaming Control Agency. What were your first thoughts when you were informed that Governor Hogan had chosen you as Maryland's Director?

John Martin: My first thoughts were, "Be careful what you wish for." From the moment I started with the Ohio Lottery in 2009, I knew I wanted to lead a state lottery. I have loved this industry from the very beginning and have embraced the opportunity to learn more about it every step of the way. Working for Stephen

Martino, MLGCA Director from 2010 to 2015, helped me to understand the broader games-of-chance industry and appreciate the importance of effective government relations and outreach to all stakeholders and media. Gordon Medenica came to us in 2015, a lottery veteran with a wealth of experience from his time as director of the New York Lottery and as CEO of the Northstar New Jersey Lottery group. I appreciate the privilege of having served with Stephen and Gordon and the many opportunities I had to learn from these two industry leaders. I also learned a great deal from former Chief Financial Officer Gina Smith -- now

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We have a great product development team and a great vendor relationship with Pollard Banknote who has been our primary instant-ticket vendor since 2007. We analyzed everything -- prize structures, product mix, price points, gaming design -- focusing on details and incremental improvement, with special attention to optimizing the execution at retail. We implemented a highly regimented monthly launch cycle. We also set expectations for the retailers and our field people on what needed to happen when new games were launched, and they were given very specific guidelines on activating new games and returning dormant and old stock so product was always fresh at retail.

We did a lot with self-service vending machines provided by our systems vendor, Scientific Games. By this time next year, we will have over 2,000 self-service vending machines. Of those, we anticipate around 1,800 will sell both scratch-offs and draw game products and about 200 hundred will sell draw games only.

I spend time out in the field conducting "regional advisory board meetings," where we engage with retailers on their turf and on their schedule, selling lottery-focused concepts in small doses so they aren't overwhelmed, rewarding them with incentive and bonus programs. Over the 12-month period of FY 2021, retailer commissions averaged more than \$44,000. That's the average, which means some retailers made more than that. Retailers take notice when a single product generates \$50,000 in net profit.

All six Maryland casinos were either closed or operated with capacity limitations for most of 2020. It wasn't until May 2021 that those limitations were lifted, and yet, despite that, Maryland's casinos contributed an all-time record of \$723.5 million to the state in Fiscal 2021.

I should add that the Maryland Lottery, our retailers, and the casinos were extremely

sensitive to the needs of our players and followed strict safety protocols to protect them from COVID. We also devoted more attention to Responsible Gaming messaging to ensure everyone stayed safe and played responsibly.

Maryland is now a big casino state. Do you think the increase in scratch-off sales can be attributed to casino players turning to lottery during the shut-down?

J. Martin: Absolutely. When you track the trends for week-in/week-out sales, there is no other way to explain it. When the casinos began to re-open, we saw some of that increased revenue begin to recede slightly. We absolutely had casino players on a trial basis, trying this lottery thing. Of course, we want to deploy new games that may continue to appeal to them and retain some of that new consumer group. However, I admit that most casino players will likely migrate their spending back to casinos as opposed to sticking with the lottery. I don't believe it is realistic to think we are going to peel off anything more than a small portion of casino players' spend over to lottery. Nevertheless, even retaining a portion of those new revenues is a big win for lottery.

It's not just casino players who showed up for lottery. The closing of restaurants, movie theatres, and other social activities caused consumers across the board to have extra discretionary income, which may have been spent on the lottery. We hope we can capitalize on this increased exposure and continue to appeal to these new consumer groups.

Should we be concerned about attrition – losing players to casino and sports betting?

J. Martin: No, I don't think so. This past year has really demonstrated the enduring appeal of lottery gaming. Consumer engagement may be temporarily swayed in one direction or another. Of course, it is exciting when a completely new product category like sports wagering bursts onto the

scene. People tend to migrate back to what they are familiar with and enjoy because they have been enjoying it for decades.

The challenge for us is to produce fresh games, excite the players with fun and engaging promotions and make them readily playable through multiple channels and media. This challenge is completely independent of all the other external influences. Those are our customers and shame on us if we do not continue to refresh games and concepts, distribution channels and points of presence to keep our players engaged so they remain loyal to our products rather than leave us to explore other gaming options.

Do we have strategy sessions about bringing in new consumer groups? Not really. We do, however, strategize about producing great products and making them readily available to our players. Instead of worrying about who might be stealing our lunch, we should focus on making a better lunch.

How would you prioritize your focus for the rest of FY 2022?

J. Martin: Along with the other things we have been discussing, we are seriously looking at our product mix. We see an opportunity to refresh our draw games. Maybe a serious re-boot to invigorate specific products in our portfolio. Our Fast-Play product has performed so well since launching in February 2020 that we want to make sure we optimize its full potential. Again, hats off to our product development team and our partner Scientific Games for keeping these priorities top-of-mind. We also need to explore in-lane retail solutions as a retailer acquisition strategy with national chain stores like Dollar General.

In a broader sense, I've introduced our C-O-R-E 4 initiatives for the next 18 months:

"C" is for Celebrate. We are starting now to build momentum for celebrating the 50th anniversary of the Maryland Lottery in 2023. We have formed an inter-departmental project team to look at everything from customer-facing products and bells-and-whistles marketing events to internal employee programs and we are exploring ways to infuse everything with the excitement and pride of having served the people of Maryland for 50 years.

"O" is for Organization. Fifty years is a long time to arrive at this point, with many

in our ranks having been here for quite some time. We certainly want to leverage the institutional knowledge that resides with our senior management team, but we are committed to developing the young and diverse talent within our organization. PGRI's WILL (Women's Initiative in Lottery Leadership) is a good example of the kind of commitment the industry needs in order to harness adaptability that comes with diversity and youth. We want to foster a genuinely heartfelt feeling of inclusiveness and a fertile environment for achieving our career goals. We are stewards of this agency -- here for a short time to make it better and to mentor others along the way who will carry it through to the next generation.

"R" is for Revenue. Not everyone has direct-line responsibility for driving revenue. **Maximizing revenues for the benefit of our beneficiary, the State of Maryland, is the business that everyone, each of us, is in.** We can and should all be fully engaged in the mission to manage costs, maximize operational efficiencies, enhance retail and consumer-facing activities, and otherwise optimize financial performance.

"E" is for Expediting. Expediting sports wagering and whatever initiatives are on the front burner to make them happen now. Speed to market is a key metric for commercial companies and it should be key for a market-driven enterprise like the Lottery.

CORE-4 is so much more impactful than a mission statement. Sports betting is imminent?

J. Martin: There is no boilerplate of best practices or a regulatory model for sports wagering. Each jurisdiction constructs its own approach depending on their gaming culture and public policy objectives. Our legislation is probably the most expansive bill in the industry, allowing for more than 100 potential licenses with the provision that there be an inclusion of small-, women-, and/or minority-owned businesses that have a seat at the table. The legislation specifically names 18 entities that would be first in line for 17 licenses. (Two of the racetracks, Pimlico and Laurel Park, would share one license.) These operators are designated to be our Class A1 and A2 brick-and-mortar locations.

Then there is a Class B designation that includes named entities, primarily OTB

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(Off-Track Betting) locations and two bingo halls. Bingo is big here in Maryland. So the two largest bingo halls have been named in legislation as being candidates for sports wagering. Then there is an open docket to sign up 30 other brick-and-mortar locations. That's almost 50 operators right there. Add to that the potential for granting up to 60 mobile entities, and that's over 100 potential sports wagering licenses.

The legislation also creates a sister commission called the Sports Wagering Application Review Commission, affectionately known as SWARC. The SWARC's role is to counterpoint us -- they vet the applicants' business plans and the minority and small business and women ownership applications. The SWARC then hands that license over to us to conduct the financial due diligence and criminal background checks, and further vetting (processes that we are already familiar with, as we have been doing it in the casino sector for 10 years now) and then determine if they should be issued a license to operate sports betting. A license needs to be "awarded" by the SWARC and "issued" by the MLGCA before the applicant can be in the sports wagering business. You can appreciate that all of this takes more than 30 days to happen.

I'm kind of amazed at the complexity and the depth of knowledge required on your part to implement sports betting. You need to learn a whole new business that has countless moving parts, and lots of ways for things to go wrong.

J. Martin: I may have been a little naïve, but I knew what I was getting into. Of course, I love it. I love the opportunity to learn about this completely new area of gaming and being in the position of needing to figure things out as we go along. I am extremely fortunate to have a great team of industry professionals well versed in operating a lottery and regulating a

statewide casino program. The MLGCA is a complex, multi-faceted enterprise. A little nerve-wracking -- but never boring!

And is iLottery on the horizon?

J. Martin: Not imminently. We have our hands full now and are happy to wait for the legislature to reach out to us to review its iLottery regulatory policy. It is prohibited right now and there's no indication it will be considered over the next 18 months. Of course, we will be pleased to make the products available online if or when the legislature decides that is the direction they want us to go.

Kind of a corny question but one that I think our readers might like to hear about: What advice would you give to someone wanting to maximize their potential in this industry?

J. Martin: Nothing that you probably haven't heard before. I always try to learn from every person that I interact with and every situation I encounter, every job I have had whether I loved the job or not. I learn from people who work for me as well as people I work for. I learn from clients and vendors as well as mentors. Knowing what you want helps to clarify the pathway to getting from here to there. I always wanted to be a CEO and so all my energies were focused on that goal. I try to be objective and analytical as I assess my strengths and weaknesses to leverage one and hopefully shore up the other.

I also believe you need to take calculated risks, especially in our business. The future is not necessarily a function of the past. New ideas can come from anywhere. I want everyone in a meeting to participate. I used to just impose that expectation on everyone without realizing that could be intimidating instead of the inclusive and welcoming attitude that I want to engender. Now I look for ways to make sure interactive group sessions come from a place of positive reinforcement and inclusiveness. ■