

CHANGE STARTS SMALL AND INNOVATION IS CONTINUOUS AS LOTTERIES MOVE INTO A POST-PANDEMIC WORLD



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PGRI INTRODUCTION: At the forefront of the lottery industry for over 31 years, Jennifer Westbury provides strategic direction and leadership as a member of Pollard Banknote’s Executive Committee. Having cultivated and grown relationships around the globe and helping establish the company as one of the industry’s premiere vendor partners, Jennifer has been a driving force in Pollard Banknote’s development and application of new technologies. She continues to work directly with clients on strategy development and implementation and helping lottery clients grow their revenues by implementing industry best practices, launching new products and services, and optimizing the performance of established products.

Product innovation, development, and distribution as well as player-engagement strategy are also Jennifer’s responsibility at Pollard Banknote. The past eighteen months represent a period of dramatic change for everyone. What does it mean for lottery and its players? Opportunities and challenges abound, but focusing on incremental improvement and execution is the pathway towards transformational progress that will position Team Lottery for sustainable growth.

As a staunch advocate for diversity within Pollard Banknote and within the lottery industry, Jennifer is very involved in the development of the PGRI Women’s Initiative in Lottery Leadership (WILL). Jennifer was also elected to the PGRI Lottery Hall of Fame in 2012.

Paul Jason: Let’s start with de-channelization – What is it and how should lotteries be thinking about de-channelization?

Jennifer Westbury: The concept of de-channelization is about the role of digital within lottery as being more than a channel of distribution and more than a technology. It’s a unifying principle that helps us align with a customer who never actually thinks in terms of “channels of distribution.” The players just play. They play in the stores,

they play on their mobile devices, they play on their computers at home, they play at self-serve gaming kiosks. The consumer is already in the digital mind-set that transcends the limiting concepts of channels and geographic location and other legacies from the analog world.

Retail stores will continue to be Lottery’s face to the player. Lottery’s massive network of retail partners is its most formidable asset, its most ubiquitous consumer touchpoint,

and retail’s mission-critical role is only increasing as it is evolving. We need to understand, just as our retail partners understand, that we need to connect with the world of the modern consumer. And digital is the connector, it’s what brings everyone and everything together. The consumer is tethered to her mobile 24/7, playing games and checking prices and asking friends about products and entertainment options and sharing her own experiences, etc., etc. The consumer is interacting with all of these at the same time in a constant flow. Digital is what integrates retail into that whole flow. Retailers understand this and are moving quickly to digitize the in-store shopping experience. Likewise, progressive lotteries are digitizing the in-store lottery-playing experience. The world we live in is no longer separated by channels. The consumers’ world is inter-connected in a seamless flow, and we need to align ourselves, our products, our messaging and our product-delivery infrastructures with that world. It is the digital mentality which keeps us tuned in to that reality and powers our ability to think, feel, and act like our players.

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What do you say to a director who might say that the ROI on a product-specific promotion is higher than it is for a digital engagement initiative when we are not authorized to sell lottery products online right now?

J. Westbury: I would say that we need to find a way to do it all. I think everyone would agree that digital engagement is key to long-term sustainable growth. So, the issue is for us to identify short-term ROI from initiatives that are also necessary for long-term sustainability. It's not easy and will not happen without deliberate thought and creativity. But for one thing, digital engagement most definitely does include promotions that support sales. For example, the Arizona Lottery does not sell lottery online. But they did create a game which is a digital extension of their instant Crossword games. They had a million and a half games played on it in the first two months that it was available. Players had to have purchased a ticket to play and be registered as a loyalty member. Sales of that Crossword game went up 8% over that same 2-month period. But importantly, all those retail players now had a digital connection to the Lottery through their favorite retail game. So digital engagement can and should include initiatives that support the long-term goal of sustainability and growth as well as drive short-term sales. As another example, we launched Struck By Luck, a really cool digital game, with the Florida Lottery in August. It's a paper instant ticket where players can win instantly, but also has a feature that uses the science behind the curiosity gap to engage players in a digital experience and build anticipation of growing jackpot amounts. The game's app and microsite extend the play on the digital platform which enables the Florida Lottery to create this digital conversation with their players. That's what this is all really about – finding ways to have that digital conversation.

Every time a lottery launches a digital program, whether it's a second chance draw, whether it's a loyalty platform,

whether it's an app attached to a retail game, they're establishing a connection that provides an interactive dialogue with that player. That is when the one-to-many mass-market advertising is turned into a one-to-one personalized dialogue of sharing information that enhances the whole experience for the player. Sure, it includes product promotions but now they are being tailored to the more specific interests of the individual player. And now the two-way dialogue about other issues like responsible gaming and brand-building becomes more relevant to the player. So even though the tickets can't be bought online, you can enable parts of the game to have an online experience, you can reinforce the positive feelings for Brand Lottery, and you can leverage the online connection to support your retailers.

Are retailers beginning to recognize that iLottery sales do not cannibalize their business?

J. Westbury: The fact is that iLottery actually helps to drive retail sales. The Michigan Lottery retail sales have grown faster than the national average in recent years right alongside the rapid growth of iLottery. And the Michigan experience is being replicated in Virginia, New Hampshire, Pennsylvania, and other iLottery states. iLottery literally helps to drive retail sales. And many of the apps we did with the Michigan Lottery prior to iLottery are still in place because they serve a valuable purpose of building the interactive relationship which ends up supporting retail sales as well as brand lottery. The Michigan

Lottery has been using the Crossword game and the Wild Time™ scratch game for many years to encourage players to go back and forth between the retail and online worlds.

What we know from implementing iLottery programs is that once we bring players into the lottery ecosystem and market effectively to them, they will move across channels. It goes to that notion of de-channelization. A Crossword player will play it online, they'll play it in retail, and they'll play it on their mobile app. And it's all part of what they're experiencing from the lottery. They're not thinking about which "channel" they are playing on. They are just thinking about the game and the experience. They just expect to be able to play wherever, whenever, and however they want in whatever ways are most convenient. It might be on a paper ticket because I'm buying gas and I'm going to go into the store to buy my favorite Crossword ticket. It might mean that it's on my phone as a second chance draw while I'm killing time waiting in line at the bank or an airport Starbucks, or it might mean that I actually have a few minutes to sit down at home and play it on my computer. Players don't think about what channel they are on. They're just thinking about playing the game. And the ready-access convenience piece of that game-playing experience is vital.

So, Pollard Banknote and your clients are in fact creating digital engagement programs for non-iLottery jurisdictions that meet that high bar for delivering short-term ROI?

J. Westbury: Absolutely. Lotteries cannot afford to divert limited resources towards initiatives that do not contribute to raising funds for their beneficiaries this quarter and next quarter. That is the top-of-mind metric of success in this business and it is the key metric that we hold ourselves accountable to. Thankfully, though, the properly balanced

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and diverse portfolio of promotional and engagement initiatives that optimizes short-term ROI does also include initiatives that engage the players on digital channels. And that is no less true for non-iLottery states as it is for iLottery states.

You know, digital can be thought of as the next stage in a natural evolution. First there was the product-centric era of Henry Ford when consumers were simply delighted to have the modern conveniences. Next was the retail-centric era of Walmart and big brands wherein the value was being placed on easy and cheap access to the products. We have now been in the consumer-centric era of Mobile and Digital for some years now. The start of this era is pegged to the launch of the iPhone in 2007. That introduced a whole new way of connecting and interacting with the world and with each other as well as getting information and shopping. Steve Jobs also introduced us to a new way of thinking about the consumer, of immersing oneself in the consumer experience to understand their feelings and motivations even better than they understand themselves. Digital is not just a new channel - it is the platform which obsoletes the whole concept of channels as it puts the singular focus directly on the consumer experience. Insofar as we can create that de-channelized environment of easy ubiquitous access that the consumer expects, the focus tracks more to the promotions, messaging, and the games themselves. This is good for Team Lottery as people love the games and there is no shortage of innovation being applied to produce fresh new play-styles that will excite the next generation of players.

Another way to think of it is that digital functions as much as a medium for communication as a channel for distribution. The value of digital is that it puts lottery in the middle of the conversation that is unfolding on a 24/7 basis. Think about it – less than 10% of grocery sales are online. But grocery stores need to establish the online connection with the consumer, even if it is purely as a medium for communication. The headroom we have for ongoing digital innovation to enhance the overall player experience is immense.

I was surprised at the percentage of registered players who play more at retail than online.

J. Westbury: We have definitely found it to be the case in Michigan where they have approximately 1.3 million

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registrations and 60% of them are retail players. The Michigan Lottery is engaging registered players with second chance draws, apps that make it easier to buy retail tickets, and promotions and couponing that incent the player to engage at retail as well as online. The evidence shows that registered players will continue to play at retail. And lotteries will continue to create an environment, a player ecosystem, that rewards play and engagement across that ecosystem. The consumer who engages on multiple touch-points is a more loyal and satisfied consumer. That's true for all consumer sectors, not just lotteries and games-of-chance.

Let's chat about the Virginia Lottery. What drove the warp-speed launch and leap to cruising speed of its iLottery program?

J. Westbury: The Virginia Lottery recognized quite some time ago the need to position itself for a future based on digital, and they began years prior to the launch of iLottery to do everything they could to build out that digital foundation. They could not sell lottery tickets online in the conventional way, but they could implement a subscription program that introduced the players to the benefits of registering online to enjoy the benefits of an interactive relationship. To accomplish this, they installed an iLottery platform to support all the functionality of a digitally interactive relationship, lacking only the ability to actually buy lottery tickets online. NPi has operated that for them since 2016. At the same time, they built web and mobile apps and game plays that were extensions of retail instant tickets. They moved from enabling games played on a computer web app to implementing a full-on mobile app that was available in the iOS and Google stores for their Crossword games. And they were progressive in developing the “digital mentality” to orient their organization into a forward-thinking mode in everything they do. When the Virginia legislature authorized iLottery in mid-2020, the Lottery and its players were ready to leap right into the transaction-enabled piece of the program.

Explain more about the “digital mentality”.

J. Westbury: It has two fronts – internal within the organization, and external with the players. Product development, operations, customer service, and all business activities are based on the commitment to digital, not just as an IT platform but as a way of thinking, a way of applying creativity to invent our own future. We should be thinking about the Lottery's business as a wholly digital environment, with everyone thinking and working within the digital mind-set that embraces the opportunity to change and evolve as quickly as possible with the emergence of new tools and business processes that make life better. To a larger degree than ever before, the consumer is already there, already adopting the digital mentality.

We are already familiar with the external piece of the digital mentality. Business has always endeavored to apply technology to enhance the consumer experience. Well, the goal now is to apply the digital mentality, along with the technological infrastructure, to align with the audience, the modern consumer. Further to that, the goal is to become a leader instead of a follower, to be leading the digital transformation, encouraging the players to think and interact digitally, to walk hand-in-hand with our players along the pathway towards a future so rich with potential and fresh new ways of experiencing the lottery.

Virginia is a recent example of an effective iLottery launch, but we should also recognize Michigan for its vision at a time when they were pioneers in North America. They started with digital games like Keno-To-Go which displayed the results on your mobile phone. They focused on building their loyalty player base so that when they went live, they already had a database of 600,000 players who were registered with the Michigan Lottery. This allowed them to start marketing to these players right away and who already had a digital relationship with the lottery, and that was back in 2014. Now we have the benefit of other successful iLottery programs like New Hampshire and

Pennsylvania and others. And lots of lotteries are investing in the build-out of their own digital platforms and applying emerging new best-practices to connect with their players. Their vision will serve them well when they are authorized to launch iLottery.

It is important to note that the investment in digital engagement is also serving them well right now and regardless of when or even whether they ever sell lottery tickets online.

Could you talk a little bit about how Pollard Banknote and NeoPollard Interactive (NPI) work together to coordinate and apply your respective core competencies to such great overall effect for your clients?

J. Westbury: We have worked hard from the beginning, when we first launched the Michigan iLottery program in 2014, to build a synergistic collaboration that truly optimizes the value we deliver to our clients. It is a good question because the iLottery piece does not operate in a silo separate from the retail side of the business. Coordinating game launches, messaging, brand-building initiatives, and promotions is a never-ending and enterprise-wide activity. NPI is very focused on iLottery. The Pollard Banknote team is tasked not only with the retail side of the business, but with ensuring an integrated and holistic approach towards optimizing the player experience across all channels. Loyalty programs that we're building, game apps and digital couponing that we're developing, and other areas that reside in what we call "The Space Between™" full-on retail and full-on iLottery are a team effort with NPI that is led by the Pollard Banknote side of the equation.

An example is in North Carolina where they don't yet have the authority to offer e-Instants. We have put in a digital platform with a loyalty program that is prepped and ready to go for the moment that they launch e-Instants. We're driving registrations, engagement and sales right now but also positioning the Lottery for a fast and effective launch that can include eInstants as well as draw games. Of course, it is quite interesting work for all of us who are challenged to clarify our own perspectives on everything while learning to appreciate other

perspectives so we can effectively merge and integrate these into the optimal game-plan. Having just joined us from the Michigan Lottery, where she was deputy director of digital operations, Shannon DeHaven brings the full 360-degree view on how to drive sales at both retail and online.

You have broadened and diversified the in-house capabilities of Pollard Banknote with many acquisitions over the past few years.

J. Westbury: Specializing in a particular skill-set or area of the business has traditionally been the best way to achieve best-in-class status. Modeling a complex problem can be expedient, but the real world is not compartmentalized in that way. The consumer does not perceive it that way and now the marketplace, both retail and online, is evolving such that we really need to focus on how to bring everything together, to help our retailers understand the ways in which the in-store POS, signage, messaging, electronic games and more can be integrated with digital capabilities and the online market-place and how to meet new expectations for security and geo-fencing and such. Pollard Banknote is positioning to provide both best-in-class and the 360-degree view on how to integrate the new world of digital capabilities with the mission-critical retail connection to the players. We'll do that through acquisitions, and we'll do that through partnerships like we have with NPI, whichever way delivers the best results for our clients. We've assembled an amazing team of professionals who have deep experience in this way of thinking and approaching the incredible opportunities in front of us as an industry. We're fortunate that throughout these times we've been able to continue to invest in innovation across the business to help lotteries chart their own paths forward.

Convenience stores and iLottery stayed open during the pandemic while casinos were shut down for portions of the last 18 months. It appears that one result of that is some casino players migrated their spend over to lottery. What can we do to retain the player-ship of consumers who may have played lottery more during the pandemic?

J. Westbury: Surveys indicate that over 90% of casino players who played the lottery say they will continue to play; and half of those respondents are under 35. Of course, it is up to us to figure out how to optimize the playing experience to continue to hold their attention and player-ship. But these new player groups represent an incredible opportunity for us to grow our player-base. We have learned some things about the play-styles of these new consumer groups. For instance, common wisdom has always been that new players start with lower priced tickets, the \$1 and \$2 tickets. New players, particularly casino players, tend to enter the game at the \$5 and \$10 price point. If they can get a more robust experience, maybe a higher or innovative prize payout structure and a bigger, more entertaining ticket to play like a progressive jackpot or a casino-themed ticket – they are more willing to play a higher-priced game.

Key to the planning for the post-pandemic world is to try to hold onto the players that increased their lottery spend during the pandemic.

J. Westbury: I don't think anyone could have imagined that in such a short period of time, lottery would attract whole new player groups and so many of the young adult demographic. This period of massive disruption has created an opportunity to appeal to a public who is now more used to change and adaptation than ever. The world is no longer very hospitable to those not willing to change, adapt, learn new behaviors and, yes, explore outlets for entertainment like lottery. You know, there was over \$400 billion in consumer spending on the entertainment and hospitality sector that was displaced by the pandemic. It appears that some relatively small fraction of that found its way over to lottery.

The consumer has spoken and affirmed loud and clear that not only is lottery still "relevant", lottery is loved by the largest cross-section of consumers in the games-of-chance industry – by far the largest. Let's figure out how to hold onto this increased player-ship. Let's embrace this opportunity to speak to an audience which is more adventurous and willing to try new things than ever before. We have their attention now, so let's keep them engaged with Lottery by delivering excitement in this new world. After all, we may well be entering what you are calling the golden era of lottery. ■

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