EARLY ADOPTERS SHOW PATH TO DIGITAL SUCCESS

While the majority of U.S. lotteries eagerly wait for the legalization of iLottery, there are a handful of lotteries already enjoying the financial benefits of expanded options for players. These early adopters provide a roadmap for those that will come later. How can a digital platform be used to enhance the player experience and retention? How does omni-channel play help drive play at retail? Is some of the iLottery playership of the last couple years returning to retail?

These, and many other issues, were expertly covered by a team of lottery veterans and iLottery pioneers. Moderated by the Virginia Lottery's Deputy Executive Director of Lottery **Rob Wesley,** the panel included:

Adam Barry, Corporate Development Executive, Camelot

Shannon DeHaven, Vice President of Digital Engagement, Pollard Banknote

Stephanie Weyant Fidler, Deputy Executive Director, Marketing & Product Development Pennsylvania Lottery

Steve Hickson, Vice President Game Development, Scientific Games

Rhydian Fisher, Founder & Chief Executive Officer, Instant Win Gaming (IWG)

Peter Sullivan, Founder & Chief Executive Officer, Jackpocket

Rob Wesley has worked at the lottery for more than 24 years with leadership roles in the sales, marketing, and digital departments, which now includes oversight of the fastest growing iLottery program in the country. "The road to iLottery has been quite a journey that took several years. Along the way we experienced push back from some of our large corporate retailers and retail associations who feared that retail sales would suffer," he said. "We had European data that told us that wasn't true. We now have data from U.S. iLottery states that clearly shows iLottery does not hurt retail sales."

Stephanie Weyant of the Pennsylvania Lottery said they had a similar experience. "We've been live online for four years, so we have plenty of data," she said. "When we launched, there was Michigan, Georgia and Kentucky and now we have a larger pool of data. We've all proven that there is no negative impact on retail. In fact, it's the opposite – retail growth has accelerated in states that sell online and that's what we have experienced in Pennsylvania. We engaged the retailer groups and explained our intentions and our strategies for accomplishing the objectives to support retail sales. While they were initially skeptical, they have now seen that iLottery can help them with their business. We've seen revenue growth for both the lottery and retailers."

With over a decade of iLottery and digital engagement experience, **Shannon DeHaven** offers a wealth of experience on both sides of the effort. "iLottery has been available for eight years in Michigan and Fiscal Year 2021 is the Michigan Lottery's eighth consecutive year of double digit growth at retail," she said. "Lottery was growing in Michigan prior to iLottery and the retail growth continued, so the argument that iLottery will hurt traditional retail is completely wrong. It can get tiring, but we have to keep telling this story to as many groups as possible. Build the trust with the retailers and let them know we care about their business."

Adam Barry brings an international perspective to the discussion, having worked at UK-based Camelot and now Australia-based JUMBO Interactive. "In the U.K.,

the lottery has shown that you can grow iLottery and attract more retailers at the same time," he said. "Same in Australia, and the country actually has multiple digital channels. The channel that JUMBO operates has seen 40% growth year-over-year through effectively applied marketing strategies. So it's not just about going online. It's also what you do with the tools and the experience you offer to your players as well."

Focus on eInstants

While digital lottery can mean something different depending on the lottery, including number generators, players clubs and free-to-play games, the primary driver of revenue from an iLottery program is eInstants. Rob said since this represents the majority of sales and profits from online sales, , they are focused on effectively innovating, growing, and managing the portfolio. Just like traditional scratch products, we work hard to ensure we look not only at individual games, but how they fit into the overall portfolio strategy, and meet the expectations of our current and future players. These expectations include the experience players have when engaging with our eInstant games. A key component in creating an interactive digital game experience is payout, and understanding how that decision impacts the player experience, and will ultimately attract and retain customers, he added. "But we must answer the questions that naturally arise. Won't a higher payout result in lower profits? Does a higher payout for eInstants impact retail sales? Very important questions that we must answer.

For some of these answers, Rob turned to **Rhydian Fisher** of IWG, who has spent the past two decades creating some of the most popular eInstant games in the industry. "It's very tempting when you launch an iLottery program to replicate your existing experiences from retail and try and attract

players already familiar with your products," he said. "But digital games are played completely differently – they're faster and more interactive. Because of this, you have to increase the return to play because the whole experience is quicker. So you return more winnings back to the players but then they are spending at a higher, quicker level. Of course, online you can do things like offer bonus rounds and add-on games which increase the entertainment experience. The purchase cycle is faster so you must provide an experience that will make the player keep playing and want to come back. We work with lotteries in Europe who are legally obligated to offer returns as low as 49% and it is a stark experience for players. In the U.S., we've found that 85-90% return is the sweet spot. This is where we can retain the players and drive revenue for the lotteries."

Steve Hickson said that at Scientific Games, they continuously study player data and use the data to enhance their games and prize payouts. "The dynamic of the return to the player for iLottery in the U.S. is still a work in progress and we all need to keep crunching the data," he said. "I think that the overarching success model for iLottery is a result of cultivating the VIP players and maintaining their interest. Those players want returns much greater than 80 percent, certainly closer to 85-90 percent. That is how we will retain those high value players that are so important to driving revenue, just like at retail."

At Jackpocket, they deliver a different kind of entertainment – bringing the draw game directly to the player no matter where they are. **Peter Sullivan** said that it still comes down to entertaining the players. "Whether the player is winning or losing, it's important that you have some great entertainment built into the experience you're offering to your customers," he said. "I don't see that any differently on the draw-based games side. For right now, iLottery has taken the paper-based games and brought them online and recreated those games. For draw games, we haven't yet done that. At Jackpocket, we've certainly worked to create a fun, engaging environment for our players. But I think as an industry, there is a lot of innovation coming in the future. We need to reimagine how we present draw games and certainly working within the framework of iLottery programs can lead us in that direction."

Adam continued with the draw game direction, as JUMBO has been focused on offering online options for this game segment. "We think there's blatant demand in the draw-based games for online options," he said. "Data analytics have provided us with a better understanding of our online players and shown us that there is a real opportunity to market your core games and maximize their long-term value. In Australia and the UK, we've seen examples of using large jackpots to offer new players opportunities to stay on the sites and play other games. We can't underestimate the potential from draw-based games, particularly given that it is the highest profit element of our portfolios."

Managing the eInstant Portfolio

The panel's attention turned to one of the most important components of an iLottery program – eInstant portfolio management. "Most of us understand how game introductions work for scratchers, ," Rob said. "New scratch games are launched and sales spike during the launch week, and then decline until the next new gamelaunch. But does that same happen with eInstants?How do jurisdictions with eInstants manage new game introductions? What's the most effective approach for bringing new games to market?"

Stephanie said the iLottery division of the Pennsylvania Lottery continues to evolve as their business matures. "Compared with the traditional side of the business, iLottery is still relatively new and we're still working on honing our best practices," she said. "The two sides of the business are so different. With traditional lottery, we're focused on activations, keeping bins full, making sure the player activated terminals are operating efficiently, and other activities in support of our retailers. With iLottery, we're selling directly to the consumers and that allows for more flexibility. As we grow, we're learning new things and can make changes on the fly. We now know that we don't want to go longer than two weeks without launching a new game. We've landed on Thursday as our day to launch new games. The great thing about iLottery is that you can test, you get the results quickly and you can implement your response immediately. We're always working to maximize our sales and keep players engaged."

Shannon said the differences between traditional and online play must be recognized and respected when making decisions. "iLottery is focused on smaller, more frequent wins, with an expanded timeline and a desire for fresh games from players," she said. "At retail, we get a lot of impulse purchases but that is certainly not the case online. They have come to your site intentionally, so you have to market to them a bit differently. Concentrate on the user experience and how they're actually interacting with the product. The beauty of iLottery is that if you have a really successful game, you can make it available for as long as you want and keep marketing it to players. You don't have to clear out bin space for new games like retail. Games don't have to go away, they can just move down in your portfolio of game offerings. It's critical to consider the differences between the retail and iLottery product when looking at your overall portfolio."

Rhydian expounded on how players see the iLottery product. "In IWG's experience, we see that in the beginning, new iLottery programs are treated similar to retail with players thinking there's a limited amount of prizes and newly launched games have more prizes," he said. "As the audience is educated, we see play patterns change. For example, over the last couple of years, the most successful game in Pennsylvania, Virginia and New Hampshire is actually more than two years old. I've never seen that happen before. My belief is that the player base is maturing and they have found games they like, they understand that prizes are always available and they don't want to stop playing that game. So you continue to market the game and enjoy the steady revenue. This hearkens back to portfolio management and not treating online the same as retail. Use the wealth of data you're collecting to make informed decisions. Launch, analyze and respond."

Focus on Marketing

Rob asked the panelists to turn to marketing. "We've provided players with a great portfolio of games but how do we market these games to players?" he asked. "Since iLottery has now be been available in a number of states for a few years, we have some best practices that can be shared with newer states and those looking at iLottery programs."

As this is one component of Steve's job at Scientific Games, he offered a few pieces of advice for portfolio management. "Personalization is key, from the landing page to the games," he said. "Follow what the data is telling you. It allows you to segment across your platform as well as each piece of content so players aren't having to scroll through lines of different titles. Whatever is of greatest interest to them is available in an easy-to-find location. This is the beauty of what digital can offer. You're able to keep up with an ever-changing environment."

Adam discussed some of the differences in what is being offered in the United States from other countries. "Some jurisdictions offer platforms free of charge and some with a small levy to gain access," he said. "What we actually find is that players migrate more to the platform with a levy as they believe that will be the better customer experience. The lotteries can then reinvest the levy into marketing and the acquisition of new players. Basically, players are paying for the

Fig.4 Purchased a Mega Millions Ticket for $1bn Dollar Jackpot
– By Age

	TOTAL	18-29	30-39	40-49	50-64	65 +
Unweighted n =	1003	65	184	177	304	273
Purchased	28%	10%	26%	32%	37%	28%
Did Not Purchase	71%	86%*	74%	68%	63%	72%

*4% were unsure

LQ2: Have you purchased a Mega Millions ticket for the current jackpot?
Base: Total

Fig.5 Likelihood to Play $1bn+ Jackpot
– By Age

	TOTAL	18-29	30-39	40-49	50-64	65 +
Unweighted n =	1003	66	201	230	290	216
Very Likely	9%	7%	14%	14%	9%	8%
Somewhat Likely	10%	12%	13%	10%	10%	6%
Neither likely nor unlikely	19%	15%	22%	21%	17%	18%
Somewhat Unlikely	13%	11%	9%	12%	18%	14%
Very Unlikely	49%	56%	43%	43%	52%	54%

LQ3: How likely are you to play Mega Millions now that the jackpot is over $1 billion? by Banner 1

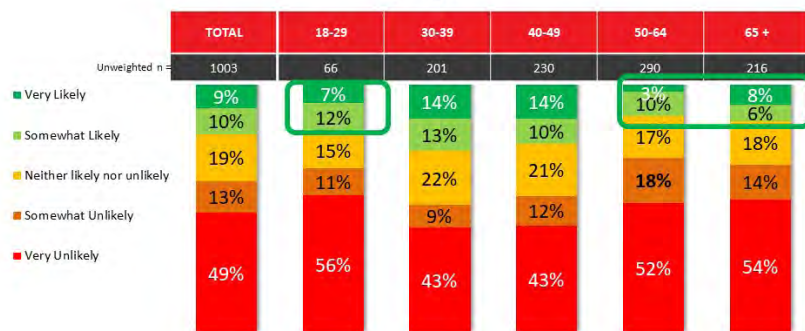37%. Perhaps more alarming is only 10% of this age range bought a ticket. *(See Fig 4.)*

Mega Million's (one of the most renowned and trusted brands in gaming, if you read the corresponding Leger piece in PGRI's July '22 issue) jackpot awareness was excellent in the older age groups, with almost three quarters of 50-64 year-olds being informed, leading to 37% (more than half of those aware) actually purchasing a ticket for the drawing.

I am sure our colleagues from Pennsylvania, Georgia, Michigan and Kentucky, amongst others, would happily point to their eInstant products that appear to have bucked this trend, by successfully capturing the younger Lottery player, with games that check all the necessary boxes.

However, the final statistic from Leger's U.S. Omni may be the most interesting. We asked Americans would they play a lottery jackpot game over $1bn. 19% of 18-29 year-olds said they were very or somewhat likely to buy, with another 19% on the fence, very similar numbers to the 50+ age range, the heartland of the Lottery demographic landscape. The demand is there. *(See Fig 5.)*

Right now though, that fence appears bigger than ever, with younger gamers having all their wants and needs answered at their fingertips, while most parts of the 'land of free' hold captive a creative lottery solution that is built for the future generation of Lottery players.

Unfortunately Friends, for the rest of us and Dr Drake Ramoray, that future is already here.

All of the data and tables from this research are available for free from Leger's Lottery & Gaming team. Feel free to get in touch with Simon at sjaworski@leger360.com

Trust me I'm a researcher (and a Guiding Light). ■

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convenience the platform offers and lotteries are able to increase their marketing spend."

Peter said that Jackpocket is constantly competing with other entertainment apps and this idea of paying for convenience is almost exactly their business model. "People are willing to pay a little more for convenience and better quality," he said. "But their experience must be flawless. We continuously analyze our data across multiple states to make sure we're providing exactly what the players want. The most important offering is our technology, which must be flawless or our customers won't come back. This is particularly critical because 70% of our users are under the age of 40 and this tech-savvy demographic, which was raised on technology, won't give you a second chance if your technology doesn't perform to expectations.

"We believe that Jackpocket's technology has also helped the lotteries where we operate build relationships with retailers," he said. "In states where we've built relationships with certain retailers, there is typically no digital sales offered and promoting the option of purchase through Jackpocket has provided lotteries and retailers with additional marketing and player growth opportunities. What we've learned is exactly what has been touched on in this panel. Players want digital experiences, there is no one-size-fits-all option, and we must continue to create programs that attract and engage new and current players."

In the panelist round-up, Shannon pointed to the importance of building a foundation now to make iLottery successful. "If you're only in the retail space, use loyalty, use second chance games to build a digital

foundation," she said. "Collect data and start to understand your players now."

Rob wrapped up the panel by relaying some of the high points of Virginia's incredibly successful iLottery introduction and ongoing growth. "We got involved in the digital world many years before launching iLottery, offering online subscriptions, building our player database, hiring and developing talent, and implementing the technology infrastructure necessary to support an online business," he said. "So when iLottery was finally approved, we were prepared. You must have the right partners, right technology solutions, and an internal team with digital experience and mindset. And, of course, you must offer games that players will want to play and support on an ongoing basis. ■