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LOTTERY INDUSTRY LEADERSHIP

DESCRIBES HOW DISRUPTION IS DRIVING PROGRESS, INNOVATION, AND THE IMPORTANCE OF VALUES



FEATURING

PANEL DISCUSSIONS:

Rebecca Paul, CEO Tennessee Lottery & President of the WLA

Industry-Leader Roundtable with

(L to R): Richard Bateson (JUMBO Interactive), Bryron Boothe (INTRALOT), Pat McHugh (Scientific Games), Doug Pollard (Pollard Banknote), and Jay Gendron (IGT)

Mark Michalko, Executive Director, North Carolina Education Lottery leads Roundtable

Re-imagining Online Games

and Interviews with

Hansjörg Höltkemeier, Co-CEO of the Deutsche Klassenlotterie Berlin and President, European Lotteries (EL)

Jannie Haek, Chief Executive Officer, Belgium Lottery

RE-IMAGINING ONLINE GAMES

Innovation abounds with eInstants, online draw



While the lottery industry awaits the anticipated and expected addition of more iLottery programs across the country, the 13 lotteries which offer some version of online sales are providing a wealth of information for their lottery colleagues. In the time since the current longest-tenured iLottery program launched in Michigan in 2014, the delivery of lottery games and content to players has undergone a seismic shift along with how lottery is played. It's not enough to simply digitize a paper-based scratch ticket and provide a virtual quarter. Players expect innovation and variety, especially those new to lottery, and iLottery is changing the entire player experience.

A handful of lotteries and vendors are working on how to energize this genre of

games - both iLottery and online draw games. North Carolina Lottery Director **Mark Michalko**, whose lottery has featured an iLottery platform for almost 10 years, led a panel of iLottery veterans on both sides of the table:

Brad Cummings, Founder and CEO, EQL Games

Stephanie Weyant Fidler, Deputy Executive Director, Marketing and Product, Pennsylvania Lottery



MARK MICHALKO

Scott Kenyon, Digital Games Manager, Virginia Lottery

Derek Levesque, Director, Digital Content Product Management, IGT

Mike Lightman, Chief Commercial Officer, Instant Win Gaming (IWG)

Merv Huber, Senior Director, Digital Growth, Scientific Games

Mark started off the discussion asking for some thoughts on the performance of current iLottery games, and how they are performing relative to retail games. With two of the strongest iLottery programs represented – Pennsylvania and Virginia – information came straight from the source.

Stephanie Weyant, who oversees Pennsylvania's iLottery program, kicked things off.

"iLottery is definitely a growth category for both us and the other lotteries offering the products online," she said. "Our stats show that iLottery is attracting new, younger players. By 'younger' I don't necessarily mean millennials but younger compared to the traditional lottery players who tend to skew a little older. It's also about six percent of our overall profits so it's having an impact on our bottom as well as top lines. iLottery is still small compared to retail but it's incremental and



STEPHANIE WEYANT

that's the important part right now."

Virginia touts one of the newest iLottery programs and the results have been incredible, with over \$807 million in total iLottery sales during its first fiscal year from July 2020 to June 2021. **Scott Kenyon** said, "Our focus is on growth – bringing in new players, expanding our player base, registering as many players as possible. Our month-over-month sales are quite strong. We continue to add new products and that helps keep sales high. We have great vendor partners who work with us to make sure we offer the most innovative games that will appeal to current players and attract new players. And we continue to refine the process through which they register and play their first games. It is important to keep it as simple as possible to sign on as many players as possible."



SCOTT KENYON

Mark segued to the difference in player experience online and at retail. "We've enjoyed great success in selling in a retail setting as we've really honed our offer and how it is presented," he said. "But online iLottery play is a newer platform. And the online player – both eInstants and draw – has a different experience than at retail. What's that experience like and what's different about it?"

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Derek Levesque said that with his work at IGT, he can just look at the numbers to delineate the two paths.



DEREK LEVESQUE

“There is a lot of data we can use to analyze and understand the player experience,” he said. “One of the major differences between eInstant and online play and the retail experience is that we have a dataset where we track the actions of the players and infer cause and effect relationships between what they see and how they respond. For example, we know the number of times a player is interacting with a particular game. So when a player is spending more on a particular game and continually returning to that game, we identify the positive player experience and use those learnings to provide a roadmap for future development.”

Merv Huber

agreed and said data can be used for a host of purposes.



MERV HUBER

“Data gives our game studio more insight because it enables us to understand player behavior through a curated game experience,” he said. “The player can choose different game features, take advantage of things like auto play for a more passive game experience or choose variable price points. These types of features, enabled by data, place a higher level of influence and decision-making with the players, and we know the experience they are seeking.”

Brad Cummings,

CEO of EQL Games, thinks it’s important to develop new games that will work both online and at retail. “Lotteries need to develop game



BRAD CUMMINGS

portfolios that provide engaging experiences for different players, whether they

offer iLottery or not,” he said. “It’s not enough to take a Pick 3 game and just put it on a digital platform if it’s basically the same game that’s been played for years at retail. Technology allows us to offer new games which will attract a broader range of players with fresh content and interesting playing styles. That’s how we bring in younger and infrequent players. And we must capture this audience before we lose them to competing programs such as iGaming and sports betting.”

Mike Lightman,

who works for eInstant pioneer IWG, and who has also worked for some of the industry’s largest vendors, said that the move to digital allows us to take a fresh look at how we attract and retain players. “The fact that we know so much about a player – when they’re purchasing, where they are when they’re purchasing, who is purchasing – provides us with information that is so different from the retail environment and which can inform decisions across the lottery’s entire portfolio of offerings,” he said. “For so long, lottery has been a life-stage type of activity where a person eventually ages-in to playing. It is possible that we might never create games that will attract 20-year-olds but when that person becomes a 30- or 40-year-old, we need to have content and a user experience that will appeal to them. How they access the web site or mobile app, the range of game types offered – focusing on these points is how we attract players as they enter different life stages.”



MIKE LIGHTMAN

Mark then asked the panelists to comment on what changes need to be made to reach the next generation of lottery players.

“How do we capture their attention and then get them to buy tickets? And then how do we keep them engaged so they become a regular player?”

In Pennsylvania, Stephanie and Merv have been working on exactly those issues. “We’ve seen a few recent examples of how we can gain new players,” he said. “A large jackpot run for Powerball was a huge acquisition driver and led to a large

volume of first-time depositors. But how do we get those people to play iLottery games? What we found is that licensed properties do a really good job here. Data showed that a large number of first-time depositors during a jackpot run played a licensed game as their first iLottery game. This data led us to move games like Willy Wonka and Monopoly to the top of the iLottery page. These data provide the roadmap to attracting new players.”

“Just putting games online isn’t enough,” said Stephanie. “It’s everything you do – the player journey to purchase, making it frictionless and intuitive, providing superior customer service. Purchasing online is not as easy as retail, given that you must register and provide age and identity verification. And for iLottery, you have to keep things fresh. Frequent game launches, daily promotions, push notifications. It’s a consistent feeding of the players, a different experience than at retail.”

Of course, retail is still the primary driver of revenue for all lotteries. Keeping that category fresh is critical to increased sales and player acquisition. And that is as true for draw games as it is for scratch tickets.

For Brad and his team at EQL Games, improving the draw game experience is their only focus. “The lottery industry started with draw games and they are still an important component of the game portfolio,” he said. “We are creating games which can be offered by all lotteries, not just iLottery programs. They can be digital first or digital only, which will appeal to the players who only want to engage online or through mobile. Our focus is live sports games which, unlike a Powerball or Mega Millions jackpot, can work as ongoing engagement tools. Let’s go after our next generation of players where they are – engaging with sports content online and through their mobile devices. We can do that through digital draw games.”

Mark agreed with Brad about the need to freshen up the category of online games, and perhaps differentiate them from their retail counterparts. “Should we offer online-only draw games, something that all lotteries can offer?” he said. “We talk a

lot about eInstants, but what about other draw game innovations?”

Scott said it's important that we offer something fresh. “The online draw game is unique to this channel and an important acquisition tool,” he said. “We have many players who are familiar with our games, but they haven't added online purchasing into their normal lottery routine. A unique, online-only draw game that leverages capabilities only available digitally is a type of tool that can move players from retail-only to both online and retail. In the end, it's easier to add new games online than it is to build them for retail due to physical requirements such as printing and distributing new play slips.”

Same thoughts in Pennsylvania. “The door is really open to innovation in the online space,” Stephanie said. “It allows us to test and try new things with minimal risk because we're selling directly to consumers in a digital format. We are always looking at what's next. Could we offer a multistate game in the online space? These are the types of innovations we need to consider.”

For Mike, the speed that content is offered is key. “The pace at which new games are being released is so much faster than we've seen previously,” he said. “At the same time, the level of investment costs in new games is lower. You don't have to print 20 million scratch tickets to try a novel game mechanic or create a whole new prize matrix and roll it out across an entire set of retail terminals to try a new draw game. At IWG, we're embracing these possibilities to try new things and hoping it leads to a wealth of new and engaging content.”

“One powerful trend has been the localization of eInstant games,” he said. “Lotteries incorporate local themes, perhaps state images or well-known landmarks, into the eInstants. Now we are also being asked to update in-game images for seasons or events, and then revert them back soon after. And over the past year-plus, progressive jackpots have become popular. It's only a matter of time before we see a multi-state progressive jackpot come into fruition. We just need four or

five lotteries who are collectively ready.”

Derek said that he and his IGT colleagues use the data to help inform the games of the future. “Online is moving so quickly,” he said, “and we know that the products we are making today will have advanced even further in a few years. That's where testing comes into play and looking at the different content that will move the revenue dial. There are ways that we can add attractive features, particularly to iLottery games. Some of these include perceived skill or perceived gambling to predetermined events that offer a more exciting feel. All these activities pave the way for fresh content and keep our players interested.”



THE PACE AT WHICH NEW GAMES ARE BEING RELEASED IS SO MUCH FASTER THAN WE'VE SEEN PREVIOUSLY

As with any newer offering, there will be speedbumps in the road. To wrap up the session, the panelists talked about what, if any, headwinds they are facing.

“Acquisition is very much our number one priority right now,” Scott emphasized. “At retail, many of the purchases are impulse buys and lottery is staring the customer in the face. For online, a new player must go to the site either through an advertisement or other route. Then that player has to register and provide information. Our goal is to make this process as easy as possible so we can onboard the player and get them playing quickly. We believe that once they have registered for iLottery

and begin playing, they will stay and keep engaging with our site.”

Same in Pennsylvania. “Acquisition is critical, especially in a highly competitive market like we have in Pennsylvania,” Stephanie said. “A big focus for us right now is to bring all of our draw games online so we can connect with all of those players as well. One issue for us is the pace. The pace of everything to do with iLottery – launching games, promotions, staffing – can be overwhelming at times. And you have a wealth of data but you need to be sure you make the time to utilize it effectively and efficiently.”

Merv said that as iLottery programs grow, the Lottery's needs can change.

“Player retention becomes increasingly important as the programs mature and you have a larger player base,” he said. “But it's not just for iLottery. We want to focus on player retention for our loyalty programs as well. That digital engagement is provided to players who are entering tickets purchased in the retail environment. It's just as important to retain those players and keep them digitally engaged in advance of, ideally, the addition of an iLottery program in the future. One of the best ways to retain players is through marketing automations, such as a CRM platform. And understanding how to best use it. You can then engage with players and send them the right messages that keep them coming back for digital lottery experiences.”

Mark said that in North Carolina, their struggles mirror those of other states. “We're currently not offering all our draw games online and I worry that might confuse players,” he said. “We have a few games online, such as Powerball and Mega Millions, but we want to offer all of them. We know that players are visiting our site and they're looking for more opportunities to purchase games. We can't yet offer eInstants for a few political reasons but we are deeply involved in the discussions. We'll learn from everyone else and be ready for when the day that full iLottery comes, hopefully in the very near future.”

And that sentiment is certainly shared by many lotteries throughout the industry. ■



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