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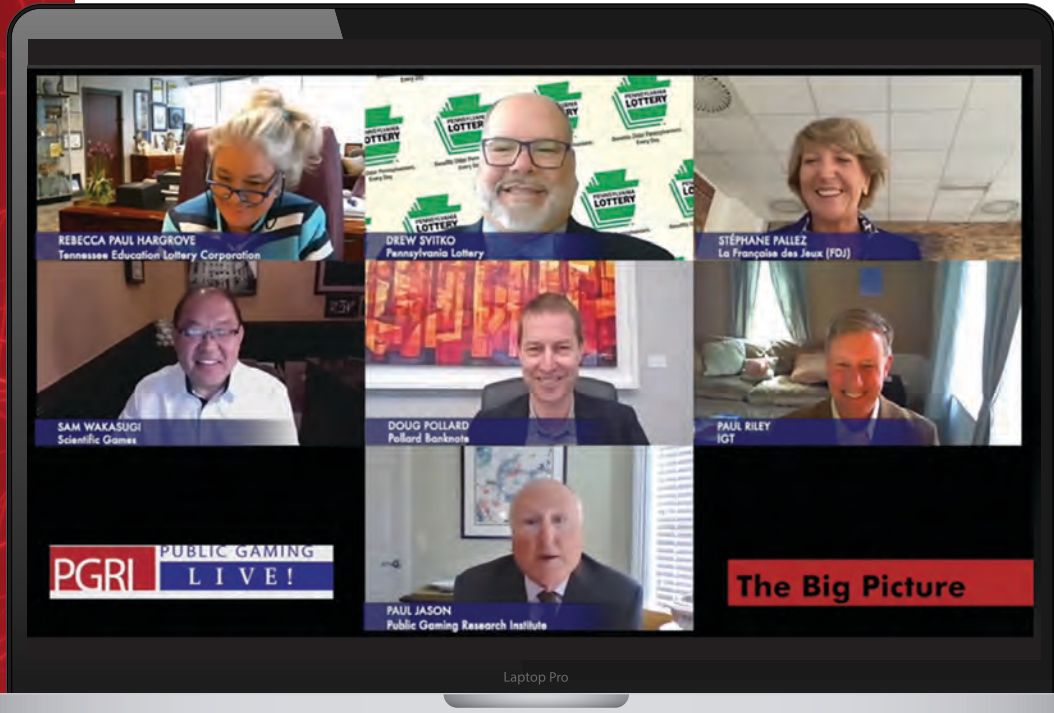
Soaring into the
Golden Era of Lottery
(And Lessons from the Year
that Changed the World)

Consumer Excitement
for **Lottery Gaming**
Continues to Grow



THE BIG PICTURE FUTURE OF THE WORLD

Industry Leaders Tackle the Past, Present, Future



The following article is based on a Roundtable Discussion conducted at PGRI Retail Modernization eConference on April 13.

For seasoned lottery veterans, the well-used phrase “now I’ve seen everything” certainly rings true after the past 15 months. But when industry followers look back on this unique period of history, these leaders will be remembered not only for how they handled the turbulent times but for how their organizations thrived.

Six of those leaders took center stage at the Retail Modernization eConference recently. Between them, they have traveled the world, overseen successful lotteries, launched industry-leading iLottery programs, held office for numerous trade organizations, and created products which have earned billions of dollars for good causes. Their words carry weight, to say the least.

LEADING THE PANEL – titled The Big Picture Future of the World – was

Rebecca Paul Hargrove, President and CEO, Tennessee Education Lottery Association; President, World Lottery Association; and Chair, Women’s Initiative in Lottery Leadership (WILL). Rebecca was joined on the panel by

Stéphane Pallez, Chair & Chief Executive Officer, La Française des Jeux (FDJ)

Doug Pollard, Co-CEO, Pollard Banknote and NeoPollard Interactive

Paul Riley, Vice President Retail Innovation & Partnerships, IGT

Drew Svitko, Executive Director, Pennsylvania Lottery

Sam Wakasugi, Vice President Strategic Business Management, Scientific Games

Any discussion of the “future of the world” has to begin with a look back at the past 15 months. “Let’s start with ‘necessity is often the mother of invention’ and can be the catalyst for some positive and productive change,” said Rebecca to the panelists. “Has anything good happened to you in the last year – something that caused you to change in a positive way and that you think will continue into the future?”

Kicking off the discussion was Stéphane who has run France’s FDJ since 2014. Her company faced the same issues as lotteries across the world – customers locked down in their homes, employees worried about their jobs and safety, beneficiaries

concerned about lottery revenue. In the end, FDJ learned a lot about their operations and how to best serve its players.

“We have known that digital is growing but it was amazing to see how quickly our players adopted the technology during the first half of last year,” she said. “Our business has been transformed, not in ways we didn’t expect but in a much more accelerated way. We also learned that our consumers like both worlds. They like digital, but they also remain committed to their local points of sale. They have told us they want both, confirming the relevance of omni-channel distribution. These were some great learnings for us.

“Another interesting thing I learned during this challenging year is that consumers are very attached to the values of brands, the values of companies, and they want evidence of those values in our business, in our actions,” she said. “Consumers think that a good company for them is a company that has a positive impact on society and is able to demonstrate and prove they are a part of the solution to societal and environmental problems. It tells me that we must continuously show our players that we share their values, we care about society, and are acting on those convictions and values.” During the pandemic, FDJ contributed to several national initiatives, through its Corporate Foundation, but also by providing material support for its retailers with sanitary protections, and financial help for the most vulnerable. FDJ employees also contributed to support health workers by donating leave days.

Doug Pollard, Pollard Banknote, observed that the players’ affinity for lottery, noted by Stephane, evolved and played out in different ways. At the beginning of the pandemic, sales dropped and there was widespread concern about the future. That worry didn’t last long. “What the past year has shown us is the resilience of the product,” he said. “We have always known that people buy our products to win money, but it really reinforced for me the notion that people buy lottery products for entertainment as well. And when other

entertainment products aren’t available, lottery becomes even more important.”

He continued, “Along with the appeal of the lottery games themselves goes the availability of the product and that is why omni-channel is here to stay. We’ve seen its value. Certainly, at NeoPollard Interactive, we witnessed firsthand the explosion of new activity in the iLottery states that we service. iLottery is an area where we can really explore new and innovative ways to deliver lottery products in entertaining ways. That’s how we will keep people engaged in our products.”



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For Sam at Scientific Games, one interesting development was the increased communication between vendors and retailers. Strong retail relationships have historically been directly with the lotteries. But during the challenges of the pandemic, retailers were asking vendors for help to distribute lottery products. “One of the industry’s biggest retailers located in 34 states implemented curbside pickup and home delivery, but asked Scientific Games for ideas on how best to get lottery products to their customers,” said Sam. “Because we have been working on alternative delivery avenues for many years, we were able to quickly respond and work with this company. Everyone needed

to move quickly to respond to the changing marketplace.

“And the results from the collaboration and hard work have been incredible. Fast forward to today and we’re trending up about \$62 billion in instant sales, a 19% increase year-over-year, and that is a result of hard work at lotteries that were dealing with their own internal pressures, retailers and vendor partners. During the pandemic, our industry learned a lot of new and improved business practices and innovative ways to do business that I think are here to stay.”

Paul said that IGT has been focused on technological innovations while simultaneously ensuring that in-person retail has the tools needed to succeed. “There has been substantial growth in self-service during the past year as retailers have been focused on customer and employee safety,” he said. “The expansion of self service within retail is an on-going trend we’ve all been aware of, and it dovetailed with the COVID-induced desire for consumers to minimize their contact with others. So, on one hand, lotteries benefited by their ability to support player self-service, however we also know that nothing compares with the traditional lottery sales model of interaction with a clerk.

“We forget sometimes that our product can be intimidating. It’s important that we recognize this as we try to bring on new players. Players have traditionally been guided through the process of learning how to play by lottery retailers, but that option may not be as readily available to us as self-service proliferates and we start to see the adoption of clerkless and checkout-free retail locations. Increasing online engagement will be better for everyone, including retailers, as that will make it less intimidating and easier for players to play at retail.

For Drew, the past year has seen growth on several fronts, with an explosion of iLottery activity as well as increases at retail. “We’re one of the fortunate lotteries that can sell online,” he said, “and we saw tremendous growth in our online platform.

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But traditional sales at retail far exceeded any of our early expectations. One of our great learnings was that we can use online to increase revenue but also to drive people into the stores. To the earlier point, this omni-channel relationship provides us with incredible opportunities to build our player base and reach players in different locations, both at home and in retail. We are excited about the opportunities presented by both these channels working together.”

BUILDING LOYALTY

One area of growth in the lottery industry has been Players Club, and the pandemic only accelerated their popularity. Rebecca asked her panel to explore how the player experience is enhanced through brand loyalty and players clubs and posed the question, “How important is it that we implement players clubs in the ‘new world?’”

“VIP clubs are not just important to players but also to lotteries,” said Doug.

“Players are trading their data, information about their preferences and play-styles, for chances to win money and other prizes. It is then up to the lottery to use that data to further enhance value to the players and to otherwise move the business forward. For iLottery states, starting with a database of players is critical to the success of an online program. You need to offer fun, engaging and entertaining activities for players to do when they enter the players club. Once they are members, they provide a valuable foundation for your future efforts.”

As the director of a lottery that has benefited from a players club pre-dating iLottery, Drew agreed with Doug. “We have collected reams of data and the challenge is applying it in the best possible manner,” he said. “The data helps strengthen our relationships with players through more personalized communication that incents players to go into the retail locations and to our iLottery site. We have almost 1.5 million members in our VIP Club and those relationships are critical to our success throughout all the sales channels.”

Lottery loyalty programs lag behind the loyalty programs of other consumer brands in terms of their broad adoption and relative sophistication. This presents an opportunity

for Lotteries to consider leveraging existing loyalty programs.

“There is intense competition for market share between national chain retailers, and their loyalty programs play an important role in this battle,” said Paul. “In our discussions with national chain retailers, they have expressed a strong desire to incorporate lottery sales into their loyalty programs. This provides a more consistent experience for their consumer, allows the retailer to get a more holistic view of their consumer, and most importantly would allow for cross-promotions and the ability to incentivize players to buy lottery and other products in the stores.

That data is the lifeblood for retailers as it informs most of the consumer marketing decisions they make. For lotteries, there is lots of potential to improve in the practice of capturing, organizing, and applying player data.



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“Data is probably one of the most underutilized tools in our industry,” said Sam. “Some states have done it well, while others have barely scratched the surface. At Scientific Games, we’re focused on providing as much actionable data as we can about consumers and lottery sales because our customers’ retailer networks are asking for this information to support their marketing efforts. When you look at other industries, lottery is lagging and needs to advance.”

In Europe, Stephane sees similar opportunities for lotteries to develop more and better loyalty programs and turn a

negative into a positive. “We feel we need to work together with our regulators to create loyalty programs that can use data to develop more efficient responsible gaming actions,” she said. “We will know our players better and be able to create programs that are designed for their individual needs. We can also identify when there might be issues for certain players. From a marketing standpoint, it makes total sense to learn about your customers, enhance products and messaging, and offer incentives that appeal to players.”

THE WORKPLACE HAS CHANGED

The panel wrapped with a discussion of workplace changes or, more specifically, the morphing of our homes into offices. The big question: What will stay with us and what will go away with the pandemic?

Paul Riley pointed out the new couch he added to his at-home “office”. “Like companies across all industry sectors, we’ll certainly be looking at real estate and how the shift to remote – temporary for some, permanent for others – will impact our office space needs,” he said. From IGT’s corporate perspective, there’s recognition that a completely remote workspace is particularly difficult on new employees in establishing the personal relationships that can help them be successful moving forward in their careers – another important reason to be back in the office.

“I know most of my co-workers share the desire to get back out and see our lottery customers and re-engage in person with our friends at other companies,” he said. “We definitely miss tradeshow where we can meet and exchange ideas and provide the benefits of actually seeing, touching and interacting with products. Hopefully over the next six months or so, we’ll see a return to normalcy.”

Sam concurred with the need to see people in person and added that he thinks some aspects of remote working could be here to stay. “As far as the physical office, there may be a percentage of workforce who never return,” he said. “I think most companies including lotteries have made efficient use of

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meeting software. Could this be the start of the evolution of business meetings, perhaps even moving to Facetime calls instead of regular phone calls? Perhaps, but the bottom line is that we have an incredible number of options for communicating with each other. So while in-person connection is always preferable, we've successfully proven remote work is possible with technology."

As Co-CEO of Pollard Banknote and NeoPollard, Doug said he is hopeful we'll return to as close to normal as possible – for everyone's good.

"I'm really worried about the long-term impact if we don't get back to physical conversation and informal meetings," he said. "That might be in the workplace, it might be company executives calling on lotteries, it might be going to tradeshow. Video calls are efficient and functional, but they do not invite the kind of informal interaction that can actually be the key to important insights and relationship-building. The meeting concludes, we all

hang up, and I wonder if we are not missing out on some of the most vital aspects of what happens when we are together in person. I think I have come to appreciate the value of small-talk as a pathway to big ideas."

"A company like ours has survived because of innovation and it's hard to get innovation right. So, if we don't get back to more in-person meetings, even under a hybrid model, we're going to have to figure out a way to have better Zoom or MS Teams conversations than we have right now. I think we are all looking forward to a return to more personal interaction and conversation."

On the lottery side of the business, both FDJ and the Pennsylvania Lottery are taking a measured approach to their employees' return. "One positive outcome of this period has been that our employees are now much more at ease with the use of digital meetings and other meeting tools," said Stephane. "I agree with Doug and think everyone realizes that this completely remote

work-style is not sustainable. On a positive note, I'm hearing that more people want to get back into the office, not on a full-time basis, but they want to frequently interact with colleagues and sit together and discuss initiatives. Our employees want choice, though – just like our customers."

Drew said, "I don't see Pennsylvania moving back quickly to a full normal model, but we are certainly moving towards a hybrid model that allows us flexibility for some work units to work remotely and others to not. We're turning more offices into hoteling space, a space that anyone can use and schedule online. We're paying more attention to our long-term space planning, deciding what we need for the future. In the end, decisions need to be made based on what is best for our employees and the lottery organization."

Those – and many other – decisions will help guide the lottery industry into this post-pandemic period. If the leaders of lotteries and vendors are any gauge, the future should be bright for many years to come. ■

Player Retention from page 35

applicable for the retail player database," he said. "Retail has the same player lifecycle – new, active and churning players - and this data is invaluable to identify your best players, even without iLottery. You gain so much information about the player, particularly on what games they are playing and at what price points. Just like iLottery, you can then provide players with offers for either digital or retail purchases.

With this information, lotteries can more accurately market to their players. Drew asked the panelists to comment on how they will focus their retention marketing this year.

"At Pollard, we're very focused on helping our customers with retention based on brand loyalty, whether that's an iLottery customer or a traditional lottery customer," Shannon said. "We want to focus on experiences that allow us to continuously gather insights on our players. And we can build programs that allow for frequent and quick changes, like swapping our prize options. Attention spans aren't what they used to be and we need to be ready to change at a moment's notice. We want to be more nimble in the products and services we bring to market. This will

help us reach and keep our players."

NeoPollard is staying focused. "We have two big themes for the year," Jessica said. "It's always putting the players first and that's the reason that we joined marketing with our business intelligence group. We use all of that data and come up with big insights and really challenge ourselves to ask 'why is the player doing this?'. Our second initiative is to 'fail faster.' We need to test and learn and continue to push ourselves and understand what is working. Start small and build into bigger programs, and learn from the players what they want."

IGT is making sure the player is at the core of all they do. "We are rolling out some new tools and platforms to accommodate the data management and reporting that provides the player insights," said Karri. "Retention marketing should include personalization that reflects the player's activities on your platform. We also will deploy omnichannel communications, a mix of paid media with emails and texts, that reach the players at different levels."

Merv and his Scientific Games CRM experts are focused on reaching players

as they are interacting with the program. "Everything is heading towards real time delivery of messages and reaching players in the moment," he said. "Along with that is personalization of messages which can be done when you have identified your segments. Omnichannel is critical, resegmenting in Facebook and Google so the player is responding. You've seen a lot of investment by the operators in front end and mobile app development. This allows a focus on the conversion funnel and providing the player with a feature-rich program and accompanying tools."

As Drew aptly pointed out in his wrapping remarks, most lotteries have increased or new competition, whether it's casinos or sports gaming, and lotteries have to compete like any other business. "People have all sorts of options for spending their entertainment dollars," he said. "Casinos, restaurants, bars, sporting events, movie theaters. In Pennsylvania, we consider all of those as our competition. And we all need to be ready to compete for the attention and spend of our players, both current and future." ■