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INSIGHTS

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Digging Into Lottery Success in the Badger State

SCIENTIFIC GAMES

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Moving to One Technology Ecosystem

Scientific Games has been in the lottery systems business for decades. Can you give us an overview of the company's systems business in 2023?

John Schulz: We've been a trusted lottery partner since 1973. That's 50 years of paving the way for secure and purpose-driven lottery entertainment experiences through innovation. From our games to our systems technology, we're 100% focused on responsibly driving maximum profits for beneficiary programs. Today, our systems power more than 40 lotteries worldwide.

Our systems technology powers sales and innovation for instant and draw-based products, retail and digital – including iLottery. It's an omnichannel ecosystem that serves all game categories across all channels. It allows a lottery to adapt quickly to changes in the market or consumer habits and engage in meaningful relationships with players – which is where the industry is moving.

Steve Beason: The industry is moving very naturally to one tech ecosystem. Lotteries can no longer look at channels and systems as dis-

parate. The digital channel has the advantage of being account-based so players are "known." With our omnichannel ecosystem, this advantage can extend to retail where players aren't known. Lotteries can market games and promotions to add value as a customer moves through all channels. Just like every other consumer product, lottery is moving from cash to cashless, from no account to account-based customers, and from radio and TV advertising to personalized marketing and unique social media interactions. Players can get what they want, where and when they want it.

The systems RFP process is long, and conversions can be complex. Why should a lottery embrace a new or upgraded system, and what goals should they expect?

Schulz: Historically, systems technology served a vital role as the lottery's secure transaction processing engine. Today, lotteries have increasing demands for faster change and a greater need for innovation and speed-to-market with their systems. They're seeking growth requirements within their RFP process that embrace a far larger, enterprise-scale ecosystem that offers flexible integration into their current operational structure, ease of working with third parties, and technology that's customizable for their expanding operations.

A systems partner should demonstrably drive and sustain accelerated growth and expansion through proven innovation. The leaders in growth are lotteries that have embraced innovation and collaborative partnerships. The reality of longer contract terms and procurement cycles must be reconciled against the context of accelerating technology evolution. RFPs that focus on investment and innovation serve the best interests of all lotteries and beneficiary programs. A proven formula for growth is a lottery-vendor partnership based on a shared growth focus.

Beason: Lotteries can be stuck in the past because they're still procuring their systems along channels. So, they can't benefit from the advantages of a single, omnichannel system that is built and ready. The RFP process must be homogenized so lotteries can procure a full-service suite of omnichannel products rather than procuring a central system for X years, an instant games system for X years and digital system for X years. They're never able to get out of this cycle. They can't

procure an all-in-one system with known players across all channels so they can promote and sell their games across all channels. With an omnichannel system, the lottery can view everything across its business at the same time in one database. Legislative remedies may be needed so a lottery can procure all systems under a single RFP contract so they can advance their entire ecosystem when it's time to convert or upgrade outdated systems technology.

What are some of the challenges lotteries face in changing their systems technology?

Schulz: Lotteries have an increasing need to fulfill the higher growth expectations created during the COVID era while adapting to significant modernization happening at retail and online. This includes self-service, cashless and a mobile-first philosophy. It's accelerating their need to integrate systems technology with other third-party suppliers while encouraging faster speed-to-market and overall contractual flexibility to drive growth. They're also seeking expanded game categories like FastPlay, virtual sports and eInstants to drive growth.

Beason: There were some early digital adopters. But recent digital RFPs are looking at a modern business structure. Lotteries are revisiting existing contracts so that everything in their business is more aligned. Some are trying to stitch together brittle systems across channels for promotions and customer relationship management programs – but the result will be multiple databases across multiple channels for both anonymous and known players. Some lotteries are looking at their business through individual, customized systems and tying channels together by replac-

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– John Schulz

ing channel-specific technology for loyalty, mobile, CRM, and a cashless, single wallet.

The lack of legislative approval for iLottery shouldn't prevent lotteries from expanding their capabilities to create a strong digital relationship and all players are known, even though they cannot sell games online.

What should lotteries look for in systems technology?

Schulz: Unlike other state agencies that buy and consume products and services to perform their specific functions, lotteries are unique because they invest in solutions, resources and expertise by partnering with specialized companies that fund new solutions and focus on maximizing their revenue and profit growth. But lottery procurement strategies should shift away from commoditized technology purchases to innovation-seeking and growth-oriented investments that capitalize on new market opportunities. This includes an RFP process that weighs innovation and return on investment more heavily than operations-oriented products and services.

A vendor-partner should offer a technology solution that powers a larger, enterprise-scale ecosystem with agility and speed-to-market as core capabilities. In the retail environment, lotteries should seek a dynamic solutions portfolio that offers the highest and most durable, long-term value. It must enable in-store optimization of their footprint and offer innovations for non-traditional lottery retail locations.

Beason: The industry is shifting to innovation-oriented technology. Lotteries want solutions and long-term value. That means an omni-channel system. And that system has to include single account, cashless single wallet and targeted CRM. States should be buying innovation to drive growth in all channels.

What should lotteries look for in digital capabilities of systems technology today and for future sustainability?

Beason: Lotteries need to invest in high-powered, cross-channel CRM marketing tools so they can interact directly with players in a personalized way with mobile app push notifications. The technology should allow them to directly email players through social channels and move away from TV and radio advertising so they can measure across all of their CRM with A/B testing and see what works and what doesn't. This drives all levels of player interaction, from deposits to play activity to cross-channel promotions, as well as loyalty and rewards.

Starbucks has done a great job with its mobile app and customer loyalty. They have a single wallet rewards system that pushes out new products, promotions and announcements to customers' mobile phones. Lotteries can offer promotional and value-added services at their retailers with affiliate programs and WebCash, so their retailers are more engaged in bringing their customers into the store through local advertising and receive rewards for successfully moving their customers to digital. They have to understand that they can benefit financially from digital. ■

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