



**Kevin Hall**

Executive Director, Virginia Lottery



## Virginia Lottery Builds a Digital Bridge

**Paul Jason:** The 7% increase in net funds transferred in FY2019 over FY18 was especially impressive considering the investment you've made in MobilePlay and other initiatives that position the Lottery for long-term sustainability. Is there a tradeoff between maximizing short-term ROI versus investing in initiatives like MobilePlay that are so vital for long-term sustainability?

**Kevin Hall:** We always look to deliver a positive short-term ROI while also building for the future. The real value of our MobilePlay initiative, though, exceeds sales and profits.

Moving the project forward -- from concept to development to testing and then deployment -- has helped to reorient our focus from traditional analog to digital. This initial step into the digital space has helped reshape the way we think about our business, from how we market and engage with consumers, to our relationships with existing retail partners as well as entirely new trade styles for us.

*The insights we've gained and skillsets we've learned during the design and launch of MobilePlay has allowed us to rethink everything we do, with a focus on unlocking the power of digital. I think we have entered into the digital space in a really significant way that will allow us to move quickly, and hopefully seamlessly, when the Virginia Lottery ultimately is allowed to move forward with iLottery.*

**I am surprised that the ROI timelines for big initiatives (like MobilePlay) that have long-term benefits can be compressed to meet the need to fulfill short-term**

**financial obligations.**

**Kevin Hall:** Few state lotteries are in a position to risk limited resources on investments with long ROI timelines or unpredictable results. Thankfully, some state lotteries and lottery directors have had the ability and the opportunity to blaze a digital trail for the rest of us.

We used the successes from iLottery states as part of our roadmap to MobilePlay. Though we encountered some challenges, as you're bound to do when launching something new, we expect our time and resource investment in this digital space to pay-off relatively quickly.

**Why this feature and why now? Some seem to have more of a wait-and-see attitude?**

**Kevin Hall:** Moving any mature product or industry from analog to digital takes time and thought, but innovation and disruption waits for no one. It's my sense that even the pace of acceleration is accelerating. So, if you don't begin now to build the technological infrastructure and think through your digital strategy, you may find it difficult to catch-up. Just since our recent launch of MobilePlay, we already see new ways for the platform to enhance the in-store player experience and provide more ways to partner effectively with retailers.

Interestingly, most of the sales growth at the Virginia Lottery has, over the past several years, come not from product innovation but from product delivery innovation. MobilePlay has allowed us to put our product in front of occasional and infrequent customers in nontraditional settings -- from restaurants and bars to airports and food courts. The mobile platform also has allowed us to significantly boost the number of registered players and their spend through online subscriptions.

It's been said things have never moved as fast as they do today, and they will never move this slow again. Across the economy, we are knee-deep into amazing disruption, which is very exciting for those who are acting now to position large enterprises for a digital future.

**Could you describe the implementation process?**

**Kevin Hall:** MobilePlay works with a Bluetooth connection to an existing lottery terminal within the footprint of a licensed retailer. Initially our goal was to plant a flag in the digital space by providing a growing list of convenience features for customers. Initially, we offered game information, winning numbers, a digital play slip, a GPS-enabled store locator, and the ability to use the smartphone's camera to scan tickets to see if they are winners.

*Later, we added more convenience features, including the ability for players to register for a Lottery account and scan tickets to enter for second-chance prizes. Users also could opt-in to marketing tools like push-notifications for new products and jackpot information. And, since the app included age and ID verification and provided secure financial transactions, we were able to launch a suite of new e-games for purchase only in the app.*

In short, MobilePlay is our bridge to iLottery and, in the meantime, a valuable way for us to explore the digital space while gaining incredible insights into our players unlike ever before.

**What do you say to the CFO who worships at the altar of "data and evidence-based decision-making" and is skeptical about the connection between increased**

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## A Whole New Way to Play the Virginia Lottery



The Virginia Lottery has launched a new gaming experience – MobilePlay. MobilePlay offers players the opportunity to purchase all existing draw games and new “e-games” via the Virginia Lottery’s mobile app.

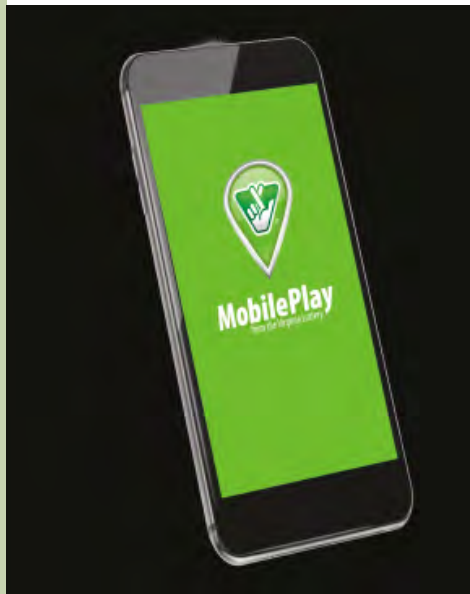
MobilePlay works by connecting a smartphone or tablet to a Lottery retailer’s Bluetooth signal. The majority of the Virginia Lottery’s 5,300 traditional retailer partners offer MobilePlay. There also are a number of new, mobile-only retailers that offer e-games. Those non-traditional retailers include restaurants, hotels, malls and more.

“MobilePlay is the start of a really exciting new era for the Virginia Lottery – one that allows us to engage with players through mobile technology, which is where most adult consumers expect to be able to conduct much of their business today,” said Virginia Lottery Executive Director Kevin Hall. “MobilePlay allows us to offer both new and traditional lottery products, along with some cool new consumer tools. Once inside a licensed Virginia Lottery retailer, all of these products and features are right at players’ fingertips on their smartphone.”

The Virginia Lottery’s mobile app has been downloaded nearly 200,000 times since it was introduced in July. When in Bluetooth range inside of a licensed retailer, adult players can use their device to purchase draw game tickets – such as Mega Millions or Powerball – or access a suite of e-games. Players must have an existing, verified Virginia Lottery MyGameRoom account and begin by adding \$5 or more into their mobile wallet.

At launch, there were 12 e-games available, including Texas Hold’em Champion’s Edition, Crossword Royale and 50X The Money. New games will be introduced each month.

“IGT is excited to partner with the Lottery to provide this innovative technology, offering a convenient and more engaging way for players to enjoy new games as well as their favorite traditional games,” said Enrico Drago, IGT Senior Vice



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### convenience to the consumer and increased sales and profits?

**Kevin Hall:** More convenience translates into higher sales. There’s a reason the world’s largest retailer, Walmart, is willing to spend millions of dollars simply to shave a nanosecond off the time it takes for a consumer to complete an online transaction. Optimized convenience for the customer is the name of the game. Today’s consumer expects a friction-free and intuitive user-interface and experience. **Did retailers readily grasp how and why MobilePlay would benefit them?**

**Kevin Hall:** To paraphrase something my friend Drew Svitko from the Pennsylvania Lottery once told me: I’ve got 2.3 billion reasons to strengthen and support the existing retail network we’ve built over the past 30 years. For the foreseeable future, bricks-and-mortar retail will continue to be the primary face of the Virginia Lottery for our players, and we’re seeing from iLottery states that digital can enhance those partnerships.

Most of our retailers quickly grasped the MobilePlay concept of conveniently linking their customers to their terminal while they are inside the store. They receive commission from MobilePlay sales, the same as they do when the customer queues up at the register. What we haven’t yet seen since the launch of MobilePlay is a high jackpot. When the excitement of a high jackpot hits, we all know that lines at retail get long -- and then longer still, until there is a winner. With MobilePlay, and while in a licensed retail location, players have the

ability to build their wagers right in the app, add it to their cart and purchase right from their mobile device, avoiding the long lines altogether.

MobilePlay also has allowed us to approach bars and restaurants to become lottery licensees. In fact, any place where patrons linger and socialize provides great prospects for MobilePlay, so we also are learning a lot about how to market MobilePlay in these nontraditional spaces. We’re designing new experiential marketing tools and new types of point of sale messaging to better serve these trade styles to reach those customers.

### Do you have data on the demographic profile of MobilePlay players?

**Kevin Hall:** As you might expect, MobilePlay customers skew younger than the average age of traditional lottery players. We expected that to be the case. Our other product in the digital space is online subscriptions, which we’ve had for many years. We now sell more than \$1 million per month through our subscription program, which is almost double what it was even just two years ago. Subscription players skew older, which shows us that long-term players also enjoy the convenience of a digital connection.

The consumer marketplace today crosses all channels and all media platforms. Retailers know this and realize they need to adapt to this omni-channel marketplace, too. Retailers and lotteries are going down this path together. Forging that digital connection is absolutely mission-critical for the long-term sustainability of any customer-facing business.

### Are weekly registrations continuing to grow?

**Kevin Hall:** The MobilePlay statewide launch was delayed from January to early May, but even with that four-month delay, we have reached 91% of our FY19 goal of 200,000 downloads. In FY19, we saw 171,000 new registrations, which pushed our player database over 800,000.

Overall, our downloads and registrations for FY19 were about where we’d hoped they would be. Numbers continue to be strong, so we’re looking forward to a good FY20. Now we are focusing on converting that initial download into a new registration, first-time deposit, purchase, and then a repeat customer. We are conducting research and developing strategies

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and products like second-chance and experiential prizes that we expect will drive greater engagement and playership.

In the meantime, with MobilePlay we now have the ability to learn a lot about who our players are: how old they are, and how, when, where and what they like to play. About two-thirds of MobilePlay spend so far is on e-games, which basically are structured like animated scratch tickets. The other third is on the draw-based games. We're learning that Mobile players expect games to be refreshed on a more frequent schedule, so about every two weeks we're rolling out some new games in that space. We also look forward to seeing what happens when we have the next nice jackpot run.



July 13, 2018: Kevin presented a \$1 million check to Andrea Stoneburner of Mechanicsville, VA, whose non-winning ticket was drawn in the Extreme Millions Second Chance Promotion.

**“Growth in the lottery industry is happening on the margins – boosting playership by making transactions easier, more convenient and getting the product in front of new customers or in different settings.”**

**But the impacts of MobilePlay on the business go beyond the direct contribution to sales.**

**Kevin Hall:** Absolutely. With enhanced technology and deeper digital tools, we have the opportunity to refine customer-loyalty programs and develop more personalized and cost-effective marketing.

Another benefit of this dynamic, real-time, two-way interactivity with players is more control in the Responsible Gaming space – one that doesn't exist with a typical retail purchase. The digital relationship enables new tools that are much more effective at helping players maintain a healthy approach towards recreational gaming, and the Virginia Lottery is committed to its efforts in this area.

**Do you expect the specific sales figures of MobilePlay and online sales to ever constitute a significant portion of the Virginia Lottery's overall sales?**

**Kevin Hall:** Generally speaking, growth in the lottery industry is happening on the margins – boosting playership by making transactions easier, more convenient and getting the product in front of new customers or in different settings. Add in one substantial jackpot roll, maybe a new

distribution channel like MobilePlay or a significant new retail partner, and pretty soon you're outperforming the previous year. That's certainly how the Virginia Lottery was able to post a seven-percent increase in FY19.

**Lessons learned, things you would do differently?**

**Kevin Hall:** Lessons learned is always a great topic. There are a few things we would have put more focus on prior to launch. For example, more training activities at retail would have gone a long way in preparing owners, managers and sales associates about the benefits of MobilePlay for them: shorter lines, commissions for sales and cashing without additional work, fewer concerns about inventory shrinkage. Though we are now putting an increased focus on consumer events at retail locations, we have benefitted from doing more of these right from the outset. I think our point-of-sale materials would have been simpler and more direct. And we would have done more to incorporate winner awareness right from the launch.

**Any counsel on how to persuade the shapers of public and regulatory policy to support modernization and digitization of their state lotteries?**

**Kevin Hall:** The bottom line is staying committed to the bottom line: for most lotteries, it's all about continuing to generate revenue to support our beneficiaries. We – and by “we,” I mean lotteries and legislators – need to think about ways to keep the traditional lottery product relevant in a digital, on-demand

marketplace. I look at MobilePlay as our test kitchen, where we're gathering valuable insight into consumers and delivering new products in a new way to new players in new venues. I think we have entered into the digital space in a really significant way that will allow us to move quickly, and hopefully seamlessly, when the Virginia Lottery ultimately is allowed to move forward with iLottery.

What's interesting in Virginia right now is that the discussion around expanded gaming is more dynamic than it's ever been before. For the first time, our legislators are having serious and significant discussions about authorizing Virginia's commercial casinos, and it's occurring at the same time that our legislature has authorized historical horse wagering to strengthen Virginia's thoroughbred horse industry. Combine that with the interest in sports wagering and the conversation has unexpectedly become so broad and so deep that the iLottery conversation is actually getting easier, not harder. 🍀