

Regarding the Covid-Pandemic, a German historian observed: “The experience that the unthinkable has become conceivable - this will change our lives.”

Hansjörg Höltkemeier

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President, European Lotteries (EL)



Paul Jason: How has the world of lottery-gaming been changed by the disruption of COVID over the past two years?

Hansjörg Höltkemeier: First, it does seem that at least for the lottery sector, the pandemic has been downgraded from crisis to disruption. A rather severe disruption to be sure, but the lottery sector has managed it the best possible way and now we are thinking about the future. Second, we may be approaching the end of another COVID-wave, it looks as if various forms of pandemic will continue to be with us for the foreseeable future. Overall, the lottery sector appears to have adjusted to these new circumstances and the players have responded positively to our approach and our offer as well as our role in this pandemic.

How have the “Lotteries approach” and offer changed?

H. Höltkemeier: At first glance, it is not a dramatic change, as consumer still love to play the lottery, even during a crisis and times of uncertainty. Customers expect stability and serious operations more than “fireworks” from us.

During this pandemic, we could observe that more and more customers have moved toward online channels and called for contactless services. So behind the scenes,

there was a significant and rapid change in operations for the benefit of the players, regulators and good causes. The pandemic has speeded the adoption of new technologies, a digitization of the in-store shopping experience took place towards new formats that enable digital customer interactions.

We do see also new approaches to player protection, e.g. with artificial intelligence used for player behavior screening, and a new perspective on operational cost reductions through automated processes. In the end, this also changes the competitive landscape.

By the way: to deliver stable and secure services, the importance not only of new offers and appropriate technologies but also of cybersecurity has become a much bigger priority.

It sounds like the dominant role of Retail is coming to an end?

H. Höltkemeier: Though more customers have chosen the online channel during the pandemic, the discussion is not about Online versus Retail, not even Online beside Retail (Multi-channel/ cross-channel). The future is an integrated offer of all relevant channels (Omni-channel). This will continue to leave lots of room for the ongoing growth of Retail-sales.

First of all, the majority of our players, we estimate close to 70%, still play regularly at retail stores. Many behavioral patterns – like going into the store on a special week-day before the draw to buy \$5 or \$10 of lottery tickets – have not changed and perhaps will not change for a very long

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time, in spite of the disruption of COVID. It is the overall player-experience, including the playing environment and also the different offers like anonymous play and the real experience of scratching a ticket, that is included in every ticket-sale. For retail players, Online is just a back-up to be chosen if they are not able to follow their routine.

A very important second argument for retail is its role as a point of contact, of personal interaction between players and others in the store, including the retail clerk. Online and mobile offers always require an active role and involvement of the player in navigating to the online-offer, registering, payment-procedure etc. But nearly every potential player has several contact-points in real-life and Retail is at least one of the most important and most regularly used contact-points.

On the other hand, players who had rewarding experiences with digital platforms over the last twenty months, especially those who are new to lottery, will likely concentrate more of their play in those channels. But even they represent an opportunity for lotteries to promote

the omni-channel play-style with the new players, and for our retail partners to acquire new customers. All channels will drive together to create an individualized player-experience, and Retail will have its important role in this.

Does this mean that the same products, same games as before will now simply be offered on multiple channels?

H. Höltkemeier: Until recently, online lottery games have tended to resemble the games that we have been offering in retail stores for decades. Games, services, and the player experience provided on digital channels were not effectively differentiated from the off-line player experience and so offered little added value. That is changing. Everyone sees the incredible potential to re-imagine the entire online playing experience and I think we will see lots of progress and development of exciting new ways to add value to the online player experience. Those aspects of the player-experience that do not translate well to the online-channels will be replaced by new added-values through modernized games and new services.

In the past years, we've seen exciting innovations in the Lottery Industry. Still, we have recognized the need to inject a higher level of entertainment into lottery games, especially to appeal to young adults. Now, though, the need for alternatives to traditional sources of entertainment that involve gathering together in groups at concerts, theatre, bars, and other recreational venues is more acute than ever. This represents an opportunity for Lottery to fulfil a void in the marketplace, a human need for diversion and recreation. We need to respond to consumer interests through offering more variety and more enjoyment, by enhancing the player experience at retail, maybe with things like animated scratchers and games that promote social group plays. There is lots of potential for connecting shop-oriented players in the online world, for promoting social interaction in the virtual world, and for making online games more fun.

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to deliver ongoing improvements to its games and the playing experience – not just in the online space but in every aspect of business operations, distribution, and brand management.

What have we learned so far – what are some insights that we can begin to act on now?

H. Höltkemeier: We have learned that in future we will not focus on just one main aspect: It's not just about iLottery, channels of distribution, or even the “omni-channel” relationship to the players. The digital transformation offers our business tremendous opportunities to innovate and gain competitive advantage, to mature in our ability to engage customers and to answer their needs. Like other businesses, we've recognized the technology's strategic importance as a critical component of our business, but the way we integrate our products, services, brands, sales channels, etc. is also crucial for us to add value to our relationship with our customers.

This is true for all businesses, not just lottery. Apple and Tesla are a couple examples of how the relationship between customer and merchant has been turned into a community of like-minded people whose connection to each other is as important to the consumers as their connection to the product. The brand represents something bigger than the product or service. It represents an eco-system which delivers a sense of purpose, belonging, and affiliation that the consumer values as much as the material product or service. We need to tell our story and nurture the development of a lottery eco-system that engages all stakeholders, including political constituents, beneficiaries of lottery funds, the general media, the general public, and of course the players.

Are there any attributes or values of traditional lottery that we should hold onto?

H. Höltkemeier: Of course. Funding for good causes, responsible gaming, service to society, and a sustainable approach towards evolving the lottery eco-system and market-place will continue to be the core pillars of the Brand Lottery.

Public awareness of the value of lotteries seems to be increasing again, as we are facing uncertainty over the pandemic. Lottery's contribution

to funding of good causes isn't taken for granted anymore and is getting more attention. The broader range of stakeholders that include the general public, the media, and our political constituents are looking more positively at the role of lottery in society. While social distancing disrupted sports betting, casinos, movies, and other forms of recreation, and tax revenues declined – lotteries remained as a reliable source of good-causes-money as well as entertainment. The future eco-system for lotteries will continue to be based on the traditional values of service to society, protection of players, and the most popular games that consumers love to play – perhaps now more than ever.

Coming back to Retail: How might we reinforce the symbiotic relationship that Lottery has always had with its retail partners?

H. Höltkemeier: This is a very important question! Lottery operators depend not just on the shops to stay open and have an active customer base. As said before, the shops play an important role as touch-point and as part of the player-experience. This leads to two vital initiatives: Driving traffic to Retail-partners and supporting them in delivering a unique player-experience.

I personally believe that our obligation to support our retailers is not fulfilled just by paying the commission and having sales reps call on them twice a month. We want to work more intimately with them to help them achieve their goal of bringing more customers into the store, increase the dwell-time in the store, and help them to increase the basket size at check-out. Of course, those goals are somewhat aligned with lottery's own goals anyway so the ROI on increased effort to support our retailers is very positive. That is how we will increase the sales of lottery products. I think there is

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lots of potential for the lottery product, and the lottery playing experience, to enhance the overall in-store shopping experience. That benefits the retailer and players as well as the lottery operator.

It looks like competition increased over the last two years. There are more legal offers like in the US and in Germany now but also illegal operators that seem to benefit from the restrictions that legal operators faced over the last period. How does this affect the lottery-business?

H. Höltkemeier: Private operators like sports betting companies and casinos are impacted much more than lotteries by the governmental restrictions due to the pandemic. And that is causing them to push even harder for regulatory changes that will help them recover economically. They may ask for direct government aid, fewer and more lenient regulations, and lower taxes. And of course, regulatory and taxation changes can have significant impact on the competitive landscape within which lottery operates. The pandemic also brings to light the threats that unlicensed online gambling operators represent. Some countries, like Spain for instance, closed even the lottery shops and this opened the doors for unlicensed online operators to meet the demand for recreational gaming, including lottery. While governments are starting to apply stricter constraints on the amounts and kinds of advertising of online gambling, they need to take a more aggressive stand against illegal and unlicensed online gambling.

I do not know whether governments will increase support for lottery going forward. But I have cautious hope that they will recognize the importance of lottery funding for good causes, the need for a stable and sustainable approach towards expansion of recreational gaming, and that this recognition will cause them to increase their support for their own government-licensed lotteries.

And how might current events re-shape our approach to Responsible Gaming?

H. Höltkemeier: Responsible Gaming and creating a safe user experience that protects players from developing unhealthy behaviors was and is always on top of our minds. The more we re-shape our products, the more



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we have to differentiate our approach in responsible gaming. Just like “omni-channel” is about integrating all consumer touch-points into one seamless relationship; just like “digitization” is about the application of technology to enhance the player experience – so too is Responsible Gaming really about enhancing the whole player experience. We need to create a feeling of community and affiliation that embraces healthy, responsible play along with fun, entertainment, and interaction.

Just one example: Private operators often use the new technology and aggressive advertising and bonusing to entice consumers to play more. Lottery operators focus instead on reinforcing the positive approach to gaming that is both healthy for the player and sustainable for both player and operator. Digitization is the tool that can help us to mitigate the trade-offs, so the players can experience exciting entertainment in a responsible way. We can refresh our approach to Responsible Gaming to gain trust by being an integral part of the overall enjoyment, and not something that diminishes the excitement of the lottery playing experience.

How is the regulatory environment likely to evolve going forward?

H. Höltkemeier: Regulatory policy in Europe continues to be a fight between harmonization and subsidiarity. Private operators want the EU Commission and the Courts to impose a standard regulatory regime over all the EU. The “harmony” that they envision includes open borders, multiple operators, and for this free-market system applied to gambling and lottery to be imposed on all nations throughout the EU. Their position is that the EU was created to facilitate trade and commerce between nations. And, to be sure, open markets and free-market competition is a guiding principle of the EU Commission.

Subsidiarity, though, is the principle that there are some sectors of economic activity that should remain within the authority of the member states to decide. Gambling and lottery fall into a category of activities that are not like other consumer products because, unlike other consumer products, the fundamental goal of gambling is not to maximize consumption. Gambling and even Lottery have social costs. And the cultural values differ from country to country and should be considered in the whole calculus of what regulatory framework best serves each jurisdiction. The original treaties that established the

EU recognized these facts and stipulate that regulatory policy for gambling and lottery are to be decided at the member-state level and not at the EU level. The trend over the last twenty years has been towards harmonization. I think the EU Commission has changed over the past few years, and even more over the past eighteen months, to recognize the authority of the member-states to determine the policy objectives and regulatory framework that is best for their citizens. Of course, all EU member states must comply with EU laws. But we hope and expect that the EU Commission also respects the dominion of its member states, and their rights as regards to the regulation of gambling and lottery.

The real driver of regulatory policy is the consumer and the market-place. It used to be that operators and the market followed regulatory policy. Now the market-place leads and regulatory policy follows. That means that lottery operators are competing for the player-ship of the consumer – by creating the best products, by bonding with our players on all channels and media, by nurturing the most productive relationship with retailers, and by embracing the opportunity to serve society and good causes.

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Last but not least: You are not just leading the Deutsche Klassenlotterie Berlin, you are also heading the European Lotteries Association as President. How is EL evolving the products and services to continue to add value for its members?

H. Höltkemeier: In general, EL follows the same goals and works for the same values as before. To the outside EL is fighting for the value-based, subsidiarity model of organizing lotteries and to the inside supporting lotteries through knowledge exchange and certification.

As one example, subsidiarity will gain new relevance. While former initiatives were based on the regulatory framework, the new threat for lotteries will be digital platforms, which offer a kind of single-market also in gaming and gambling without proper cross-border regulation. Right now, there are several political initiatives to limit the power of those platforms and to link them to national laws. EL is involved in this.

And as everywhere, the tools EL uses and the “members-behaviour” changes: a remarkable change is visible in our seminar/webinar-program. Whereas webinars and hybrid formats seemed to be just a “Plan B” option for those seminars that couldn’t take place due to COVID-caused travel-restrictions, they are now and will continue to be an integral part of our offer going forward. We have learned that such formats are reaching far more members and lead to much higher participation and deeper ongoing interaction and networking than the traditional in-person meetings were able to do. On the other side, real-world developments that involve vigorous discussion and debate over complex issues are much better addressed by in-person meetings. We still need the trust that comes with personal interaction to build rapport and a common understanding.

Therefore, there will be far more differentiation in our way ahead with a broader

range of digital offers to inform our members or to discuss results and ongoing personal meetings to strengthen the network and to forge solutions for complex challenges.

And we are counting on at least one event to be organized in person. Our EL Congresses and our Industry Days will remain as the place to meet for lottery professionals and executives to get an overview about what is going on, to be a place to meet colleagues and to make and to meet friends. I am therefore looking forward to our next Industry Days in June 2022 in Wiesbaden/Germany and to our next Congress planned for June 2023 in Sibenik/Croatia. Save the date and join us as part of the family.

Paul Janson: Thank you Hansjörg for this inside view and your invitation: Susan and I are looking forward to seeing you in Wiesbaden! ■

Powerball Celebrates Powerful Start to 2022, continued from page 20

After the first week, sales in Draw Cycle 44 were 37% higher compared to Draw Cycle 38. After 13 weeks, sales were up 205% in Draw Cycle 44 compared to Draw Cycle 38. The additional sales in Draw Cycle 44 pushed the jackpot across the \$600 million mark at 13 weeks, whereas in Draw Cycle 38, it took 17 weeks – roughly a month longer.

“MUSL and its lottery partners have worked diligently to successfully introduce the Monday draw and Double Play add-on feature,” noted J. Bret Toyne, MUSL Executive Director. “However, we cannot be satisfied with today’s accomplishments. If anything, this highlights the strategic planning necessary to consistently produce year-over-year revenue growth.”

In addition to its first jackpot won in 2022, Powerball also celebrated a third consecutive year on Dick Clark’s New Year’s Rockin’ Eve with Ryan Seacrest by holding a \$1 million drawing for the Powerball First Millionaire of the Year®. The drawing was the culmination of a national Powerball promotion and broadcast live on ABC. Shortly after midnight, Ryan Seacrest and country singer Jessie James Decker revealed the big winner as

Brian Mineweaver, a father of four from Pennsylvania.

“This partnership with MRC Live & Alternative has given Powerball the opportunity to connect real people and their stories with our brand.” said Gregg Edgar, MUSL Marketing and Promotions Committee Chair and Arizona Lottery Executive Director. “Year after year, we’re meeting new players from across the country and showcasing their winning moments, which is part of the greater Powerball story.”

This year, Powerball was able to connect with an even larger audience. According to Nielsen, the 50th edition of Dick Clark’s New Year’s Rockin’ Eve was the number one entertainment telecast with viewership up roughly 10 percent between 12:00 – 12:30 am, which included the Powerball First Millionaire of the Year drawing. Looking at viewers of any age, more than 24.2 million tuned in during the broadcast’s 12:00 – 12:15 am quarter hour, followed by 16.5 million during the 12:15 – 12:30 am quarter hour.

Twenty-nine lotteries participated in the most recent installment of the Powerball First Millionaire of the Year promotion, with

many choosing to coincide their in-state promotions with the launch of Monday draws and Double Play last August. Participating lotteries held drawings and contests in their respective jurisdictions to determine a national pool of semi-finalists. From that pool, five finalists were randomly selected to advance to the \$1 million drawing.

MUSL and MRC Live & Alternative are already planning the fourth year, which will include the winner experience returning to New York City. For the past two years, the finalists and their families have been featured from their hometowns due to the pandemic. Organizers anticipate even more lotteries will participate in the 2022-2023 promotion and hope to potentially feature more players from more lotteries during the live broadcast.

“We want all participating lotteries to feel that they have a stake in the event,” said Edgar. “We hope to create more big show moments and winner memories, building enthusiasm at the state level for the 2023 Powerball First Millionaire of the Year and increase the impact that the brand is having nationally.” ■