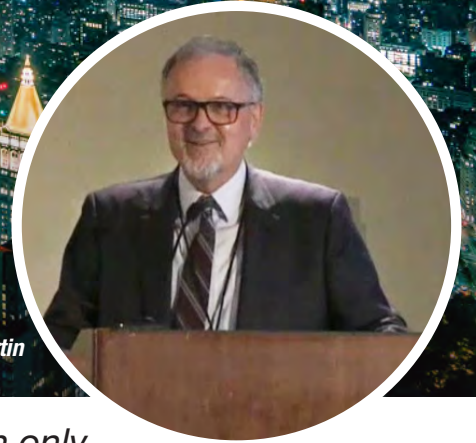


iLottery: If We Knew Then What We Know Now



John Martin

“You can’t connect the dots looking forward, you can only connect them looking backwards.” — Steve Jobs

With the benefit of a crystal ball or some other future-telling device, our decision-making processes would be flawless. No missteps or bad calls. Clear visibility into the future would combine with perfect execution to produce over-the-top results.

Alas, no such device exists which means that decisions are made with a combination of analyses of past results, future needs and objectives, and data and empirical evidence. And maybe a few “gut check” moments.

For the lottery industry and its implementation of iLottery, looking back – all the way to 2010 when the Minnesota Lottery was the first U.S. lottery to sell games online – there are steps that were taken and not taken which land the industry where it is today. What insights have we gleaned from the iLottery experiences? What could have been done differently over the past dozen-plus years to produce even better results? Where will we be in the next few years?

These and other pressing questions were addressed by a group from different corners of the lottery industry at the PGRI Lottery Expo recently held in New York City. Moderated by **John Martin**, Director, Maryland Lottery and Gaming, the panel included:

David Barden, President and CEO, New Mexico Lottery

Amy Bergette, Vice President, Digital Content Studio, Scientific Games

Brad Cummings, Founder & CEO, EQL Games

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

Julin Shaw, Sr. Director, Brand Marketing & Business Development, NeoPollard

Frank Suarez, Executive Director, DC Lottery

Bishop Woosley, Senior Advisor, Jackpot

John Martin was quick to note that the Maryland Lottery is not an iLottery jurisdiction. But as an industry veteran who manages a lottery that oversees casinos and other game categories and channels of distribution, John knows the ins and outs of iLottery and has served as an advocate for lotteries looking to do more online.

Each panelist brought a different history and perspective to the discussion.

Mike Lightman is a veteran of the vendor side, having worked at both IGT (GTech at the time), Scientific Games and now iLottery game provider IWG. “At GTech, we were working on games in the mid-1990s that today would be called eInstants but they were digital versions of scratch tickets played on free-standing kiosks,” he said. “At Scientific Games, we launched the first iLottery program in Minnesota and it ran for a short period of time before being shut down. Now at IWG, I work with a team that creates digital content for iLottery providers across the world. So it’s been more than two decades of working on digital content.”

EQL Games came to iLottery a number of years after its start but **Brad Cummings** believes his company has found one of its niches. “We started as a sports content company and then the pandemic happened and shut down all sports,” he said. “That was certainly one risk factor I never saw coming as a sports company. As we regrouped, I saw iLottery as an opportunity to bring content to the industry quickly and efficiently. We’ve partnered with a company called Present Creative and we just signed our first contract with the Michigan Lottery. This pivot has benefited us and allowed us to offer iLottery content while we continue to work on building exciting new game concepts.”

Amy Bergette said it was European lotteries that first brought Scientific Games into the iLottery business. “Fourteen of the 16 German lotteries have been digitizing their instant products with a mix of physical and digital games, and they started in the 90s” she said. “We’ve had the benefit of working in the iLottery space for many years through that European experience, and then Mike and I worked together on Minnesota’s brief iLottery stint. We have learned a lot over the past 10-plus years of U.S. activity and there’s much room for all of us to continue to grow and progress.”

As a long-time lottery veteran and now director of the New Mexico Lottery, **David Barden** is in the same category as John as he is unable to sell products online. However, there is one big difference. “New Mexico allows for courier sales, so I let companies

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like Jackpocket assume the costs and take the risk,” he said. “When we had the large Mega Millions jackpot over the summer, Jackpocket was the number one retailer in the state. What does that tell you? iLottery is all about convenience. It also shows us that younger players want this convenience as well. This is the future of lottery and I wish more of us were allowed to sell online.”

Julin Shaw has been at the epicenter of iLottery, working for NeoPollard Interactive on their business development activities. “For someone like me who was working on mobile apps and loyalty programs, the move to iLottery was exciting,” she said. “In 2014, we launched the Michigan Lottery iLottery program and it showed the industry the potential for this next step in digital engagement. The risks we took paid off because iLottery was a big success in Michigan and other states have followed in their footsteps.”

Bishop Woosley brings the perspective of a former director who, like David and John, tried unsuccessfully to launch an iLottery program and now is on the vendor side, working with the U.S. industry’s largest courier – Jackpocket. “It’s amazing what has happened in Arkansas,” he said. “In 2019, we received permission from the Governor to start selling in the state and within a month they were the top selling retailer. Jackpocket provides lotteries not authorized to implement iLottery themselves the ability to make the products available online while not taking the risk that has kept many states on the sidelines. Truly a win-win.”

Frank Suarez has worked at two iLottery jurisdictions – North Carolina and D.C. The major difference between the two lotteries is that in D.C., he has a full slate of online products to offer his players. “North Carolina is a conservative state, so we basically launched a platform and offered a few draw games,” he said. “Everyone was afraid of online cannibalizing the retail product, so we were not allowed to sell many of the games. Total opposite in D.C. We have it all and can offer our players an array of games. Two very different experiences.”

Keeping with the panel’s theme of “If We Knew Then What We Knew Now,” John asked Amy how her past experiences have shaped her current work at Scientific Games. “The first iLottery experience in

Minnesota had a host of limitations – low payouts, low maximum spend, total spending cap of \$50 a week,” she said. “So many restrictions got in the way of the player’s experience despite the best efforts of the lottery. What we’ve learned over the years is that to attract and retain players, you must engage them as soon as they log on to your web site. The experience of registering has to grab them and easily explain what they have to do. Funding the wallet must happen quickly. And within minutes, they are playing games that will appeal to them and keep them returning. We’ve learned so many best practices over the years and also learned what can negatively impact programs. Today’s iLottery programs will launch with many more chances for success than in the past.”

NeoPollard Interactive is using its wisdom and experience to provide others with the understanding of how to launch and run a successful iLottery program. They teamed with Spectrum Gaming on a report called *The Future of iLottery* which addressed many of the topics covered in the panel. Julin said the report serves as a guide to states that are looking at the potential of iLottery.

“We wanted to provide lotteries with the tools necessary to talk with their legislators and policy makers and overcome the obstacles that typically arise in iLottery discussions,” she said. “The impact on retail is usually the number one topic raised in the debate. So we looked at retail sales since iLottery launched and in all cases, retail sales rose in every state that has introduced iLottery. This is such important data for lotteries because it validates what we have all known about iLottery from the European experience. As iGaming and sports betting continue to dominate conversations, the data from this report will help lotteries show that not only does iLottery provide the largest new revenue to states, it also helps lottery retailers increase their sales.”

Mike picked up on the retailer discussion and noted that lotteries have to be persistent in communicating the positives of iLottery. “The data from Europe was helpful in the first wave of iLottery launches and now we have a wealth of data from the U.S. experience,” Mike said. “Unfortunately, retailer associations have, for the most part, been roadblocks and probably will continue to be naysayers.

They exist to deliver the message that iLottery is your enemy. Even the strongest data is not going to change many minds overnight. But we have to keep delivering the message, making sure we continue to drive home the positives of iLottery to the retail community. At some point the facts will get through to the decisionmakers and help make the process easier for lotteries.”

While iLottery means eScratch games to most people, eDraw games are also an important product line for online programs. Frank has experienced this at both North Carolina and D.C. “In North Carolina we looked at taking a standard Keno game and putting it online but the ultimate game is very close to eInstants, which aren’t allowed in North Carolina right now,” Frank said. “Our work continues to evolve in D.C. We would like to take monitor games, which feature good entertainment, and offer them online. But it’s a process. Payouts are a concern. Do we increase them online? We know the big jackpots of the multi-state games increase our registrations. Beyond the large jackpots, draw games just don’t attract much attention. We have to increase the entertainment value so that draw games can be considered in the same category as eInstant games.”

Brad said that EQL Games is laser focused on revitalization of the draw game category. “Taking the retail draw games and simply putting them online is not enough,” he said. “How can we create a draw product that is as exciting and engaging as other online products? You need a payout that will attract players, so we start there. Within the game of chance category, how can we create the types of games that make iGaming so popular? EQL is leading with sports and game outcomes, which we know are attractive to a majority of lottery players. Let’s bring strategies from other industries and use what we can for iLottery draw games. Creative thinking will lead us to games that will attract players and drive revenue.”

The two panel members who have served as lottery directors – David Barden (South Carolina) and Bishop Woosley (Arkansas) – brought a slightly different perspective to the draw game discussion.

First up was David.

“We hear a lot about eScratch games but I think it is shortsighted to not put focus

on our most widely-known games – Mega Millions and Powerball,” said David. “For states like New Mexico that don’t have iLottery, we can offer online product sales through couriers. They allow our players to purchase our draw game products through their phone. Given what is happening in the rest of the retail world, it’s a shame that our lottery can’t offer a full range of online products. But until that day, all of us in this boat have to be creative. Encouraging the use of couriers is one of those creative avenues. At the same time, I know that these companies are reaching a younger audience that we aren’t reaching using our typical sales channels. Even better, in New Mexico a few of our larger retail outlets are serving as couriers by offering online sales. If we can get other retailers, particularly the chains, to follow suit it will be truly the best of all worlds.”

Bishop said he tried a few different avenues to sell online while director in Arkansas. Couriers would have solved many of the roadblocks he faced.

“I was opposed at every turn when we tried to do even the most basic things, like allow debit card sales,” he said. “The courier model works because companies like Jackpocket actually work with retailers, which mutes the arguments of retail associations. I’ve had discussions with retailers in Arkansas who had questions about the retailer model where I told them they could create a platform and offer games like the couriers. That is the great thing about the courier model – it is open to all retailers. For states that haven’t yet legalized iLottery, couriers offer a way to open lottery to new channels and new demographics. For those lotteries that allow couriers, the results have been positive. Revenues have grown. There’s been no negative impact on retailers. It shows that couriers can co-exist with retailers by simply providing another way for customers to purchase lottery products. Additionally, couriers spend a lot of money on advertising and for states that are pinched on advertising spending, it’s another way to spread the word on lottery products.”

Using his own experience with trying to get an iLottery program approved in Maryland, John moved the discussion to how to answer the arguments about negative impacts on retail. “We spend a lot of our time working with our retailers and for good reason – they are the connection to our players,” he said. “But when it

comes to iLottery, those conversations have typically taken a negative tone. How can we change that? How do we show retailers that iLottery is actually a win for them?”

Mike said it’s all about education and content. “We know we need to continue to educate retailers,” he said. “Lotteries are doing this every day on a range of topics so they have years of experience in communicating with their retail partners. But that’s just part of it. We need to continue to find ways to offer content that crosses between the retail and digital worlds. Buy at retail, get free plays online – buy online, get free plays at retail. We need to utilize tactics which connect the retail and digital. Retailers will see that online can help promote their sales. This will be more effective than any data we can show them.”

Julin said it is a careful balance between making retailers comfortable and maximizing revenue. “While lotteries might have to make some concessions to retailers to launch their program, they want to be careful to not lock into anything that will hurt revenue,” she said. “The better tactic is to look at your decisions and decide if they will help you reach your goals. If your primary goal is to just get your site launched and build it out over time, you’ll make decisions much differently than if you want to launch with a full range of products and maximize revenue immediately. We have found that the more information you provide up front, the better retailers will feel about any digital program. They are part of the process so they should be treated as part of the solution.”

Bishop said letting the data do the talking can be impactful. “Thinking about my time as director and my current work with Jackpocket, we have so much data that shows that retail can survive and thrive in the digital world,” he said. “Let’s use that data to tell our story and show retailers the very real examples and success stories in the state offering digital sales. Lotteries have options – from loyalty programs to online sales to couriers which offer products. Let’s make sure we lead with our strengths when talking with retailers and other decision-makers within our jurisdictions.”

Frank brings experience from both sides of the digital experience. “I’ve worked at a lottery that tip-toed its way into digital and currently work at a lottery that is all-in,” he said. “Each road to digital has its positives and negatives. If you go slow, you have to be comfortable with the fact that you won’t

be earning strong revenues for many years. If you decide to launch with a full offering of products, you hopefully have prepared your retailers for what is being sold online and how it will help their in-store sales. It all goes back to your retailer relationship, which is built over years of communication and trust. We need to protect our investment in that relationship.”

As a content provider, Brad said lotteries need to make sure the games they are offering will succeed. “Having the ability to sell online is only half the battle,” he said. “Once your players are visiting your online site, what are they seeing? Are they seeing exciting, engaging games that provide a fun experience, reasonable payouts and winning opportunities? Or are the games basically scratch games in a digital format? For those of us who create the content for iLottery sites, we believe it is the exciting games which will attract players and drive revenue. This has been borne out by the games that have succeeded for lotteries across the world. Those results should drive what we offer to players in the future.”

Amy said lotteries can learn a lot from what is happening with iGaming. “While the iGaming market has a higher level of spend than iLottery players, we can look at the diverse content that iGaming platforms successfully offer and use it as a model to follow,” she said. “iGaming makes use of the data collected through their CRM platforms. Lotteries should use the data they have collected both to attract players to their online sites and drive the back-and-forth between digital and retail. The casinos that operate online are always going to outspend lotteries. But there is one weapon lotteries have that casinos don’t have – a huge retailer network. Let’s leverage this competitive advantage to communicate with our players and make sure they are aware of all their playing options.”

David wrapped things with a few words of wisdom. “Every lottery has to do what’s right for their individual jurisdiction,” he said. “We know that online is the future for all retail, and lottery is not an exception. But we can only do what our constituents and legislators will allow. Even if you can’t sell online now, make sure you offer the most robust digital offerings as you’re able. This will prepare you for the day when things open up. Your players are online in most aspects of their lives. Lotteries need to be there with them.” ■