PLAYER RETENTION
AS WELL AS NEW PLAYER ACQUISITION

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Player Retention | New Player Acquisition

Laptop Pro

I n the scope of lottery industry history, iLottery spans just a short period of time. So you will pardon the iLottery states if this new-ish brand of game has kept them juggling many balls, acting like ducks on water (calm on top, flurry of activity under water), busy as beavers. Pick your "really busy" idiom and it fits.

Some of the frontline workers on iLottery were featured on a panel titled *Player Retention/New Player Acquisition.* The panel, moderated by **Drew Svitko,** Executive Director, Pennsylvania Lottery, included:

Shannon DeHaven, Vice President of Digital Engagement, Pollard Banknote

Stephanie DuVal, Digital Engagement Manager, Virginia Lottery

Jessica Fritz, Digital Marketing Manager, Michigan Lottery

Merv Huber-Calvo, Senior Director, Growth Marketing, Scientific Games

Karri Paavilainen, Senior Director, PlayLottery Content, Operations and Connected Play, IGT

Jessica Powell, Director of Ignite Player Marketing, NeoPollard Interactive

Peter Sullivan, Chief Executive Officer, Jackpocket

For those lotteries featuring digital sales options for their players, the workday is filled with discussions and activities centered on how to attract new players to the site and, once they have taken the steps to sign on, how to keep them active in the digital world. Drew kicked off the discussion by posing a vexing question: How would you describe the tradeoff between, or the relative importance of, new player acquisition versus player retention?

The predominant answer? Don't make me choose.

"I see this as two independent but crucially important work streams that actually deliver better results when they're working together," said Merv Huber-Calvo of Scientific Games. "When budgeting, you'll spend more as your program grows and matures. Player acquisition costs are a bit more fixed as you're making ROI calculations based on your cost-per-acquisition versus what is the lifetime value of the players you're actually bringing in. You then apply the calculations across all of your campaigns and digital channels. The retention of players is a bit more complicated

because you have to apply a different ROI analysis to the different player types. For instance, you'll spend more on your higher value players. The amount you spend over time is going to grow as your program grows. But making this investment is what will keep your program successful."

This particular discussion highlighted a key issue that lotteries are facing today because an animated discussion ensued, next from Jessica Powell of NeoPollard. "I think one of the biggest challenges of our industry is the divide between acquisition and retention and considering them as two different departments," she said. "It's time we forgot about above the line and below the line and focus on the most important thing – the bottom line. There has to be an overarching marketing strategy to connect with players, get them into the funnel, and then retain and maintain relationships with them."

Recently departed from the Michigan Lottery (where she served as deputy director digital operations for the last five years), Pollard's Shannon DeHaven agreed with Jessica and Merv about the need to concentrate on both acquisition and retention. "But your approach to budget allocation can't be a 'set it and forget it,'" she said. "You have to constantly reevaluate where your spend needs to be allocated. As Jessica said, there is a funnel but it's not necessarily a clear line and it should be regularly reviewed to determine where the most revenue is generating from. Is it the retention efforts or the acquisition efforts? Lotteries have limited marketing budgets so it's important to carefully spend in the most appropriate way."

Speaking as the CEO of an iLottery company that operates across a number of states, Peter Sullivan of Jackpocket said determining the payback on your spend will help guide your budget allocation. "Even outside of the lottery industry, there are three components to how businesses determine budget spend – what is our cost of acquisition, what is the weekly/ monthly spend on a given segment, and what is the cost of retention," he said. "And one of the most important KPIs, along with ROI, is the payback period. Different segments of your audience have different acquisition costs and you're willing to spend a higher acquisition cost for a player that has a higher average

spend and a higher propensity to continue to play. The payback period is when you understand how long it took for the cost of the acquisition to get paid back and for you to become profitable with that customer. Once you've cleared that hurdle, other business decisions fall into place more readily."

With that set-up, Drew pulled apart the different components of the discussion. "Let's focus on the player journey chronologically and start with player acquisition," he said. "iLottery player acquisition is different from the traditional side where we are retailer focused. Let's drill down into those differences."

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> ## The major difference from retail is that we're able to measure the results from our efforts in almost real-time and make optimizations on the fly."

IGT's Karri Paavilainen outlined four of the most prominent differences. "First is the media selection for promoting products which in traditional lottery is heavily mass broadcast media such as TV, radio, Out-of-Home and digital, while iLottery is almost all digital and more accurately targeted," he said. "Next, the lottery's tactical digital advertising is almost all offer-based marketing while retail tends to target lifestyle messaging and promoting winners. Another retail tactic is to advertise the jackpot spikes and then go silent. With digital, its 24/7/365 of continuous ongoing visibility. The final difference is that digital allows you to measure and understand the effects of your investment. You know immediately if you are successful. Traditional is a bit harder to

connect your investment with the end result. The learnings are post campaign while digital is ongoing."

As stated by others on the panel, another important component of acquisition is affiliate marketing. Under this model, a lottery compensates a person or company for generating traffic to its iLottery site which results in an actual player spending money. The entity that brings the players to the iLottery site receives a commission based on the new players level of spend.

In Michigan, Jessica Fritz said this model has worked well. "Affiliates have proven to be successful for us since we went live with the program in December 2017," she said. "So far, this acquisition route has accounted for 34,000 registrations and more than 15,000 first-time deposits. But that's a total net return from affiliates of $6.8 million since the launch. It's important to us as it's a channel through which we can reach players who wouldn't normally see the rest of our advertising, blogs and web sites surrounding iGaming and other ways that we capture player interest. Some of our more high-value players have come through the affiliate channel, especially during the past year when some of those players were looking to reroute their entertainment dollars from other forms of gaming that weren't available. Next we hope to expand the affiliate program to retailers to allow them to be rewarded from acquiring iLottery players."

Switching to what messages attract iLottery players, and representing the industry's newest iLottery program - Virginia, Stephanie said that some of the same things that work at retail also work in the digital world. "Just as at retail, our biggest acquisition driver for iLottery has been large jackpots that push players to the site and gets them interested," she said. "We've also attracted players who are looking for branded products like Powerball and Mega Millions or our Virginia Lottery in-state games. And just like at retail, merchandising big wins will always get players interested. The major difference from retail is that we're able to measure the results from our efforts in almost real-time and make optimizations on the fly."

For Jackpocket, it is a series of initiatives – digital advertising, media outreach, winner awareness – which add up to success. "We're using all the standard channels – Apple Search, Google, Facebook, ad campaigns – and making these ads as innovative as possible," Peter said. "We're also starting to use mass media as we roll out certain announcements such as big wins from customers. When we launch in a new state, we take the media coverage and make it into a video. Having our story told by a news outlet makes it more credible. Even if we launch the app in a state, we get news coverage. That's great free advertising for us."

Once the player is acquired, they need to be retained. If a player registers and doesn't deposit money into their account or stops playing after a short period of time, the lottery has lost an opportunity to monetize that player over the long term. So how can lotteries make sure they retain their digital players?

Merv, whose team at Scientific Games works closely with the Pennsylvania Lottery on its iLottery program, said lotteries should closely monitor the activities of their digital players. "When a program is growing to a point of maturity, you also have to take stock of just how many active users you are retaining from month to month," he said. "And as the number of players that have previously left your program grows, and the longer the life of the program, the work to reactivate those lapsed players becomes increasingly important. I like to set goals for our marketing team as we look at player lifecycle migrations and measure the impact of our marketing activities. We look at it in the aggregate but also prioritize higher-value players to make sure that we're maximizing bonus spend and revenue."

Most lotteries and vendors make their decisions based on data, and iLottery is no different, particularly with retaining players. This data helps inform the budgetary decisions to keep programs strong and growing.

"Retaining players means retaining dollars," said Peter. "So on day one when someone has registered, and even before they make a deposit, we are tracking a player with about 100 different points of data that we have honed across our different states. We're able to quickly understand their activity on day one, day seven, day thirty, day ninety, and then place them in a user journey that ensures we're being efficient and that we're correct with our assumptions when we're tagging that player. Finding the right people to analyze this data is difficult, very competitive, but critical as we use this data to make the correct decisions for our business."

HOW ARE OTHERS USING DATA?

Merv at Scientific Games: "Predictive analytics are great for spotting high-value players as early in the player's lifecycle as you possibly can. You can then do everything possible to retain that player and transition them from a new player to an active player to a retained player. For example, for your active players you can figure out how likely it is that the player is churning (rate of attrition) or in the process of lapsing from your program. You can then focus your marketing, bonusing and messaging to that player in an effort to retain them before they churn. Once they've churned, it's so much harder to win them back."

Jessica at NeoPollard: "Data is so important and hiring the appropriate talent is expensive, and that's where lotteries can rely on their vendor partners that do have the tools. We have a tool called NeoCube that performs the predictive analytics in terms of churn prediction, sentiment analysis, even early VIP detection. The more we know about these players, and the earlier we know it, the more we can guide them through the funnel."

Karri at IGT: "The tools we have created can use data to predict with 85% probability at day ten which players that have entered the iLottery program are most likely to become VIP players. We also use predictive tools to understand the likelihood of a player accepting an offer."

Drew shifted the conversation to strategy. How do lotteries and vendor partners use tactics like promotions and bonusing to attract and retain players?

In Michigan, the iLottery team has been honing this part of its operation for a number of years. "This is a key part of our retention program," Jessica said. "We have a regular monthly email schedule where we're sending out offers, free games, deposit offers to our active players. Currently we are focusing mainly on our active players, our VIP players, manually looking at how these players are reacting to our offers. And we're not just providing bonus offers but also asking players to play certain games to get entry into cash giveaways or coupon offers. Bonuses can also be triggered with the mobile app ticket scanner by scanning select retail products. So, there are a variety of ways we look at our bonus strategy.

The Virginia Lottery, which launched in July 2020, has played catch up as they were given about three months to launch the iLottery program. But they are now employing segmentation strategies which look at players' deposits and purchasing behavior. "While we look at what players do within the first seven and thirty days after deposit, our biggest focus is on the VIPs. As with all programs, VIPs are the most important segment and so they receive the most offers and we make the largest investment in this group. We look for opportunities to cross sell our base players for draw games because we started with draw games before adding eInstants. Since this is the biggest group, we send a lot of bonuses to the draw game players, such as free eInstant games, to move them between products."

With her experience with the Michigan iLottery program, Pollard's Shannon DeHaven had a message for all lotteries – start your segmentation early. "Segmentation can begin long before an iLottery program is launched," she said. "I definitely think that there are some missed opportunities within digital programs, whether it's a loyalty program or players club. I'd suggest using the information to implement segmentation as soon as you have a customer database. For those without iLottery, when the day comes you will be ready to reach out to your player-base with offers and messaging that are customized by segment. When Michigan launched, we were already working hard to look at our different players. We had Cashword players, we had Keno players, other games, and these players were all a little different and we marketed to them differently. You can start with three or four segments and get to fifty that you are targeting in different ways. We talk about it as it applies to iLottery, but there's so much more that all lotteries can be doing now.

Karri agreed with this thinking. "The segmentation principles of ilottery are totally

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 tradeshows. 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. ■

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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 prizing 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, reseg-menting 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." ■