

BLUE OCEAN STRATEGY APPLIED TO THE GOVERNMENT LOTTERY SECTOR

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PGRI Introduction: In their classic book, *Blue Ocean Strategy*, Chan Kim & Renée Mauborgne coined the terms 'red ocean' and 'blue ocean' to describe the market universe. This was cutting edge stuff in 2005 when it was introduced. Given the explosion of games-of-chance options and the reshaping of consumer perceptions of gambling, Jeff Anderson and I think it is a good time to revisit this classic model for understanding the ways in which new markets are created. We also explored Daniel Burris' Anticipatory Trend Modeling, Steve Jobs' *Thinking Different*, and Simon Sinek's focus on effective story-telling. And why it all comes back to the Blue Ocean mentality. And how this all applies to Lottery.

Blue Ocean Strategy is about reimagining our business model, product/service differentiation, and unorthodox collaborations to open up uncontested spaces and create new demand. It is about creating value for the customer instead of focusing on the competition. It is based on the view that market boundaries are not a closed system and that industry structures are not cast in stone. Doing the same thing and expecting a different result is not the path to innovation and success. Those boundaries and structures must be reshaped by the actions and beliefs of the industry players who are creating our future.

Red Oceans are the industries, the competitive landscapes, the consumer market-places, the business processes and strategies, all as they exist today. In red oceans, industry norms and boundaries are accepted, the conventional competitive rules of the game are followed, and the goal is to outcompete rivals in the known space to grab a greater share of existing demand. As the market space gets crowded, margins are squeezed and growth stymied. Products become commodities, leading to cutthroat competition. Hence the term red oceans.

Paul Jason: Most U.S. states, like Idaho, are still not allowing their state lottery operator to make the games available online. How does Blue Ocean Strategy apply when our freedom to innovate is being restricted in these ways?

Jeff Anderson: An article in the WLA/NASPL issue of PGRI magazine reminded me of Blue Ocean Strategy. The article was about a keynote speech at the World Lottery Summit in Vancouver. As the producer and director of *Cirque du Soleil-Kurios*, Michael Laprise wanted to modernize the traditional circus performance, sans animals, their trainers and rail cars. And boy, did he, overlaying a contemporary hero-quest story onto the performance. He drew inspiration from all quarters. Street performers who showed the way you can generously share your talent in new and fascinating ways. He leveraged a spirit of collaboration between everyone – performers, support teams, and audience – to blow up the distinctions between merchant, partners, and audience. He inspired excitement by turning the impossible into the possible. And he talked about the rich framework that lotteries have to craft a story that moves the audience. It reminded me of the

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Blue Ocean mentality that can reshape the way we perceive our role as both producer and consumer, as partner and competitor, as both a story-teller and an actor in the story of our life. The Laprise experience is a brilliant account of how a traditional product – the circus show – can be turned into a cultural phenomenon. And it comes from focusing less on the problem and more on the solution, on the Blue Ocean.

An example of something in our industry that may not be as captivating as the Cirque du Soleil, is the Courier Service model as a Blue Ocean strategy. It is a different way of doing things. Blue Ocean strategy is about thinking differently, being open to new ways to see opportunity, and finding ways to serve the customer. Courier services are an example of that. We launched courier services just last year. Our big games were offering billion-dollar jackpots that the courier services helped fill a gap for the consumer of today.

At the Idaho Lottery, we are committed to continuous learning and that only happens when we stretch to think differently about the way we approach our business.

The business of lottery is unique. In my view, we need to think about the ways we can learn from others outside our industry. Blue Ocean thinkers that created Cirque du Soleil. Visionaries like Steve Jobs. Look at his YouTube videos from 1997 when he rejoined Apple and launched the ‘Think Different’ campaign. It’s a great example of “subtract and replace” inside-the-box thinking when inventing the myriad of Apple products we take for granted today.

Lotteries necessarily operate under varying degrees of regulatory constraints. Constraints, however, force us to focus on what’s possible and attainable. I think that makes it even more imperative that we use a Blue Oceans mentality to think differently. It allows you to see differently, to unlock the deeper reservoirs of talent and creativity needed to make the most of the tools we have.

I am proud of our team for finding a way to make the courier service work in Idaho. My thanks to Gary Greif and his team for helping us understand how one can approach the business problem by seeing differently. We need to think differently

about how we approach our business opportunities and challenges, with an open mind towards thinking differently and seeing differently.

You and I have also talked about “anticipatory thinking”.

J. Anderson: This insight comes from technology futurist and trend-tracker Daniel Burrus. Daniel helps see things differently by recognizing the difference between hard trends and soft trends. We all try to see around the corner and anticipate what’s next before it comes into view. The trick of it is to realize that hard trends, usually influenced by technology, will not change. And an over-focus on soft trends can lead to unproductive problem-solving.

If something is not producing the desired outcome, we need to be willing to fail fast so our energies can be channeled into activities that have a higher-potential customer delight. We need to constantly reassess our business processes to look for activities that can even be skipped altogether.

This brings us back to Blue Ocean strategy, which is about focusing on our commonalities instead of our differences, how we can collaborate to mutual benefit, and to the benefit of the customer, as well as compete to deliver the best product and service and produce the best customer experience. Blue Oceans is about applying a vision that is expansive enough to unlock the ingenuity and open-mindedness to look past obstacles and focus instead on the positive pathways forward. Combine this with Burrus’ anticipatory thinking, of being inspired to see around corners by identifying hard trends that are so key to understanding a world teeming with opportunity.

And Simon Sinek story-telling ...

J. Anderson: We recently had to dig deep in our efforts to save Powerball for Idaho and our players. Game group changes threatened to put Powerball out of our portfolio of games because the changes conflicted with enabling legislation in Idaho statutes.

We pleaded our case, but I failed the first time to connect with our audience, Idaho policymakers. The traditional game-plan seemed the obvious choice until it wasn’t. We needed more. So we thought about

our “Why”; about how to reformulate an approach based on Simon Sinek’s “What’s your why”. That led to thinking about how to recast our message as a story, and how to engage all our stakeholders – policymakers, educators, retailers – in the mission to embrace and spread our story.

People don’t buy what you do, they buy why you do it. For instance, when I talk about the \$75 million that Lottery generates for our beneficiaries, we get a spot on the evening news. It certainly makes a positive impression, but the reality is that giving millions of dollars for public education is just what state lotteries do every year and has come to be simply assumed and expected of us.

We needed ways to capture people’s imagination, to tap into the universal human need for meaning and purpose. We thought about how we could make our story come alive and resonate with more energy and feeling, particularly when others tell our story for us. The Idaho Lottery “Do Good” initiative was born. We asked for wish lists and received requests for things like books and other necessities for schools. Things as simple as Bunsen burners and test tubes for science classes. We awarded hundreds of dollars for resources like this and watched what a great story that turned out to be. Earned media and kitchen table talk exploded. That type of storytelling is priceless and effective.

This is just a small example of how we think differently in finding a pathway towards something that has a bigger impact on the way all of us, players and non-players alike, as well as Team Lottery feel about why we do what we do.

We need to focus on the “why” that resides not in the mission statement or the reports of our accomplishments, but in the hearts and minds of everyday people. Our audience is everyone who cares about our children and public education, about lottery games, about fiscal prudence, about security and integrity of the games.

So let’s inhabit the Blue Ocean, cast our creativity net far and wide, and tell a story that has a universal human appeal. The long-term benefit of connecting with everyone will serve future generations of lottery stakeholders quite well. ■