



AN OMNI-CHANNEL SUCCESS STORY

Danny Bogus, Founder & Principal, Digital Gaming Group

The Michigan Lottery is an exemplary case study to examine the impacts of online sales (“iLottery”) throughout an organization including its network of retailers. After beginning with an unadvertised beta launch in the summer of 2014, iLottery has quickly grown to surpass \$8 million in weekly sales during March of 2016. Meanwhile, the retail business has set all-time records for sales, profits and retailer commissions.

It is clear that retail channels have not been negatively affected since the launch of online sales. In fact, a better argument can be made in support of iLottery increasing overall player engagement and driving cross-channel sales. Programs such as the Online Game Card, purchased at retail and redeemed online, have helped to bridge the two channels while providing added traffic and commissions to retailers.

The reality has been consistent with focus group results obtained prior to the launch of iLottery in Michigan. During those interviews, many existing retail players were opposed to the idea of registering online, didn’t like the requirement to provide banking information, didn’t always trust that iLottery games would be fair, and preferred the game play experience (i.e. scratching) of retail games over their digital counterparts.

The most supportive evidence of player channel preference can be found when examining categorical sales comparisons. Keno and instants were the only two categories of games sold online during the first fiscal year. During that time, online instants accounted for two-thirds of iLottery sales, or roughly \$98 million, while

online keno contributed \$49 million. In parallel, retail instants and retail keno reached all-time records and grew by more than \$100 million and \$30 million respectively.

Perhaps the most compelling indicator of player channel preference was observed in the Keno “To Go” product

sold at retail. Players who purchase Keno “To Go” watch their drawings online after buying in-store, and are literally a few clicks away from playing a Keno game with improved prize returns, quicker play action and the supposed convenience of avoiding a trip to the store. Yet this product was unaffected by the launch of



RECORD GROWTH IN 2015 ONLINE AND RETAIL



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online keno and it drove the majority of growth within the retail keno category.

The first year has not been a fluke. At the midpoint of the second year, iLottery has experienced explosive growth and retail sales are yet again on pace to set all-time record highs. The multi-state and in-state jackpot games launched online in February and were followed by the first mass media awareness campaign to promote iLottery. The results were spectacular, with iLottery sales surpassing \$1 million per day (81 cents weekly per capita) and gross gaming profits reaching nearly \$4 million during the month of February.

Performance has been tracking in line with the long-range goal of delivering \$480 million in incremental profits from iLottery during the first eight years of operation. If Michigan stays the course, the iLottery program is projected to deliver roughly \$120 million in supplemental profits during fiscal year 2021. Retailers are also expected to play an increased role in driving online sales and they stand to benefit from this new market as well.

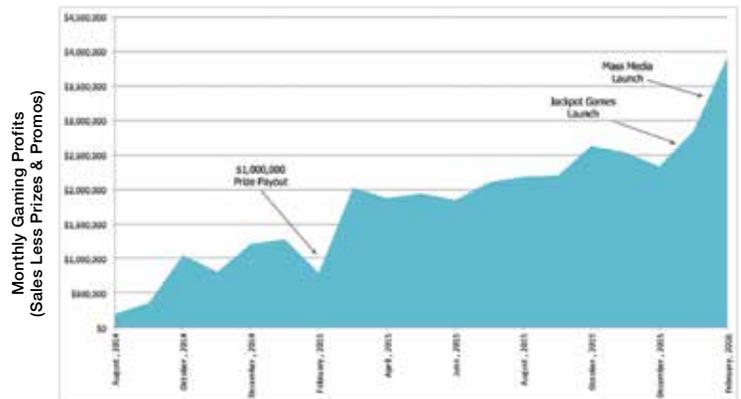
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About Danny Bogus and the Digital Gaming Group: In 2014, Danny Bogus led the startup of the Michigan Lottery's digital programs as the Deputy Commissioner of Gaming Operations. Danny's orchestration of the iLottery startup set Michigan on a path to realize more than \$480 million in incremental profits over a projected 8 year span. He reshaped the face of the organization by building the digital division into a 19 person operation over a seven year time span.

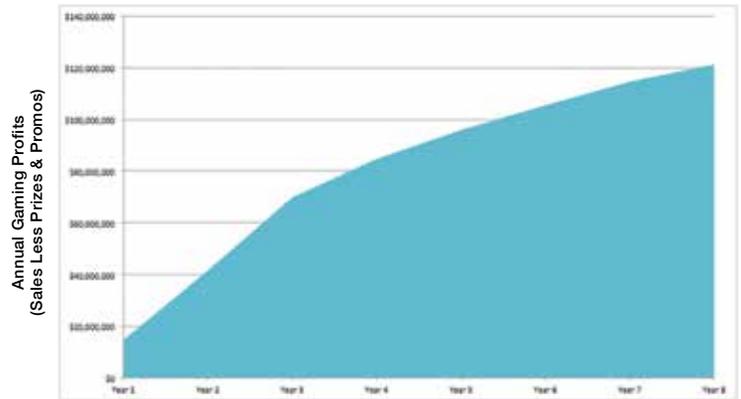
Prior to that, Danny led the startup of Michigan's mobile apps, website, mobile site, loyalty programs, payment programs, analytics platforms, second chance games and Keno To Go program. Danny was also the primary architect and author of all major procurement initiatives

The Michigan Lottery's success story should be a page in the book of every lottery looking to convince its stakeholders of the value, certainty and complementary nature of this new sales channel. Multi-channel growth has been observed across the globe where iLottery is present and the industry is finally obtaining domestic evidence as well. Perhaps not too far ahead, as the trends continue to take shape, iLottery will be viewed universally as one of the safest bets to achieve incremental growth. ■

Michigan Lottery—iLottery Profits by Month (through February 2016)



Michigan Lottery—Projected iLottery Profits (8 Years)



during this course of time as well, helping to select suppliers that could form a successful partnership.

Danny has been a noted speaker at many industry conferences and was a recipient of the 2015 NASPL Powers Award in recognition for significant contributions made through exceptional job performance. In 2016, he founded the Digital Gaming Group to help the lottery industry with key modernization projects ranging from iLottery startups, to loyalty programs and cashless acceptance programs at retail.

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