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Applying Technology to Drive Progress in the Government-Gaming Sector: A Roundtable Discussion with Five European Lottery Industry Leaders

SYNOPSIS: The consensus is that Lottery should not try to become something that it is not. More people love and play Lottery than any other game-of-chance. We should build on our strengths and enhance the attributes of Lottery games that make them so appealing. Trying to develop games and promotional strategies to appeal to casual gamers is misguided. Casting a wider net of third-party partnerships could help to drive more creative game development. But the model of enlisting thousands of developers, the way that Apple does, to create a plethora of Mobile apps for Lottery is not a good fit for government-gaming. In spite of significant benefits, there are obstacles to the implementation of APIs across jurisdictional boundaries. Data analytics will be increasingly important tools to enable Lottery to stay aligned with consumer trends and lifestyles.

Paul Jason: *What technological innovations/initiatives have enhanced internal operations, IT scalability and flexibility, or efficiencies for you?*

Anita Bánki: Director of Marketing Communications, Szerencsejáték Zrt, Hungary: The omni-channel approach is an integral part of our growth and development philosophy. Szerencsejáték Zrt. is using sports-betting as the pilot for such developments, since this type of gambling is the most dynamic, information-intensive of all the different gaming categories. Our goal is to migrate players to digital screens, and preferably to their own devices, instead of the traditional printed betting offer and bet-slips. The introduction into the retail environment of live betting on thousands of events in different markets is driving change and innovation. The sports-betting market is being transformed by technology much more quickly than the other gaming categories. That is why we are focusing on sports-betting as the pilot to acquire the most advanced tools, technology solutions, and strategies that will be applicable to other gaming categories as well.

Project AEGIS (Advanced Entertainment Gaming and Information System) incorporates a big improvement that will help us in the coming years in user management and terminal-usage. The project (consisting of two pillars, the first ending in August 2015) aims to integrate and widen different kinds of gaming and entertainment information, from potential customer card service to gaining takeover-reminders. The new system made possible the renewal of our most popular betting game (Tippmix). It allowed us to offer more game events, reach more markets, do quicker data processing, and create the possibility to offer live betting. We hope to integrate further internal services that can indirectly influence the gaming experience of the players and the effectiveness of the communication with our retailers (faster service, effectively using advertising material, etc.).

Lene Finstad: Technological development has major implications for all lottery operations. We already see a big shift towards the need for a lot more human resources on the customer-facing front, especially as more and more of the customer traffic migrates from our retail networks over to our direct digital channels. The need for operational resources increases dramatically. To manage this, it is necessary to have even more automation and efficiency on technical and back-office operations. The technology is more and more

commoditized on the back office and central systems side which means that we should be able to be more cost efficient on the technology side in the future.

The Mobile Revolution has been the single most transformational technology to enhance the customer experience. We are now able to communicate directly and in real time with each and every one of our customers, offering them a tailor-made experience wherever they might be. Think of the future implications for us in mastering this and harnessing its full potential to transform the player experience!

Vincent Pauly: The most important thing is the market share between smartphones/tablets and desktops. Now that more and more customers are relying on their smartphones/tablets, we need to have precise data that tells us how the consumer is connecting with us. In Luxembourg, for instance, as of the end of 2015, we have more (55%) smartphones/tablets than desktop users. Here is the key for us. Smartphones/tablets represent a great opportunity to also link our mobile customers in with our retail POS. New technologies offer many options: geolocation, SMS, Push notifications, etc. Loterie Nationale is in the process of defining a strategy to accomplish that.

Recently, we have changed our mass e-mailing tool. The previous system was handled by our IT Department, on our own servers, and was not able to provide e-mails in standards. The new tool is a complete SaaS solution, with good analytics systems and also a 99% success of emails received. The new system is also a tool that is constantly evolving. Now we are looking for other possibilities with SaaS solutions and web-based solutions for our other needs (system e-mails, etc.).

Jari Vähänen: There is a lot of work to do in this area. System modularity with good internal APIs are the key to doing this. Lottery needs to also build development knowledge for itself—you can't fully outsource this. Internal control is crucial when you guide the development. You must also have knowledge of customer behavior and provide that data to all designers and developers. They need to have visibility of the impacts of the changes they make. And they have to have the ability to change things quickly. This requires modular systems, the ability to monitor the behavior data of customers, and the ability to create the next hypothesis for improvement based on the analytics.

The most important thing is how we can continuously develop UE (User Experience) code. That development of the code to optimize UE is based on analytics and agile methods. The overall package includes a combination of data, data source, and analytics to enhance direct marketing and make it personalized service. It is technology-enabled. But the purpose is to enhance the user experience. For instance, instead of banners that promote the product or game, we can now send out personalized game offers that are much more likely to appeal to the player.

Ellen VandenBerghe: The age of mass communication is over. Thanks to better segmentation and personalized content,

our targeted email campaigns reached up to 36% sales increase by contacting up to 56% less people. When 40% of your players consult your digital channels on a smartphone or tablet, it's a wake-up call to develop everything for mobile. So, we are focused on everything related to the mobile experience (responsive websites/emails, native apps, push notifications, web analytics, data warehouses, etc.). Facebook is a powerful marketing tool and can teach you a lot about targeting and personalization. Even if you don't believe in Facebook marketing, it will open your eyes and show you how you should communicate on your own channels—start from insights, look at the context and adjust your message. You can identify the users of your website/app on Facebook and can then adjust your message on Facebook based on that. For example, you could launch a campaign to stimulate app downloads, but only to people that you have not seen before on your app yet, but have seen on your mobile player's website. Facebook is a powerful marketing tool and can teach you a lot about targeting and personalization. Even if you don't believe in Facebook marketing, it will open your eyes and show you how you should communicate on your own channels—start from insights, look at the context and adjust your message.

What role might the technology of standardized APIs (Application Program Interfaces) play for lotteries? Is there a potential for an API solution to provide a central server shared by multiple lotteries and retailers to reduce the cost and increase the speed for deploying new games and technologies across multiple jurisdictions? Is this important? Or maybe there are too many intractable obstacles for practical implementation in the real-world?

Lene Finstad: The API technology creates potential and acts as a driver for economies of scale. We see this in all other businesses and in my view it is imperative for the Lottery industry to actively seek co-operation to tap into this capability. A way to enable the lotteries to increase their portfolios and decrease the time to market is to encourage co-operation between lotteries on co-development of game portfolios and maybe even implementation of the games.

Vincent Pauly: A standardized API between Lotteries would be a very good point for us. We are all selling similar games (like Euro Millions or EuroJackpot). Many lotteries already devote resources to produce in-house APIs. For Luxembourg, as we are a small country, it would help us a lot to work with others and share the costs of development and maintenance of APIs.

Jari Vähänen: Multi-jurisdictional APIs are possible but not very likely. There are no standards in the gaming business that apply to a project like this, and many providers keep the other businesses out with closed systems and closed APIs. Also, the development of technologies is more rapid than our ability to create standards that keep up with the changes. I don't see it happening. However, openly published APIs may help to create some de facto standards which may lead to easier integrations.

There are also other local issues that are even more difficult (at least for lotteries) to standardize: like requirements of local authorities, or local payment and identification systems.

How can Lottery develop games that appeal to the powerful consumer trends of social networking and long-playing casual games of entertainment on Mobile? How can Lottery tap into the non-wagering Mobile Gaming phenomenon? Should Lottery try to develop a third-party game development strategy like Apple and other content marketers?

Jari Vähänen: The psychology in casual games and money games is very different. They are different games, different play-styles, and don't mix at all with Lottery.

Ellen Vanden Berghe: I am personally not convinced this is something Lotteries should do, or are capable of doing. Creating fresh, new, and attractive games and playing experiences is key. More partnerships that result in more exciting games will help the industry. That is especially true for smaller lotteries like ours. An in-house game development department needs a staff of at least 40 people—from concept development, story tellers, copy writers, designers, developers, testers, etc. The cost of that can be hard to absorb when the revenue potential is limited by market size. But enlisting a cavalry of third-party developers like Apple does is probably neither practical nor desirable for government-gaming operators.

What do you see as the most pressing need for Lottery to address over the next three years—especially as it might relate to the “Digital Transformation in Marketing?”

Anita Bánki: Szerencsejáték Ltd. obtained great results by developing strategies to connect with consumers on social platforms. Our Facebook group reached a follower base of 120,000 where people not only access information about our services, but interact with us on a range of different topics. Since sports betting is used as a pilot for developments, we launched our Tippmixpro Twitter channel to take advantage of the potential of live sport events. We need to invest in the technologies and tools that enable us to improve our understanding of our customers.

Mobile applications, such as Tippmix Radar, scan the betslip and keep track of the results real-time, notifying the player about winning. Self-service functionality allows players to make their selection on their own mobile devices or touchscreens available in retail, generating an ID that can be entered into the terminal. No coupons are required. The apps and webpages direct players to the nearest open shop based on their GPS coordinates.

Lene Finstad: The most pressing matter for the lotteries is to shift the focus of the business from being product oriented to being customer oriented. We need to get all our players to register. That is the basis for the genuinely interactive relationship that is so vital to creating a path for healthy and sustainable

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growth. We need to rethink and re-define the role of traditional retail, and build up modern marketing operations that communicate with our customers directly. And we have no time to lose in accomplishing this.

Vincent Pauly: At the Loterie Nationale, our goal is to integrate effective coupon/promotional programs with social media. Creating synergy with social networks and leveraging that into a more personal direct communications system is our goal.

Our new website (launched in November 2015, www.loterie.lu) is an example of the Digital Transformation in Marketing. It's a responsive website, so all our customers now have the same experience, no matter what device they use. They can also use an iOS-based phone or a Windows Mobile phone, they will get the same info in the same format and, of course, the same gaming experience. We have driven a strategy on this website since the beginning of 2015 to reduce the path of the customer to her game. In terms of revenue and new customers, this website is a success. We are always working on our website to improve conversions and new registrations.

Jari Vähänen: One key to success in this business is to offer the best games. Our products should be as good/excellent as possible! The games and overall use experience should be supported with services and other customer benefits. You should offer and market that combination in a customer-centric way,

making sure that everything you do is enhancing the consumer experience. We are indeed undergoing a transformation in marketing. The future of marketing will be based on effective use of data to understand player behavior, develop the games that appeal to the players, and build the communication links to the players that are direct and interactive. The successful marketers of the future will be the ones who are most effective at using data to understand their customers' preferences, and produce and market the products and services based on that information. This requires smart strategy, effective execution, and investment in the technologies to enable it to happen.

Ellen VandenBerghe: We need to have one view on the player across all sales and communication channels, across all devices (desktop, tablet, smart-phone, smart-watch, etc.), and across all product categories (draw games, scratch games, sports-betting, etc.).

The digital native companies of this world set the standards for modern digital experiences. Once the consumer experiences the quality of service and the personalized communication based on consumer knowledge and context that the most advanced e-commerce enterprises deliver, they expect that from everyone they do business with. Lottery players will soon expect to get real-time up-to-date communication on all channels while hopping from one device to another, from the offline to



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the online world. This requires lotteries to break down the walls that separate retail and online. The IT systems that support the marketing and distribution of lottery products as well as the organizational structure of the company must be integrated to create that one-view-on-the-player business, and also the holistic player experience that follows them from channel to channel and device to device. The key is to build more personalized relationships with higher value customers.

How will data-analytics unlock Lottery's ability to identify the consumer behavioral trends, and focus product and business development in a more customer-centric way?

Anita Bánki: As our online player base gets bigger every year, the information we obtain gets more valuable: it is getting crucial to differentiate the signal from the noise. Playing patterns and behaviour create opportunities for us to evolve our communication in a more precise and efficient way. We tend to move from a traditional marketing mix to more composite and direct solutions.

Lene Finstad: Data is the foundation for this revolution, but it is not just a question of collecting data, we must transform the sales and marketing processes to make use of all the data in an efficient way.

As we turn to the customers to ask what they want, we must be prepared to streamline the offering to narrowing sub-seg-

ments, and to do that much more quickly than today. We need to radically decrease time to market for each offering and we need to dramatically increase the number of games and content on offer. To be able to do this we need to re-think how we manage game development and the models for co-operation with content providers.

Vincent Pauly: Since the new website version of Loterie Nationale, we use a lot of data analysis to improve our advertising, our outreach actions, and even our games. It's now a "vital need" to analyze data. As Luxembourg is a multicultural country, it's very difficult to get customer profiles. We are everyday testing and building our offer for our players.

The social gaming targets mainly young people, and at the Loterie Nationale we have a strict policy in terms of Responsible Gaming. So we are not building games or apps for free gaming. Also, since our new website we have removed the demo version of our games.

Jari Vähänen: Veikkaus was still very product orientated lottery even just ten years ago. In 2004 we launched the first Customer Strategy and that began a process of much change during which we have tried to acquire a fundamental understanding about customers and how we can utilize information to enhance our connection to them. ■



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