

What Does Data Have To Do With It?

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The answer is, just about everything. Some might be looking for answers that quickly get to how Powerball needs to specifically change to recapture its revenue or what's the next big win draw game for the industry. But as outlined in the two previous articles, the path to the future, including getting more from Powerball, isn't about Powerball at all. Instead it

is about creating strategies and organizational competencies in response to the trends affecting not only Powerball, but the lottery industry as a whole.

The trends that are blurring the lines and resetting expectations around gaming, raising the bar for customer experience and broadening the competitive landscape for all. The lottery industry (like every other) is facing seismic changes brought on by what the always connected customer expects from the companies with whom they do business, the games they like to play and the way they prefer to engage. While today's traditional lottery business is significant and there is revenue yet to be gained, traditional strategies and approaches are no longer enough.

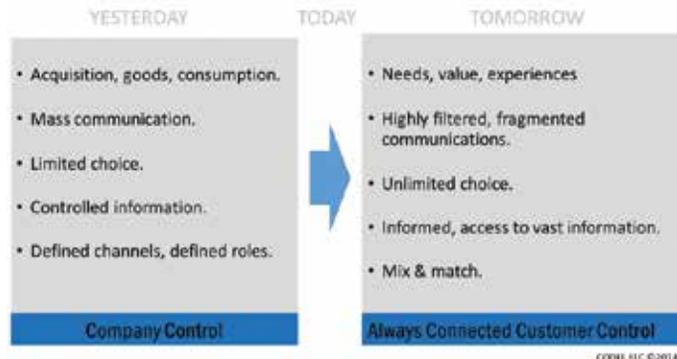


Figure 1: Consumers Expect More

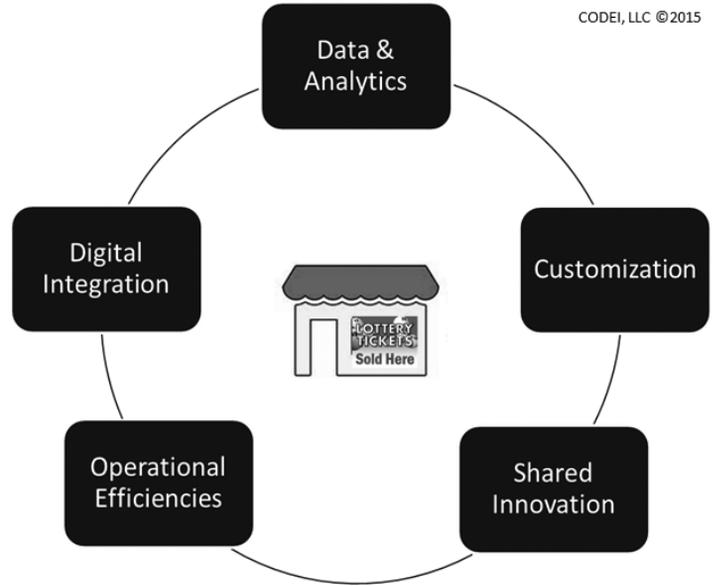


Figure 2: Retailers Expect More

The way things have always been done will no longer meet the demands of lottery customers and the requirements of lottery retailers. Where to start and how to keep up? The answer lies in the data and a willingness to change.

The Potential In Data

Data has always played an important role in the operation of lotteries. Ensuring security, integrity and stability in transactional, claims and draw data is foundational to a lottery's livelihood. So too is data critical for suppliers as they design and deliver games that appeal to the market and play and redeem as they should. Accurate and timely reports are important to retailers as they balance books, manage inventory and get paid the right amount each month. Up until now, this largely operational use of data has served the industry well in its climb to a preferred entertainment choice.

There is a lot of data. While there may be more data the industry would love to have, unlike many companies, lotteries are already data rich and getting richer by the minute. As data continues to accumulate around winners, games, customers, marketing, transactions, distribution, email, loyalty, salesforce, social, app and more, the demands for what to do with it and how to keep it clean and



Volume, Velocity, Variety and Veracity

Lottery "data" refers to numerous disparate, structured and unstructured sets including customer, transaction, survey, retailer, claims, app, advertising, loyalty, email, tel-sell, social and games.

Figure 3: Data is Plentiful

secure increase. Accumulating data, purposefully and incidentally, is the easy part. Ensuring that data is efficiently stored, consistent, accessible, integrated and secure is hard. Harder still is uncovering, understanding and analyzing the data with context and meaning. And hardest is ensuring the organization has the ability to share, apply and respond to what the data has to say and the technology, infrastructure and processes to utilize the data to improve the customer or retailer experience.

Lotteries are not alone. In late 2013, Forrester estimated that companies were using just 12% of the data they had. According to Gartner statistics shared by Cloudera's Chief Technologist at Indy Big Data 2015, by 2017 60% of big data projects will fail to go beyond the pilot phase and by 2018 90% of data lakes will be useless with no business case. Finally, a recent MIT Sloan Management Review report, The Talent Dividend, found that in 2014, organizations went backwards in their ability to use insights to guide future strategy and gain a competitive advantage (although access to data had risen).

Billions Being Spent, Potential Still Out of Reach

If it is true that the billions already spent on data initiatives have delivered disappointing results, why are billions more expected to be spent?

Because, data is increasingly considered a vital asset. An asset that is appreciating daily and for many the only way to remain continuously competitive, meet the requirements of distribution channels, keep up with the demands of always-on marketing and efficiently meet the needs of the customer. Multiple studies from leading schools and organizations have quantified the potential

of data to create measurable value. In study after study, analytically driven companies consistently perform measurably better than those who are not. Additionally, a study by McKinsey & Co. specifically on marketing spending, indicated that a typical range of 15% to 20% of marketing budgets could be reinvested in other activities or returned



Figure 4: Data Does Deliver

to the bottom line without losing marketing ROI.

Given the data rich features around the planning, marketing and distribution of lottery products, the potential net income gain through improved use of the data is measurable. The instant category is reaching maturity, bloc lotto is declining, network growth is challenging and digital is changing everything, therefore it is increasingly important to look to data to find efficiencies and to focus resources on the biggest opportunities. While the specific size of the potential is unique to each lottery, for most there are likely short term gains around optimizing instant game distribution and getting more actionable data in the hands of the salesforce. And mid-term gains likely in areas such as forecasting, product strategy, store optimization and marketing spend optimization. And longer term gains to be achieved around strategies with multiple levers to push such as retail, customer, products, operations and digital.

Regardless of the business optimization opportunities, controlling and using data (and technology) is quickly becoming a customer and a retailer mandate. As consumers immerse themselves in activities that yield quantities of data, they become harder and harder to reach and are increasing their expectations for how companies must secure and use their data to responsibly bring them value. Retailers, facing increased competition from all sides, are looking to data to gain a competitive advantage, improve the shopping experience and increase the value they can offer to their shoppers.

More than More Reports

If the value is substantial, the mandate clear and spending substantial, what then are the barriers?

Because many (if not most) efforts thus far have not fully addressed the scope of change necessary. Lotteries, like most organizations, were built up in the 80s and 90s with an infrastructure, systems, processes and people focused on stability, scalability and continuous improvement of the same strategies and tactics. "Get better at doing it the way it's always been done and do more of it." Top down, controlled decision-making and iterative improvement were enough to stay ahead of the market and maximize distribution. Data sets are disparate, not always accessible and inputs and outputs aren't integrated or necessarily captured. For many, data ownership is dispersed throughout the organization and the language around the data is inconsistent. Staffs are lean, often working in departmental silos and focused on responsibly and effectively delivering the business of today. Finally, for many, the existing lottery systems, software and hardware are no longer enough to support the access, analytics, automation and agility required for business today.

Multi-Path Journey

Many of the discussions regarding the challenges organizations face regarding data have often been around the lack of specialized talent, limitations of software, and access to or structure of the data. Issues surrounding data initiatives are often framed as an IT issue, a

Marketing issue, a Sales issue, etc. Depending upon who one talks to, the problem might be needing to better define a use case or it might be hiring more analysts or perhaps getting users to better define requirements. In truth, it is all of those things, but fixing them will not fix the underlying issue.



Figure 5: Creating an Analytically Driven Organization

Changing the way a business operates, requires changing the way a business operates. Creating an analytical organization that is capable of turning data into value is not an IT installation of a BI solution, or a big data initiative or the creation of a data warehouse. Those may be important, but are only a few steps in a multi-path journey requiring resources, focus and continuous work from across the organization. A multi-path journey that recognizes there are distinct efforts around Data Strategy and Management, Reporting and Analytics and Interpretation and Application.

Data Strategy & Management encompasses the responsibilities of organizing, accessing, and managing data as well as ensuring the data is quality, secure and consistent. Reporting and Analytics is the work around discovering, understanding and analyzing the data for reports, analytics, consumer strategies and more. Interpretation and Application is the work across the organization to put the data in context, understand its business impact and put it to work in the form of decisions made as well as strategies and tactics deployed in operations, sales, marketing and administration. A few things to keep in mind.

Start at the Beginning

Each organization's paths toward turning their data into value will look different depending upon budgets, resources, starting point, etc. Whether the effort is small, medium or large, the first step should always be assigning a champion, ensuring executive leadership and gaining buy-in and participation from across



Figure 6: Getting Started

the organization. Additionally, before establishing goals or chasing anything new, audit what is happening today. An audit that includes answering questions such as: where is the organization's data, who is using it, how is it governed, how is it being accessed and how is it being used today?

Stay Focused & Prioritized

If possible, start first with data that is already available, define a focus and get to work. Don't complicate it if it isn't necessary. Consider areas where better use of data has the potential to remove barriers, overcome objections or meet a longstanding customer need. Find a few quick wins while also taking on some larger challenges. Keep the effort nimble and supported to allow the organization to practice and grow its competency around data.

Create a Structure and Then Be Prepared to Change

While each organization will be different in the specific how, it is without question that new types of relationships and collaboration between marketing, IT, sales, accounting, administration, operations and suppliers will be necessary. Where and how to begin to build the new data competency will depend upon unique aspects and strengths of each organization and their supplier relationships. One way, the hub and spoke method affords analytics talent the opportunity to foster a greater understanding of all data sets while also allowing for tight collaboration with business partners as well as a vertical concentration in specific data sets. Additionally, it is likely that while a structure may be initially defined, it will continue to change and adjust as data competencies grow.

Understand What Data Can and Cannot Do

Data is a piece of the puzzle, it isn't the puzzle and it doesn't solve anything on its own. Data must be understood, put in context and properly interpreted to have meaning and value. Given the now overwhelming availability of data, there are more ways to get it wrong, more ways to disagree and more ways to disappoint the customer

than ever before. No matter how sophisticated the technology or robust the data, gaining business value from data is dependent upon people and how they interpret and use it.

It's the People

As confirmed in The Talent Dividend, it is the people that make the difference. Data is turned into an asset only when people from across the organization are interested in

it, understand it and have the skills, ability and resources to put it to work. It is these people that, up until now, have been directed to make the way things have always been done better, faster and more efficient. The same people, already subject to cognitive barriers and biases, who work in organizations that likely don't reward critical thinking, taking risks and creating new ways of doing things. The same people that are often already tasked with delivering the business needs of today. It is these people that must create change. It is possible, but it will take time and supported plans that recognize all levers, needs and barriers.

It's a Journey, Expect to Fail Before You Succeed

Perhaps most important is the need to accept that creating an expanding ability to leverage data for value is a journey. A journey requiring participation and resources from across the organization. It isn't a one-time installation with an end date, but instead an ongoing effort to gain a clearer picture of the market and a greater ability to meet and stay ahead of its demands. It requires time, commitment and daily

DEVELOPING → DIAGNOSING → UNDERSTANDING → OPTIMIZING → PREDICTING → DIRECTING

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Figure 7: A Multi-Path Journey

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want to repeat-play Instant games, or they may want to know what the latest promotions, coupons or offers are. This experience needs to be different for these player than for the new/infrequent players.

The role for the operator is to be able to provide different messages, experience and navigation of the site by player segments (whether they be by value or usage). The operator must have the ability to be able to meet the needs of these differing player needs and have the dynamism to convert and upsell against a narrow and broad product offering.

Shouldn't an Interactive website include free-play options to engage the consumer? Is the goal to maximize the "dwell time" as key to maximizing the likelihood of purchase, as land-based retail stores try to do?

R. Bateson: Yes, iLottery channels should offer free-play options (where allowed to by their state or regulator). This allows players to try before you buy and is common across the i-gaming industry. In our UK business, 80% of IWG players that try a game also play a wagering game. So backing up our hypothesis, we offer games to new/undecided players to help drive conversion, and ultimately the majority of them do go on to wager as well.

Operators need to decide whether free-play options are only available to players with active accounts. The advantage of this is that it can become a data capture exercise to build out prospect pools and build player understanding—for example—which games/types of games/price points are driving trial.

Free-play can increase dwell time on site as it is likely to encour-

working it to derive more than interesting points, dashboards and reports. Regardless of budget, it will take a commitment from many, a centralized vision and a clear understanding of resources. Even with all of that, be prepared to be disappointed, to fail and to find more barriers than discoveries in the early days. Continue to work and eventually results and value will be exponential.

As the market has gotten more challenging and both consumers and retailers demand more, there seems to be a growing narrative around all the reasons why lotteries can't stay competitive. Games are changing, marketing is changing, consumers are changing and technology is changing. That said, instead of listing why lotteries can't keep up, perhaps the list should be all the reasons why lotteries can. Lottery remains one of the most popular entertainment products, drives traffic into retail doors like no other product can, touches millions every single day and raises billions for good causes. With a vision, enough resources, new types of enabling technologies and a commitment to change, lotteries can maintain their preferred entertainment status. It might be more than getting more out of Powerball, but it can be done. That's what data has to do with it. ■

age increased visitation of the site, but this is by no means the only activity to do so.

Lotteries must focus on content, social integration and on site promotions. Content, whether it be rich media, user content, beneficiary stories is really important in giving players a reason to drive engagement and revisitation. We all know that there are times when jackpots aren't big and there isn't any new news, so a content/promotional calendar should address those gaps with fresh and engaging content – increasingly we are seeing this being achieved through rich media, be it video or infographics for example.

Exactly how is Mobile Gaming different from home-computer-based gaming? Isn't all delivered via the internet?

R. Bateson: This is about a shift in usage by consumers. More people are accessing lottery websites through mobile rather than PC. It's true that in its simplest form a mobile device should be seen as just another distribution channel and many of the same principles and disciplines do of course apply.

It's also worth considering that there will be some differences. We know that our players accessing games on their mobile behave differently—they play different types of games, at different times of the day and respond to different marketing techniques. All of these need to be understood, considered and acted upon in order to give your players the experience they want. ■