

Following is an edited synopsis of the panel discussion held at Lottery Expo on September 13 in Miami. You can view a video of the complete presentation at: www.PGRItalks.com.

—Edited by Paul Jason, PGRI.

PANEL DISCUSSION

Moderator:

Gary Grief

Executive Director, Texas Lottery, President of MUSL

Panelists:

Andy Davis

Chief Financial and IT Officer, Tennessee Education Lottery Corp.

Tom Delacenserie

Secretary, Florida Lottery

Austin Huggins

Technical Specialist, Publix SuperMarkets

Paul Riley

Vice President Product Marketing and Interactive Wagering, IGT

THE PROMISE OF API (APPLICATION PROGRAMMING INTERFACE) TECHNOLOGY

Presentations on the urgency to implement APIs were followed by this panel discussion. APIs are the key component to building the IT platform that supports the rapid deployment of technological innovation across the board. How and why will APIs increase Lottery sales and net funds to beneficiaries—what are the costs and risks as well as the benefits to implementation of APIs? This topic was introduced at PGRI Smart-Tech in April 2016, has gained momentum over the past few months, and is now at a point where concrete action-plans are being shaped. It's time to take it "to the next level" - to connect the dots and relate objectives like in-lane sales, cashless transactions, standardized reports and audits for multi-state retailers, and more ... to the technologies that enable them. The key to unlocking the transformative power of APIs is multi-state collaboration and funding. How do we get there?

Retailers are mandating how items are to be sold, how they're displayed, how they're stocked, replenished, and paid for. Retailers are leveraging IT to become data-driven enterprises, manage operations, and to adapt to new consumer journeys and interactions.

In today's rapidly evolving retail landscape, lottery products confront several obstacles for adoption by major, multi-state retailers. The need to address and overcome these obstacles as an industry is becoming more pressing as retailers modernize their cash register equipment and IT systems, and retailers like Wal-Mart, Target, and CVS fundamentally change their relationships with the brands they sell. Retailers are mandating how items are to be sold, how they're displayed, how they're stocked, replenished, and paid for. Retailers are leveraging IT to become data-driven enterprises, manage operations, and to adapt to new consumer journeys and interactions. Consumers demand convenience and retailers are committed to delivering it. As state lotteries, we want to increase brand equity, awareness, ease of purchase and options. There is a solution to enable retailers and Lottery meet their goals: Application Programming Interface. APIs will play a key role in enabling Lottery to keep pace with these important changes in the retail environment. APIs already permeate our lives. It is the software-based language that is the backbone that enables the IT systems of the world to communicate with one another. Lottery needs the standard API to ensure our systems can connect with the world around us, to retailers, to vendors, and to each other.

Retailers strive for operational consistency across their stores in every respect. The methods in which data is transacted needs to employ the same consistency. For the communication language and reporting to vary from state to state creates onerous complexity, costly and time-consuming for both the retailer and the Lottery. There will come a time when the retail community will say, "This is what you need to do if you want to sell in our stores." It's imperative that Lottery not wait to receive the ultimatum. It will need to be done. It's just that the benefits to doing it sooner than later are so compelling that the time to push forward is now.

As an industry, Lottery needs to examine changes that will be needed as a result of adopting a standard API. The nature of those changes will vary from jurisdiction to jurisdiction.

Regulatory, policy, accounting, ticket settlement and accounting changes may be required. The good news is that the API is a technological solution that simply enhances communications between retailers and Lottery and so should not impinge on issues that concern policy-makers.

There are multiple partners, vendors, and suppliers, who are stakeholders coming to the table to discuss APIs. Are the necessary contractual and business structures in place to accommodate these partners? Lottery may need to reexamine some of its business agreements to ensure they allow for this type of collaboration. The initiatives may require some adjustments, additions, or amendments to those agreements. It should not be difficult to make those adjustments. There just has to be a commitment from the lotteries to be open to changes, and for the vendor community to be committed to making changes. Too, the value chain will likely smooth a path for new vendors and types of service providers to enter the Lottery world.

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Everyone agrees that Lottery needs to modernize for our customers and our retailers. Insofar as we want a different outcome, we need to do things differently. We have to keep our focus on the endgame, which is something that will benefit everybody in terms of expanded market penetration and shelf space. That endgame will include APIs, and so far better to implement the changes now than to wait for the negative impacts of inaction to continue to build.

A NASPL declaration recently was signed concerning the establishment of a working group on APIs. The working group is charged with defining a broad set of requirements associated with the API that include governance, administrative, legal, security, financial, accounting, and more. The working group includes representatives from ten lotteries and ten vendors who will assist with how they will be addressed. One of the rules changes would impact MUSL’s Powerball rule #2 requirement. Further, lottery system providers will be expected to support these common APIs through their software initiatives within every lottery jurisdiction. The hope and expectation is to clarify and act on common-ground solutions that enable implementation across the entire industry.

Security and integrity are mission-critical to everything. Lottery’s reputation and brand value are built on zero-tolerance of anything that could compromise security. Collaborating with others on the development and management of IT tools that enable better communications might justifiably raise concerns about security. Security of a product entails more than the physical receipt. It also involves recording the identification of certain components of that sales transaction for processing of a winning ticket. Those concerns

are being addressed. Any and all changes must adhere to those standards and preserve the security and integrity of the system. The API initiative must deliver on that promise and it will. International markets have considerable experience with this business model. There is abundant precedence and blueprints for ensuring that the highest security standards are met.

Retailers want to sell more of everything, including lottery products, and we need a solution that is easy for our customers, easy for our associates, and will help us grow sales. Enabling in-lane sales and modernized processes is imperative for retailers. APIs provide the solution, presently lacking, that enables retailers to track and balance inventory, and measure and analyze all their cost centers like labor.

APIs will also facilitate Lottery’s expansion into nontraditional locations like quick-service restaurants. There are many non-traditional venues that are looking for ways to entertain their customers. Lottery is an ideal fit which is not being deployed there as much as

it should. In that way, APIs enable a significant expansion of Lottery’s land-based footprint.

To begin to make these critical modernization changes, lottery management, the directors and their key executives, are encouraged to understand how important this initiative is to the industry. Developing operational consistency based on the tools of modern IT communications is key to expanding our network of land-based retailers.

The call-to-action starts with the vendor community. The lottery industry is very fortunate to have people of the quality that we have in the vendor community. And Lottery depends on them to utilize their resources, know-how, and talents to move the industry forward. The industry needs vision and leadership and Lottery depends on its commercial partners to embrace the need for change and modernization. It will take a combined effort of all stakeholders, vendors and Lottery and retailers alike, to work cooperatively and collaboratively together to unlock the potential that modernization initiatives will deliver. Let’s begin the process of bringing ideas and solutions to retailers. Let’s begin to test products and solutions and engage our retail partners in the process of helping us to help them. Let’s achieve one success and move on to the next step, one positive result and keep building on each step forward until we get to where we need to be. We have already begun the process. Now let’s join together and push forward with resolve and commitment to modernizing Lottery and create the foundations for ongoing success. ■