Following is an edited synopsis of the panel discussion held at PGRI SMART-Tech on April 7 in New York. You can view a video of the complete presentation at www.PGRItalks.com. Edited by Paul Jason, PGRI.

RETAIL OPTIMIZATION: THE OUTSIDE-THE-STORE CONSUMER EXPERIENCE

How can Lottery optimize its entire eco-system of consumer touch-points (advertising, store POS, digital and social connections, etc.) toward the goal of creating a relationship with the consumer? How can Lottery do more to leverage its online connection to millions of consumers? How can Lottery do more to build loyalty and engagement by getting players to register, and to use its websites and social media connection to drive traffic to retail? How can Lottery leverage all of these activities into heightened retailer motivation and Lottery sales?

Moderator:
Gary Gonder,
Chief Branding Officer,
Missouri Lottery

Panelists:
David Barden,
Executive Director,
New Mexico Lottery

Kevin Gass,
Vice President,
Lottery Gaming,
BCLC (British Columbia)

Bill Thorburn,
Group Executive
—Lotteries (International),
Tatts Group Limited

Gary Gonder: All the major brands realize that we live in a cashless society. Customers are always on the move and they want seamless interaction across platforms, devices, and channels. Brand managers are looking for ways to build models and make sense of all the factors that influence consumer behavior. One of those models is called Customer Journey Mapping. In Missouri, we've identified more than a hundred branding touch-points, and messaging that traverses across sixteen different media. We've learned that all customers move through a continuum from awareness to consideration, conversation, and loyalty. How important is Customer Journey Mapping, how might lotteries use it to build a relationship with our players, and how might it be used to influence players to go to the retail stores and buy lottery products?

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Bill Thorburn: Without online registration, the player remains anonymous to the operators. In that context, you rely heavily on retailers to map the in-store journey of the customer, but you don't know much about what happens outside the store. In Australia, we've had registration programs for 30 years and internet-based registration programs for 15 years. We're in the fortunate position where more than 50% of our sales revenue is currently from registered players. That provides the platform for us to build interactive relationships with 3.4 million players.

The concept of customer journey reminds me of another concept from the 1980s called the "moment of truth." I think of "mapping" as a more modern execution of that. We just now think of that "moment" as being whenever the audience interacts with us. It's all about developing the kind of interactive relationship that yields feedback from your players and the channel for messaging and communication with your players. Some of those interactions represent a friction point where we learn about an unsatisfactory experience. That is useful information that guides our efforts towards continuous improvement. "Permission points" are another part of the player journey—this is where our interaction with the player results in their sharing of information to reinforce the kind of personal relationship that we want to create.

Kevin Gass: First, I would submit that the distinctions between outside-the-store, inside-the-store, and countless other consumer touch-points are becoming more and more blurred. Convergence is happening in these spaces just as it is between digital and brick-and-mortar.

We recently did a customer mapping exercise with our lottery players. Some had purchased on our digital channel and others had purchased at retail. The results were the opposite of what we expected. In the digital channel, we thought that once the registration process was completed, the purchase piece would be simple. And at retail we expected our customers to think that the purchase process is cumbersome because you have selection slips and all the rest of it. What our customers told us is they had much greater satisfaction with the retail purchase than the digital purchase. We got the same surprise on our customers' reaction to validation and payment. Customers felt it was a hassle to get paid at retail, to check your ticket to see if you won and then find a retail outlet to get paid. But on the digital channel, customers had a high level of satisfaction because they didn't have to do anything. They got a push notification saying they'd won a prize and the prize was already transferred into their e-wallet if it was below a certain threshold. So we were surprised about how real people behave in the real world—it's not always what you would expect.

David Barden: New Mexico is a smaller lottery. When I arrived in 2013, we had 13,000 players registered for a rewards program that didn't exist. We're up to 51,000 people now for a

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rewards program that applies to our $1, $2, and $3 tickets. So we are collecting information for the first time. It's been estimated that the average person picks up their cellphone about 200 times a day. In my state, when they pick up their phone they're not getting anything from the lottery and that has to change. We're getting ready to come out with a mobile app that's going to be pretty aggressive. You're going to be able to do your purchase on your phone, walk in, scan it under our photon terminal, print the ticket, and pay at retail. It will store all your vital information. So each time you come in, if you have your lucky numbers you don't have to go through the whole process.

Gary Gonder: Recent research conducted by App Boy found that levels of customer engagement have a direct correlation with the level of customer retention. Only 55% of individuals who use an app in the first week after download will be retained or will show further activity over the next three months. But 90% of the people who engage every week for the first month will be retained. So it's key to have them active for those first 30 days.

Bill Thorburn: It can be just one key feature that drives success for the app. For instance, we launched a ticket scanning element to the app in February 2015. There's been a tremendous take-up of just that one feature. A great app has to have features that people actually value and want to use. In the first month that we put that feature onto the app, we had 7% of the lottery's app users using the feature. Within 30 days it had gone up to 24%, and it has become a very effective acquisition tool for our digital offer. A lot of our retail players who haven't registered for digital play wanted to use the app for that one purpose of scanning their ticket. Once they download the app, then we have the ability to talk to them about the other features on the app which include convenient purchasing of product. And because of our player registration system, once they scan a ticket that's registered then we can actually talk to them individually because we know who they are. That's a pretty good example of what value can be delivered through an app, or even a single feature of an app.

Kevin Gass: We are in an interesting spot because we are always working to move forward with the application of technology to deliver more player benefits. We thought, for instance, that it would be good to create a more horizontally integrated relationship to our player base. Create a one-stop app that makes all of our games available to the player. We were surprised to find that players do not necessarily want that. For instance, our playnow.com digital channel included a lot of casino-style games and sports-betting. We did some research and found that a lot of our lottery players got turned off by that. They felt the site was all about gambling and lottery is not really about gambling. So we hit the pause button while we think this one through. We redesigned our website to tone down the casino/sports betting component. We also decided that we're not going

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to mix these all together into a single app. We will have a lottery app designed for lottery players which will be a transactional app as well. The main thing is that it will be totally focused on the lottery world because we have found that while we can fairly easily migrate casino players into lottery, it's much more challenging to migrate lottery players into casino. There's some migration, but not a lot. So we're starting to separate those worlds to match up the player with the game categories they are most interested in.

Bill Thorburn: Ditto! We have had the same experience in the southern hemisphere. Our tatts.com app has sports betting, horse wagering, and lotteries on the one app. We are going to break that apart and deliver a lotteries-only offer which is properly focused on lottery players and their interests rather than attempting to cover the interests of a sub-group who like betting on horses and sports. Lottery pleayers will have their own dedicated app.

Gary Gonder: We've heard the terms Beacon Technology, Geo-mapping, and Geo-targeting, but have you heard of "Shop-Kick?" It's an app for the really cost-conscious consumer. You go into a Wal-Mart or a Target or any of the big box stores and you get points for just walking into the store. You get points for scanning something. You get more points for buying something. Those points can be turned into something that you buy at that retail location. Where should we go with this? How can lotteries take advantage of these kinds of proximity marketing tools, and how can we make sure it's not "spammy?"

Kevin Gass: I'm a bit of a skeptic. I hear lots of anecdotes, but I haven't actually seen business results or data that show the benefit and the kind of incremental sales that you might get from employing that kind of technology. The notion of spontaneously responding to a beep or push message just does not really comport with my view of the way consumers actually behave. Conversely, I think the point-of-sale signage in our retail networks are very effective in promoting impulse purchases.

Bill Thorburn: We are doing a significant level of direct marketing through our established CRM programs. So, like Kevin,

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we are very careful that we don't just spray out messages that people don't want to hear. We do not want our actions to be viewed as an uninvited intrusion. And getting beeped to be told of a lottery promotion as you walk along the street might annoy some people, unless the message is relevant to them in that place at that time. We are trying to move to a one-to-one relationship in which the messages we send are as personalized and relevant as possible. We want our marketing efforts to be so personalized that they are seen as a service by the players.

David Barden: I get probably six freedom of information requests a month for everything from give me your entire player base to all kinds of information that should not be made public. Is that an issue for you?

Kevin Gass: We are building our CRM strategy with a lot of legal input. We've included all the protection that we can to comply with the laws that exist to protect that information. But confidentiality and security are absolutely critical points.

Gary Gonder: I read a study with some very interesting statistics about loyalty programs. 45% of loyalty program members limit their purchases to specific brand stores for the express purpose of earning rewards; 17% of loyalty program members join because they love the product or the brand identity; 43% of consumers in loyalty programs want to earn rewards tied to the specific brand, but 60% of such consumers viewed the brand as offering loyalty programs only as a way to spur more sales instead of cultivating a connection with their customers. So how can we engage our customers and how can we use that to drive people back to retail?

Kevin Gass: We're undertaking a broad and comprehensive CRM strategy. We want to create an ecosystem for our market where you can access any of our products through any of our channels with a single identifier. A mobile phone probably will be used most often, and through that, customers can accumulate rewards, build loyalty points, receive promotional information, etc. But we must be very mindful about not spamming our customers. Instead, we want to be much more sophisticated in

terms of building that true one-on-one relationship. It's not just a sales promotion, a "make the numbers today" thing. It's a long term view of cultivating that relationship, focusing on what is relevant to the individual player, and defining success in terms of lifetime value of a customer. We believe a sophisticated CRM strategy has to be a major piece of the lottery operator platform.

Bill Thorburn: I agree. The CRM program is an essential element to building loyalty and engagement. So even if you can't have a full-fledged registration system, there will be occasions when players are willing to share information with you, and you can then build a better understanding of their behaviors, and then

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you can start doing more personalized marketing. Our way of using it is to progressively develop it through permission points. This is not an overnight proposition. We've been building our CRM program over three decades and we continue to invest in it. It takes a lot of work, but once you've got it established, the benefits and ROI become abundantly clear, and the process of building on it becomes extremely cost-effective. The power of a very high-value app is going to be a great tool for lotteries to invite players to connect and start providing information that can be used to develop personal relationships with them.

Kevin Gass: To Bill's point, CRM is not an overnight proposition. We've had it as part of our business for ten years. It's one of those things where you have to crawl, walk, run. There are a lot of organizations that come with a prepackaged solution, but they often don't deliver the results that are best for your particular objectives. I think it's something you've got to learn as you go, building up your systems over time as opposed to trying to go for the quick win. ∎