



NORSK TIPPING

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PGRI Introduction: *Meeting with industry leaders like Mr. Almlid is one of the main reasons for attending the big industry events. The World Lottery Summit in Rome in November was one such event. The European Lottery Association hosts a bi-annual event as well, called the EL Congress, to be held in Oslo on June 8–11, 2015. Visit www.el2015.org for complete info. The co-host is Norwegian lottery and gaming operator Norsk Tipping. The conference theme “Touch Tomorrow” captures the forward momentum of European lotteries, and government-gaming operators all across the world.*

Europe is the most mature gaming market in the world. The regulatory issues, competitive market conditions, and consumer trends evolve more rapidly in Europe gaming environment than in the rest of the world. To my mind, that means that the rest of us have a lot to gain by understanding how European markets are working because it is only a matter of time before other parts of the world face many of these same issues.

The “Touch Tomorrow” theme also reflects the action-oriented leadership of Norsk Tipping, which offers the complete range of gaming products, including all traditional lottery games and sports-betting, as well as electronic gaming machines and online casino gaming and i-lottery. And distributes the products through a advanced multi-channel model. A unique feature of the Norsk Tipping model is that all players must register to play any games or buy any products. Registration is even required for buying the products in land-based retail stores. Registration has been required since 2009. A dedication to Responsible Gaming was and continues to be the primary driver for regulatory policy in Norway. 100% registration, though, has become a powerful competitive advantage in a gaming market-place that is changing so rapidly.

Paul Jason, PGRI: *What does “Touch Tomorrow” mean to you?*

Torbjørn Almlid: “Touch Tomorrow” refers to the future of our industry being driven by technological progress, consumer-based innovation, and integrating our businesses into the socially connected world of the consumer. It refers to the fact that the future has arrived. It is no longer about positioning for “success in the future.” Our day is here, now. It is about succeeding today, tomorrow, next month, and next year. Having the right technologies in place, scaling up as needed, with every-

thing strategically focused on delivering maximum value and a fabulous playing experience to the modern consumer, is imperative for success today. Taking action today is what “Touch Tomorrow” means to me.

Most government gaming operators have monopolies in at least some of their product categories. As the only authorized operator of games-of-chance in Norway, Norsk Tipping has a monopoly in all categories. Yet you think of it as a competitive market-place.

T. Almlid: Oh, yes, absolutely. Norwegians are bombarded with advertis-

ing from unlicensed operators from all over Europe. Of course, we hope that the methods of enforcement, and the political will to enforce the laws, will protect us. But the reality is that we need to compete with a superior value proposition because illegal operators will never go away entirely. The modern consumer is much more willing to try new gaming experiences. Social casino and non-money games, and “freemium” games which do charge for value-added services and features, are becoming very popular. We need to pay more attention to customer retention than ever. Even the consumer who migrates from one Norsk Tipping

game to another Norsk Tipping game is someone whose attention can be diverted by other offers. So we need to not only look at the top-line sales, we need to pay special attention to player patterns and participation levels.

The focus on the EL Congress “Touch Tomorrow” will help us all to understand how to succeed in a business climate that is shaped by constant disruption. Government lotteries have the support of the people and their political constituents. We just need to harness our resources to deliver superior value to the consumer. That means change and innovation because the consumer market is constantly changing.

NorskTipping sure is taking that mandate to heart. What is it like to launch an entire suite of new online Interactive games in such a compressed time-frame, over the past nine months?

T. Almlid: It is going well in that we are exceeding expectations. But online games have a short life-span. So the need to refresh and continually launch new and exciting games is imperative and will always be a challenge. We have been innovating in every game category over the past four years, not just online. In spite of that, we have seen a slight decrease in number of customers. Sales continue to increase, but player-ship is flat. That concerns us, and so we are working to add more value and appeal to the games. We’re doing that through what we call customer-driven innovation.

Customer-driven innovation: Are lottery operators keeping up with the market-place? What can be done to accelerate the rate of innovation to be the leader in the games-of-chance industry?

T. Almlid: Norway has a population of just 5 million people. The revenues generated in a market this size are not big enough to support the kind of customer-driven innovation that is needed,

especially as regards to keeping up with the most advanced technologies. We need more support from our commercial partners. And we need to create alliances or partnerships with others to share the cost of innovation. That’s why we are exploring possibilities for working with other government-gaming operators who have a similar need. We are all in a similar business. The technological needs are quite similar wherever you go. There is also some commonality to the game content such that some synergies could probably be found in the product development space.

We need to ask ourselves, as an industry, are we really going about the business of developing the technologies, game content, and other business functions, in the most efficient way possible? I don’t think we are. I think there is tremendous duplication of effort. We are all investing our limited resources in creating the same innovations and solving the same problems. Instead of doing that, we could work together and deploy our resources in a more strategic fashion and accomplish much more. Commercial companies could reduce costs, at least some of which could be passed on to their customers, and increase speed-to-market by collaborating with each other. Lotteries could do the same by sharing the costs and workload to create the technological solutions, and to some extent even game content, that applies to all of our businesses.

Don't we all tend to focus on our differences instead of our commonalities? Different market conditions, different regulatory frameworks, different gaming cultures, etc.?

T. Almlid: Of course we do. And to be sure, there are differences. And each lottery needs to be crystal clear in defining those areas where they need to exercise firm and direct control. For instance, at Norsk Tipping we would never want to lose our direct connection to the con-

sumer, so that connection will never be mediated even if it were shown that cost-savings or more value could be added by outsourcing functions that would come between us and the consumer. Advertising and promotion, CRM, brand management, sales to our retail partners, are a few of the mission-critical areas that we choose to retain direct control over. For Norsk Tipping, these are functions that fall into the customer-driven innovation bucket that remains the sole responsibility of the lottery.

The provision of the technologies that enable the business to operate, though, is already outsourced by lotteries everywhere. The technologies that drive these functions constitute the main cost centers for lottery operations. The state-of-the-art technologies change rapidly and the cost for a smaller lottery like Norsk Tipping becomes very burdensome. IT is also mission-critical, but there is no reason why we as an industry could not collaborate more to bring down the costs, accelerate the adoption of the most advanced technologies, and increase speed-to-market ... all at the same time! The Information Technologies that drive this industry are not so different from operator to operator, regardless of the country or market or language or even the size of the lottery.

Game content development is a gray area because there are differences in gaming cultures, pop cultures in general, language, etc. But even so, there are still big overlaps that could yield efficiencies in product development too. Lotteries would all need to retain control over what is actually offered in their own market, but that does not need to prevent us from collaborating on game and product development.

To my mind, the obstacle relates to our internal business cultures. We are all so used to working independently from one another that it does not feel right to collaborate in ways that we have never col-

laborated before. I am just proposing that we think about the possibilities with an open mind.

Mandatory registration gives you a comprehensive data-base to inform your strategies and initiatives for customer-driven innovation.

T. Almlid: It does. And we rely heavily on that. Unlicensed operators spend big on advertising into our market, and they also have the benefit of the most advanced technologies, and use player-acquisition techniques that we would never use, like aggressive bonusing and free-plays to attract new players, and the same to cause the players to play more and more, perhaps more than is healthy and responsible.

Customer-driven innovation—what does that mean exactly?

T. Almlid: Lottery has traditionally been a mass-market product. It is our opinion that in the future, all products need to appeal to more and more tightly defined sets of customer preferences. We need to isolate the many attributes to the games and clarify how and why these isolated attributes appeal to different players. Same applies to channel mix. How do the various combinations of advertising, promotion, and channel mix appeal to different players? As you can imagine, this can get to be as complex as your resources and data-analysis capabilities afford!

The main idea is that the driver is not an anonymous “market,” but real people. And ultimately, the “customer” is not a demographic group or even a psychographic profile. The customer is the individual player. The Holy Grail of “customer-driven innovation” is to optimize the entire player experience for the unique play-styles and preferences of each and every player. To your earlier point, 100% registration is what connects us to the consumer and provides

the interactive relationship that helps us continually fine-tune the value we bring to the relationship. It is the basis for the whole CRM model that drives our business.

What are some of the customer-driven initiatives you have in the pipeline?

T. Almlid: We have a new geo-location based game called Neighbours. The interesting thing about this game is that in addition to the possibility of winning a big jackpot, the player has the possibility to win smaller jackpots based on their proximity to the location of the player who won the big jackpot. So when you win, your neighbors who played also win. And vice-versa too.

This Neighbors game is an example of what we are working on to inject more entertainment-value into the draw-based games. The draw games are so important to all lotteries because they have such a broad player-base, and they have the highest margins. But it will be hard for the draw-games to hold onto their consumer appeal if we do not add some interactive elements to make them more fun and exciting. The basic game construct of waiting for hours or days to find out if you won is not in step with the current gaming culture of instant feedback. And the fundamental draw-game concept is static, not changing like other games, even instant scratch-offs. So we will need to get creative if we want the draw-game format to continue to appeal to consumers into the future.

In fact, a primary focus for Norsk Tipping in 2015 is to explore lots of new ideas for invigorating the entire draw-based game category. EuruJackpot has not gained much traction in Norway, mostly because we have not had a Norwegian win the jackpot yet. So we need to explore with an open mind new ways to enhance the draw-games player experience.

Another big initiative to invigorate the whole draw-game category is our

new TV Game Show. It will be broadcast in prime-time on Friday evenings. This is the first time we have tried a concept like this and we are very hopeful that it will capture the imagination of the consumer. When you look at the popularity of TV game shows where only a small number of people participate, and the viewer has practically no chance to participate, we are hopeful that the consumer will feel much more engaged and enthusiastic about a lottery TV game show where all you need to do is buy a lottery ticket. That’s all it takes to have a chance to participate in a fun show with the possibility of winning a jackpot.

We also enable our players to allocate a portion of their lottery spend to go to a charity of their choice. This has really brought us together with our players, creating a positive connection to the heart of what lottery is all about—supporting good causes. And hopefully connecting us to the heart of what the consumer cares about. The primary motivation to buy a lottery ticket may be to win a jackpot. But creating a direct affiliation between the consumer and the good causes that lottery supports contributes to the positive feelings they have for Lottery. It gives us a common interest that we can build upon to further the emotional connection with our players. It also gives us insight into what the consumer cares about and that helps us to fine-tune our marketing communications approach with the players.

We are so looking forward to visiting Oslo and the “Touch Tomorrow” program that you have in store for us, Torbjørn! ■