



Betware

LOTTERIES GO ONLINE

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What are the benefits of going online and what is needed?

It seems that not a week passes without an American state lottery issuing an RFP to start offering its games online. While the American lotteries are late to the party, due to issues involving the legality of having online gaming operation, it is still a very exciting time for the lottery industry and there are undoubtedly tremendous opportunities for growth in the mature e-commerce market that America enjoys. In Europe, lotteries have been offering their products online at least since 1996 when Betware brought its first lottery client, the Icelandic National Lottery, online. In the hope that it may be of use to lotteries that are about to go online, this article covers some of the things we've learnt through the 17 years we have supplied online gaming solutions to lotteries, including the British Columbia Lottery Corporation, the Spanish National Lottery, and the Danish National Lottery.

The why

First let's look at the "why". Why should lotteries go online? Simply put, lotteries that have taken the leap of faith and started online operations enjoy increased overall sales and revenues. There are a few lotteries in Europe that enjoy strong retail sales and come from a background of offering products exclusively through retail that now have over 30% of their revenues coming from the Internet channel. That kind of success doesn't happen overnight but we suspect, given the maturity of the American e-commerce market, that sales growth through the Internet channel will climb much faster in America than it did in Europe. That maturity is a double edged sword as customer expectation for the quality of the products that are being offered will also be higher. Offering a complete solution for smartphones, tablets and desktop computers will be a must from day one in the American market while over in Europe lotteries have had the luxury of working up to it as many of them were online before the word "smartphone" (then "Smart Phone") was coined by Ericson in 1997 to describe it's GS 88 "Penelope" concept. Back in those days "tablets" were also generally made of solid stone.

In addition to an increase in sales and revenues there are other

benefits to going online which include selling products directly to customers. This direct sale approach moves the business closer to customers, provides an excellent opportunity to really get to know the player, and at the same time it puts more pressure on the lottery to evolve along with consumer trends. This is important as Europe has shown us that lotteries eventually find themselves in direct, or indirect, competition with other gaming vendors (legal or illegal). Some would say that American lotteries today are already in direct competition with "pay to play" casino and slots games that are widely available and quite popular in the smartphone and tablet app stores today. Lotteries that go online can, through analytics, learn a great deal about their players. These data will yield new information about the customer that will allow lotteries to tailor their solutions to what players want and how players use the lotteries' products. Just make sure you own the data being collected.

The what

When it comes to games, our experience shows that lotteries should leverage the brands they are known for. This means bringing the lotteries' most popular draw-based and instant games online. While Internet scratcher tickets can deliver more interactivity than printed tickets can, there is a considerable market for "vanilla" electronic versions of instant scratcher tickets. The familiarity of gameplay and brand puts players at ease and lowers the barrier for players to try Internet gaming. Casino, Poker, Slots and Bingo games look very impressive and are a great addition to any lottery's online offering, if legislation allows, but the lotteries established game types and brands are proven to work very well online in other mature markets. Draw-based, multi-state lottery games which routinely feature large jackpots are proven player acquisition drivers. Any game that helps a lottery acquire players is worth its proverbial weight in gold. It's easy to get lost in the excitement of adding totally new gaming content but your traditional games will, if done right, be big sellers online. Lottery subscriptions can be particularly valuable. Signing players up for subscriptions online is easy with the right system and subscription players will on average buy a ticket automatically every week for years. Internet players won't have to pre-pay for multiple draws anymore and can instead pay for the draw every week or every month. This lowers the barrier for entering a subscription substantially.

Keno, Lotto, Raffle and instant tickets are pretty standard game types for a lottery and they all work well online too. But,

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den) opportunity. Once a company is in the media spotlight it is effectively on stage, and customers, employees, business partners and external stakeholders are paying attention. Once we pay attention, we remember. So, whatever course of action management takes, it will define its reputation for a long time. Effective crisis management can significantly enhance a company's reputation, as in Johnson and Johnson's famous decision to pull Tylenol from retail shelves, or it can damage it as in the case of the Exxon Valdez. These crises happened over decades ago. Yet, they define the companies' perceptions to this day.

Finally, crises provide supreme learning opportunities. But too often early warning signs are ignored or the wrong lessons are learned. After settling with the SEC in the Waste Management accounting fraud case, Arthur Andersen changed its document retention policy. It did not sufficiently investigate its culture, value system, or incentive structure. A company's values are its guide in a crisis. In turn, a crisis is a great opportunity to see whether these values still govern day-to-day decision making.

Many crises originate in routine management decisions. They are often not the direct consequence of external events beyond the control of the company, but a consequence of what the company did or failed to do. Ironically, it is during this pre-crisis state that a company has most control over the situation in the pre-crisis state.

This emphasizes the value of prevention and preparation strategies applied to everyday business practice. The goal of prevention strategies is to eliminate or significantly reduce crisis risks. Adopting such safeguards (and allocating resources to fund them) is the responsibility of managers.

How should companies prepare for crises? Most companies still view stewardship of the company's reputation as a narrow issue best left to the PR department. For the most part, the response is an underfunded initiative greeted by nervous questions from the board. What is needed instead is an enterprise-wide reputation management capability. Building such capabilities is a necessary response to an environment characterized by growing reputational risks. If the growth in risk is not matched by a growth in corresponding capabilities crises will result.

Business leaders and corporate boards are starting to take notice, but are unsure what to do. Most companies still believe that building a strong reputation is easy and only requires com-

mon sense; it is merely a natural consequence of doing right by customers, employees and business partners. This approach is flawed. Good business practices are important, even necessary, but they are not sufficient for successful reputation management. A company's reputation needs to be actively managed by the business leaders, led by the CEO as the steward of corporate reputation. While experts such as public relations specialists may play an important role, they should not own the process. The reason is that challenges to a company's reputation typically arise out of a specific business decision, but reputational risk awareness is not part of the decision process.

Successful reputation management is difficult. It requires a high level of strategic sophistication and mental agility that sometimes runs counter to day-to-day business decisions. A company's reputation is shaped not just by its direct business partners, customers, and suppliers, but also by external constituencies. Frequently, constituencies that have lain dormant for many years can suddenly spring into action, particularly in the case of reputational crises. Companies need to have a process to identify such risks.

A company's reputation consists of what others are saying about the company, and not just its business partners and customers. It is essentially public. This necessitates the ability to assume external actors' perspectives and viewpoints, especially when they are critical or even hostile towards the company. A proper response requires a strategic rather than defensive approach by business leaders. Anger or self-pity is not helpful.

A strategic approach requires the emotional fortitude to treat reputational difficulties as understandable — and even predictable — challenges that one should expect in today's business environment. As a result, companies should handle reputational crises like any other major business challenge: based on principled leadership and supported by sophisticated processes and capabilities that are integrated with the company's business strategy and culture.

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once a lottery, and its legislators, are ready to explore new territory, we recommend having a look at online Bingo. Bingo is usually seen as soft gambling which puts it in the same category as other traditional lottery games. Bingo also has the added bonus of being a well-known brand, so the barrier for a new player is also low.

The how

The "how" really needs its own series of articles. So it will only be covered superficially here. Generally a lottery going online for the first time will require a platform (think of it as the

foundation for your gaming site), a player account (your player database), an electronic wallet (so players can receive winnings and transfer money in and out) and content (games for the player to play). To confuse things slightly the platform and electronic wallet is often included under the player account umbrella. We are seeing a trend in Europe where lotteries with mature online operations are shifting to what is called a multi-sourcing, or best-of-breed, strategy. This strategy centers around an open platform and player account that will allow the lottery to tie together top tier content from different gaming vendors. ♦