

# U.S. Internet Initiative in Action

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The lottery industry is fortunate to have such strong networking and informational venues to exchange upcoming initiatives and strategies. Together we learn more about the possibilities and potentials as we plan for the future.

This is especially important during a period when state governments and beneficiaries need more funding. Lottery operators are in the position to help with that objective and we are pleased to do everything we can to exceed expectations. We strive to always be improving the value of our products, to make our products available wherever our consumers might be, and to integrate new technologies and business tools to increase sales and funding for our beneficiaries. The Internet is the most transformational technology of the last twenty years. It's a communications medium and an e-commerce channel which this multi-billion dollar industry simply can't afford to ignore. Having an internet presence that is informative, engaging, entertaining, and fun is an important venue to connect with our players and to further grow sales. It is already being used as an extension to the traditional Lottery sales for lotteries all around the world as well. Let's learn from their experience.

## WHY IS THE INTERNET SO IMPORTANT?

We know why we need to have an internet presence because we have been provided with countless statistics and confronted with abundant evidence of its success in other industries as well as in the lottery industry. Simply put: It's where our players are. It gives us a venue for a new distribution channel, new products (i.e. games), and the means to further engage with our players. It is not, nor should be, viewed as a replacement to traditional brick and mortar retailers. In the numerous markets where i-lottery has been implemented for many years (like Canada, Europe, and Australia), the Internet has pulled in completely new consumer groups and additional sales. And the sales in these established i-lottery markets are incremental. Land-based sales are not cannibalized. Creating the additional consumer connection actually helps retail sales. This is not theory. This is demonstrable fact, as evidenced by the increases in land-based sales in those markets mentioned above where i-lottery has been conducted for years. The reason for this is that the Internet is not just a distribution channel. It is a communications medium that forms the foundation for an entirely new level of Customer Relationship Management (CRM) which is so vital to the operator-consumer connection. And it is this connection to the next generation of consumers that is the future of this industry for everyone including, or perhaps even especially, our valued land-based retailers.

## THE EVOLUTION OF INTERNET PRESENCE

Lotteries all have an internet presence already

- All Lotteries have an official Lottery website use for information purposes
- Over 30 Lotteries have Loyalty/Player club to further engage with their players and utilize player clubs as a promotional tool to grow sales
  - 2nd chance drawings
  - Interactive Games used as a promotion for strictly entertainment purposes

- Over 20 Lotteries are utilizing Social Media to further engage with their players

The next evolution for many Lotteries is to utilize the internet to offer products – new games designed for the internet and to make the traditional products available for purchase over the internet. There are a handful of U.S. states that are already selling their lotto products over the internet. Those who have worked through the process, or are expanding on the process, know that it introduces many new variables that we have not dealt with in the traditional sales of traditional products. New strategies are needed to augment these new technologies for the potential to be turned into a reality.

## THE PROCESS OF ESTABLISHING INTERNET SALES

**Using Resources:** The process in establishing sales on the internet in Minnesota was long, challenging, but productive. We tapped into our information resources – connecting with those that have done it before. At that point, even though there were only a few other states

### Social Media Statistics

- Over half the adult internet population is between 18 and 44 years old
- Social networking use among internet users over the age of 50 has nearly doubled
- Facebook
  - Over 800 million users
  - 53% of active users play games online
  - 56 million users play daily
  - 290 million users play monthly
- US consumers play internet/online games more often than any other type of video games

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that were selling over the internet, their experience did provide valuable insight and some valuable guidance.

**Strategic Planning:** Planning what you want to offer players now while also clarifying the longer term goals and objectives is important. Just as with other Lottery products and business initiatives, you need to develop a strategy and specific actions plans. Actually, i-lottery is more complicated than other strategies as consideration must be given not only to the products but also the technology and a new realm of security considerations. And as with anything new, there are political and public relations considerations that must be anticipated and proactively planned for when launching or adding new services.

**Integration – New Service and New System:** When Minnesota launched subscription services selling Lotto products, we integrated SGI/MDI's subscription package to GTECH's host system. This required a great deal of planning and work to integrate both systems and ensure that it be done with accountability, efficiency and security. Fortunately, both SGI and GTECH were committed to working through this process together with the Minnesota Lottery and did so successfully.

It's also important to develop a system and process that has the ability to expand as we want to offer more products. The buzz-word for that is "future-proofing."

**Internal Resources:** Minnesota did not add additional staffing when launching subscription services. That is why it was imperative that we automated as much as possible. We also relied on expertise and support from our commercial partners.

**Federal, State and MUSL Compliance:** There are special compliance consideration when selling over the internet. Much time and effort was invested to ensure that we were in compliance.

- Age verification is critical – the process must be seamless to players and fully assure that players are 18 years of age or older.
- Geolocation capability is built into the system ensuring players are within the state at the time the purchase is made. While not legally necessarily, we felt it was important at launch to ensure that players have a Minnesota address. We also required self-verification that they have a bank account within Minnesota.

**Responsible Gaming** was an area that Minnesota put much time and consideration into before and during the implementation. Maximum spending limits were built into the system. Players are allowed to establish spending limits within system thresholds. There is a 'cooling off' period when changes are made. In addition, self-exclusion options are available for players.

**E-wallet** capability allows convenience to players purchasing over the internet. Players can make ACH payments through a financial processor. They may also use wallet funds (winnings placed in a

virtual wallet) for new transactions. By statute, Minnesota does not allow credit card purchases so that was not an option. At the time, debit card transaction fees were higher which would have greatly impacted the return on investment. Recently, debit fees have been reduced, making it a more viable option on future enhancements.

**Reporting and reconciliation** is vital in ensuring that wagers and winnings are properly accounted for and that all security requirements are established.

## WHAT'S NEXT FOR MINNESOTA?

Minnesota continues to expand on the convenience and offerings to our players using the internet. We are working on several enhancements in addition to positioning ourselves for growth opportunities when asked, approved, and feel it's the appropriate timing. Among the enhancements:

- Site refresh so that it has more of an e-commerce site flow where players can fill their virtual cart before having to log-in
- Gift giving capabilities within the site
- Promotional elements that can be used for second chance drawings and also to drive players to retail establishments
- Payment enhancements to include debit card purchases and other funding methods as it becomes cost effective and adding the capability of pre-funding player's wallets
- Real-time purchases
- Virtual Scratch games
- Full mobile capability
- Other gaming options being explored and considered

Continuous planning on both the Lottery and vendor side is essential for establishing and growing an internet presence. Developing the systems and strategies that will accommodate a diverse internet-driven customer base minimizes channel conflict and optimizes its long-term success.

This business will continue to be driven by traditional products distributed through traditional retail channels. That will not change for the foreseeable future. The primary focus remains on Scratch and Lotto strategies and continues to keep traditional retailers a priority. Building strategies to grow their sales through strong product offerings, promotional elements, more distribution options such as vending, ATM, pay at the pump sales, and much more are essential. It's just that we need to multi-task and build for the future with new strategies to connect with the next generation of players

Our industry is in an incredibly exciting and critical period of expansion. So let's use all our resources to explore all the possibilities and to build that bridge to the future. Best of luck to those looking at moving to the next level! ♦