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Re-defining the Meaning of “Customer-Centric”

PGRI Introduction: There is a global shift to wireless distribution, communications, and operations that has the potential to unlock whole new reservoirs of potential for the Government-Lottery industry. Digital technology is enabling a totally new kind of shopping experience - one that is faster, easier, and integrated with Internet/Mobile based services and applications. The consumer is experiencing these new enhancements to the Retail experience in some forward-looking retail stores already. They will be expecting all other stores to be providing this enhanced shopping experience. Retailers know this and are responding with modernization strategies of their own. And trying to raise the bar even further to differentiate themselves.

Frank Cecchini points out that it isn't the Retailers who are driving the urgency for modernization. It is the consumer. Retailers are just responding to the consumer market-place. And they are expecting Team Lottery to respond to their business imperative to provide what the consumer wants. Our discussion at the Novomatic Lottery Solutions booth at ICE Totally Gaming in London provided the perfect backdrop of innovations designed to meet the needs of the modern consumer.

Paul Jason, PGRI: *How urgent is the need for Lottery to change its approach towards retailing, and distribution in general?*

Frank Cecchini: The world has changed dramatically over the last 25 years, especially technology and media-driven industries. The government-gaming industry, however, has not changed much at all. How much is really different now from what it was 25 years ago? Draw-games are operated with dedicated terminals in land-based retail stores. Instant Scratch games are displayed in plexi-glass cases on the counter-top. All other industries are being transformed by technologi-

cal progress that is not penetrating ours like it should. I think we have convinced ourselves that there are too many obstacles that make change impossible, too many reasons why things need to be done in certain ways that do not allow for progressive technologies and business methods work for our industry. Government-Lottery does operate within constraints, but there is no reason why the technology and business process innovations that have driven such incredible progress in all other industries shouldn't be doing the same for the Government-Gaming industry. That is why we challenge the industry

to “Expect Better.” Expect better technology, expect better service, and expect better value for the investment.

It is exciting to see innovation being applied to Retail. The channel is alive and well and ready for modernization.

F. Cecchini: Absolutely. Retail is very alive. Retail is the “platform” that enables human beings to actually interact with each other physically in real-life! For all the marvelous advantages that online technologies provide, they won't ever replace the need for people to be with each other in the physical world, to actu-

ally talk and commune face-to-face. Even self-service options do not eliminate that. The human interaction will just be based on other parts of the shopping experience, like assisting to find products, or assisting with the new digital tools that will be coming online in the stores of the future. Retail is changing and will be very different from what we see today. But the role of land-based stores where shoppers interact with the products and with other people will always have a place in our world.

We think of “Retail” as being a store with aisles of products and a check-out counter. We could also think of “Retail” in a much broader sense of simply enabling commercial transactions. A bar

Communications infrastructure in emerging economies is leap-frogging right over entire generations of LAN-based telecommunications IT, and going straight to Wireless and Digital. It's almost as if mature markets are so highly invested in their current IT infrastructures that it is hard for them to cut the umbilical cord and move into the digital future.

F. Cecchini: Wireless and Digital is not just about Mobile gaming and selling online. We're also talking about technologies that transform land-based retail. The emerging markets in Africa and the Far East don't have a developed network infrastructure of private leased lines or anything like that. They don't even have reliable

modern market-places around the world. The functions performed on a Tablet can also be done on Mobile devices. 3G has become ubiquitous all over the world. That has resulted in an almost universal adoption of Mobile technologies as the basis for all commerce and transaction processing as well as telecommunications. The devices which connect the consumer to social media, news and information, and advertising messaging are the same devices that are used for conducting commercial transactions, like buying a lottery ticket. It is so much simpler and streamlined than having to depend on all different kinds of terminals, cash registers, credit card processing devices and such.

Retailers are asking for new technology and new ways of doing business because the consumer is demanding it. In the end, this isn't about the Lottery or the Retailer, it's about meeting the needs of the consumer.

or cafe could easily sell lottery products with just an i-pad or other Tablet or even just a Mobile Phone. Multi-level marketing sales-people like Amway or Avon could sell lottery products in the same way. A program could be downloaded onto a Tablet computer that would enable anyone to sign up new customers by just entering a player's e-mail address onto a subscription order form, forwarding the order to the Lottery, and being paid a 5% commission. Coffee kiosks, auto-repair shops, restaurants, all the stores in malls that sell clothes and jewelry—anyone can sell lottery products. I realize that the reader, the lottery executive, may protest that they don't even want to sell lottery products through every conceivable merchant. Still, we should not need to feel so constrained to the conventional notion of retail stores with dedicated terminals to vend lottery products. It is the model of dedicated terminals that forces that constraint upon us and there are very practical, proven alternatives to that model.

power. So they must rely on solutions that are resilient and adaptable to these conditions. It must also be very low cost, with minimal repair and maintenance requirements. Novomatic Lottery Solutions has developed and deployed solutions to meet these needs.

But who doesn't want to move into the 21st century with technology that reduces capital investment and ongoing maintenance costs? I checked into a 5-star hotel in Sorrento, Italy, for instance, and was led to a lounge where they offered refreshments. I thanked them but asked to be directed to the check-in desk. Their receptionist came over with an i-pad and checked us in directly, taking my credit card information, assigning the room, and doing everything on the i-pad. There actually was no check-in counter or any other kind of terminal to process transactions.

F. Cecchini: That is a perfect example of a solution that can also apply to retail stores that sell lottery products. That is exactly the solution we are applying in Catalonia and hope to be bringing to other

To some extent, these solutions were developed and adopted out of necessity for emerging markets. To your main point, though, these solutions are equally applicable to mature economies as well. Catalonia in Spain, for instance, has retail stores and 2,500 conventional terminals dedicated to selling lottery products. Now we are adding Tablets and Mobile based solutions that enable them to expand the number of retailers, dramatically increasing that number in the short term with even more ambitious goals for the long-term. As your example of checking into a hotel illustrates, the wireless and 3G technology combined with modern communication devices opens up a whole new way of thinking for retailers everywhere, not just in emerging markets and not just for small retailers.

Everyone everywhere has Smart-phones that rely on 3G technology. This was the only solution that works for our customers in Tunisia, Nigeria, Angola, etc. But they also make sense in mature economies like Catalonia. The initial investment is much

lower, repair and maintenance is minimal, implementation is much faster.

Land-lines and legacy technologies like LAN infrastructures will become obsolete as Wireless takes over. The only obstacle in the developed economies is their investment in old technology and the dedicated terminal model. The future promises a true best-of-breed model that integrates the very best technology from multiple sources.

And digital wireless technologies are more flexible to integrate new technology like API-based platforms, and more scalable to increase capacity as needed.

F. Cecchini: Absolutely. HTML5 and responsive web design enable web pages to replicate the exact same experience as the user migrates among different digital platforms, from Mobile to other devices to the retail store display. These are the kinds of enhancements that the consumer expects all businesses to employ. In fact, consumer tolerance for operators who do anything less will disappear. They want it how they want it, where they want it, and this means wireless technologies. We're selling lottery tickets in Nigeria via mobile terminals connected to a host based in Reykjavik! this cloud-based solution has been operating for the last two years. These platforms are being implemented more and more in emerging market-places. As their reliability and efficacy are demonstrated in challenging market-places, they will migrate to more mature markets.

As is being done in Catalonia and Nigeria.

F. Cecchini: Exactly. And new hybrid solutions are being implemented, like using fixed-line DSL in addition to 3G. Digital platforms enable that kind of flexibility. Multiple varieties of features and technological solutions and communication networks can be applied in the same markets to optimize the outcomes for specific customers. Digital platforms open up a whole new vista for

creative solutions that provide far more functionality, far more flexibility, at a far lower cost.

In Catalonia, for example, we're using standard Morpho terminals with scanners, with all the usual devices. In Nigeria we're using Android-based terminals that are totally mobile, that are able to connect to two different 3G providers for redundancy and resilience.

And this reflects your "Bring your own terminal" philosophy.

F. Cecchini: There is no reason why the Lottery should deliver a one-size-fits all solution. Even within the individual lottery operation, multiple solutions should be deployed to meet the variety of different needs within even micro-markets. Different retail trade-styles, different IT platforms, different consumer profiles who require different kinds of shopping experiences—these all require different technological solutions. And these differences all exist within each market-place. The lottery operator has the flexibility to deploy a variety of different solutions to optimize the outcome for the unique needs of each situation.

And it all comes back to the consumer. Retailers are not technological early adopters by temperament or ideology. They are asking for new technology and new ways of doing business because the consumer is demanding it. In the end, this isn't about the Lottery or the Retailer, it's about meeting the needs of the consumer.

You're covering the need for innovative solutions to enable more small retailers to vend lottery products. How about the need to make it easier for big multi-jurisdictional retailers to sell lottery products?

F. Cecchini: We know that the trade is migrating towards big-volume retailers. And their needs are not being met. They do not want separate terminals dedicated just to Lottery. They want and expect a fully integrated solution. Now we can give

that to them. They can connect to our system just by simple API's (Application Program Interface). They no longer have to develop special software to enable communications with Lottery. They don't have to have special printers. This is not bleeding-edge technology we're talking about. It is well established and proven and works reliably for many industries that are just as risk averse as Lottery.

But this isn't about what the retailer wants. It's about what the consumer wants. The retailer is just taking direction from the consumer, who wants their retailers to create a fast, easy, and enjoyable shopping experience. One that does not include ridiculous inconveniences like standing in lines. We design our solutions based on the expectation that retailers will give the consumers what they want, and lotteries will give the retailers what they need to serve the consumer.

The consumer seems to want to buy everything on Amazon.

F. Cecchini: That's because Amazon is the most consumer-centric company in the world. They figure out how to serve the customer and they make it happen, even when everyone tells them what they can't do - they can't provide free delivery, they can't deliver produce that is fresher than the store, they can't sell everything under the sun and deliver it the next day. There is one thing they can't do, though. They can't sell lottery tickets. It may seem that is not realistic to think we could sell lottery tickets on Amazon. But it isn't. We just need to enable Amazon to connect to Lottery's systems and process the transaction. Amazon knows who their online customer is. They know the age, the personal profile, and location of their customer. They sell wine, which has age, taxation and other regulatory requirements that vary by jurisdiction. Much more complicated than Lottery. Their technology to monitor the buyer profile relevant to the vending of wine could all be applied to

Lottery. NLS has the technology and the knowledge that would enable Amazon to sell lottery products.

For any of these online vending scenarios, Lottery would make the ideal up-sell product. Right at the online checkout stage, offer the chance to win the Powerball or Euro-millions jackpot by adding a ticket to your purchase. We say we want to be “player-centric,” but these are the most basic things that the consumer wants—easy access to buy the product!

Not everyone is going into the Tobacconists and the small convenience stores. If small retail shops are our primary channel for distribution, we are overlooking the majority of the population! That is not, by any definition, being “player-centric.” And the players that are being shut out are the very ones we need to appeal to—the younger tech-savvy adults who do not have time for merchants who ignore their lifestyle choices and preferred modes of shopping. Ask your twenty-something daughter if what she thinks about Lottery. I did, and she said she wouldn’t even know where to buy them! She has no reason to go into a Tobacconist. I’m sure she has been in stores that display lottery promos and products but, like most consumers, she has an acute sense of what is relevant to her and she tunes everything else out. Doesn’t even see it. So it doesn’t even exist for her.

The beauty of Lottery is that it is a product that does not take much space and can be sold anywhere and everywhere. Let’s make Lottery available everywhere. If we have to, shift some of our advertising budget over to the far more impactful agenda of just making it easier to buy the product!

That is the basic premise of “Bring your own terminal.”

F. Cecchini: Yes. Selling lottery products does not have to be an expensive and complicated proposition. Any transaction-processing terminal can and should be lottery-enabled. And anyone

who has a license to operate a business, like news-stands, or taxi-driver, or charity organization, can use a Tablet to process transactions. We talk all the time about increasing the ratio of retailers to consumers as being key to increasing sales. Well, it’s incredibly easy to do.

And Mobile?

F. Cecchini: Of course it is already the device of choice for consumers. Look at Michigan which just launched iLottery last year. Players flocked to the website immediately. Sales are projected to reach \$300 million this fiscal year which is around 10% of total sales. And retail sales are increasing at the same time. The interesting thing about this is the popularity of Mobile which is the device of choice for half the Michigan Lottery’s online sales.

The other interesting thing about Mobile is that it is the device that enables Lottery to connect their online initiatives with their land-based retailers. Barcode scanning and NFC technologies enable all varieties of combinations of interactive relationships. Insofar as the Lottery wants to make sure that their Retailers thrive in the midst of increasing online sales, the Mobile can be the device that leads the consumer to buy through all different channels. The player can select numbers and buy their tickets on their Mobile and redeem a bonus-play at Retail. And Vice-versa, buying their tickets at Retail and redeeming the bonus-play online. Or scanning the bar-code at a Retail display and buying online. These are the tools of the Omni-Channel model.

The first order of action is to get away from the distribution model that ties Lottery to dedicated transaction-processing terminals. Players “Expect Better.” They simply will not comply with the constraints that are being imposed on them.

Consumers vote with their feet. If their expectations aren’t met, they simply won’t buy. They do expect better, but they aren’t sending cards and letters telling us what

do, how to earn their business. It is our job, the job of the gaming operators and their commercial partners, to observe the realities of the way the consumer markets function, how shopping behavior is manifesting itself in the real-world. And translate that knowledge into products, services, and methods of operation that meet the needs of the consumer.

The relevant application of the “Expect Better” mentality is at the Lottery operator level. They should expect more from their commercial partners. They should expect solutions that meet the needs of the modern shopper. They should expect more from their commercial partners to meet the needs of their own Retailers who are on the front lines of serving the customer. Our retailers are telling us they need solutions that are more efficient, that don’t take up shelf space, that integrate with their existing technology infrastructure, that don’t create long check-out lines.

Retailers love Lottery for lots of reasons. Lottery generates profit and store traffic. But the fact is that lottery products deliver a low margin. The whole business model would be more fully embraced if we simply delivered some of these readily available solutions. That won’t happen, though, until and unless the operators of government-lottery demands it from their commercial partners.

A Tablet that serves the transaction-processing utility for a small coffee kiosk and doubles as a Lottery POS terminal doesn’t really have a minimum sales threshold. No matter how small the sales, they are incremental and it really serves as an additional media touch-point, raising awareness for lottery and increasing player-ship.

F. Cecchini: And looking at the whole business of distribution as being wide-open unlocks new channels that would double or triple the number of POS’s. And the increase in sales would be driven not by over-selling the core player groups, but by increased player-ship. Expect bet-

ter solutions. Expect better technology. Expect better service. Expect better partnerships. This is the mission of Novomatic Lottery Solutions.

What is impeding progress and more rapid adoption of technology and innovative business processes like you describe?

F. Cecchini: There are government regulations and a fundamental conservatism that results in a low tolerance for risk. That is as it should be. Government lotteries must avoid mistakes that could impair the brand, the reputation, or the public image. The thing is, there are early-adopters who are innovating, who are test-driving new technologies, new ways of doing business, new ways of connecting with the consumer. These successes can be observed and measured and replicated by others with similar business model applications.

Look at the lottery operators throughout Europe, Australia, Canada, and many other parts of the world. They observed the successful implementation of iLottery in Finland, then other Scandinavian countries, then the UK. They assessed the fact that when it comes to iLottery, there was only upside and zero downside. Geo-location and age-restriction technologies and process are proven to work effectively. By enabling the Lottery to communicate directly with the players, iLottery becomes an effective tool to promote Responsible gaming. Player-ship increased which means that sales also increased without relying so much on the core players. Retail sales increased right along with the increase in online sales. Win-win-win-win for Lottery, Retailers, Consumers, and Good Causes.

There are so many benefits to iLottery that your readership is all well aware of.

And yet it is still not being adopted by most U.S. lotteries. The main obstacle for U.S. lotteries is the opposition of NACS retailers. That is so unfortunate because the evidence abounds that iLottery is a net gain for everyone, including retailers. And the interactive relationship actually is a tool to promote a healthy recreational play-style and reduce problem gambling. The online connection to the consumer market-place is leveraged to drive traffic to land-based retail stores.

The bright side of this picture is that Government-Lottery is poised to embrace forward-looking technologies and methods of operation. They are doing that in many parts of the world. As their success is replicated throughout the industry, this will turn into the Golden Age of Lottery. ■