



## Gregg EDGAR

Executive Director, Arizona Lottery

### Lessons Learned in System Conversion

**PGRI Introduction:** On his first day as the Executive Director of the Arizona Lottery in March, Director Edgar learned that the Lottery would undergo a full system conversion in August—an interesting prospect for a new Director. Fortunately, the Arizona Lottery had the right team in place to accomplish this aggressive task. Working closely with Scientific Games (SGI) and IGT, the Arizona Lottery conversion team had developed a seamless exchange of terminal technology capabilities. While many state lotteries have gone through this challenge, the unique aspect of Arizona's conversion is that both companies remained in market, managing the heart of its business operations. The following discussion drills down on the details of the 'after-action' report which describes the most interesting aspects of the conversion.

Gregg Edgar was appointed to lead the Arizona Lottery in March, four months shy of the Lottery's 35th anniversary. He had been running Edgar Strategic Communications for the previous two years. Prior to that, he was Chief Operating Officer at Gordon C. James Public Relations where he served for the previous twenty years.

**Paul Jason:** *Any insights revealed in the after-action report that might help your colleagues going forward? Anything you would do differently if you had it to do over again? Strategies that engendered a cooperative approach and support between your different partners, Scientific Games and IGT?*

**Gregg Edgar:** To begin, I want to focus on the last part of that question. Our online contract was awarded in August 2015, about six months prior to

my appointment as Executive Director. Scientific Games did an excellent job coming onboard and organizing what amounted to a one year process of conversion. Their project plan was fantastic and really—in the end—our Lottery conversion team, Scientific Games and IGT coalesced into an extremely effective team to make this conversion happen. I feel that one of the reasons that it did go so well is that we made the decision to keep IGT as a vested partner in

the process by extending our warehouse and distribution contract which also contained our vending contract.

While many state lotteries have gone through this technology transfer challenge, the unique aspect of Arizona's conversion is that both companies remained in our market, managing the heart of our business operations with redefined roles: IGT remains as our system of record for instant games, while Scientific Games has taken over our draw game capabilities.

That decision placed both vendors into a position that they were each a partner in the other's success and in the end a partner in Arizona Lottery's success.

Now, that decision came with its share of challenges as well. The marriage of the two systems created the need for a unique information pass-through capability from Scientific Games' Wave and Flair terminals to IGT's backend instant system in order to manage and validate instant tickets. When our IGT Gemini Ultra vending machines begin rolling into market in January, this pass-through capability will allow IGT to sell and validate draw game tickets through Scientific Games' system. It's a unique configuration that maps to our business environment.

We had an expectation that we would

have some issues post conversion, but they have been far fewer than we ever expected. The majority of those issues have been driven by the unique nature of this pass-through system. All three entities have worked brilliantly together to respond and resolve the issues quickly.

As we are developing our post-conversion report that we will be sharing with the industry, one of the points that will be discussed is the need for better planning from our team prior to even entering the RFP phase. The structure of our existing contracts with IGT should have been addressed ahead of time, so that as we went through the process we could better handle decision points in a timely manner. The delay in making a decision on vending machines placed Arizona Lottery in a situation where neither vendor could deliver upgraded vending machines prior to the December/January timeframe, which is about four to five months after conversion. That delay caused us to lose draw functionality from the vending machines for that four to five month window. Had our team better understood the impact of our existing contracts prior to entering the RFP process, we could have built a better plan from the beginning to mitigate that loss.

Lesson learned for us, when entering into these processes make sure you have a full understanding of the scope you need to address.

But overall our migration to the new retailer terminals was a huge success. Since our August 28 go live on Scientific Games' draw game system, our draw game functionality has delivered extremely well with customers and retail partners enjoying the benefits of the new technology. The overall speed of service and ease of use for draw games has improved tremendously.

Since the beginning of the fiscal year, our draw game sales have increased more than 38 percent. I am proud of this sales performance and it sets the course for Arizona Lottery growing net revenues for our important beneficiary programs.

*How have your Phoenix Sky Harbor airport stores worked out?*

**G. Edgar:** We are so excited about our third Arizona Lottery location that opened in late August at Phoenix Sky Harbor International airport. The space is in a high foot-traffic area, and puts lottery in a position to reach new customers, like potential players from out of state. We also see this location as a new opportunity to convert light players or non-players to begin playing lottery games while they wait for their luggage in the Terminal 4 Baggage Claim.

This brand new location is completely operated by the Arizona Lottery. It's a 500 square-foot site that offers all products that the Arizona Lottery currently has in market. There is seating in the play area, and also a vending machine for players looking to make quick purchases. A full customer service team staffs this location and is available to assist players. We're positive the presence of Lottery in the airport will help increase our transfers to important programs and services in Arizona.

This new business venture is not only a great way to expand our presence in Arizona and increase the amount of dollars we give back, but it is cultivating a significant and positive relationship for our state. This partnership with the City of Phoenix and Sky Harbor International Airport has already grown so much, and we are excited to see how it develops in the future.

*Self-serve is a major trend. Consumers and Retailers both like it. Typically, though, Lottery is of mixed feelings because vending machines do not have the personal clerk-assisted component that some feel is critical to the effective selling of the lottery games. What are your thoughts on this trade-off?*

**G. Edgar:** Arizona Lottery has embraced the use of vending machines as a tool to reach players that prefer that ability to interact with our products. It has also provided a good tool that doesn't increase labor cost for our retail partners. Arizona Lottery is expanding our use of the vending machines because we believe it is part of a good mix of customer tools

to reach our players and service our retail partners. Our sales through vending back that decision.

The key is a balanced approach. We have almost 3,000 retail partners. When we complete the vending conversion we will have 1,000 vending machines in market, so about 1/3 of our partners will have vending capabilities.

Over the course of the next year we will be looking at opportunities to expand our use of vending to develop new retail relationships into locations that are not able to support the traditional customer service sales model.

While we are believers in developing exceptional customer relationships, we see vending as tool to achieve that objective.

*The partnership with the Arizona Cardinals drives ticket sales. I would think that, additionally, the brand-building component for Lottery's affiliation with this most popular sport franchise is priceless for its impact on product awareness and image of the Lottery as young, energetic, modern, connected to the cultural zeitgeist of the community, etc. Are there things you do to leverage that for additional brand-building value?*

**G. Edgar:** The Arizona Lottery has a long-standing partnership with the Arizona Cardinals. For nearly 15 years, we have activated event-driven sponsorships and promotions in partnership with the team, focusing mostly in-arena. The Arizona Cardinals Scratchers ticket is a great way for both of our brands to reach new fans and players alike outside of game day.

Arizona was in a unique situation and the timing of this Scratchers ticket worked out perfectly. The Arizona Cardinals played an incredible season last year, and with the excitement of Cardinals football saturating our state, it seemed logical that a new Cardinals product Arizonans had never seen before would be successful. Additionally, the Arizona Cardinals were featured in an ironically titled Amazon series, "All or Nothing." The buzz surrounding this docu-series also helped our promotion efforts for the Scratchers.

We hosted an official ticket launch event at our Phoenix location featuring Big Red, cheerleaders and former Cardinals to greet our players. Our partnership with the Arizona Cardinals allows us to be onsite at every home game during the regular season. We developed a branded instant game with the Cardinals that features a robust second chance prize program. Because of our presence at the games, lottery has elevated the visibility of this product in the market and widened appeal to our light and medium players. Since launch in early September, we have gathered more than 8,200 sign-ups to our second chance database. In mid-December, our grand prize winners will be publically recognized during pregame at the last Arizona Cardinals home game of the season.

We are also leveraging the Arizona Cardinals' digital presence. They have been promoting the ticket through multiple channels of their own—including email and social media. We have been working with their marketing staff as we move through the season to best reach their fans, as they pull the second largest volume player base of any professional sports franchise in Arizona and index at 149 for past 30-day Arizona Lottery players.\* \*Scarborough, 2015.

*Unlike other games-of-chance sectors, Lottery gives back so much to the community, to good causes. How can we leverage that better? How can we engender more passionate and genuine appreciation on the part of the players, and the consumers in general?*

**G. Edgar:** When I was interviewing for this position, I was astonished at the amount of good the lottery does for our great state. Like most people in Arizona, I believed that Lottery dollars were used to support education, but really knew nothing about the impact that the organization had in our community. Coming from a background in communications, my immediate sense was that this was a glaring opportunity.

When I accepted the position, I was eager to get the word out about how the Arizona Lottery gives back. As our team began to develop a strategy to achieve that goal, we found that there had been initia-

tives in the past using paid media, but that they didn't hit the mark with the public.

Part of the challenge we face is that Arizona Lottery has 18 separate beneficiaries that we serve. So we can't brand ourselves as an education lottery or a health and welfare lottery. We serve programs as diverse as wildlife conservation and court appointed advocates for children in the foster care system.

So we embarked on an effort to better know this important constituency that we served. We initiated meetings to strengthen the relationships with the agencies so that our partnerships go beyond just the dollars we deliver.

Through public relations and earned media efforts, we are getting the word out about each beneficiary that we give back to. In direct collaboration with the beneficiary organizations, we are leveraging our position within the media market to benefit the programs we serve. With so many beneficiaries we have a steady pool of amazing stories that really demonstrate the impact we have in our community.

With these story pitches to media, we focus on the human element and find the person who has been directly impacted by the services of an organization that Lottery dollars go to. For example, we recently spoke to a woman who was formerly a child in the Arizona foster care system. She was fortunate to be a part of the Arizona Supreme Court program, Court Appointed Special Advocates (CASA). Through this program, she was assigned an advocate, which is an everyday person—and volunteer—appointed by a judge to speak up for abused and neglected children in court. However, these advocates become so much more than just a voice in a courtroom; they truly become the only adult figure and role-model in these young lives. Hearing about the impact that this advocate had on this woman's life as a child, and leading into her adult life, is simply amazing.

100 percent of CASA's funding comes from the Arizona Lottery. Our funds help CASA recruit, train and maintain professional staff to manage and support more than 1,000 CASA advocates. These funds

also support the recruitment and high-quality training for those advocates. Telling this story to Arizona is so important for the children in Arizona's foster system.

We understand that when our players think about lottery, they immediately imagine jackpots or the dollars they can win. Player satisfaction is certainly one of the most important missions we serve, but my objective would be to get our players to understand that when they give their dollar to purchase a ticket, they have already won because that dollar is funding so many great programs in our community.

*You are launching the Frogger Scratcher in November and five new Holiday Instants as well. Are Instants a good platform to create new and different, and maybe even a little wacky, campaigns to appeal to new consumer groups?*

**G. Edgar:** Instant tickets are definitely the way that lotteries can get creative and to your point, appeal to new consumer groups. Frogger will certainly spark nostalgia in people who have a love for the game and the decade it was born in. Holiday tickets stand out with their bright colors and glittering details, and they're also great for gifting to friends and family 21 and older. Our Holiday Family of tickets has been a long standing favorite.

As we look at our instant strategy, our focus is looking for opportunities to be innovative in the products we develop with an objective of finding better ways to connect with our players. As mentioned before, our Arizona Cardinals ticket is a prime example.

We recently closed our spotlight game the \$185 million cash explosion in the \$20 price point. It was a wildly successful game over a two year timeframe. As we developed its follow-up spotlight we wanted to build on its success. So our creative team worked closely with the vendors to create a ticket that incorporated the look and feel of the previous game while giving some new flare and opportunity to the new ticket. The \$200 million Cash Explosion launched on September 6 and it has exceeded what we were doing with its predecessor.

As we move forward, we are looking at ways to target our design and innovation to engage specific markets of players and expand their play and our reach. Further we are looking at new tools to reach those markets that have the potential to be more active.

*Lottery would seem to be the ideal 'product' to employ the promotional strategy of Event-marketing. How big a role does event-marketing play with the Arizona Lottery?*

**G. Edgar:** Event marketing plays an important role in our current marketing efforts here at the Arizona Lottery. We leverage our presence at targeted events to bring the lottery experience to core players and connect with new audiences. Whether present at a major sporting event, conducting a media engagement, or holding a monthly promotion at one of our three

Arizona offices, we're always trying to find ways to get our players excited about lottery. By hosting "buy X, get Y" style promotions at our events, players get excited about the chance to get something extra along with the purchase of a game they already enjoy playing on a regular basis.

*What is your after-action takeaway from the incredible \$1.58 billion Powerball jackpot of last year? What are some things that we as an industry could do going forward to extract even more value from the publicity and brand awareness of a big jackpot like that?*

**G. Edgar:** Our focus today on the \$1.58 billion Powerball is managing the expectations of our constituency on what will happen this January. For Arizona that jackpot amounted to a \$20 million windfall for our beneficiary pool, which was

amazing. But as we work through FY17, we are working to make sure that people understand that this jackpot does not come every year.

In terms of how to utilize the extreme amount of publicity, I think we were all taken by surprise at how quickly the \$1 billion threshold was breached. Looking at the models I don't think we will see that precipitous rise again soon. I think there is opportunity for us all to be developing communications strategy that as we reach thresholds we can activate messaging that drives the sales, but also drives messaging on impact. If one out of every ten stories generated on the \$1.58 billion Powerball included messaging about Lottery impact, we would have furthered our mission in an unprecedented way. ■

## How the World Lottery Association Serves its Members ... continued from page 16

form to bring these lessons directly to you. For example, many of you attended the iLottery seminar that was adjacent to the PGRI Conference in New York last spring. We heard from people from around the globe who have been offering iLottery for 10, 15, even 20 years. Their experience and insights were invaluable to directors in the U.S., most of whom have not been able to move into iLottery yet. We learned so much that will help us avoid costly and time-consuming mistakes. The WLA serves as the hub for enabling that kind of interaction and sharing that helps us to be equipped with the knowledge and tools to stay ahead of the competition and continue to be loved by the consumer.

The second front is the political and regulatory side of the business. We need to stand united, with a singular voice that broadcasts to the world the worthy mission of Government-Lotteries. We need to make sure that everyone, all consumers not just players, all media not just our local media, all political stakeholders at all levels of government not just our jurisdictional constituents, appreciates and respects and defends the role that Government-Lotteries perform for society. The WLA is the institution that brings us together to stand tall in defense of our industry against those that are working mightily to change regulations that protect the consumer and protect the Lottery model. Let's make no mistake—Government-Lotteries and the Good Causes they support are under attack and require government protection. The margins in commercial game categories that do not have this protection operate like all other businesses operate—that is on 3% to 5% net margins. Those margins enable them to deliver prize-payout percentages that exceed 90% and higher. That situation already exists in categories like sports-betting and much of casino-style

iGaming. Government lotteries simply can't do that and continue to deliver the kind of financial support that the Good Causes we support have come to depend on. I have to hope and believe that if our political stakeholders understood this picture that they would all stand up to defend the Lottery model.

Unfortunately, we know it is not that simple. Political agendas that determine regulatory and taxation policies are driven by a wide variety of factors, including well-funded lobbying and PR campaigns of those who would deregulate the industry. That is why we, the community of Government-Lotteries, must stand together and make our voices heard. Individually, our voices will not be valued at the levels required to influence the shaping of regulatory policy. Together, we are a \$260 billion industry that delivers \$90 billion in funding that helps society. That is an amazing thing!

The facts are on our side. But the facts won't matter if we do not succeed at convincing the shapers of public policy to recognize the tremendous value of Government-Lotteries to society. And we all know that won't happen if we function as a fractured industry of lone voices in the wilderness. We must stand together, and formulate a unified message and agenda to get that message heard by the political sectors that determine regulatory policy. And, with your active support, it is the WLA that can be the institution that brings us together and channels our message as one singular and powerful plea to preserve and protect the Public Trust that is Government-Lottery.

I encourage all of you to become even more engaged with the World Lottery Association. It is an organization dedicated to serving you and we welcome your involvement, your input and guidance, and your support. See you at the World Lottery Summit in Singapore in November! ■