

## INTERACTIVE LOTTERY GAMES: HOW LOTTERIES CAN MOVE ONLINE

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Over the last few years there has been growing recognition within our industry that the online sphere offers a profitable – and thus far comparatively untapped – territory for lottery operators worldwide. Undoubtedly, interactive games present a host of opportunities for engaging with players, and attracting the attention of a younger generation on whom the future of the industry depends.

It's therefore no surprise that many lotteries in Europe, and increasingly in North America, have introduced internet-based versions of their games and are enjoying heightened sales as a result. But now the industry is progressing beyond traditional bricks-and-mortar lottery games replicated for an online audience. We are starting to see the emergence of a new generation of both draw-based and instant-win interactive lottery games that are designed to capitalise on recent digital innovations, and incorporate new technology that makes them truly 'interactive'.

Whilst it's easy to see the benefits of 'going interactive', the actual process raises new questions for lottery operators in terms of their technological infrastructure and marketing methods. Whilst I firmly believe that it is a leap worth taking if lotteries wish to remain relevant and profitable in a digital world, going interactive can be difficult, and lotteries should work with providers that make the process of offering interactive lottery games easy.

### INTERACTIVE LOTTERY GAMES: THE OPPORTUNITY

In the past decade the entertainment industry has experienced a revolution. From gaming to films to music, the way organisations reach and engage audiences has been transformed by the internet. Progress has been slower in the lottery industry, but that doesn't mean we should shy away from the opportunity that the internet presents us.

Online gaming is becoming increasingly popular (both in

terms of number of players and also the amount of time spent playing), and with every year that passes operators without some form of online presence risk becoming redundant in the eyes of younger players; their place in the future of our industry is at stake. Moreover, it's not just the younger generations who occupy the online space: in 2012, 53 per cent of US adults over the age of 65 used the internet.

Interactive games offer the potential to engage players without them even having to leave their sofa. Perhaps most importantly, however, the internet presents lotteries with incredible marketing opportunities: social networks and forums add a vitally important dynamic to the gaming experience - one that has the potential to transform it from a solitary activity to a more interactive one. Social networks also enable lotteries to get closer to their players: to learn about their preferences and to start two-way conversations with them.

Whilst many in the lottery industry view the internet as a potential threat to the traditional retail channel, this needn't be the case. Indeed, activity on the web can complement retail sales, and cross-channel players are the most valuable to lotteries. The internet offers the chance to increase brand awareness, strengthen player loyalty and attract the attention of a younger generation of lottery players, all of which will benefit retailers significantly.

A good example of these two channels complementing each other is the interactive 2nd chance game, which takes players from a physical lottery ticket to an interactive game. Not only does the retailer directly benefit from the sale, but also the reinforced player loyalty and the increased insight into playing habits that the interactive game, if created and marketed properly, will foster.

### HOW TO OVERCOME THE CHALLENGES OF OFFERING INTERACTIVE LOTTERY GAMES

This is not to say incorporating interactive lottery games into your portfolio is a decision to be taken without preparation. Interactive and mobile channels will become increasingly vital to lotteries. However, to truly take advantage of these opportunities, lotteries must build the technological and organisational infrastructure needed to support such games.

It's important to stress here that interactive games are not a one-off investment that can be switched on and left to bring in a host of players. The beauty of the internet is that it enables organisations to be flexible and adapt to player behaviour and feedback. Done right, you end up with a game that constantly evolves to suit the playing preferences of the geography it is played in.

Because of this, lotteries must have structures in place to be able to adapt quickly to player preference. A good technology partner will constantly be working on their offering and issuing updates in response to player behaviour. It's important that lotteries have the capacity, both in terms of their technological infrastructure and also their decision-making process, to take on these changes swiftly in order to offer their customers great



*But we do need Mega Millions to remain a viable brand, don't we?*

**P. Otto:** We need to evolve the portfolio of multi-state games to give the consumer options and bring in more consumer groups. The multi-state games are extremely popular and have been a growth driver for all the state lotteries. We want to nurture that growth and fully optimize the potential of that category of games. Mega Millions provides a price-point alternative to Powerball and a second game to drive big jackpots. It will remain viable and be a vital part of a growing portfolio of multi-state games.

There are lots of ways to grow the portfolio of multi-state games. As a group, the directors of lotteries are exploring many options. And we definitely want to preserve Mega Millions because it is a great brand, a great game, and has tremendous consumer appeal.

This business can be very cyclical, especially as it relates to the big jackpot games. We need more time to assess the performance before drawing conclusions. The challenge is that state lotteries must deliver results within a 12 month fiscal year. We are, though, moving in the right direction. We're building a portfolio of games that complement each other, work synergistically, and can be managed for long-term sustainable growth.

*Technically, the legacy Mega states license the right to sell Powerball from MUSL, and the legacy Powerball states license the rights to sell Mega Millions. Insofar as the multi-state games should be managed as a single portfolio of games to maximize the aggregate results, and insofar as all the lottery states now sell both games and so everyone has a similar and shared interest, doesn't there need to be even more cooperation between the MUSL/Powerball Group and the Mega Consortium?*

**P. Otto:** There's tremendous cooperation between the Mega and Powerball groups. While the final decisions on each game continue to reside with the two groups separately and independently from one another, there is an increasing amount of cooperation and discussion. New ideas are initially discussed within one group without the input from the other group. But as soon as the idea gains traction, the other group is brought in. For instance, MUSL is working on some very interesting promotional initiatives for this fall. Even though the Mega Millions Consortium does not vote on these initiatives, we were brought into the early stages of discussion because it does affect all of us. The Powerball Group wants our input and vice versa. The two groups work together and I appreciate the collegial nature of the working relationships that have developed. And committees are being formed, consisting of members from both groups to explore new game and promotional concepts. So the future looks bright indeed for more and more multi-state cooperation. ♦

player experience.

Likewise, marketing a game to customers in new and potentially unfamiliar digital surroundings necessitates a completely different approach to capturing and retaining customer interest. Certainly, lotteries are starting to recognise the importance of interactive sales channels, but for most there is a certain amount of catching up to be done, especially when compared with other industries; for example, whilst nearly all lotteries have websites, few use them as interactive sales channels.

If lotteries want to attract internet-based players, they must meet them on the internet too, and for this to happen they must learn from those experienced in advanced digital marketing techniques to enhance player acquisition. Community-building, social media engagement and online advertising, amongst others, form an important base foundation for any strategy aimed at attracting online players. Lotteries must incorporate digital marketing expertise into their marketing skill sets if they are to reap the benefits of interactive games.

Few can doubt that internet-based, and increasingly mobile, channels represent a great proposition to lotteries all over the world, presenting them with the opportunity to reach players – old and new – and engage with them in ways that they could not in the past. ♦