

Draw Game Innovation from the Human Perspective

PLAYERfirst: A REVOLUTIONARY APPROACH TO OVERCOMING INDUSTRY THREATS

by Jessica Powell



It's a Challenging Time for the Lottery Industry

Last year, 40 lotteries reported a decline in overall fourth quarter sales, and all 47 jurisdictions were impacted by declines in year-over-year Powerball sales*. Consequently, in the first half of FY15, Powerball sales declined 40% versus the first half of FY14, shattering the financial statements of many lotteries. As a result, lottery directors and marketing teams are constantly debating the solutions to jackpot fatigue. Innovation is the hottest topic at lottery industry conferences. Even with the expected Powerball enhancements, product development groups are focused on reducing their reliance on multistate jackpot games.

With a portfolio of ten Draw Games that depended on Powerball for 44% of its sales, the Hoosier Lottery, like other jurisdictions, was suffering from the softening of the national jackpot games. Our Powerball sales were down 18% over FY14 and 38% since FY13, when Indiana had sales of \$141 million. Though Scratch-off games had reached a record 14% increase in validation based sales, the volatility of the Draw Game portfolio unbalanced the revenue mix and threatened our contributions to good causes. The Hoosier Lottery Total Distributions to the state ended up



11.5% YOY, in spite of the decline in sales of the national games; however, further YOY decline in national games has led to lower than projected transfers to the State in FY15. We knew radical changes to the portfolio were critical to ensuring long-term sustainability and financial growth of the Hoosier Lottery.

PLAYERfirst: How a Group of Pioneers Left Conventions Behind

The traditional approach to product development in the lottery industry was no longer working. Since the 1975 introduction of the first computerized network to sell a Pick 3 wager, Draw Games were primarily based on choosing numbers. With a few exceptions, subsequent differentiation of the games has been limited to odds, prize tiers, payout, pricing, and add-ons. Because we were not introducing unique and powerful enough consumer value propositions, attracting new players to Draw Games was a challenge. At a time when technological innovation was propelling other consumer package goods (CPG) categories to new heights, the high-profit-margin Draw Game lottery category seemed stuck. GTECH Indiana, working on behalf of the Hoosier Lottery, dared to attack the problem by approaching it from a totally new perspective.

To begin rethinking our Draw Game portfolio, we looked to other CPG categories that suffered from the same challenges – a large portfolio of brands, low consumer involvement, impulse purchase in a crowded retail

environment. So how do CPG companies like Pepsi and Frito-Lay successfully manage a portfolio of heritage brands while constantly introducing innovative new products to an already overwhelming display? The answer was surprisingly simple: Forget the product and start with the consumer.

Joining us on the journey to transform the Draw portfolio was Ulli Appelbaum, Founder & President of brand consulting and research firm First-The-Trousers-Then-The-Shoes, Inc. Appelbaum's experience in reorganizing large packaged goods portfolios would ensure that we followed a disciplined process while still creatively challenging the norms of the lottery category. We gave him permission to take us into uncharted territory, even if it made us uncomfortable. With over 100 years of combined lottery experience on the team, it was a challenge to set aside our institutional knowledge and let our players guide our thinking. "Changing the paradigm of the category is easier to do when based on consumer knowledge—hard data—and when the results make intuitive sense. But it takes guts for a team with a lot of category experience and a long track record of success to embrace change so willingly," said Appelbaum.

Though we knew consumers played the lottery for many different reasons, we had never validated our hypothesis on the actual emotions players felt. The physical transaction of shopping had been well-documented, but we wanted something deeper. We sought a profound emotional understanding of how consumers felt while playing our games. By hearing from players exactly what led them to buy a lottery ticket, we could gain deeper insights into their psychological motivations and triggers. According to Kary Hacker, our Senior Manager of Product Development for GTECH Indiana, "Once we understood the internal emotional experience of our players, we could better align our game portfolio with the Hoosier market."

A Disciplined, Yet Creative Process

The research side of our project focused on identifying, organizing, and quantifying the emotions and needs players tried to fulfill when purchasing lottery Draw Games. The multifaceted methodology included a blend of focus groups that delved into the emotional stories that led to purchases and interviews to quantify and monetize the findings. "The process," Appelbaum observed, "was a bit like playing jazz – a combination of rigor and discipline in our approach with the flexibility to follow and adapt to the players' insights, wherever this would lead." Over the course of nine months, we conducted 12 focus groups and 2,400 quantitative interviews to unearth 55 emotions, 25 competing behaviors, and 17 purchase triggers. To make the

- 12 focus groups
- 2,400 quantitative interviews
- 55 emotions
- 14 clusters of need states
- 25 competing behaviors
- 17 purchase triggers
- 6 internal workshops
- 10 existing Draw Games repositioned



data actionable, we completed 6 internal workshops to better position our 10 existing Draw Games.

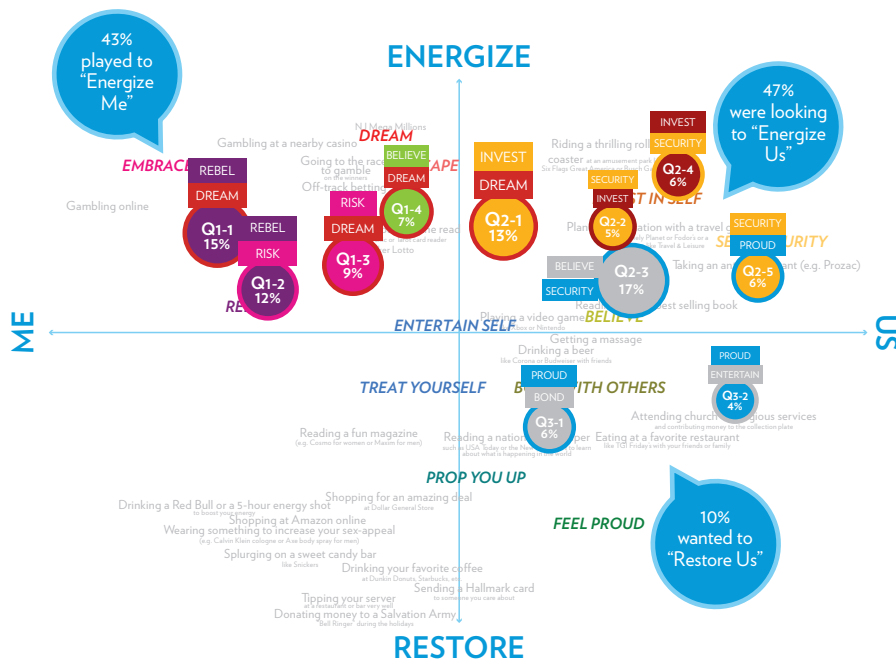
The initial consumer research findings provided the first bombshell. Contrary to our preconceived notion that consumers played lottery for the chance of winning, we found Hoosiers played Draw Games to manage, enhance, or momentarily change their moods. In fact, the lottery purchase experience closely resembled buying a Red Bull or riding a roller coaster.

Mapping Mood and Motivation

The outcome of the studies was a "mind map" quadrant diagram subdivided into two core dimensions of social focus and energy. The primary axis defined the social motivations of play and ranged from Me, something you do for selfish reasons, to Us, which makes you feel like part of something bigger. The secondary axis of mood motivation ranged from Energize, which adds excitement to your life, to Restore, which brings comfort.

Even the statistical methodology utilized was unique and innovative. Once the dimensions were mapped, the analytics team at Glass Box Research grouped the feelings and motivators. "The market research industry has traditionally used statistical clustering techniques such as 'kmeans' or 'latent class' to segment people into logical groups based on very tangible constructs like demographics or desired functional product traits," explained Shad Thomas, President of Glass Box Research. "We turned these algorithms on their ears in order to link how players ideally want to feel and what motivates them within the various occasions when they do play."

Since people are complex and human emotions can be a messy amalgam of feelings and desires, players, our findings suggested, often buy a product for more than one reason. So, each emotional cluster comprised several feelings or "need states" such as to Embrace Risk, Feel Proud, and Treat Yourself. Together they represent the entire universe of what drives people play lottery Draw Games. Building from those 14 clusters, the study also revealed and quantified 11 "ideal playing occasions" and the relevant emotions associated with each.



All ten of our current games were clumped together in the Energize/Me quadrant, and some games were competing for the exact same emotions. This turned out to be hugely important—the extreme overlap indicated the potential for consumer confusion and sales cannibalization.

Hoosier Lotto, Mega Millions, and Powerball, for example, were all delivering on the relatively small Rebel/Dream occasion. Cash 5 and Quick Draw overlapped into the Dream area but also elicited the emotion of Risk. Poker Lotto and Bingo To Go, which we had assumed would be highly separated because of their relatively low top prizes and specific product positioning, also overlapped into the Dream area. Only Daily 3 and Daily 4 had carved out a unique niche, but even they still resided in the Energize/Me quadrant.

Curating the Ideal Portfolio

Following the research, we began the process of repositioning each of our Draw Games based upon the need states they satisfied. Fitting with our commitment to engagement and relevancy, we called the process PLAYERfirst. We embarked on a series of workshops that plotted the ideal positioning to give each product a unique, ownable territory to better align product propositions and messaging strategies with consumers’ true needs. Each of the Hoosier Lotteries ten Draw Games was aligned against a distinct emotional benefit, functional value, ideal persona, and target segment. A comprehensive brand architecture was then created to ensure consistent messaging across all communications.

The results were immediately actionable for the Lottery marketing team. Brittany D’Haenens, our Advertising Manager, said, “The PLAYERfirst Portfolio Workshop clearly showed us how to redefine the product benefits across our portfolio of games. We were able to easily work the new insights into our creative briefs and make shifts in our messaging strategies.” For instance, in future communications, Hoosier Lotto would be recast as “the Hometown Favorite” to leverage the Security/Pride cluster, while Daily 3 and Daily 4 marketing elements will embrace Risk.

The first product concept to leverage learnings from the new study was Bingo To Go. Launched in August 2014, the game was not performing to projections. The initial

At this point exciting insights were starting to emerge. We found that during 15% of buying occasions, players were pursuing Rebellion and Dreams, while 17% of the time they were seeking Security and to believe in Something Bigger. Some of the findings were surprising. “I would never have imagined that Hoosiers were playing our games for a mix of pride and bonding,” said Hacker. In all, 47% of the playing occasions satisfied the Energize/Us emotions, 43% the Energize/Me, and 10% the Restore/Us area. Interestingly, no one surveyed played our Draw Games for the impulsive treats mapped in the Restore/Me

area. “We hypothesize that the emotions and needs in the lower left quadrant of the map are fulfilled by the Scratch-off games, but it is unusual to see such a gap on a map like that,” noted Appelbaum.

Do Our Games Deliver on Our Players’ Emotional Needs?

Potential new product ideas were already starting to bubble up, but there was much left to learn. Now that we understood what emotions our players wanted to experience, we needed to discover if our current portfolio of games was delivering on these expectations. The results provided our second bombshell.

campaign focused on generating awareness and utilized traditional, rational messages showcasing the matching of numbers to win the top prize of \$100,000. The study revealed that Bingo To Go was not clearly aligned with a single playing occasion with corresponding needs and emotions; rather, it was situated between two clusters. Further, the data indicated that, from a consumer perspective, Bingo To Go overlapped with Poker Lotto, and so consumers viewed the two games as delivering the same needs.

Based on these findings, the marketing team decided to reposition Bingo To Go to align with the Bond/Entertain need states. The repositioning of Bingo To Go was supported by a fully integrated campaign, including mass media, online marketing, and point-of-sale messaging all focused on how the game and mobile app could transport players with a more engaging, social, and interactive experience. Sales responded positively during the campaign period, and downloads of the Hoosier Lottery mobile app increased approximately 18%, helping to strengthen relationships with players and provide an engaging consumer experience. While this is still a work in progress, and it is premature to project long-term sustainability, it is clear that at least directionally the marketplace responded to a different approach.

Converting Insights Into New, Relevant Products

Though we were both surprised and disappointed that the current portfolio comprised only 43% of the mind map, we quickly realized that the remaining 57% actually represented a great opportunity for product innovation. "The white space on the map showed us exactly where and how we could attract new and lapsed players while more-relevantly engaging with our current base," explained Hacker.

Knowing that we lacked products that fulfilled our players' desire for a sense of security, pride, entertainment, investment, and bonding, we could attack the process of building games in a revolutionary new way. Instead of starting with discussions of matrices, odds, and price points, we developed creative briefs for the four emotional areas that showed the greatest potential in the study – Pride/Bonding, Invest/Dream, Risk/Entertain, and Entertain/Bond. The briefs formed



EMOJI LOTTERY

Gives a sense of pride for creating and sharing with your friends



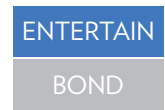
PLAY IT FORWARD

Provides a sense of hope by allowing you to fully believe in something bigger



ROCK, PAPER, SCISSORS

A little risk for a medium size reward can be very entertaining



HOOSIER WHODUNNIT

Allow bonding with friends over a weekly form of entertainment



the basis of a full-day PLAYERfirst brainstorming session where more than 60 new product ideas were generated. "Bringing together experienced category experts and inviting them to think along the new consumer occasion clusters led to a breadth of viable ideas that I've rarely seen in a brainstorm like that," acknowledged Appelbaum.

The ideas were sorted, discussed, massaged, and purged. Eleven of the initial 60 product concepts were fleshed out and taken to consumers for input. Based on player feedback, four products were chosen to be more fully developed:

- ▶ Emoji Lottery uses popular symbols instead of numbers, allowing players to create picture sentences and share them on social media. This concept leverages player's need to feel pride in his or her personal creation and bond with others through sharing.
- ▶ Play it Forward satisfies the Invest/Dream cluster and provides a sense of hope by allowing players the opportunity to make one of their dreams come true or pass the win forward to a local charity.
- ▶ Rock, Paper, Scissors allows players to enjoy some simple entertainment for a small risk.
- ▶ Hoosier Whodunnit lets players adopt the persona of an investigator and bet on who committed a local, fictional crime and when and how it was committed. This game leverages the Entertain/Bond emotional cluster.

Another round of user testing revealed Hoosier WhoDunnit, with its simple yet entertaining premise, to be the most popular new game concept. Hoosier WhoDunnit will be tested against several other games in August to determine which concept gets added to our portfolio next spring.

As you can imagine, once we get the consumer value proposition, theme, and positioning clearly established, GTECH Indiana will be leveraging its global IGT game development team to create a compelling math model and ensure prize structure, prize payout, and game liabilities are all balanced in a responsible, consumer-friendly, fiscally sustainable manner.

The Benefits of Thinking Differently

Over the course of the nine-month project we experienced some disappointment, discovered industry-changing insights, and charted the course for the future of Hoosier Lottery Draw Games. The PLAYERfirst process was a controversial approach that was sometimes uncomfortable for us lottery-industry veterans. But revolutionary thinking is supposed to be uncomfortable. Throughout it all, we were confident that to effect big changes in the industry, we would have to do something radical. As we navigated the research and built our plan, I kept the following quote from the renowned architect Daniel Burnham in mind: "Make no little plans; they have no magic to stir men's blood... Make big plans; aim high in hope and work."

Reviewing and rewriting the Draw Game product category from a human perspective and focusing on why people play the lottery helped us identify several unfulfilled need states. The study also helped us realign existing products before considering new or different games in future fiscal years

The PLAYERfirst process not only showed untapped opportunity for differentiation in our current portfolio, it has provided insight into the emotions that future games need to deliver. The study will be beneficial for product planning cycles for years to come," said Hacker.

Do you need PLAYERfirst thinking?

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* LaFleur's Magazine, September/October 2014

