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EXPANDING RETAILERS AND POS'S: LOOK TO THE E-RETAILER

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Jumbo Interactive began as an off-line Lottery retailer in 1984, selling TattsLotto in land-based retail stores in the Pacific Islands off the coast of Australia. We continue to operate there today, providing a full portfolio of instant and draw games under an agreement with the lottery licensee. In 1986, to make operations more efficient, Jumbo developed its own online gaming system and terminals that linked into Tattersall's gaming system in the state of Victoria. Our roots and our consumer connection are with the traditional lottery player who buys at retail. That's important because it

informs, and continues to inform, our whole approach towards delivering games that appeal to the core player as well as new-style games that attract new consumer groups.

In 2000, the Australian government passed legislation prohibiting all forms of gambling over the Internet, except for lottery draw games and sports betting. Jumbo then decided to leverage its interactive retail channel "Jumbo Mall" to pursue this opportunity through the sale of several charity lotteries. Within a short period of time, it became apparent that the Internet and lottery sales were surprisingly compatible. They complemented each other such that the Internet channel actually supported retail sales and reinforced the consumer connection at retail. In 2004, Jumbo set about with a new business model to leverage the intelligence gained by its successes in both channels, build on this mu-

tually supportive relationship between retail and Internet, and expand its retail license with Tattersalls to Internet sales. Subsequent to its success with Internet sales for Tattersalls, Jumbo became the e-retailer for the New South Wales Lotteries and the South Australia Lottery prior to those organizations being privatized by Tattersalls.

Since the early ground-breaking sales of lottery over the Internet, Jumbo's unique e-Retailer program has evolved, not only in terms of sales but also features and functions. The e-retailer program actually does exactly what all lotteries have been doing for years; expanding distribution through a diverse network of brick and mortar retailers across multiple sales channels. Jumbo's program replicates that practice but across the Internet. Jumbo forges relationships with existing lottery retailers and affiliates to maximize the number of touch-points across the web. This strategy creates exposure and enhanced awareness for lottery and for providing convenience to players and potential players. A good analogy is the travel industry, where each airline has its own web-site but they rely heavily on e-commerce through a host of online retailers such as Orbitz, Kayak, Expedia, etc. It would be misguided for airlines to limit consumer access to their own websites. Similarly, the single lottery web-site only attracts those who are already buying lottery, already know the brand and the lottery website, and thus restricts sales potential.

Jumbo's model touches players and potential players as they live their lives – whether it be surfing the web, looking for news or sports results, visiting an existing lottery retailer, or viewing their weekly news flier. Even at the traditional retail point-of-sales or browsing their weekly fliers, smart-signs engage the player through QR, NFC and GPS technology, and track subsequent lottery purchases back to the retailer.

We all know that most if not all lotteries have restricted marketing budgets, which tends to result in a one-size-fits all approach to point-of-sale, advertising and promotions. Yet all lotteries have that handful of retailers who are the peak performers, who set the bar higher and create a retail environment that allows them to far exceed the sales of similar retailers. Jumbo's niche is in creating that special retail environment that achieves stretch goals for its retail partners and affiliates. We do that by adding value to the lottery purchase through our CRM, loyalty program, sweepstakes, second chance drawings and special promotions. The key to our program is that the funding for all of that comes from Jumbo, not the prize fund. In that sense, the program is "budget-neutral;" having no impact on the marketing budgets and so taking nothing away from the existing advertising, promotions, and marketing of a lottery's products and traditional retailers. The Jumbo's clientele have an array of purchase options from combination bet types to group play and social group play and an

run by a local newspaper, TV or radio station, and their websites. While stories of a new Powerball millionaire being created doesn't immediately drive a big jump in sales – like a big jackpot story does – these local stories do get the brand out there and show that, besides the bigger jackpots, New Powerball is regularly creating millionaires all across the country. From a national view, few know that New Powerball created over 500 millionaires in the first 13 months of sales. And MUSL Committees are currently working on new marketing, promotional, and game features that should help to maintain interest in the game at lower jackpot levels

If it's less about "jackpot fatigue" than "press fatigue," why couldn't MUSL hire a full-time publicist whose job would be to stimulate more press coverage of the multi-state games, especially on the national level but really on all levels? Why couldn't we try to convince the general mass-media press to give as much coverage to jackpot levels as it does to sports events and scores and such?

J. Haynes: When the Powerball jackpot is getting wall-to-wall coverage, we do sometimes see efforts from firms to help us, but we just don't need it at that time. MUSL makes good use of the experience available in the state lotteries to identify the talking points and to get them out. If you take a look at the coverage during the last big Powerball jackpot run, you can see that stories were everywhere and that the press covered the points we wanted to

cover; and was incredibly positive.

Any ideas on how to get more traction and accelerate the run-up early on in the Powerball game?

J. Haynes: The New Powerball game already does that with the guaranteed jackpot starting at \$40 million and minimum jumps of \$10 million between jackpots. The two committees I mentioned earlier, Marketing & Promotions, run by Cindy O'Connell, Secretary of the Florida Lottery, and the Development Committee, run by Arch Gleason, CEO of the Kentucky Lottery, are working to boost sales for those starting jackpots. They have a number of innovative ideas that will be refined and then submitted to the Board.

Any news about GeoSweep and MUSL? More specifically, are there any ideas as to how to facilitate the integration of innovation and new games from smaller suppliers who are not able to comply with terms of indemnification or other conditions that create high barriers to entry and effectively impede innovation?

J. Haynes: Right now, MUSL has a lot on its plate, including changes to Powerball and new games. The GeoSweep concept is just one of the new games under development. Indemnification is still an important issue for most lotteries, with patent issues now an added major concern. But lotteries know that changing conditions will compel us to find new solutions and evolve some of our past practices.

Are there ways that MUSL could integrate social media, or some other internet-based tools and vehicles, into the multi-state games?

J. Haynes: Some new features and concepts for all our games include all of these things as we reach for a new demographic and find new ways to reach our current players. During the world record Mega Millions jackpot run, we saw the website hitting 1.3 million current connections and nearly 40% of that was from mobile phones and tablets. Those are some amazing numbers. It seems a natural and easy move for those players who now can only check draw results. Live Powerball draws should be available on mobile devices this month and other games will follow.

How can we improve our public relations and messaging processes?

J. Haynes: It is important for us to focus on new, creative and innovative messaging when describing our current and future product offerings. Messaging is critical if we are to keep the consumer informed, our products viable, and our businesses growing. But I do not think of it as "public relations." The kind of messaging we need is most effectively realized when it reaches the market specific to a product. The consumer responds much better to that kind of focus, and it's important for us to be able to measure impact and results; and also to ensure we are indeed hitting the target market and accomplishing a material objective. ♦

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extensive set of tools and features that add some fun to selecting their numbers.

All successful businesses throughout the world have embraced the Internet to extend their retail reach, while enhancing distribution and operating efficiencies. While we recognize the social and moral issues that surround Internet gambling that has been created by the off-shore i-gambling casinos, the lottery industry really needs to change the dialogue, to re-frame the issue. Using the Internet to extend and enhance the distribution of lottery products is not Internet gambling; it's providing the player the convenience of e-commerce to purchase traditional lottery products that are played off-line.

Consumers are rapidly adapting to an environment in which merchants provide multiple points of access and interaction.

They have come to expect it. Creating this new category of retailer, the e-Retailer, is the low-hanging-fruit method to stay connected to the modern consumer and allows the Lottery to effectively utilize the Internet as a convenient sales channel to drive incremental sales and revenue for good causes. Of course, in doing so, it attracts new consumer groups. Perhaps more importantly, though, is that the e-Retailer keeps the operator in step with its core players. Everyone is "online" and expects their Lottery to be online with them. The result for Lottery is an engaged consumer, an increasing player base, and increased incremental sales. Increasing retailers and POS's is a part of every lottery's agenda. What we are proposing is that you think of e-Retailing like any other retailer. And we have designed a program to enable

the lottery to integrate the Jumbo Interactive solution right into the existing business model of the traditional lottery.

To be clear, Jumbo is not a lottery vendor or a systems supplier. We are a lottery retailer that has harnessed technology to effectively sell lottery products over digital channels. Our e-Retailer model has been described as a budget-neutral offering as we earn the retail commission like other retailers but we provide so much more. Perhaps Budget-Neutral-Plus is a better description, because we create the extensive web based retail network of touch-points that: i) provides convenience to regular plays and ii) engages potential players and converts them into players and we advertise and promote extensively at our own cost to drive and maximize lottery sales and revenue for good causes. ♦