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On the Happy Marriage of iLottery and Retail

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bringing back the fun!

PGRI Introduction: One of the concerns about iLottery is the impact it has on a lottery's network of land-based retailers. Retailers do not want their business to be

cannibalized, and lotteries do not want to antagonize their most valued channel partners. The NeoGames solution is to reshape the way we think about the business of engaging consumers and connecting with lottery players. Instead of thinking about how to manage channels of distribution, a focus on the player experience makes most of the channel-conflict issues literally disappear.

Everyone wins, including the retailer. The success of their approach speaks volumes.

Paul Jason: *One of the more surprising and interesting parts of your activities worldwide is how retail sales grew at a faster rate after the launch of iLottery. Should this surprise us?*

Moti Malul: Not at all. If handled correctly, interactive supports retail sales and vice versa.

We are asked about omni-channel, both in the US market and in Europe. The fundamental reason for our success is how we marry interactive and retail so that the online iLottery augments retail sales. We promote and facilitate a parallel focus approach of optimizing and investing in retail growth, side-by-side with digital.

One of the things we do to accomplish

that is to reframe the whole paradigm to focus on the player experience, as opposed to on the operator logistics. Legacy lottery systems are product-focused; even the term “omni-channel” reflects this, referring to the multiple distribution channels deployed to make the product available in the marketplace. This is the wrong focus. We choose to put the focus where it belongs: on the driver of these strategies—the source of demand for lottery products—which is the consumer.

So we reframed the whole approach by replacing the focus on “channels” and instead putting the focus on the players and their touch points. Since the consumer wants and expects ubiquitous access to

providers of products and services, we focus on what we call the omni-player. Our goal is to harness the capacity of the digital domain to enhance the entire player experience. This delivers benefits far beyond the sales generated online.

The Omni player approach is about driving player engagement across all channels and media. It's about creating a player journey that integrates channels and media so that playing the lottery becomes a singular and seamless activity. The players migrate among the various consumer touch points, but they are not thinking about “channels of distribution” or “consumer access.” Instead, they are just thinking about playing the lottery and engaging in the activities that are second-nature to the modern consumer. They use their mobile, they walk into retail stores and go about their lives and business without thinking about the logistics of distribution. Relationships with friends, with work colleagues, and with merchants all blend into a seamless mix of online, mobile, and physical connectivity.

The Omni Player lives in a world where fluid and constant connectivity is taken for granted. Interaction happens on various platforms, but the navigation between those platforms has become so easy and seamless that the mechanisms that enable

the migration from interactive to retail become invisible to the consumer. The consumer just expects everything to work flawlessly, to get what they want precisely when they want it.

They are happy and engage when everything goes smoothly; they are confused and disengage when it doesn't.

It is about creating that easily navigable and interactive relationship with the player that drives engagement on all levels, and across all channels. Creating this engaged relationship is the cornerstone of any sustainable growth plan.

What are some concrete ways that digital is merging with retail?

M. Malul: The first thing is to not think of them as two separate channels existing side-by-side to deliver two ways for the consumer to access and play lottery. Instead, think of the digital domain as existing in a virtual world that permeates everything we do and hovers above, around and within the physical world—which happens to include the retail domain.

For example, cashing in and cashing out win money from your digital wallet can be done in multiple ways at retail. Loyalty club activities and entries that are managed online can be integrated with retail purchases. Assistance with player registration is provided online but can be integrated to a retailer's POS access point as well. The player can choose to post the retail purchase into his or her digital player account management system at the retailer's POS. The retailer's POS can even be equipped to process anonymous digital transactions if the player so chooses. The digital and retail domains merge and function together.

The Omni player strategy enables the ongoing layering of additional options and services to every consumer touch point and POS. As an industry, we are in the very early stages of building out the full capabilities of this integrated Omni player interface. This fully integrated player journey across multiple touch points is adding more and more content and service, and unleashing a wave of innovation that is transforming the lottery player experience and the industry.

How are these ideas being applied in Michigan, the Czech Republic, Portugal, and other NeoGames client markets?

M. Malul: At one of our partner lotteries, we enable the players to use a card to buy lottery tickets at retail points so the transaction posts to the player's digital account management (PAM). The player's purchase is posted to his or her PAM, the process of entering the second-chance draw or other promotion is greatly simplified, and there is a record of the purchase in case the ticket is lost. Retailers can offer this card to their customer through their own POS terminal. That puts the retailer in the position to engage its own customer while also being an ambassador for the lottery by assisting the player in the registration process.

Using cash money as a means of playing online is an option that has proven to be surprisingly popular, and is another avenue that loops in the retailer. That option is doubly enhanced by enabling the players to cash-out their Internet prizes at retail locations. Players can also do the reverse—collect their winnings of retail purchases and convert them into online currency (win \$10 at the store but have it deposited in your Internet account).

There are countless synergies that may seem convoluted, but that is just because they have not been commonly used in the lottery industry yet. It is seamless and easy for the consumer who is already quite familiar with all these integrations of digital and physical transactions. Players get it; they are availing themselves of these many options, and the result is a highly engaged Omni player experience.

It sounds like you are sometimes surprised at the ease and speed at which the consumer adopts new ways of doing things.

M. Malul: I am! Of course, we would not create and implement these tools, these new ways to interact with the lottery, if we weren't convinced they would appeal to the consumer and retailers and contribute to the success of the operator. But I am often surprised at how quickly and easily these innovations are received and adopted by the consumer.

The opening up of the mind to countless new ways to fulfill our goals is all due to the Internet. Those of us who came to the digital world in our 20s or 30s think of it as a second language, something separate and different that we are in a constant state of figuring out how to use, but "Digital" is the first language for digital natives who were born in the 1990s. They are so fluent, so familiar with all the underlying protocols and nuances that they don't even have to think about it.

The physical world of land-based retail and billboards and commercials that advertise products—and cash that enables transactions—have limiting constraints that the digital native is no longer bound by. The integration of all these new digital tools into the mix is all second nature to them, neither complicated nor burdensome. There is no learning curve like there may be for non-digital natives. They already use these tools in the conduct of their relationships with other merchants and businesses. Their lives are already completely managed on digital platforms. Their social media connection to friends, their work relationships, the commerce of information and agreements and projects and everything we do as actors in the information economy—these are all bound together by the Internet and digital platforms.

So yes, I am surprised by the rapid adoption of innovation by the consumer. But now in hindsight, I shouldn't have been surprised. It all makes sense and so we are excited about the timelines in which new digital tools that we have in the pipeline will convert to value-added benefits for the consumer, the retailer and the operator.

What is a specific example of how consumer response to a new idea surprised you?

M. Malul: Sisal, our customer in Italy, built an app whereby you can configure your draw game and once you finished configuring it you have two options. One button says "Pay Here" and the other button says "Pick up at Point of Sale." Now, why would the player who just spent the time to configure a ticket in the online app prefer to go to the point of sale to pick up the ticket? Yet in some markets, as many

as 30% of the players do exactly that. The Omni player approach expands upon this phenomenon with greater consumer choice and enablement.

The consumer world has always been comprised of multiple touch points: retail stores, advertising messages, self-serve kiosks, delivery services, etc. Digital has simply exploded the number of those touch points to completely transform the way we think and interact and conduct commerce of ideas as well as goods and services and currency.

The irony is that for all the technological sophistication being applied to unlock the power and capacity of the digital universe, the end result is a system that is far more consumer-centric than the analog world ever was. Tools that enrich the consumer experience are being introduced at warp speed. The process of acceptance and rejection is so efficiently actuated in real time that it becomes almost invisible. The merger of the player-centric digital domain with the physical world of retailers and products and services is not only transforming the consumer experience—it is a revolution that is transforming the entire world of commerce.

How is the iLottery player experience different from playing the Instant game at a retail point of sale?

M. Malul: Years ago—and still today for some lotteries—the Internet was thought of as simply another channel of distribution through which product can be sold. Lotteries basically put their Instant products online. Maybe they changed some visuals and added some digital features, but basically they were still selling the same product. It was a logical approach, but it was aligned with the misguided presumption that there are immutable constraints to the design of an Instant game. Regulatory constraints and past experience in the marketplace were inhibiting the process from taking full advantage of the potential to reinvent the games within a medium that is so completely different from the physical world. The Internet opens up a whole new galaxy of potential, represents a fresh new canvass upon which we can create innovative game concepts.

We thought long and hard about the underlying concept of Instant games. We discovered that while the Instant ticket has certain fundamental properties that make it an Instant ticket, you can deconstruct the attributes of the product and rebuild it in many different ways. Think of it as Lego. The regulator allows you a certain number of pieces of Lego to create a game. The game has to include those pieces, but you have lots of flexibility in how those pieces are joined together into a gaming product. In the physical world of retail, one of those attributes is the printed scratch card. The printed scratch card has certainly served a good purpose over the years, but it is not a regulatory requirement. So we remove that from the list of required properties and let our imagination reinvent a whole new realm of possibilities.

At first, our ideas to reinvent the game were met with incredulous reactions framed with the concern “I don’t know if we are allowed to do that.” So now, to our customer’s surprise, we ask that the legal team be a part of the conversation from the very beginning. All lottery products have always been vetted with the legal team, but typically that happens at the end of the process, not the beginning. We now ask that Legal be a part of the entire discussion. We found that addressing the questions and getting buy-in from Legal throughout the process is a more practical way to avoid a decisive thumbs-up or thumbs-down at the end and going back to the drawing board.

We also find this to be an effective means of engaging Legal in the broader business objectives of delivering games that are both entertaining and in compliance. Everyone, including or even especially Legal, gets very excited at the notion of recasting the product in fresh new ways. Legal has actually been very helpful at creating solutions. “Well, you can’t do that because of this rule, but you can do it this way instead and achieve a similar result.” Legal becomes part of the creative team that drives the best solutions. And of course, they love it!

Once we share our insights, the results that can be achieved and the reasons for powering through the process of deconstruction and re-building a fresh new product, the

clients embrace the challenge and infuse the process with their own creativity. Their enthusiasm for the possibilities takes over and the drive to reimagine the whole concept of what can be accomplished springs to life.

NeoGames brings a wealth of experience for what works and what has not worked so well in other markets, as well as the technical expertise to make it happen. But it is our clients who are driving the bus. It is their vision that sets the stage for all of us to work together to reinvent the business. We end up learning at least as much from them as they learn from us! The result is an exciting interactive player-experience that drives both interactive sales and retail sales.

To what extent are your ideas informed by the game attributes of popular non-lottery or non-money games?

M. Malul: We think of our job as “innovating inside the box.” Our experience with game developers who are not immersed in lottery is that they are slow to connect the dots that make the games work from a compliance point of view. There is incredibly exciting innovation in the broader world of gaming. We analyze, learn from, and take inspiration from the amazing success of these non-lottery games. But the world of government lotteries is unique in many ways. You know, it’s not just about what is permissible from a regulatory point of view. We need to be sensitive to responsible gaming, political and public-relations aspects of everything we do.

What is an example of a game concept that has been done online but not in a retail store?

M. Malul: How about letting the player decide the price of the ticket? That is easily done online and creates a wonderful dynamic that players love, “gamifying” the player experience. It engages the player in the process of deciding the relationship between the odds, wager and reward. This is not done at retail. It might seem impractical to attempt that in the analog world of retailers, but as the world of retailers becomes digitized, even this option could be migrated over to retail—yet another example of cross-pollination of ideas benefiting retailers as well as players.

Actually, the player just decides among a large variety of pre-existing game matrices. Players who decide the price of the ticket they want may feel like they are creating their own unique game, but they are actually selecting a pre-existing game. This works online and not in the physical world because we can field an almost unlimited variety of games online. There is no cost of printing countless tickets ahead of time, or the impossible task of finding the space for them in a retail environment. The user interface does not display the countless permutations and combinations of price/odds/reward; it just displays the option of creating your own game. But the selections end up channeling the order into a game in the system, so the transac-

tion is processed, posted, audited, settled and subject to the same administrative actions as all other lottery games.

The Omni player puts control back into the hands of the player in ways that would be hard to imagine without the integration of digital into the player experience.

M. Malul: It would be hard to imagine because it could not be done from a logistics and cost point of view. But two things are happening simultaneously that are changing the face of both retailing and lottery gaming.

One, digital is opening up a whole new world of possibilities that will transform gaming. It has already been transforming the world in myriad ways and now it is working its magic on the world of gaming.

Second, the distinctions between online and off-line are disappearing. As one young person said in a presentation at an EL Marketing conference, there are no “line-people,” there are only people embracing a world rich with options and opportunity to connect and interact and fulfill our dreams.

As digital becomes integrated into the retail space, as the worlds of online and off-line converge and the distinctions disappear, as innovation migrates seamlessly across channels and media to inhabit the world of the Omni player—this is the transformative power of digital that benefits everyone.

All aboard, because the engines are already started, the bus is leaving and the destination is clearly in view! ■