



Pall Palsson

Mobile Product
Manager, Betware

Paul Jason, Public Gaming: *Betware has extensive market experience in internet gaming, and especially in enabling lottery operators to sell their games online. The primary consumer connection for lottery has always been through land-based retailers. Don't we need to do a better job at integrating these two channels? And how is the internet channel being integrated into the land-based channel?*

Pall Palsson: Integration is absolutely key. Betware has 16 years of experience taking gaming operators online, and we are finding that there is a growing need for a more holistic approach to accomplish the kind of integration you are referring to.

One key to that is to think of the internet as more than just a channel for distributing products. It is also a medium for communication. And it is in that capacity that the internet is itself the vehicle that will tie all the channels of distribution together. The holistic approach really has two meanings. First, from an operations point of view, we need to build technological platforms that facilitate integration between channels and media. Second, from a consumer-facing point of view, we need to create a coherent user interface, one that enables the consumer interaction with lottery to be easy and transportable from one channel to another. We need to create a holistic consumer experience in which the players

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interact with the games and brands seamlessly across different channels.

Lottery tickets used to be sold exclusively through the retail channel (convenience stores, gas stations, grocery stores etc.) but many jurisdictions are now allowing operators to sell lotto through multiple channels including traditional desktop Internet, tablets and mobile phones. These new channels bring new opportunities to the table. And it's not just about the lottery operator's website. Media will merge with transaction-processing to create entirely new channels and categories of POS's. Like television sets. Even household appliances like refrigerators are being built to deliver the ubiquitous Facebook connection. All varieties of consumer electronics and appliances are potential POS's for lottery.

Many lottery operators are concerned that adding new sales channels may cannibalize existing ones, and that they would only end up migrating the revenue stream from one channel to another. Not to mention the ever difficult relationship with the retailers.

P. Palsson: Exactly. A good place to start is to ask the question directly: Why exactly should the operator add new sales channels? The answer is simply to increase convenience and access for the player, and that this increased consumer access does absolutely increase sales. The record is clear on that in all the markets where the i-lottery channel has been implemented. The record also shows that i-distribution of lottery products actually complements and augments the retail channel. Based on our experience land-based sales increase right along with i-lottery sales. Not at the same rate of course, because the existing revenue base is so big at retail. Betware's research shows that a lottery can achieve well in excess of 20% of its sales through the Internet channel alone without any evident cannibalization of its retail sales. And the internet is only one additional channel. We are now seeing a big increase in the sale of lottery games through the mobile channel with the main-stream adoption of smart-phones. And the smart-phone penetration continues to increase. As for the relationship with the retailer, it's important to work with the retail network to educate them on the need for multiple channels. As game categories converge in the marketplace, retailers need lottery to maintain its strong consumer connection and that means leveraging multiple channels of distribution and media. There are tremendous opportunities

for retailers in multi-channel environments as well, but that topic is rather expansive and probably needs its own article!

Increasing consumer access to the product clearly results in a net increase in sales. But still, how do you add distribution channels without cannibalization?

P. Palsson: There are two primary factors that make that possible: different channels appeal to different demographics and different channels appeal to players at different times during their day. As successful as it is, the retail channel has always represented a narrow sales opportunity. Peoples' habits have changed. They are always on the go and their time is more precious than ever – they shop online (even for groceries) or pay for gas at the pump without even entering the station. And they want services to “follow” them, always being close at hand. The same goes for gaming in general. Players want to buy at their own convenience, whenever and wherever they want.

A lottery that offers games for sale through an Internet channel in addition to retail stores can reach anyone who works at an Internet connected workplace for 8+ hours each day and everyone who has an Internet connection at home whenever they are at home. If that lottery also offers a mobile phone solution they can reach players at any time and anywhere. That is why the multi-channel approach increases overall sales with little channel conflict. The player can make a decision to buy a lottery ticket and act on that decision within minutes (or sec-

onds on a smart-phone) at any time through the day, enabling lottery to truly maximize its marketing efforts and revenue by leveraging multiple sales channels.

Thinking of the internet as a medium in addition to a channel helps to understand why it needs to be leveraged as the anytime anywhere consumer connection. We are all so used to indulging our impulses and impatient with anything that dares to interfere with that impulse!

P. Palsson: Exactly – no missed sales opportunities because of lack of consumer access. We all know that playing a lottery is an emotional thing – often a spur of the moment decision triggered by an advertisement (TV, radio etc) which gets the player dreaming about winning (and spending!) the grand prize. So, it follows that if a ticket purchase is not a calculated investment but rather a decision of the heart regardless of the odds, it is imperative for the lottery to allow the player to “buy into” this dream within seconds of the ‘I need to get a ticket!’ moment occurring. Lotteries do exist to support good causes but the way they do that is to fulfill the business mission of selling the dream. ♦

Pall Palsson has been involved with various IT and game development projects working as a Product Manager and Senior Producer in the UK, USA, Canada and Iceland. He joined Betware in 2010 and leverages his experience to create and oversee the execution of Betware's Mobile and Lottery strategy. Pall holds a degree in Game Design & Development.

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