

State agencies all have important and worthy objectives built into their mission-statements, but none of them includes performing the variety of business functions that a state lottery is tasked with doing. None of them is held to the commitment to generate huge revenues for public service benefits as is the lottery operator. As part of the dialogue about whether to “privatize” this or that state-run activity, why couldn’t states look at how their own lottery operates and explore the possibility of exporting some of the competencies into other state agencies? Apply a “Best Practices” approach to the overall management of government and look at the operation of the lottery for some of those “best practices”. We’re not presuming that the lottery is the perfect, shining example of everything that is good and should therefore be emulated all across the land. It is to say that the lottery operator is charged with integrating public policy agendas with ambitious fiscal objectives in a way that is unique; and that other government agencies could possibly learn something about how to apply private industry practices in a state-run operation. We suggest this with all due humility and appreciation for the fact that all of us along with lotteries themselves have lots of room for improvement. This topic came up in a different media interview context with Terry Rich, so I asked if he might not elaborate ...



Terry Rich

CEO, Iowa Lottery Authority

Paul Jason, Public Gaming: *I hear you want to do more than sell Lottery products for the state.*

Terry Rich: Let me be clear ... As leaders of the Iowa Lottery, our highest priority is to provide entertainment for our players and proceeds for our vital state causes. But lotteries have a mission that is much different from other state entities. Government-sponsored lotteries are created to generate funding for causes that might otherwise have trouble getting public funding. The interesting thing about our mission, though, is that it requires us to operate much like a private enterprise. We have a cost and profit structure that drives business decisions. Our operation is structured with sales, marketing, finance, operations, IT, and legal departments that function much like private enterprise. Each day we weigh risk-rewards and return-on-investment scenarios for most business decisions. We brainstorm for creative solutions to problems and to optimize opportunities. We work hard to integrate the most progressive manage-

ment techniques into our everyday operation. Our focus is on the investment of resources for better returns. Our mission requires us to operate in a business manner and we think that other state operations might benefit from the lottery’s experience, technology and entrepreneurial model.

It seems like Iowa has always been a leader in new ideas.

T. Rich: Our belief is that if you don’t take some calculated risks, things won’t improve or advance. Through the years, the Iowa Lottery has been on the forefront of new products and ideas with a goal of helping the entire lottery industry move forward. A few years ago, the Iowa Legislature and our management staff also did a smart thing by carving out the Iowa Lottery as an independent authority. It allows us to take calculated risks to try new ideas that benefit the entire state as well as the lottery’s business operation. Once technology is installed, we can look to see if other state entities may also be able to benefit from those applications. One example was our use of lottery terminals to sell advance-admission tickets to this year’s Iowa State Fair. We increased Fair pre-sell outlets by a factor of 10, while at the same time bringing in new citizens to purchase from our machines for the first time. It added convenience for citizens and a sampling of what a lottery product might look like. As a bonus, our retailers liked it because they got a commission as part of the sale.

Talk more about how the Lottery becomes a leader in innovation for the state.

T. Rich: Iowa law as it applies to the lottery was written in a way that is more conducive to business practices, which doesn’t happen everywhere. By Iowa Code:

- Lottery games are defined as an entrepreneurial enterprise.
- The Iowa Lottery is to operate in an entrepreneurial and businesslike manner.
- The lottery is to be free from “political” influences.
- The lottery can issue bonds for property, allowing long-term savings on select big purchases.
- The lottery CEO’s job definition includes a provision that encourages research and development of best lottery practices.

Innovation is at the heart of any entrepreneurial enterprise, and we believe we are fulfilling our mission as defined by state law when we investigate and seek out new opportunities. Not every idea will work, but you have to try. The Governor and Legislature set up a great business entity to accomplish that goal.

One of the areas where we’ve demonstrated entrepreneurialism in the past couple years is in social media. The Iowa Lottery was one of the first in the country to begin to incorporate into its daily work the use of social media platforms such as Twitter, blogging, YouTube and Facebook. Those efforts came with the business understanding that much of the public is already engaged in conversations in those arenas and reaching out to consumers there brings the lottery within their circle of influence. Doing so also helps cement the lottery as a relevant part of those consumers’ entertainment options—it lets them know that we “get it.” That’s important in terms of giving people a reason to buy our products!

What other ideas are in the works?

T. Rich: Another recent project that’s received positive comments is a summer travel initiative we undertook with the Iowa Tourism Office. Tourism negotiated special offers with in-state hotels, attractions and businesses, and those deals were then offered to people who presented non-winning lottery tickets. We used our strong media buys to encourage residents to buy our tickets and vacation in Iowa. It’s been another win-win for all.

As we find successes, others ideas may follow. Maybe some state licenses could be sold through lottery terminals or our massive network could be used to process state payments, etc. As I said, not every idea will work, but there is a benefit in investigating the possibilities. In the coming era of electronic tickets, it also gives us other ways to drive customers into our loyal retailers’ business locations.

The bottom line is that more cooperative projects with lotteries could reduce costs for state entities overall and help lotteries raise more money for state causes by having other “third-party” organizations praise the lottery’s work. ♦