

Rewards Programs: Positioning Lottery Web Sites for Prolonged Player Engagement

By Jennifer Kimble, Sales & Marketing Communications Manager, Scientific Games Corporation

A far cry from their 1950s American foothold consisting of green stamps and a supermarket chain, rewards programs or loyalty clubs have evolved and popped up everywhere. The theory behind rewards programs spans oceans, generations and knows no industrial borders. A consumer passes two gas stations to get to the one they're a "member" of because a free fountain drink is waiting. A consumer books an airline ticket with two stops instead of one to get closer to that free ticket to Hawaii. And, as the recent past, present and future are showing us, consumers log onto lottery web sites and enter non-winning codes for a chance to win prizes or to collect more points towards catalog items.

As a matter of fact, most American households are card-toting members of an average of 14 loyalty clubs. That's right 14, and one third of those deem them even more important during a recession. Everyone loves a coupon, everyone loves a deal and everyone loves earning free merchandise for a behavior they already practice.

Loyalty clubs provide marketers with an opportunity to collect feedback and to reward those who have helped grow their businesses. For lotteries, they also provide one web site or access point to multiple destinations offering a variety of information, entertainment and prizing features. Members of loyalty clubs undoubtedly see value in the club offerings; so much so, they will perform certain actions – inputting numbers from non-winning tickets, answering polls, etc. – to get their rewards. They also see loyalty clubs as social engagement with those that have similar interests, beliefs and hobbies. It directly extends their play experience and gives them access to exactly what they want – someone to reward them for their loyalty...and they're willing to earn it, point by point, entry by entry, game by game.

Several lotteries have already implemented rewards programs and are seeing tremendous success – including MDI-developed and managed programs in Arkansas, Montana, and Minnesota. MDI, a wholly-owned subsidiary of Scientific Games Corporation, has more hands-on experience in building web sites and loyalty programs than anyone else in the lottery industry. In fact, MDI has

been doing it for 10 years and has over 250 web sites in their rear view mirror. MDI's loyalty program is called Properties Plus™ and it has been built with a long-term strategic view of delivering value to players today and positioning the lotteries for future growth and expansion in the internet. Properties Plus™ also offers the ability to integrate with any existing lottery technology system, no matter the online or instant provider. The platform behind the MDI loyalty program is fully capable of providing robust marketing data with the ability to adapt to handle transactions or other marketing opportunities that may present themselves in the future. It provides a multi-faceted approach to establish and maintain relationships with lottery players in an interactive environment.

Lottery loyalty clubs should acknowledge players, thank the players, and connect with the players through ways that show the lottery has an understanding of who they are. It must also be noted that a chance to win isn't the same as earning rewards. The ability to earn something of value based on purchases ensures that players are fairly rewarded and encourages long-term participation in a program.

Engaging content is another ingredient to making rewards programs relevant to consumers. Consider this, most of the Facebook generation has never milked a cow much less tilled a field yet thousands of them are tending virtual farms. Why? Because, the casual game has been made relevant to them; they earn prizes, they compete against friends, and they keep coming back day after day. The same can be done with a lottery's Loyalty Club. Through the recent acquisition of GameLogic by Scientific Games, MDI has access to a myriad of high-quality, just for fun, casual games that are available to participants to keep players returning regularly.

Give them good rewards and they will come. The three A's are a key to success in this regard – rewards must be Achievable, Appropriate and Aspirational. Achievable rewards are primarily a function of proper budgeting. The rule of thumb for funding a program in most product categories is between one and four percent of sales. Companies who have embraced loyalty programs

wholeheartedly recognize that this is one of the best investments they can make in their business. It is a means of offering more value to their most valuable customers. For lotteries, it is a way to retain and grow playership while positioning the business for future sustainability. It engages a younger audience to reach out to a segment of the market that can often be elusive. Most importantly, though, if a program is underfunded, the rewards will not be achievable to most participants and players won't stay engaged with the program.

A rewards catalog featuring beach towels and surfboards probably won't float in many areas and hunting apparel might not cut the mustard in others. This is the second A-appropriate rewards. Localizing the rewards available in a program goes a long way to making it more effective. MDI has dedicated resources to finding a variety of local prize options including items suited to each market, such as discount offers from local businesses allowing players to redeem their points right in their own neighborhood. Mix in some high-end "Aspirational" prizes like vehicles, electronics and travel and your loyalty program will really resonate with players.

To address the proverbial elephant in the room – what kind of results will a rewards program deliver? The Arkansas stats make a compelling story. First and foremost, weekly per capita instant sales

in the first year of the Arkansas Scholarship Lottery are the best of any recent start-up in the industry. It's also worth noting that in this past month, the Arkansas player's club website had 137,051 visits and 2.9 million page views with each visitor spending an average of 18 minutes on the site. To put this in perspective, research shows that the average visitor spends less than 8 minutes per visit on the WallStreet Journal site and Wikipedia visitors only spend 17 minutes on that site in an entire month! Kudos are certainly due to all of MDI's rewards program lotteries for their commitment to position themselves for continued strong performance in the future.

Trends point towards an even more demanding consumer for the foreseeable future. It is almost certain that consumers will continue to seek more value for their money and will continue to involve themselves with programs that allow them more interactive purchases including those that begin or end online. For lottery organizations looking for opportunities to engage players in new ways and implement programs that drive sustainable lottery growth, a strategically sound rewards program can be a critical tool to consider. ♦

Scientific Games is committed to working in partnership with its customers to support lottery retailers looking to increase foot-traffic and add incremental profits to their businesses through the adoption, implementation and proper execution of lottery industry best practices.

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than we might think. Our customers have similar play styles and motivations. Once we get over ourselves, it's not hard to find the common ground where great advertising and marketing works well across the country. The importance of the national brand is a given, so we lock ourselves in a room and deal with the different needs up front.

Do Canadian "Crown corporations" have more freedom to make changes than U.S. lotteries do?

M. Carinci: It might seem that way. In fact we deal with many of the same issues as directors in the United States. We're held accountable to a host of different masters within a media landscape that is challenging. Just like in the U.S., effective communication with our stakeholders and shareholders, to get them all on the same page with us is important to ensure we have the freedom to act. That goes with the territory.

That relationship with government is interesting. What challenges do you face within your regulatory and legal system as you work to evolve the industry?

M. Carinci: The biggest challenge is the current age of our laws and regulations. When the federal Criminal Code, which makes Internet gaming in Canada illegal

except as authorized by the provinces, was written so many years ago, the Internet was not even an idea. The same is true of legislation and regulations. The updated regulation we need to offer multi-jurisdictional games is not a huge barrier, but getting agreement that this is the right time is not always an easy barrier to overcome.

Where do the Canadian Lotteries stand when it comes to implementing poker and casino games on the Internet?

M. Carinci: It's a work in progress, at different stages of development and implementation. It was logical that we work in partnership with British Columbia and Quebec to develop a common platform. Only Atlantic Lottery and BCLC have a current internet offering; the only two lotteries in North America who are online and have been since 2004. As you know British Columbia added casino games this summer, and will join Quebec in the near future to offer poker. But there is dialogue in every jurisdiction about the next stage in the evolution of online gaming.

No single province is large enough to generate a critical mass for a successful multi-player poker site. We have to collaborate to create that mass. This is not a new story. The same was true for the big lotto

and instant games. The Canadian lotteries partner when we need each other, when it's clear a collaborative effort will produce a superior result for each individual lottery.

Wow. You make it all sound so easy.

M. Carinci: Of course it's not easy, Paul. The context of today is clear. Players are already choosing to play with or without us, and don't understand why they can't choose a safe alternative that keeps the money they spend at home. The research is clear. They want us in the game. We have hurdles to overcome, not the least of which is getting everyone involved to understand the impact of not moving forward. We need to face facts. Status quo will have impacts: on the value of the enterprise, on the players left without protection, and on communities left without the billions of dollars we collectively return to provinces and states for good works.

Like all progressive companies, addressing the opportunities and challenges of the Internet is necessary. Otherwise the next phase of evolution for lotteries is harvest mode.

I'm up to the challenge and I know others are as well. This is an exciting time to be a lottery CEO. Think about it, we have the opportunity to deal in the art of the possible. ♦