

# The Internet-Retailer Model

Mike Veverka, Founder and CEO of Jumbo Interactive

Just like so many industries before it, lotteries are going through transformational changes driven by technological innovation. The Internet is completely changing the way lotteries do business; not because of the revenues it generates in the short-term, but because of the impact it has on overall media, promotional, and distributional strategy. The short-term revenue impact certainly has the potential to be meaningful. The long-term impact is absolutely transformational.

Jumbo Lotteries follows the traditional retailer/agency model common to virtually all lotteries around the world, and applies this model to the modern environment of the Internet. Via partnership agreements with The Tatts Group and NSW Lotteries in Australia, dating back to before 2000, Jumbo Lotteries has been operating the hugely successful [www.OzLotteries.com](http://www.OzLotteries.com) website, and lottery players are finding online play to be easy, engaging and often reinvigorating. Internet sales on [OzLotteries.com](http://www.OzLotteries.com) have increased an average of 48% since 2008 and have helped increase overall sales of the Australian lottery. The trick is to effectively integrate an Internet marketing strategy in with the overall strategy that includes a larger portfolio of products and channels, most notably the land-based retail network. Lotteries all across the world are ramping up to meet that need right now.

*Paul Jason, Public Gaming: Starting over ten years ago, you and your partners were early adopters of the Internet?*

**Mike Veverka:** That's true, but Jumbo Lotteries has actually been in the lottery business since 1984 selling Australian lotteries via terminals in countries around Australia. However things really started taking off in 2000 when the Australian government passed a law permitting lotteries to be sold on the Internet. Jumbo seized the opportunity and developed some innovative software that integrates with the land-based retail network. And we've learned some very valuable lessons about selling lotteries on the Internet.

*What are some of those lessons about the Internet and lotteries?*

**M. Veverka:** Well first of all, it has become quite clear that lotteries and the Internet are a match made in heaven - they are a perfect couple! Many other products have delivery issues or need to be physically seen before purchased. Not lotteries - they are very Internet-friendly and the consumer is often reinvigorated when buying on the Internet.

Having said that, there are some traps. I've seen both good and bad examples of lotteries on the Internet. The biggest error is to allow inexperienced people loose with your lottery. I've seen some dreadful campaigns that have damaged brands, all because of a lack of Internet inexperience. I know that sounds obvious but it really is the biggest issue. The second biggest error is thinking the Internet as just another channel of distribution like the others. It isn't. The interactive nature is quite unique and needs to be treated as such.

*What are some of the "DO's"?*

**M. Veverka:** Do look at ways to give your customers a richer, perhaps longer play experience. Prepare to be innovative. Do involve media part-

ners, especially those companies that have proven they really get the Internet, such as companies like Google, Facebook, and of course, Jumbo!

*Should a lottery handle the Internet in-house or with a partner?*

**M. Veverka:** Both. A lottery needs to build on internal expertise plus benefit from outside specialized experience. Then over time both the internal team and the partner learn from each other and work out the best way to use the Internet for that particular market.

*What are some examples of innovation?*

**M. Veverka:** We've innovated with loyalty schemes and bonus draws adapted for the Internet as well as smartphones and they have worked very well. We are also currently releasing our next major version of our [LotteryResults.com](http://LotteryResults.com) which is an ambitious project giving players a much better experience when getting their lottery results. We hope this will open new markets and reinvigorate players by enhancing that moment which could become one of the best moments of their lives!

We also have a full pipeline of new innovations currently in development to be released in the coming months as they come out of testing and onto the world stage.

*Sounds exciting - How do you enlist the support of traditional resellers for these Internet initiatives?*

**M. Veverka:** Traditional resellers can't be ignored or alienated because they are responsible for most of the sales. They have built livelihoods selling lotteries and have built up considerable experience that can be harnessed in a productive way.

The Internet will never "take over" the lottery industry. I believe we will reach a complementary balance between online and traditional. Each delivers different consumer benefits and provides a different playing experience.

The retailers do need direction and guidance to

help them understand how they can fit into the whole picture. In Australia we've worked out ways that motivated traditional resellers can earn an income from the Internet as well as their store.

*How?*

**M. Veverka:** By developing a software system that gives them a way to run their own web site and look after their own customers by directing them through a primary sales web site. This web site then tracks each sale so those resellers get credited with every dollar their customers spend. Like an affiliate program but adapted for lotteries.

*How does a Lottery go about appealing to the Internet consumer?*

**M. Veverka:** First of all, understand how they think and how they use the Internet. The Internet has become second nature to today's consumer. They like the entertainment aspect of lotteries but are looking for something fresh. This is the market that we have in mind when designing the products we have in our labs right now. I think if I had to sum it up in one word, it would be "Interactivity".

*Now what is your take on the evolving legal landscape of the US Internet gaming market?*

**M. Veverka:** I think it's inevitable that Internet gaming will become regulated in the USA. Other markets have already dispelled the myths of the Internet and there is too much money not going through the right channels. I'm looking at it with the benefit of 11 years experience in the Australian market - a market very similar to the US market. I can clearly see the benefits it has brought to Australia with minimal negative aspects and the US is poised to reap those benefits. It's those benefits that we seek to bring to the US for our partners. ♦

More information can be found at [www.jumbolotteries.com](http://www.jumbolotteries.com)