

Causes of Disruption and Transformation in Lottery and Gaming Industry

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To understand that an action is required, we first have to realize there is a problem. Given today's pace of evolution and economic environment, disruption is inevitable and so is transformation if you have to survive in the business. Transformation is a process which no longer belongs only to scientists and research scholars, however professionals and experts across industries have now accepted transformation as the necessary piece in their organizational block to keep up with the current and future demands of their Industry for sustenance as well as for growth.

The current age is an age of innovation and transformation and the organization which keeps innovation at its heart, is destined to



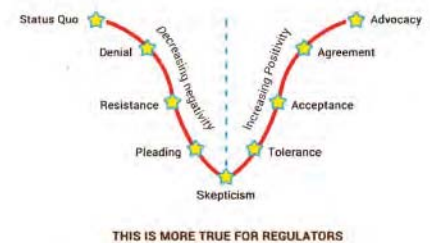
succeed and meet the dynamic demands of the industry. There is a lot of research gone behind disruptive innovation methodologies and rightly so, because of the frequent disruptions we encounter by changes in regulations, customer preferences and technology. The technology is a great enabler of disruption but it is not the greatest underline driver that despite the accepted wisdom of most people. Quite interestingly, changes in regulation lead the disruption, followed

Greatest Drivers of Disruption		
1	Regulations	29.3%
2	Customer Preferences and Behavior	26.4%
3	Red Tape and Bureaucracy	21.8%
4	Technology	21.4%
Source: Economic Intelligence Unit Report (EIU). Based on survey of Executives.		

by change in customer preferences (social indicators) and then the technological innovations in almost all the industries.

Lottery and Gaming industry is no different, especially in the context of regulatory changes being the primary driver for disruption. The classic transformation curve fits well for our industry, while analyzing the disruption and transformation in regulator's context. It starts with a "Status Quo" status where the regulators do not feel a need to change or act as if the players are accustomed to legacy, the operations are pretty stabilized and business is going as expected. With the initial and over some period of denial and resistance, the regulators realize

that there is a need of re-analysis, a need to look into the processes to see whether there is a scope to improve in order to contribute better to the industry. This phase gives rise to the increase in tolerance towards accepting change, giving way to transformation. Once agreed, the regulators become advocates of transformation. This validates the importance of "CHANGE" in order to



sustain and grow.

The Lottery and Gaming industry has changed colossally over the past decade and regulatory changes, technology evolution, changed customer preferences are the root causes for the same. Let's analyze the role of regulations in the context of Indian lottery:

There is a chain of events that caused Indian lottery to transform completely and operators who could keep up with the regulatory guidelines, have only survived. Sugal and Damani (SnD) was the pioneer in adapting to the transformation needs of the industry and hence enjoying the status of biggest stakeholder in Indian Lottery for a number of decades. The following table provides a gist of the major events that took place leading to multiple disruptions and transformations in the Indian lottery industry.

Sugal and Damani, as an organization,

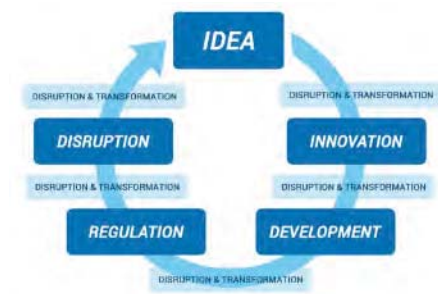
Major Events of Disruption in Indian Lottery		
Year	Event Brief	SnD's Approach
1994	After a debate on whether to ban or regulate the lottery, basic regulatory guidelines issued by Hon'ble Supreme Court.	Quickly transformed to comply with the guidelines and adjusted the business focus accordingly.
1998	Regulatory Act introduced. Banned Instant Lottery.	Innovated the game offerings with small denominations of lottery tickets.
2003	Online Lottery introduced. Directives to shift completely to online lottery.	Transformed the business model completely and met the industry demands by converting paper lottery schemes.
2010	New regulations introduced. Lead to close down a few big state lotteries.	Online Lottery and innovative game offerings enabled SnD to increase the customer base despite less number of states.
2016	Demonetization drive by Gov't of India leads to 80% currency loss overnight, impacted every business, every industry.	Already a pioneer in digital commercial services, SnD is leading the digital vision for GOI with its technology and business processes, designed to meet the required standards set for the industry.

Causes of Disruption

Continued from p 26

was always prepared to respond to every disruption and challenges posed by the regulations and legislations, completely in sync with transformation needs of the industry. It adjusted the business models to comply with regulatory frameworks and took advantage of its in-house technology to modify and upgrade its product offerings, not only matching the benchmarks and standards set by regulators but also capturing the mindset of players dynamically. The transformation strategy that Sugal and Damani laid at each stage was evolutionary in its own way as all the disruptions were of different kind and adapting to them required counter as well as preventive mode of planning.

There is a vicious cycle of transformation and disruption which applies to every industry, which begins with an Idea followed by Innovation and then with Regulation and



finally ends with a Disruption. Within each stage, there are disruptions of different forms which the industry need to counter, giving rise to the transformation needs and it's a cycle which never ends as we can see in the picture here.

Agile and culturally aligned organizations see opportunity in disruption rather than a threat. They have their purpose defined and they have the ability to communicate their vision clearly, which helps them in countering and reacting to possible disruptions. One of the most important factor to foster a culture of disruptive innovation, is to articulate the purpose of the organization with time. The partnerships and other alliance strategies also plays a very important role in today's era of "Converging Mindset".

Going in to the future, Sugal and Damani is ready for the expected and unexpected challenges that might surface with time. We understand that factors like Technology,

Competitors, user-preferences will always be at the helm of things and we have our mechanism to sense the disruptors and act against them. We have necessary tools and processes to manage the transformation needs and act as an Innovator.

Regulators have a big role to play in the lottery industry and they can help to improve technology and processes; assisting them to create a better environment for social benefits. The Public welfare campaigns, the employment scenario and overall economy of the nation can be given a boost by simply assisting the tool called "TRANSFORMATION". ■

Highlights of Speech

Continued from p 57

agree with this. We want operators to raise standards and to do more to make clear the scale of contributions to good causes. We will be considering whether further regulatory requirements are necessary here.

Further, in relation to branded and umbrella schemes, it is vital that ELMs and society lottery operators ensure sufficient information to make it clear to consumers which society lottery they are being invited to participate in. While specific requirements are set out in Gambling Commission advice (Promoting multiple society lotteries) again, we are considering making these regulatory requirements.

Any proposals in these areas will of course be subject to consultation including with the Lotteries Council. The gambling participation survey published earlier this year shows that participation in lotteries, other than the National Lottery, remains one of the highest for any gambling activity.

The lotteries sector, like every other part of the gambling industry, is evolving quickly, with more diverse channels and products, and many of you now successfully promoting instant-style products. This creates more convergence of products in the society lotteries sector, the National Lottery portfolio and the commercial gambling sector. It also changes the hierarchy of harm as society lottery products move away from play that is lower risk (in relation to the

licence objectives) towards more mainstream gambling products.

The Gambling Commission will look at the implications of market convergence as part of our planned future work in preparation for the next National Lottery licence. We also look to society lottery operators now to consider carefully the implications of product and channel development for compliance with the licence requirements which are designed to keep play safe. While the prevalence of problem gambling in this sector may be relatively low you have a real opportunity – and a responsibility – to promote responsible participation as your market changes and grows.

We understand that you are operating in a different environment with different objectives to other gambling sectors. Where we can, we specifically recognise this by making sure regulation is proportionate and properly targeted. For example, that is why we have decided to adjust our requirements in relation to remote technical standards (RTS) to reflect a different profile of risk in your sector, and it is why we intend to relax automated self-exclusion requirements. The details of these decisions can be shared by my colleagues.

It is clear that lotteries are a vital and growing part of the fundraising sector, last year returning over £200 million to charities and other good causes.

But, at the same time, our interests, to protect consumers and to keep gambling fair and safe, need to be high on your agenda. As principles, they underpin the licencing objectives with which you must comply and more widely, they are crucial to the development of a healthy market sector over the long term.

I look forward to working with you on this shared agenda. I invite you to engage with us as we shape our new strategy for the future. I am lucky to work with some very experienced colleagues who understand your sector and are here today to help and to answer your questions. ■