Following is an edited synopsis of the panel discussion held at Lottery Expo on September 13 in Miami. You can view a video of the complete presentation at: www.PGRItalks.com.

—Edited by Paul Jason, PGRI.

THE IMPACT OF DAILY FANTASY SPORTS, POKÉMON GO, AND OTHER POP GAME PHENOMENA ON THE BROADER GAMES-OF-CHANCE INDUSTRY AND LOTTERY

Insofar as Fantasy Sports is a form of online gaming and wagering, it may pave the way for states to allow their own Lottery to offer its products online.

How might popular new games impact Lottery? And even if the short-term impact on lottery spend is not significant, how might it reshape the play-styles of the twenty-somethings who we expect to become lottery players in their thirties and forties? How can we ensure that Lottery retains its appeal to consumers whose game-playing options have increased and changed so dramatically over the past few years? Too, as online gaming in other forms increases in popularity and acceptability, won't that cause legislators to look more favorably on Lottery's need to make its products available online? Are there game attributes (that comply with Lottery random logic) of these new games that can be applied to Lottery?

PANEL DISCUSSION

Moderator:
Gregory Smith
Director of the Illinois Lottery
(Formerly Executive Director, Vermont Lottery)

Panelists:
Shan Daniels
Chief Brand Manager,
Florida Lottery

Larry Loss
Executive Vice President,
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Rick Weil
Chief Executive Officer,
Innova Gaming Group/
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The gaming marketplace has experienced the proliferation of fantasy sports and other types of social play in the past few years. Games like Candy Crush, Clash of Clans, World of Tanks, other social games, and also Fantasy Sports are competing with lottery products for the time and attention of players. To what extent do these non-lottery games pose a threat to Lottery?

We might regard them as helpful to Lottery's goals to expand into new game styles and channels. Fantasy Sports may pave the way for the federal government to the prohibition of sports-betting. And insofar as Fantasy sports is a form of online gaming and wagering, it may pave the way for states to allow their own Lottery to offer its products online. It is hard to justify Fantasy Sports, clearly a form of online betting, as posing less risk to consumers than offering lottery products online. Hopefully, given the typically short life-cycles of popular new games, the long-term impact that Fantasy Sports may have on the regulatory environment will likely outweigh whatever negative short-term impacts there are.

Pokémon Go, Clash of Clans, Angry Birds, Farmville, Candy Crush—all of these casual games appeal to a specific part of the brain that engages people and makes them want to continue to play. They incite the player to move into the "super player" category who spends large amounts of money to be king of the hill. It would be socially irresponsible for Lottery to apply these game attributes to excess. But Lottery can make better use of loyalty club programs, second-chance draws, awarding points or coupons to be redeemed for additional plays, generate Mobile pop-ups that promote a new game or jackpot, or otherwise apply some of the tools that make casual games so compelling for the players.

Online social games, even though they are non-wagering games, are also providing insight into the game-styles that appeal to the consumer. Lottery can learn from the success of these games—about consumer behavior, about game design, about marketing, about how to engage the online community, about how to engender online communities of like-minded players and how that drives engagement and sales. Pokémon Go, for instance, has gotten people off the coach and out into stores, which is exactly what Lottery is trying to do. Maybe we should sharpen the focus on just getting people to go into stores, since that

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is a necessary step towards buying the product, at least in most of the U.S. lotteries.

We are also learning about the life-cycle of games in general. They appear to be quite short. They are initially embraced with a level of enthusiasm and media hype that is so overwhelming that one would think they are going to take over the world and leave all other games in the dust. Two or three years later they are replaced by the Next Big Thing. How long will it take for Pokémon Go to fall out of favor? Doesn't seem possible now, but it likely will not be the hottest game forever. These short life-cycles should not give us comfort, though. With each new gaming phenomenon, the bar gets raised. The consumer is booting the old for the new and even more exciting. Clearly, Lottery has a more enduring appeal than any of these new gaming phenoms. But with each passing phase of enthrallment with a new game, consumer play-styles and expectations are evolving. In spite of its enduring consumer appeal, in spite of the fact that nothing can replace the "hope-and-dream" experience of playing the lottery, we should be continually pushing the envelope of innovation to evolve our own games and methods of engaging the consumer.

The game design and value-proposition of casual social games is fundamentally different from lottery gaming. In that sense, social games do not compete directly with Lottery. So it is not our goal to replicate the play-style of popular social games. Instead, we need to leverage the strengths of our own product.

Traditionally, the young adult has never been as engaged as the thirty and forty-somethings. How might the young adult embrace of social games affect their play-styles when they get older and move into the sweet-spot of the lottery-playing demographic? Well, the massive consumer response to the $1.6 billion jackpot reflects that there is incredibly widespread consumer awareness of Lottery. Millennials were playing along with everyone else. They likely continued to return to and be more engaged by the social games at this stage in their youing lives. Just as previous generations were engaged in other things during their twenties. The hope and expectation is that many of the same lifestyle dynamics that attracted previous generations to Lottery will continue to attract current and future generations. Once people move from the young adult singles lifestyle of more free time, higher focus on socializing with friends, not much disposable income but also not many financial obligations or pressures … into the lifestyle of less time, more disposable income, family obligations and pressures … that is when the consumer adopts recreational activities that take less time or mental energy and offer a 'hope and dream' respite to imagine what life would be like if we won the jackpot.

Online social games and casual games were not the pop phenomenon with previous generations as they are with today's. But the lifestyle dynamics that cause lottery to gain in popularity as people get a little older are not so different. Even so, consumers' expectations for a fabulous recreational experience is being raised and Lottery needs to innovate in the game design space. But the fundamental value proposition of Lottery will appeal to future generations in spite of the success of whatever new games are taking the young adult market by storm.

The imperative for Lottery is to increase consumer access to the games, make them available in more channels and trade-styles, and to enable all varieties of payment options. We can hope and expect the young adult consumer to be attracted to Lottery as they get older, but we cannot expect them to switch back to cash as their method of paying for anything. They won't do it. And it is too much to expect them to carry cash for the singular purpose of buying their lottery tickets. We need to make our products available for purchase with credit cards, electronic and Mobile wallets and whatever new payment methods and technology become available in the coming years.

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There is also the cautionary observation that we are over-generalizing the attributes of demographic sectors. We categorize "young adult" as having lower disposable income or more free time or more focused on socializing with friends. That may be more true of this sector than others, but there would be a large contingent of this sector that does not fit that description. We just talked about how social and casual games have captured the attention of the Millenials. The reality is that social and casual games may be even more popular with their elders. This does not negate the basic idea that lifestyle attributes (amount of disposable income, free time, family status, etc.) tend to impact the game-styles and preferences. And that these attributes can be loosely associated with age. As marketers, though, the business of understanding consumer behavior needs to include much more granular detail and segmentation. As data-analytics are applied with increasing sophistication, further segmentation of player behavior will enable better games to be tailored for narrower demographic profiles.

The fascinating phenomenon is the amount of money spent on social and casual gaming – with no possibility of winning anything! Lottery does not endeavor to replicate the social and casual gaming experience. But as we innovate to make the games more entertaining, the proprietary attribute that Lottery has that others do not —i.e. the possibility of winning a life-changing jackpot is, to use an old-fashioned term, quite the 'killer-app!' ■