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LOTTERIES RE-IMAGINE THEIR ROLE AS LEADERS IN CORPORATE SOCIAL RESPONSIBILITY

PGRI Introduction: Hoosier Lottery earned WLA Level 4 CSR Certification four years ago and was re-certified late in 2018. Sarah Taylor, member of the World Lottery Association Corporate Social Responsibility (CSR) Committee, discusses the transformative impact of expanding Responsible Gaming (RG) into the broader vision of CSR.

Paul Jason: It seems like a natural evolution for Team Lottery to be leaders in the more expansive space of Corporate Social Responsibility (CSR).

Sarah Taylor: The new vision for Responsible Gaming is about how we, how all of us, and the enterprise in which we work, can serve the broader interests of society. How can we reshape the corporate mission, and the underlying culture that supports that mission, to include a long-term focus on making this world a better place?

For those of us in the government lottery sector, service to good causes is in our DNA. Most of us derive significant value from the knowledge that our mission is to generate funds that our state governments allocate for various good causes. I was introduced to this larger vision of RG at a CSR committee meeting with the Independent Assessment Panel held just

before the EL WLA Marketing Seminar that Lynne Roiter was kind enough to invite me to join. It was interesting to hear the passion from the EL members for the vision and the impacts that expanding the focus of RG (Responsible Gaming) to include CSR and Sustainability should have. Many organizations in both the private and public sectors, for-profit and non-profit alike, are integrating this broader vision into their corporate missions. In addition to the central purpose of maximizing revenue for shareholders or even good causes, corporate culture now includes the larger impact of the business on its community and society at large. While the principal business strategy is to produce the best product or service for the customer, issues like creating a diversified and empowering work environment are critical as well. This holistic approach, where maximizing

revenue and corporate social responsibility are not mutually exclusive, is an ideal that the Lottery industry can embrace. We need to identify and codify best-practices, and establish CSR/RG/Sustainability markers against which to measure results. Let's utilize our role as the leader in this space and inspire others to think bigger as well so that everyone is working together to raise the standards of CSR.

Not all lotteries are members of the WLA. But NASPL, the EL, APLA, Cibela, and African regional associations are all working towards many of the same RG/CSR goals. Oregon Lottery Director Barry Pack is leading the NASPL CSR/RG committee. NASPL has its own certification program in partnership with NCGP, and has developed a set of responsible gaming guidelines for sports betting. We all learn from each other and apply best-practices from wherever they can be sourced - overseas or within the U.S; within our industry or outside of our lottery gaming sector. **NASPL participates in the Responsible Gambling Collaborative, which brings together gaming operators, academics and treatment and prevention advocates to align around best practices related to responsible gambling.** We are all working hard to create the tools to support our dedication to the RG/CSR mission.

Government lottery has always played a leadership role in RG and CSR. I realize we do that because it is the right thing to do. But wouldn't society be better off if our political stakeholders recognized Lottery's dedication to serving society, to RG and CS, and were quicker to reward Lottery with authorization to operate more games of chance and distribute online and provide cashless options and otherwise support the expansion of Lottery?

Paul: It would be best for me to not respond to this question.

Is there a trade-off-between pushing hard to maximize sales and pushing hard to minimize problem gambling?

S. Taylor: No, there isn't. You just do both. And they work together quite well. You maximize sales responsibly for the long-term sustainable growth of the business.

Sales and Marketing-focused enterprises like lotteries typically have at least one all-employee meeting a year. For us, that has always included a big emphasis on sales. We want to engender a passion for the industry, for the service we perform, and for the funds generated by our organization for the benefit of good causes. Sales is the part of the business that readily lends itself to the goal of creating high-energy excitement for our mission and purpose. But over the past several years we have increased our discussion on CSR issues like responsible gaming/positive play and our community service initiatives. A couple of years ago our executive team led a recovering problem gambler panel conversation that included a recovered problem gambler. Last year we invited a sportscaster who is a recovered problem gambler. He described his daily life being immersed in the very sports he used to wager on. It was very moving because he is a public figure whom many may know. We were surprised and touched that he was willing to be so raw and transparent in sharing his trials and tribulations. It is an important story and life experience and perspective for our team to hear and understand. It's not just that we are paying more attention to RG and CSR. As an industry, we are forging a more enlightened and, we feel, more productive and effective approach towards problem gambling and the broader CSR issues that will create a sustainable future that really serves everyone's interests and minimizes harm. I don't think anyone presumes to have all the answers. I do think the entire industry

is highly engaged in this more expansive view towards RG, CSR, and the positive impact that our organizations can have on society.

In your experience with the different trade associations - are there things that the WLA does differently from NASPL and vice-versa? How do the different CSR, RG groups differ in the service they perform or the way they perform it?

S. Taylor: The WLA has a longer history of focus on these issues and therefore has a more robust structure and certification program. NASPL put together a wonderful program that, among other things, helps and supports lotteries which want to participate fully but may not have all the resources to allocate towards RG and CSR. The Hoosier Lottery has been a member of WLA for many years. We have always pursued excellence in every component of the business and so we wanted to elevate the performance of the organization in RG and CSR in particular. Seeking higher levels of RG certification is a process that causes you to be better. It shows you what can be done to improve and teaches you how to do it. It has been such a rewarding experience for us that I want to do what I can to give back and share with others.

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There are different levels of certification to complement whatever level of resources and attention the lottery is able to allocate to the process. The important thing is just to start somewhere and pursue the goals that are appropriate and attainable for you. Be engaged in the process and you will accomplish your goals. It is important to stay involved with your regional association. NASPL has completed its building blocks and EL has a solid RG and CSR programs. I will say, though, that the WLA RG certification program is more mature and was the best route for us to take. The development of its program is informed by a long tradition of service to its members across the world, along with a global brain-trust and experience that the entire games-of-chance industry turns to for guidance and leadership. Time and participation continue to enhance all of these available programs.

Segueing over to the sales side of the business ... What product categories or even specific games represent the most exciting potential for growth over the next 18 months?

S. Taylor: For the Hoosier Lottery, scratch-off games generate about 75% of revenues and 25% comes from the draw category. We're continuing to focus heavily on the scratch portfolio and in creating innovative games and prize structures. For example, we are developing more games with stronger middle and lower tiers for secondary and tertiary prizes. I think we've seen a shift in how we design the matrix and prize structures. We have produced measurable improvements from changes to the prize structure. And just introduced our second \$50 ticket late in 2019. We are also assessing the ways in which consumer shopping behavior is evolving, and especially how technology is enhancing the variety and consumer-appeal of point-of-sale options - self-service in particular, and how we might allocate investment towards modernizing the whole lottery-playing experience at retail. On the draw side, IGT's new Cash Pop™ game has been introduced in New Jersey and Georgia. We are keeping a close eye on their performance for a possible future

launch here. We have decided to launch Double Play for Mega Millions this spring. It's important to stagger various launches to maximize the marketing impact of each one. Moving Cash4Life to seven days a week has had a positive effect on sales of that draw game. And our local Daily 3 and Daily 4 games are performing quite well. We are improving our Fast-Play offering that prints instant-games directly off the in-store lottery terminal.

What modernization tools and strategies represent the most promising pathways to drive sales growth?

S. Taylor: We are very enthusiastic about our self-service program. There are many operational advantages to making the product available through self-serve kiosks, and this is an area in which we will be increasing our focus. The Hoosier Lottery still utilizes ITVMs in addition to the IGT Geminis that sell both scratch and

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draw games. We have found that Gemini self-serve kiosks are a very productive component to the whole channel mix and we have successfully implemented programs to keep the Geminis fully stocked. It is all about convenience and evolving with the market trend towards self-service because that is what the consumer wants. Making cashless options available will be increasingly important to our goal of expanding our player-base. In July of 2016, only 18% of our retailers accepted debit cards. Now, about 80% of our network of 4,300 retailers now accepts debit.

organizational and operational structures for the fiscal year. It is IGT IN's business plan that drives our budget and operational template. Along the way forecasts, product plans and many other things are reassessed and tweaked. It's important that we be nimble, able to change course as consumer feedback and real-world results become known. That ability to react quickly to market trends is one of the reasons we entered into this professional collaboration with IGT IN. Our agreement ensures that both teams, IGT IN and Hoosier Lottery, are very motivated to make sure we are always pulling in the same direction and

shift resources over to a different product or new initiative. We call a meeting, or they call a meeting, and we discuss. We try to strive for a balance and let them do what they do best. The Hoosier Lottery does have ultimate decision-making authority and veto power over pending initiatives. We can instruct, guide, veto, and tweak anything that doesn't meet our satisfaction.

As noted earlier, we work in the same offices so the everyday dialogue really never stops. And IGT Indiana and the Hoosier Lottery share the risk and rewards.

Aren't there times or situations in which the risks and rewards aren't equally shared and so you'll disagree over the decision of whether to go or no-go?

S. Taylor: We don't disagree as such because the Hoosier Lottery has ultimate decision-making authority. An example where we trust in each other's judgment: IGT IN designs incentive programs for the retailers. But it is the Hoosier Lottery which sweeps the accounts of the retailers. The Hoosier Lottery pays the incentives, bonuses, and commissions. And the Hoosier Lottery conducts the draws and so we need to ensure the integrity and security of the draws. Of course, IGT IN appreciates this shared responsibility. In turn, we appreciate the collaboration and the resources that IGT Indiana pours into the business to make us all be successful.

It's not unusual for a proposal to go through multiple iterations before it aligns with the whole battery of criteria imposed by both IGT Indiana and the Hoosier Lottery and gets the green-light. It all works because we are dedicated to realizing our mutual success. ■

Our integrated services agreement with IGT enables active communication and fast-response to all real-world contingencies.

IGT is your technology partner and is involved in much of how you set objectives, conduct business, and execute to accomplish the goals of Hoosier Lottery. How do you manage the collaboration between your team and IGT's team?

S. Taylor: That's a great question, Paul. Under our innovative and performance-based Integrated Services Agreement, IGT Indiana has responsibility for sales, marketing and distribution areas of the business and all of the component parts and moving pieces residing within those main areas. Each year IGT Indiana builds and communicates an annual business plan. And through that business plan we see how IGT IN envisions the marketing, promotion, product, sales initiatives,

fielding the optimal product mix. There are structural mechanisms that ensure special attention is brought to challenging areas and unforeseen opportunities, and that everything happens in a timely, effective, and efficient manner. In a unique arrangement that promotes high levels of daily collaboration, the Hoosier Lottery and IGT IN staffs are co-mingled in our offices. We meet officially each month to review performance by products, channels and operational execution, marketing campaigns, etc. Our Integrated Services Agreement with IGT enables active communication and fast-response to all real-world contingencies. Maybe we're not seeing success in a certain area and we want to try something else; maybe we want to



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