

Reinventing Success Together: Embracing Transformation and Innovation in Lottery Gaming

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PGRI Introduction: The Ultimate Player Journey begins with a holistic view towards the overall consumer experience. And there is a renewed willingness and ability on the part of the consumer to take advantage of the wealth of digital tools and solutions that are transforming that player experience. Paul and Nikos met during NASPL Milwaukee in November to discuss the evolving trends shaping consumer marketing and the lottery industry. They delved into how INTRALOT aims to position its customers to unlock their full potential, surpassing the expectations of both retail customers and lottery players.

Paul Jason: How is INTRALOT different today than it was three years ago?

Nikos Nikolakopoulos: Over the last three years, we've seen remarkable adaptability and innovation from both individuals and organizations in the face of market challenges. However, the lottery industry in general has been slow to embrace new, efficient methodologies, unlike rapidly changing consumer behaviors. Currently, there's a concerted effort to not only preserve these gains but also to spearhead further advancement. INTRALOT has skillfully navigated the pandemic's challenges, emerging with a strategic plan enriched by key insights. Our strategy is rooted in embracing the digital revolution, preferring synergistic, interoperable, cutting-edge solutions over outdated models.

Our strategic vision rests on four key pillars, essential for augmenting our influence and shaping the lottery industry's future. The first pillar focuses on solidifying

our financial base, backed by significant shareholder investments. These investments aim to deleverage the company, and boost liquidity for growth initiatives. A healthy balance sheet and financial structure are fundamental to our future strategy.

The second pillar emphasizes INTRALOT's new Lottery Ecosystem, LotosX Omni, featuring a cutting-edge central gaming system. Combined with a comprehensive, multi-tiered Player Account Management (PAM) system and a streamlined service orchestration layer. This facilitates a versatile, multi-vendor strategy. This strategy ensures seamless integration of leading solutions, bolstering system effectiveness and performance. It grants lottery operators exceptional control and adaptability in their processes.

The third pillar is our people. At INTRALOT, we're dedicated to fostering a workplace that is inclusive of our team members' aspirations and objectives. Central

to our ethos is the investment in our human capital, crucial to our success.

Finally, the fourth pillar is our investment in cutting-edge tools to improve software development and deployment. This includes automation, game content, product portfolio management, marketing services, and operational excellence, all aimed at fostering innovation vital for our clients' growth and success.

It is an exciting time for INTRALOT. I think we can all feel the positive energy and momentum. How about the INTRALOT products that are driving this digital transformation?

N. Nikolakopoulos: I'm convinced that the core of this momentum lies in the re-engineering of our gaming central system, a pivotal aspect of our strategic vision. This system has been redesigned to prioritize unparalleled flexibility and seamless interoperability. With its modular architecture, each component functions independently,

enabling specific updates or maintenance without compromising the system's overall efficiency. This strategy substantially diminishes the downtime often associated with traditional unified systems.

Our approach is founded on a 'symbiotic ecosystem' model, promoting seamless collaboration among varied system elements. This facilitates swift and cost-effective integration of third-party external solutions. The orchestration layer of our system streamlines the inclusion or modification of components, guaranteeing a straightforward process.

The essence of our strategy is the "Lottery Digital Transformation," where adaptability and flexibility are key. We understand that innovation springs from various sources and we want to empower our customers to choose the best mix of solutions and partners for their specific objectives. Our multi-vendor approach, successfully executed in countries like Greece, the Netherlands, Croatia, and Germany, has garnered significant acclaim. This is further validated by our recent engagement with British Columbia, set to launch in Q2 2024. Our technology, thoroughly market-tested, has proven its effectiveness and dependability, and this enhances the value we provide to our network of third-party vendors and offers considerable benefits to our clients—lottery operators—and stakeholders within INTRALOT.

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You have genuinely embraced the ideal that doing what is best for the industry and for your customers is ultimately what will benefit INTRALOT stakeholders.

N. Nikolakopoulos: Our Jackpot Management System (JMS) is a good example of our strategic vision in action. It's a dynamic, multi-dimensional system designed to enhance gaming experiences across different States. JMS showcases our commitment to an innovative strategy by providing a customizable, all-encompassing solution for a variety of gaming formats. It effortlessly

accommodates a wide range of games, from fast play to progressive jackpots, and functions smoothly across both digital and physical channels. Its scalable design ensures seamless integration with diverse lottery central systems nationwide, irrespective of their makers.

Our ambition extends to forging a synergistic alliance with the Multi-State Lottery Association (MUSL), with the objective of broadening this platform to encompass many U.S. lotteries. This solution is designed not to replace existing systems, but to enhance them, thereby amplifying the industry's ability to distribute games across varied systems and technological landscapes.

Marking our venture into this arena, our opening game 'Jackpot USA' is planned to debut with a motivating jackpot of \$1 million, that will grow rapidly with sales. We foresee this platform evolving into an interconnection for diverse vendors to launch a multitude of games, leveraging the substantial player base inherent in the multistate environment. Such an expansion in gaming choices is anticipated to draw a broader audience, fostering a cycle of creative innovation and heightened player engagement.

We believe that this paves the way for an ecosystem that champions interoperability and endorses a multivendor, best-of-breed methodology for operators. This forward-thinking strategy places equal emphasis

on the necessities of operators and players, contributing significantly to the industry by spearheading the adoption of innovative and diverse solutions.

What are the other components to Digital Transformation?

N. Nikolakopoulos: We believe that consumer behavior is a critical driver in the evolution of digital landscapes. Digitization has notably streamlined processes, elevating both convenience and efficiency. In retail environments, the swift adoption

and proficient utilization of digital tools by customers is imperative. The expectation for a virtually seamless online experience has become standard. Crucially, this objective must be achieved while ensuring customer comfort in revealing personal data, concurrently complying with strict lottery regulations. Furthermore, the growing trend of loyalty programs and the necessity for efficient, simplified registration systems are significant. In the retail lottery sector, aligning with these customer expectations is paramount, offering comparable benefits. This approach should include robust age verification, advanced player protection measures, responsible gaming practices, and sophisticated, location-sensitive digital wallets to reinforce security and augment the overall customer experience.

None of this happens, though, in the anonymous world of retail commerce.

N. Nikolakopoulos: Our strategic direction commences with a critical initial step: streamlining player registration to mirror the efficiency prevalent in top-tier mobile applications. This approach unlocks a plethora of resources, tools, and gaming experiences via our sophisticated Player Account Management system (PAM). In an era dominated by digital advancements, our dedication to technological innovation is imperative, particularly in the lottery domain where the online ticket sales market is burgeoning. This digital shift is in harmony with the expectations of a technology-oriented customer base.

I believe it's essential to address customer hesitancy in disclosing personal information. While incentives such as discounts or exclusive offers can facilitate this, the core strategy must focus on establishing unbreakable confidence in the security and privacy of user data. The Lottery brand, synonymous with integrity, enjoys a distinct trust and security advantage in the gaming industry, an aspect that should be leveraged to fortify our digital rapport with users. Player registration transcends a mere procedural necessity; it represents the portal to potent tools for fostering relationships, a key element in our quest for enduring success.

As the industry evolves and users become more acquainted with various operators, maintaining competitiveness requires continual innovation and adaptability. Long-term success in the digital realm hinges on forming deep, lasting digital connections. This underlines the importance

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of sophisticated Customer Relationship Management (CRM) systems, enabling dynamic, tailored interactions with players.

Integral to our strategy is the integration of an automated age verification system, seamlessly functional across diverse channels and devices. This paves the way for a smart, location-aware digital wallet accessible to all players.

Is it fair to say that retailers are now more willing and able to adopt new tools and technologies?

N. Nikolakopoulos: It's clear that retailers are embracing innovative technologies and tools in a rapidly evolving environment. However, it's important to note that retail's scope extends beyond just lottery operations, with lottery games serving as an additional feature that requires seamless integration and effective performance.

Traditionally, the retail industry exhibited some hesitance towards swift innovation and modernization. Yet, recent developments, significantly propelled by the pandemic, have led to a notable transformation in retail methodologies. Retailers are now actively engaging in modernization and digitalization, both in their operational processes and in how they interact with customers,

particularly in brick-and-mortar locations.

As the primary link between the Lottery and its customers, the retail sector is at a pivotal point. There's a strategic imperative to support retailers who are embracing innovative approaches, integrating digital solutions in their stores, and exploring new ways to engage with customers.

U.S. Lotteries, with their broad and varied network of retail affiliates, occupy a special position in the gaming industry. This network is more than a mere distribution channel; it's a vital asset that cultivates a unique bond between the Lottery and its retail partners. This scenario offers an invaluable chance to amplify and broaden the Lottery's impact in the retail sphere.

Will artificial intelligence be applied to transform our industry like it is transforming others?

N. Nikolakopoulos: Leveraging the unparalleled impact of Artificial Intelligence (AI) across various technologies, we foresee opportunity for radical transformation within the lottery industry. This shift, mirroring evolutions in multiple sectors, positions AI at the forefront, revolutionizing game development, customer interaction, and advanced data analytics. The term 'trans-

formation' briefly encapsulates the expected profound alterations in game dynamics, player experiences, and stakeholder value creation, encompassing operators, retailers, and players. This shift represents not merely an improvement, but a strategic revolution, signifying the emergence of new avenues for growth and innovation.

I am excited for INTRALOT and for the vision that you're bringing to the industry

N. Nikolakopoulos: At INTRALOT, we've experienced a profound shift, marking both personal and professional evolution. This era has showcased our adaptability and readiness to advance, leading to more effective business practices. The potential for innovation and flexibility has always been intrinsic, yet recent challenges have refined these traits.

In addition, we see consumers becoming more engaged and seeking creative solutions to enhance their lives and fulfill ambitions. Post-pandemic, we see a renewed enthusiasm for change, growth, and prosperity. As we enter a new phase in lottery gaming, the collaborative endeavors of all stakeholders promise substantial progress and widespread benefits. ■

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These are, though, very smart people who are beginning to act on the foundational concept that lottery is an investment business. I think the best analogy is when states increase investment in marketing for tourism. It's a government investment to generate greater returns from consumers.

Are these ideas getting included in the more recent RFPs?

P. McHugh: Yes, this concept is gaining traction. For example, the clear objective of the Maryland Lottery's last systems RFP and contract was to position the lottery for investment and growth. The results have been impressive. It is a great success story, especially for instant and terminal games. The Lottery's performance has exceeded all expectations, and this is attributable to a clear focus on its leadership's strategy and investment in growth.

Finland has a more than 60% registered player base. Half of the registered players only play at retail. They registered for the

benefits of digital engagement, not to play online. Should player registration be a mission-critical objective?

P. McHugh: Yes. Digital engagement transforms the player journey and the entire lottery value proposition. It's not just about buying games online but connecting in countless ways that simply don't happen in anonymous, offline relationships. Retail players enjoy those benefits just as much as online players. Starbucks has one of the most successful digital engagement programs in the consumer products industry. Yet their product is not delivered or consumed online. Known Starbucks customers receive promos, points and purchasing conveniences not available to unregistered customers.

Players' clubs and loyalty programs are critical to the sustained growth of the lottery industry. That's why digital engagement has been one of the greatest areas of investment and innovation for Scientific

Games. Science, the key component, is the conversion of technological capabilities into material results for our customers. Powerful technology is the baseline. Applying it effectively to produce better outcomes is where Scientific Games excels.

Combining insights from digital engagement platforms like players clubs, loyalty programs, second-chance, player acquisition and retention initiatives with the most advanced data analytics tools will be the competitive differentiator that drives long-term growth and prosperity for lotteries. Other gaming categories like casinos, sports betting and online gambling have long been applying these tools to attract and retain players. Investing in digital engagement is important. Lotteries must elevate their focus on these next-generation marketing strategies and tools. ■

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