Applying the Science to Digital Engagement

Pat McHugh
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PGRI Introduction: With Scientific Games celebrating 50 years in 2023, the journey is just getting started. It's been nearly two years since Scientific Games' lottery business was sold to Brookfield Business Partners, and the company is investing 100% of its focus and resources in lottery. Science is still the core of its DNA, but Scientific Games' consumer-centric approach to interconnected ecosystems is enabling its global teams to analyze more data for actionable insights that drive performance and enhance both the overall player experience and successful portfolio management. We asked CEO Pat McHugh about how the systems technology ecosystem has become the cornerstone to forging a sustainable and prosperous future for all lottery stakeholders.

Paul Jason: **Should we expect players to migrate across channels and gaming categories before deciding to buy a lottery game?**

Pat McHugh: Lottery players have been very loyal to lottery games. That will continue, but competition is increasing from other forms of online and casino gaming, sports betting and other entertainment and recreational options that are so visible and easily accessed by consumers. There's more cross-over between lottery and other gaming, which means lotteries are competing for playership. It's why Scientific Games is improving the player journey and overall lottery experience to appeal to today's players.

Distribution is rich with potential for lottery to differentiate from the competition. Lottery's massive network of retailers continues to be the cornerstone of the consumer relationship. Digital channels and applying technology to the in-store lottery experience provide tremendous opportunities to build on that foundation and consumer connections. Our omnichannel platforms, managed services and games for both retail and digital channels make it easy to engage consumers on all levels. Convenient, easy access and seamless navigation across multiple channels are key competitive differentiators.

Do we continue to see lottery retail sales increase when games are sold online?

P. McHugh: Absolutely. Increased visibility in multiple channels brings in new consumers and increased playership, which drives both retail and digital play.

Half of the adult population played lottery games in the past year. An omnichannel platform reinforces current player relationships, brings lottery to the attention of infrequent players and attracts new players. Retail sales increase faster in iLottery states because players are more engaged and active in all channels. When games are available in consumers' everyday lives and activities, there's an uplift in overall sales.

How is Scientific Games combining its omni-channel presence with leadership in licensed brands?

P. McHugh: We're combining our strengths as the leader in iconic licensed brands, retail and digital game development, and platforms that deliver across channels. Our technology solutions complemented by content and brands connect with players on a personal level. Cultural icons like GAME OF THRONES bring lottery into their world and create opportunities to engage across different platforms. Playing games at retail, noticing iconic brands at the point-of-sale, and then seeing your favorite brands again online and at other touchpoints keep consumers entertained and moving between channels.

Every time we expand retail or digital distribution with good quality games in a meaningful way, overall sales and profits for our lottery customers grow.

Can you explain more about Scientific Games' omni-channel ecosystem?

P. McHugh: We've long been known for our great games, technology and digital solutions, as well as data and predictive analytics and services, and licensed brands. We've deliberately focused on developing building blocks of applications that can be combined, or stand alone, to manage all game categories across retail and digital in an integrated fashion. Our omni-channel ecosystem includes transaction processing engines along with value-add applications, tools and analytics to manage performance.

We're delivering the full ecosystem with combined building blocks, or subsets, depending on the lottery's needs. Adding game portfolios and services allows our customers to seamlessly engage with their players for maximum results. An example is our Scientific Games Enhanced Partnership program which is a subset of the ecosystem. SGEP combines great instant games and portfolio management, value-add applications such as predictive ordering and digital engagement tools, analytics and other services to maximize lottery sales and proceeds. Our turnkey iLottery programs are the digital equivalent of SGEP.

A cornerstone of our systems architecture is interoperability, reducing the time and cost of integrating third-party products, game content, technology solutions, or even platforms to support an entire category like iLottery or sports betting.

Can you share an example of a multiple-supplier approach?

P. McHugh: Absolutely. SGEP can be integrated into the Scientific Games' ecosystem, or with third-party suppliers. Another example is our new SG Content Hub and Partner Program which offers one-stop, frictionless access to multiple iLottery game studios from around the world. It integrates seamlessly with a lottery's existing gaming systems and iLottery technology. This enables us to partner with lotteries on iLottery game portfolio planning and management, game studio contract negotiations, studio integrations and billing – all streamlining the entire digital content management process. It's like the Netflix of iLottery because it gives lotteries maximum access to the best content worldwide.

Is the company's portfolio of amazing iLottery games attributable to being bought by Brookfield?

P. McHugh: Yes. Our transition to a privately held lottery products company accelerated investment. We have invested heavily in SG Studios, our digital game studio, as well as in areas like data analytics and digital technology. Our resources are no longer divided between lottery and commercial casino customers. We are 100% focused on producing the best content, delivering the best service, and driving the best results for our lottery customers.

How can lotteries construct RFPs with the flexibility to add future technology when the cost isn't known at the time of contract negotiation?

P. McHugh: The best way to ensure success is to focus the RFP's objective and evaluation on generating the highest growth and profits for the lottery by incenting supplier investment at launch and over the contract term. Then, have a contract mechanism for all contract modifications for incremental investment in innovations that will further increase lottery proceeds. This is often challenging because state procurement policies are highly focused on setting a low-bar commodity cost comparison, instead of benefits and return on investment. You can't put a specific price on products or services that don't yet exist. There are, however, ways to position the lottery with the flexibility to evolve and acquire future solutions that become available.

The state lottery is a market-driven enterprise that produces hundreds of millions or even multiple billions of dollars in revenues. A high percentage of those revenues go to the state's good causes and beneficiary programs. The difference between good performance and great performance adds up to millions of dollars in net funding. The procurement process and the way the RFP is constructed set the foundation for the results.

An effective contract drives alignment between the lottery and its technology partner so that everyone is working toward the same goal. Just as important is including a mechanism to assess and procure new technologies, products and services as they become available in the future. Central systems contracts can be as long as 10 years. The flexibility to add new products and solutions throughout the contract term is vital to the lottery's ongoing success.

Should the RFP be a one-and-done procurement that concludes with the delivery of a product?

P. McHugh: More than ever, the ability of the technology partner to support rapid and cost-effective migration to new technologies and the integration of new products and services is the difference between good performance and great performance. And that adds up to multi-millions of dollars. Lotteries need a central system and IT infrastructure partner capable of supporting growth in a rapidly changing and technology-driven marketplace. The right partner has already invested in the tools and capabilities that will drive growth five and 10 years from now. RFPs and contracts should include provisions that require these capabilities.

Does state procurement understand that lottery is a market-driven business with the highest profit margins and ROI of any company in the world?

P. McHugh: Not often. It can be challenging for procurement and government stakeholders who are accustomed to commodity purchases designed to save money and maximize administrative efficiencies. The focus should be on investing in growth to increase net funds for good causes. Apart from their state lottery, governments are not in the business of investing in and managing huge market-driven businesses that generate hundreds of millions of dollars in profit.

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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