

THE IT ARCHITECTURE AND STRATEGY TO FUTURE-PROOF YOUR BUSINESS

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PGRI Introduction: Technological innovation is delivering immense benefit to lottery operators and consumers as our technology partners are creating new products, services, and solutions every day. In fact, the pace of change has accelerated such that it now far outstrips the typical time-frame of vendor IT systems contracts which need to extend at least five years or more to support the initial capital investments required. That creates a challenge: How can a vendor contract that is being negotiated today provide the flexibility to integrate the products, services, and solutions that may not even exist today but will be created and become available in the future? How can the lottery position itself to have access to the very best-in-class technologies going forward? Putting these questions to Jean-Luc Moner-Banet at the EL Congress in Šibenik, Croatia resulted in the following interview to address these issues.



Paul Jason: IT platforms and technological solutions can be quite expensive. Jurisdictions with large populations have the revenue and profit-generating potential to pay for the most robust IT infrastructures and advanced technologies. How can smaller jurisdictions with limited revenue potential afford to pay for that?

Jean-Luc Moner-Banet: The population of the French-speaking part of Switzerland is 2.5 million. Very small. And yet, our players expect us to provide the same quality of advanced features and benefits as are enjoyed by those in jurisdictions with the most sophisticated gaming platforms, technologies, and operations ... an IT infrastructure which costs more than our revenues can cover.

Our vision was to build an architecture that includes creative collaborations with third-

party operators as well as a multi-vendor system that brings in the very best-in-class in every aspect of the business. We communicated this vision to our IT central systems technology partner, IGT, who now provides the flexibility to deploy a variety of solutions provided by multiple technology partners. With the support of IGT, we now operate a business model that includes multiple suppliers, collaborations, and creative solutions that enable a small jurisdiction like Switzerland to deploy the most advanced best-in-class technologies. IGT provides the game and transaction engines for Swiss Loto, EuroMillions, Keno, etc., Electronic Instant Lottery, the player account management systems, and many other foundational systems functionalities.

But for sports betting, we have a different technology partner. The game engine, platform, and technology tools to operate

sports betting is very expensive. The sales and profit potential in our market-place could never support the kind of world-class operation and functionality that we want to provide our players. That challenge is exacerbated by the fact that technology is constantly changing and improving. Improving is a good thing, but shorter life-cycles make the cost of staying updated increase even faster. So we collaborate with La Française de Jeux in France (FDJ). As one of the largest gaming operators in the world, FDJ's sports betting engine, risk management tools, and sports book management system are world-class, second to none. So we collaborate with FDJ to deliver the benefits of their robust sports betting capabilities to our customers in Switzerland. Of course, FDJ is paid for their service, and we enjoy the benefit of a world-class sports betting system for a fraction of the cost

that would be incurred if we tried to build it ourselves.

A similar arrangement enables us to provide a world-class horse-racing offer. The French PMU (Pari Mutuel Urbain) is the biggest operator of horse racing in Europe. Like with FDJ, our collaboration with PMU enables us to deliver the best horse race betting to our players in Switzerland. Without these collaborations with FDJ and PMU, we could never offer these kinds of world-class playing experiences in sports and horse race betting as the cost would far exceed the profits we generate and therefore our ability to pay for it. Too, this SaaS (Software as a Service) type model provides us with the flexibility to migrate to the most advanced systems available quickly, easily, and inexpensively. So, we are optimizing the player experience and managing our costs in the short-term, and we are “future-proofing” our business by maximizing our flexibility to always be deploying the best-in-class products and services in the long-term.

This approach is enabled by Application Program Interface (API) technology?

JL Moner-Banet: Yes. API is what enables the inter-operability of multiple supplier ecosystems to communicate with each other. It is the interface that makes it possible to open our IT environment, our ecosystem to new suppliers. As new software solutions and applications are developed and made available in the future, API enables us to integrate them efficiently and cost-effectively. We have the flexibility to integrate native software applications, point-of-sale applications, and “front-end” customer-facing gaming platforms and other third-party solutions as they become available going forward. It is so important for smaller lotteries like Loterie Romande to have access to the best-in-class front-end applications and software that are being developed by the agile new companies of the future. For example, just think about how point-of-sale and transaction-processing technologies are changing. We need the flexibility to move to whatever platform the retailer requires in the future.

IGT has been a great partner because they support our vision for a new IT architecture that enables multi-vendor strategies and creative collaborations like we have with FDJ and PMU. IGT understands what we are trying to accomplish, their advanced cloud-based infrastructure supports the multi-vendor and technology partner

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approach, and they are helping us to build out the architecture to accomplish it. In fact, I would say that it would not have been possible without the full agreement and cooperation of IGT. And IGT itself remains at the center, the heart of the central server system. We appreciate IGT for their many core competencies. And they respect our need to always seek out and integrate the best-in-class even when that comes from a third-party. We believe that lottery operations of the future will involve this much more diverse set of technology partners, vendor relationships, and creative collaborations.

Does an effective API-enabled multi-vendor system require a cloud-based solution?

JL Moner-Banet: I’m not sure if it “requires” it, but we consider it to be essential. There is a large fixed and ongoing maintenance cost to the traditional computer hardware infrastructure. That upfront cost ties you to a legacy technology that is very expensive to either upgrade if that is even possible, or replace altogether. The Microsoft Azure cloud-based platform provides far more cost-effective flexibility to update as it is mostly about software-driven changes. IGT has managed the process of migrating us to this cloud-based IT platform and we appreciate their leadership.

Lotteries need to think carefully about how their IT infrastructure can evolve with their needs, and the needs of the market-place, into the future. Large computer rooms that require costly maintenance and then replacement after three or four years are probably a thing of the past.

Is there way to build into the RFP process terms that stipulate ways to determine pricing for products and services that don’t exist now?

JL Moner-Banet: Not exactly. But you can, and we do, agree on principles about how to calculate the cost per hour for different kinds of engineering, software coding, licensing costs, and other things that can be

measured and valued in the present time. Of course, there will certainly be many things that we can’t predict and can’t know now how they should be measured and valued. But we do stretch to identify ways to calculate the costs for new integrations and other kinds of activities that require additional costs to be borne by the IT central systems partner. I would add that the project organization and management required for this new kind of IT architecture is very complex, involving hundreds of people from 20+ different companies working together. We may be on a steep learning curve right now, but it is quite clear that the ROI will be compelling in so many ways, not least of which is the optimal game-playing experience we’re providing for our customers.

Before we close, I hope we might digress slightly to a topic that occurred to me when we visited you last year at your offices in Lausanne. I observed that you seem to have achieved a stable equilibrium when it comes to the work schedules and work-styles of your Loterie Romande team. I assume that involves flexibility to allow more flexible work-at-home schedules?

JL Moner-Banet: Yes. The changes required of us during the pandemic exposed us to the benefits of tools like video-conferencing and the feasibility of flexible work schedules. Today’s knowledge workers in IT, marketing and other specialties now expect to be given the flexibility to organize their work to accommodate at least two days a week working from their home office. Further to that, more young people are asking to structure their jobs to require fewer hours of work overall, to reduce their work-load by 20% so that they can work fewer hours. They may have family obligations or other priorities for a different work-life balance, one that allows the work to be done in fewer hours. And they are not unwilling to discuss reduction in pay to accommodate their priorities.

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review and approval. Top objectives identified during the summit included continuing dialogue and collaborative efforts with the Mega Millions Consortium and World Lottery Association, investing in Powerball brand research, and developing new draw-based games and add-ons to enhance current games.

"MUSL has gone to significant efforts to upgrade its digital infrastructure to support the rollout of new products and promotions," said Barden. "The new FLEX system is a game changer for us. We can hit the ground running knowing that we have supporting infrastructure behind us."

To cap off the summit, the Directors had the option to attend opening day of the Iowa State Fair. Iowa Lottery CEO Matt Strawn guided the Directors on a tour of the fairgrounds before their departures from Des Moines. Some of the directors who attended the fair had backgrounds in agriculture or participated in 4-H as youth, while other Directors had large lottery events planned for their own state fairs later in the summer.

"The motto of the Iowa State Fair is 'Nothing



Matt Strawn (IA), Adam Prock (MN), Drew Svitko (PA), Sarah M. Taylor (IN), Cindy Polzin (WI), Lance Gaebe (ND), Helene Keeley (DE), Hogan Brown (SC) visit the Jackpot Lambs in the Sheep Barn at the Iowa State Fair.

Compares.' The same is true for getting out of the Board room and connecting with your colleagues over a corn dog or while checking out the famous Butter Cow," said Strawn. "These Director relationships form the foundation of the

teamwork that is necessary for MUSL to continue successfully managing multi-state games and product development." ■

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My oldest son, for instance, is a doctor who works in the emergency center at the hospital. Like all medical students and young doctors, he worked incredibly long hours for many years. Now he is determined to impose a more reasonable work-life balance, even cutting back to less than a full work-load. He wants more time for his family and for himself and is willing to forego some income to achieve this work-life balance. My second son is an IT programmer, and if it is a nice day, he takes the day off and works at night to get his work done.

People used to take three weeks of vacation in the summer. Now many are dividing their vacation time, maybe taking one week in the summer and the other days spread throughout the year. To be honest, it takes a new way of thinking for some of us in the older generation to adapt to the expectations of the next generation of leaders. As someone who has never taken all of his vacation time, it takes getting used to the work-style expectations of the next generation of leaders!

Is video-conferencing replacing in-person meetings?

JL Moner-Banet: I hope not. Of course, video was a godsend during the pandemic.

And I do think video-conferencing will continue to be a powerful productivity tool that reduces the need to travel as much and supports the new work-at-home schedules of many people. So, I do think we need to embrace the utility of video as a method of operation and collaboration. That said, no I do not think video-conferencing replaces in-person meetings. There is a distinct difference in tone and feeling of openness and connection between in-person and video-meetings. And so I hope that our business culture appreciates the importance of relationship-building that in-person meetings enable and doesn't lean too much on video-conferencing going forward.

For example, the European Lotteries Association executive committee meets multiple times a year. Those used to involve travelling to a place where we met in-person. We now conduct more than half of those meetings on MS Teams video. That is OK as it does save us a lot of travelling time. But we all still feel strongly that we need to meet in person as well. And as far as I can tell, most companies, including Loterie Romande, require the senior management team to be in the office at least three days a week.

How might different work-styles and life-styles affect the shopping behaviour and play-styles of lottery players?

JL Moner-Banet: Now that is the important question, isn't it. We have been talking about our own personal networks but, of course, these changes are happening in most industry sectors all across the world, certainly everywhere in western Europe and North America. We need to think about how the consumers organize their lives around completely different work and recreation schedules and how that will affect the way they play lottery. One thing is clear: the digital connection to the player will be more important than ever. Building and maintaining a world-class platform that supports a multi-faceted, feature-rich online relationship that includes dynamic 2-way communication is now mission-critical. More and more gaming and recreational options and digital strategies are competing for the attention of the consumer. Lottery will likely continue to have the advantage with our land-based network of retailers. But the battleground of the future will be on digital channels, and we simply must establish the same commanding presence online that we have always had at retail. ■