Sports Betting for Lotteries: a look into the future

In a rapidly changing world that is seeing massive technological advances almost daily, the demands of lottery and sports betting players are becoming increasingly personal. Coupled with the recent Supreme Court ruling that overturns the USA's PASPA legislation, the industry is due for a massive shake-up.

Faced with slowing growth and – to some extent – lack of innovation, state lotteries and sports betting operators find themselves urgently needing new ideas to prepare for the player-first world. The changing environment that we are operating in can, however, show us notable trends and help us understand what we can expect in both sport betting and lottery, allowing lotteries to be better prepared for the future by selecting a technology and services partner that can lead them in this new world that's taking shape around us.

US Lotteries, the quiet giants

While some lotteries have been engaged in sports betting for several years, not all lotteries, of course, are at the same stage of maturity in this sector. For example, most recently, we have the USA preparing for the post-PASPA world. For these lotteries, the first step would need to be understanding the regulatory burden and how individual states may approach legalized betting going forward. It is anticipated that many states will introduce their own, unique, regulations until such time as – and indeed if – federal intervention occurs.

The most pressing policy issues that we believe will influence the development of what could easily become the world's largest regulated Sports Betting market are tax – including any federal wagering excise or other taxes – the royalty fees that could potentially be sought by the US sports leagues, the facilities and channels where sports betting will be offered, the brands/skins allowed, and the treatment of the Wire Act – a 1961 federal law which prohibits the transmission of sports bets across state lines.

No matter which stage you are in, however, as a WLA state lottery or sports betting op-

erator, the environment is actually shaping your future. Let's take a look at it.

The age of the customer

We are operating in an environment where the player is king, being better informed, better connected and, therefore, more demanding in all areas of engagement. Players expect instant access to options, as well as personalized offerings. They push for speed, simplicity, and ease of use at all touchpoints, thereby effectively creating an unavoidable omni-business mandate.

But how do you move towards being a player-first omni-business? It may seem straightforward at first glance, but it can be quite complex. It is about much more than simple channel harmonization; it's about building an architecture of fundamental capabilities across the entire enterprise value chain, spanning the product base, the supply chain, partnerships, and core technology enablement, including tech architecture, innovation, and data analytics.

Get personal and listen to the crowd

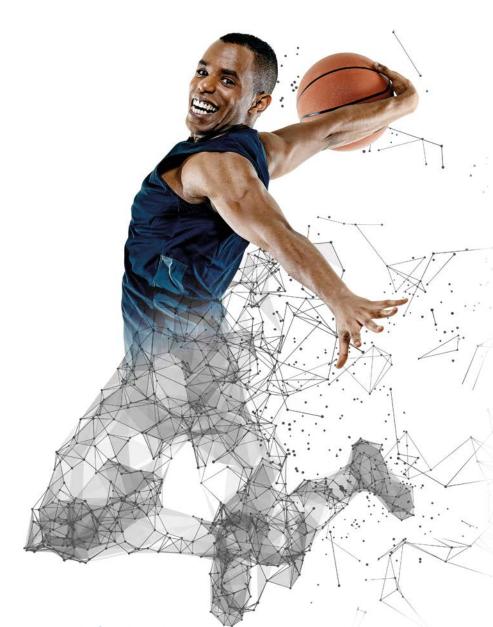Lotteries' product teams must create and boost an engaging player experience, pow-

ered by speed, simplicity, and ease of use. One area where change must come sooner, rather than later, is personalization where, largely speaking, sportsbooks have fallen behind the rest of the ecommerce world. Technology can certainly help and, as an example, INTRALOT's new sports betting platform already incorporates a number of personalization options and capabilities in its product and player-facing modules, as well as in risk management.

Other trends include retail-online convergence, digitization of the retail environment, player interactivity powered by the bring-your-own-device concept, and the overall need for modernization of a rather traditional sales network currently used by lotteries. In addition, younger demographics bring their needs for fast-settling bet types and the socialization of their activity to the table; they share everything, which means they are already sharing their bets in private conversations, or even posting them online. Lastly, crowd wisdom has already been used by operators, to a certain extent, ensuring that every participant potentially benefits. All these trends are expected to become mainstream in the near future.

Democratization of communication
Democratization of brand reputation by social networks

Channel shift
The shift to a mobile first and video first world

Customer power
Customers are firmly in charge creating buyer markets

Accelerated innovation
Empowered customers demand new levels of speed and innovation

Renegotiation of trust
Collapse in confidence in institutions and need for privacy

Instant access
Instant, global access to information and options

Death of complexity
Provide simplicity while delivering advanced products and services

Better **informed**, better **connected** and more **demanding** customers.

intralot

robotics: manual, transactional, repeatable, error-prone, high-volume, pattern behavior, complex, massive intelligence. If we think of these task types on a straight line, as we move towards the right, we are much closer to the intelligence augmentation type of robotics, whereas if we stay to the left, we are closer to simple, basic process automation.

At INTRALOT, our sports betting product and technology development teams have already empowered our new sports betting platform with automation in its trading tools, including algorithmic pricing models, customer profiling, real-time alerts and safety nets around risk management, thereby further advancing our robotics journey by enhancing our platform's personalization capability.

How far will we travel on the robotics continuum for trading operations? I believe we will be seeing significant growth in process automation within the next 18 months, and machine learning-empowered applications in our industry within the next two to four years.

Get ready for the robots

Operationally, automations – potentially powered by machine learning and artificial intelligence – are expected to greatly affect trading. Nowadays, trading rooms are already very different to what they were as recently as 15 years ago; the gut instinct of an odds compiler has been replaced by algorithms and third-party feeds. In the short term, automation and flexibility will continue to be critical, while the need for everything to be in real time will prevail. In the longer term, we can expect robotics and cognitive automation to shape our operational future.

The continuum of automation classes, collectively dubbed robotics, consists of (a) what I refer to as the "Piano Player" – that is, a basic process automation where routine tasks get powered by the machine and volume counts; (b) machine learning,

where technology enables the use of some structured and some unstructured data to support elements of self-learning; and (c) intelligence augmentation, where we have decision support and advanced algorithms that allow for automation of processes that are more cognitive in nature. The benefits of robotics, as they have started to show in other industries, largely include improved quality, accuracy, error-free routine task execution, and speed.

Privacy and compliance, including aspects of responsible gaming, can also be better automated and powered using robotics, as the machine can follow regulatory-devised rules better and without errors, compared to a more manual approach.

Trading operations throughout the life-cycle of a pre-match or in-play event include some or all of the task types that are better suited

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Bill Demakakos, Group Betting Director at INTRALOT Group, leads the betting product design and commercial drive, as well as managed trading services. With over 24 years of product strategy, technology and business consulting experience, Bill leads a team that ensures INTRALOT's betting product portfolio and services enhance the value delivered to players, lotteries and operators. Bill holds a BEng, MSc, and MBA from Michigan State University, USA.