



**T**he NASPL community descended on Cleveland in September, and the Ohio Lottery put on a show worth remembering. With the theme ‘GPS for Success,’ the educational program was less about what the industry needs to do and more about how it should do it. For example, avoiding roadblocks with cashless initiatives, moving ahead with standardization, and finding the proper onramps for sports betting.

It’s not surprising that much of the conversation at this particular annual conference revolved around sports betting. After all, just four months earlier, the Supreme Court essentially overturned the Professional and Amateur Sports Protection Act (PASPA), opening the floodgates for legal sports betting around the country, should individual states choose to go down that path. By this fall, some states had already launched sports betting (with or without lotteries taking part) and others were getting ready.

Of course there was more to NASPL 2018 than sports betting conversations, and the following pages will provide a taste of what attendees found – in both the conference sessions and the exhibit hall. Videos of the keynote and general sessions are available for viewing on the NASPL Matrix.

### Keynote Speakers

The first keynote speaker was Andrew Davis, whose presentation focused on the power of anticipation. He corrected two fallacies that businesses have today. One is that people have no attention spans. The reality is that despite short attention spans, our audience will pay attention as long as we give them something worth paying attention to! The second fallacy is that no one has time anymore. But again,

“our audience will make time to have experiences that keep their interest.”

The secret to grabbing and holding attention is what Davis calls the Curiosity Gap – what you know vs. what you want to know. That gap develops tension, and the higher the tension, the greater our need for more information. “You need your audience to chase answers. If there are no more questions, there is no more attention.”

He recommended two things lotteries can do to build that tension to keep that



Andrew Davis



Jay Baer



Arjan van't Veer

attention. First, raise the stakes by raising the tension – show what the audience desires and ration it one thing at a time. And second, to delay the reveal in a way to increase tension. Lotteries can find great ways to delay the reveal!

Keynote speaker Jay Baer closed the educational portion of the conference with a rousing talk on customer service and creating the ultimate customer experience. He did his homework – studying lotteries' websites and social media pages and peppering his presentation with examples from the industry.

Baer encourages businesses to “hug your haters,” embracing customer complaints and answering them, whatever they might be. “To get fewer complaints, you first must get more complaints.” After all, the holy grail of marketing is to turn your customers into marketers, and that is done by first understanding and then exceeding their expectations. Service is the easiest way to do that, because customers never expect much.

It's all about the customer experience, he emphasized. Emotion is always first, information is second.

## Sports Betting

There were several opportunities during the conference to discuss the potential (and pitfalls) of sports betting in the United

States. One was a general session where the directors of two American lotteries were joined by European experts in the field. Delaware Lottery Director Vernon Kirk and Rhode Island Lottery Executive Director Gerry Aubin were joined by Ludovico Calvi, President of the Global Lottery Monitoring System, and Arjan van't Veer, Secretary General of the European Lotteries and Toto Association.

The Global Lottery Monitoring System (GLMS) is the lottery industry's mutualized monitoring system on sports betting, with 31 members on four continents. It aims at preventing, detecting and analyzing irregular and suspicious betting activities that could question the integrity of a sport competition. With all that activity, Calvi is in a good position to offer advice to American lotteries.

Globally, sports betting is growing faster than lottery, he noted. Among the

advantages of sports betting is its adaptability to both digital and retail markets, the connection it provides consumers to the world of sports through digital social engagement and entertainment, and its attraction to the millennial generation.

Perhaps the biggest challenge American lotteries face is the huge illegal sports betting industry that developed after PASPA was created in 1992. With PASPA struck down as unconstitutional last May, at first glance it might seem that newly-legal operators would simply supplant the illegal market. But that's not the case – at least it won't be easy. “Conditions have to be right for legal sports betting to capture much of the unregulated illegal market,” said Calvi.

It will be difficult for lotteries and other legal operators to provide a balance between commercial effectiveness and social responsibility. The former is necessary



to make the effort worthwhile; the latter is a requirement of regulated operators in general and lottery operators in particular. Around the world, mobile and in-play bets are driving the sports betting market, and it remains to be seen how the American market will develop.

In Europe, sports betting evolved as a natural product for lotteries, explained van't Veer. Despite that history, private operators entered the European market as online gambling was introduced, and these companies now compete aggressively with lotteries for consumer business, offering more betting options, more sports on the menu and higher payouts.

As a result, lotteries have had to increase payouts to keep some level of competitiveness, resulting in lower long-term revenues for good causes. That is something with which American lotteries will have to come to terms, added van't Veer – to define their appetite for competition in order to take more of the market. He echoed Calvi's comments that the level of competition, along with profit goals and social responsibility, will determine the industry's future.

It's the ability to be competitive that van't Veer thinks is more important than anything else – because that's what attracts new players. Lotteries do have the advantage of their extensive retail networks, and they should be able to build a truly omni-channel approach, offering sports betting through retail, mobile and

online channels. He added one important word of warning – to make sure that any legislation authorizing sports betting specifically forbids betting on the outcome of lottery games.

Delaware's Kirk recounted the experience in his tiny state since sports books were established at the three racetrack casinos in 2009. Selected retail establishments were added to the mix in 2012, but until May of this year, all bets were limited to parlay wagering. That changed with the Supreme Court decision, and the casinos in June launched full-scale sports betting. Those casinos also still offer parlay wagering, but those wagers are now the mainstay of the retail locations.

In Rhode Island, Aubin was looking forward to launching sports betting at its two casinos; the Lottery has an agreement with IGT and William Hill. Both he and Kirk are convinced that sports betting attracts the millennial audience so craved by lotteries and other gaming operators.

### **Associate Members Talk Sports**

Top-level NASPL Associate Members also addressed the topic of sports betting during their annual general session discussion moderated by Rebecca Hargrove, President and Chief Executive Officer of the Tennessee Lottery. Participating were Jay Gendron, IGT Chief Operating Officer, Lottery; Antonios Kerastaris, Chief Executive

Officer, INTRALOT; Pat McHugh, Senior Vice President, Global Lottery Systems, Scientific Games; and Doug Pollard, Co-Chief Executive Officer, Pollard Banknote.

"It's an exciting time in this industry right now," said Gendron. He marveled that something so big has hit the industry and has had such an impact in a short period of time – just a few months in the wake of the PASPA repeal. "Literally every state in the country is interested in this." His first advice is for lotteries to designate one or two people to become experts on the subject of sports betting. "It's a much different, highly specialized business that [most] U.S. lotteries aren't accustomed to yet." Lotteries should consult with experts, issue an RFI to learn from experts before issuing an RFP in order to learn how to structure that RFP.

All the panelists emphasized the need to educate stakeholders as part of the path towards legislative approval. "A big part of this now is education," said McHugh – educating policymakers and the industry that it's not just about sports betting. It's a channel that attracts new players. He also advises lotteries to keep to their core mission – raising funds for good causes. When looking at payout structures, for example, lotteries need to examine what their competitors are doing in their markets – legal and illegal. Citing the example of Delaware, he noted that sports betting in casino environments may hold just seven percent, but parlay bets at retail may hold as much as 30 percent. "There are ways



Nick Papadoglou



Paul Riley



Jennifer Welshons



Charles Cohen

to manage the forms of gaming so you can hold more" and therefore keep to the mission of maximizing proceeds for beneficiaries.

Pollard urged lotteries to see sports betting in context, as a way to connect to younger, newer players. "Every lottery faces that challenge – how do we expand our player base?" He doesn't see sports betting itself as a major source of incremental profits, but it becomes vastly more important in terms of attracting new players. "Once you've got those players in the digital world, it's up to the lottery to do customer engagement marketing to drive those players to products that generate revenue." He also sees sports as a way to help lotteries step up the use of mobile devices – the go-to-tool for sports bettors around the world. "We can't continue to just be a retail business; we have to be a retail business that has a mobile element to it. That will help maintain customer attention in a world where there is a lot of competition."

Unlike some who think sports betting won't contribute a great deal of revenue to a lottery, Kerastaris believes it has the potential of doing just that, that it can generate twice as much, or even

more, revenue to the state than does a traditional lottery. And because sports betting has so much potential, he doesn't see the sense in trying to geographically limit it to a few casino locations. "This is about distribution, this is about the retail network, this is about online. I don't think the customer of sports betting in a casino is the same customer that will buy a simple parlay ticket at retail. That's why, since the game is so big, you need to have all the distribution channels to capture the players at their leisure. Limiting the game is not the way to go."

The next day, Scientific Games, INTRALOT and IGT were also provided an additional opportunity to address NASPL attendees with topics of their choice.

Scientific Games' Jennifer Welshons, the company's Lottery Group Senior Vice President, Marketing, focused on "15 Minutes of REAL," things that lotteries are – or should be – doing right now even as other things are coming down the road. They included the importance of game content and promotion; responsiveness to both retail partners and competitive pressures; utilizing data and insights and maintaining consumer relevance; understanding stakeholder economics,

the supply chain and business models; and above all, maintaining the integrity of the lottery product.

Scott Hoss, Senior Marketing Manager of INTRALOT USA, discussed the success of the Ohio Lottery modernization project. That includes keno, aided by self-service terminals; the rollout of EZPlay as a companion to keno on those terminals; and retrofitting of cashless payment options on all of the Lottery's vending and self-service machines. Nick Papadoglou, the company's Vice President and Chief Commercial Officer, emphasized that customer loyalty is going to be the most important thing for lotteries going forward, in both digital and retail environments.

Paul Riley, IGT's Vice President of Innovation and Lottery Transformation, stressed the critical importance for lotteries to find a way to jump into the rapidly growing BOPUIS retail model – buy online, pick up in store. He also sees the potential of digital tickets. Charles Cohen, IGT PlayDigital Vice President, circled back on sports betting, noting that while it's complicated, it really isn't that scary. It is, however, a "team sport" to get things started. ■