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DRIVING PERFORMANCE ACROSS THE LOTTERY ECOSYSTEM

Pat McHugh
Chief Executive Officer, Scientific Games



Paul Jason: Congrats on winning the Ohio Lottery systems award! What technology and services will Scientific Games be rolling out in Ohio?

Pat McHugh: Thank you! We're very excited about this win. It keeps Scientific Games' momentum going strong as the fastest-growing lottery systems partner. The Ohio Lottery systems award speaks well to our strategy of combining games, technology, analytics and services to help drive performance for our customers. We see this as the strategy of winning for both lotteries and their players.

We have already had great success in Ohio with the Lottery's adoption of our *Scientific Games Enhanced Partnership* program in 2019. Like our other *SGEP* customers, the Ohio Lottery has enjoyed significant growth in its Scratch-Off products since we launched the program. Now, we will extend our partnership philosophy to the system side of the Lottery's business to power growth across the overall portfolio.

We're providing our *Momentum* ecosystem in Ohio, which combines our core *Aegis* central gaming system, *WAVE* retail point-of-sale terminals, *PlayCentral* suite of self-service machines and all our applications associated with POS. We'll integrate additional tools and value-added components as needed. Our *Momentum* ecosystem also includes the ongoing support of Scientific Games' expert teams dedicated to driving lottery performance and results.

The core of the central gaming system is transaction processing, and we manage that well. We think of *Momentum* as a technology ecosystem that enables all varieties of applications, technology upgrades, third-party solutions, data analytics tools and other business intelligence systems to manage things like digital advertising and CRM as needed.

How is the lottery ecosystem different from the central server system?

McHugh: We view the ecosystem as the entire player experience combined with the many applications and tools lotteries use to manage their business. The central gaming system is a critical core component managing the games and transactions, but the ecosystem extends beyond that. Our goal is to integrate all game categories, enterprise applications, analytics, services and customer-facing functionality to deliver a seamless omnichannel player experience.

Our new head of Digital, Matt Lynch, comes from outside the industry and immediately observed that players probably don't think about iLottery any differently from lottery. It's not Walmart and iWalmart. It's just Walmart. It's all just lottery. The players want a user experience that makes it easy to play lottery games wherever and whenever they want. Scientific Games is creating a player-facing ecosystem that does exactly that. A crucial part of this is an ecosystem that allows lotteries to scale up as demand increases and add new technologies that become available.

Why should lotteries that do not sell online allocate resources to getting players to register and engage with loyalty programs?

McHugh: Like any major consumer brand, digital has become the key component to engaging with the modern consumer. That's true not just for companies that sell products online. Any consumer-facing company, regardless of its business model – online, retail, or service-based like airlines or coffee shops – can benefit significantly from a well-structured loyalty program. It's also true for lotteries building loyalty programs and players clubs to increase sales at retail.

Everyone knows digital engagement is key to retaining customers for long-term success. However, the ROI timeline is not just long-term. Successful lotteries all around the world are applying digital strategies and tools to increase sales in the short term, too.

iLottery is about creating an omnichannel experience for players to enjoy the fullness of lottery at multiple touchpoints ... playing at retail, redeeming their second-chance draws online, seeing other games they might like to try while browsing online, etc.

The omnichannel player experience represents a huge opportunity for lotteries to engage their players on multiple levels. This wider variety of messaging opportunities and promotional tools results in

brand loyalty that cannot be achieved with the anonymous retail player who only buys lottery games in stores.

With or without the ability to sell products online, lotteries must build a CRM platform that includes players clubs, loyalty programs and promotions that connect players to the full lottery experience.

How has game portfolio management evolved in recent years?

McHugh: Optimizing the overall game portfolio is critical for growth. That means being strategic and data-driven in selecting game categories, price points, play styles, and high-indexing products. We've learned over time that connecting with the largest variety of play styles and preferences is the best way to maximize overall sales. That can sometimes mean fielding lower-indexing games because they appeal to a player profile that might not otherwise play lottery. We can sometimes reduce the number of high-indexing games because they replicate and cannibalize each other.

Our analytical tools—the 'science inside'—are becoming more and more precise at guiding our efforts to fine-tune the portfolio to maximize the depth and breadth of market penetration. They help cast the widest net to connect with new consumer groups, offer new games to keep the experience fresh for casual players, and ensure our lottery customers always have the games that appeal to their core players.

What are the most promising opportunities for lotteries to invest in going forward?

McHugh: Investing in digital and CRM activities, beginning with player clubs, loyalty programs and promotions that drive the players from retail to digital, is key. We also see continued growth through lotteries leveraging more services with our partnership programs.

It is imperative for lotteries to invest in and fully take advantage of their strengths for another reason. Competition continues to intensify with players having immediate access to all varieties of gaming. Our research shows that lottery players are more likely than ever to play in other game categories. Creating and strengthening the digital connection enhances the lottery playing experience and reinforces brand loyalty.

It's also essential to modernize lottery retail

with technologies like *SCiQ*. Retailers are modernizing the in-store environment and experience, and they expect lottery to drive advances along with them. Look at how top-performing C-stores are presenting themselves today compared with even five or six years ago, transforming their whole look and feel and service offerings. As we increase our support for retailers, helping them be more efficient and profitable, they will increase their focus and support of the lottery category.

It's all about driving the player to the omnichannel experience so they can enjoy lottery in as many ways as possible. Lottery's network of retailers is a vital competitive advantage. Our industry's best interest is to invest in retailers' success with tools that enhance efficiency and lower the cost of selling lottery products. There is still headroom for increasing retail lottery sales by improving how we support our retail partners.

Predictive ordering systems that ensure the right mix of products is displayed in stores at the right cadence will drive sales and help retailers manage inventory. For instant game performance, our full-service comprehensive partnerships deliver unparalleled results. *Scientific Games Enhanced Partnership* lotteries outperform others in every metric.

How are data analytics and CRM tools being applied at retail?

McHugh: Analytics has always been one of Scientific Games' core strengths, informing the development of all our products and services. The fundamental pillar of collecting and analyzing data analytics is to convert it into business intelligence that enhances portfolio management and drives player engagement and sales. Whether that be *SCiQ*, self-service vending machines or clerk-operated terminals, we are very deliberate about designing ways to capture market basket data that lotteries have not been able to obtain.

Self-service terminals have great potential to integrate suggestive upsell opportunities, promote new games and additional play, and capture a whole new level of player data at retail. And, of course, we use promotions like second-chance draws to drive players to register online and initiate digital, interactive relationships. That leads to engagement with players clubs and loyalty, yielding tremendous data and insight into player behavior and preferences.

Artificial Intelligence is beginning to play a more significant role in sorting and analyzing data and turning that into actionable business intelligence for our lottery customers.

What are Scientific Games' highest priority initiatives going into 2025?

McHugh: We're focused on lottery players' entertainment value. We're leveraging Scientific Games' strengths in omnichannel connected products to truly optimize the whole player experience. We're investing in growth for the industry, our lottery customers and Scientific Games. Our investments include game content, technologies that enable data analytics and services, retail support systems like *SCiQ* and all things digital. These will continue to drive value for our customers and grow their business.

Some highlights include expanding our *SG Content Hub* to allow seamless integration of third-party game content and ultimately support the most extensive variety of digital game content available to lotteries around the world. We've built our ability to effectively manage our customers' digital game portfolios, consistent with how we manage retail portfolios through our *SGEP* program. Licensed properties have added tremendous value to retail instant games, and we are expanding that value to digital content. We're innovating terminal-generated games like Fast Play and applying licensed properties to these products as well.

It's good to know the multi-billion-dollar lottery industry is now guided by data like other consumer products.

McHugh: That's exactly right. Our SG Analytics is the umbrella that spans everything we do and drives the science inside. Scientific Games has historically been perceived as an excellent instant game and lottery systems company. But we have always been so much more than that. Now, we have leveraged our science, technologies, and competencies to create an omnichannel ecosystem capable of serving the player who wants intuitive navigation to migrate across all game categories and all channels. Scientific Games' enabling technology is integrated to deliver the entire ecosystem for our lottery customers. We look forward to an exciting year of helping the industry thrive in 2025! ■

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