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The New Era of Lotteries: Embracing Enterprise Systems

Just one year after transitioning into a privately held entity, Scientific Games is at the nexus of an exciting and transformative journey. “Decision-making is much simpler,” Pat McHugh, CEO, noted. “We’re now able to invest 100% in our lottery business and be much more agile. It’s been fantastic.”

The market’s response to this newfound autonomy has been overwhelmingly positive. At the end of August 2023, Scientific Games secured a significant contract in New Zealand, winning both the retail and digital system bids separately. Simultaneously, the company emerged as a supplier to Allwyn Entertainment, the new operator of the UK National Lottery, providing the entire technology ecosystem across retail and digital, as well as the very successful Scientific Games Enhanced Partnership, or SGEP, for instant games services.

New Zealand and the UK are excellent examples of Scientific Games’ comprehensive services coming together, powered by a modern system. “The cohesiveness we have with our platform allows lotteries to present any of their game categories to seamlessly connect retail and digital,” McHugh said. “It is driven by analytics, which is how we advise our customers on the game portfolio and engaging with their consumers.”

The modern lottery system’s value lies in its transaction processing capabilities and the value-added applications and tools surrounding the system. These tools are designed to enhance both the overall player experience and the lottery operator’s ability to successfully manage the portfolio. “Many lotteries look at their systems as just retail transaction processing systems,” shared McHugh. “For us, that’s a legacy view of the business. In 2023, it’s more advantageous to see them as an enterprise system that drives the consumer journey.”

This consumer-centric approach requires tools for expanding distribution, managing retailers, engaging and marketing to players, and ensuring game security. However, the company’s primary focus remains on driving player engagement.

PAM and CRM

A cornerstone of its innovation is Scientific Games’ player account management system, or PAM, enabling lotteries to follow and better understand players as they journey from retail to digital environments and vice versa. The PAM empowers lotteries to tailor offerings, promote games, and drive loyalty through customer relationship management.

While retail players are still primarily anonymous, PAM and CRM tools together allow U.S. lotteries to catch up with their European peers. In states like Pennsylvania, innovative programs incentivize retailers to introduce players to the digital world, which makes them known players. The program is also designed to help traditional retailers. “Retailers can move a player online and still get value and benefit as a retailer,” McHugh explained. This ensures that iLottery is seen as enhancing retail rather than threatening it.

However, digital engagement isn’t solely reserved for states offering iLottery. Loyalty programs, digital game promotions, second-chance contests, and digital media



Pat McHugh, CEO, Scientific Games

connections are vital to understanding players better and promoting products. Scientific Games’ modern system can tie all these programs together to create a comprehensive view of the player. “CRM and the related analytics are a huge area of focus for us,” he said.

Scientific Games also introduced the SG Digital Academy, earlier this year with a collaborative effort with Meta (formerly Facebook) and Optimove. “We’re working with several lotteries on CRM programs to show the effect we can have on data-driven, consumer-based digital advertising campaigns.”

Success stories have emerged as a direct result of these initiatives. For example, McHugh highlighted their involvement in Kentucky, “We came in and are running a CRM program for the Kentucky Lottery, helping them drive retail and iLottery performance.” Elaborating on the strategic approach used, he explained, “We’ve implemented a lot of programs where we’ve used digital CRM campaigns to see if we can drive performance for lower price point games as entry points for new consumers.”

Notably, the company’s digital lottery work has earned global recognition for its efforts. McHugh proudly stated, “Our Digital Growth Marketing team has been recognized not just within the industry but globally as the CRM team of the year.”

Games

Games are another area where all lotteries can benefit from modern system technology. “I think we’re still in our infancy in what we can do with omnichannel games. The ability to have different interactions around a game is fascinating and very blue sky,” he said. “We’ve created another big multi-jurisdiction linked game offering at retail, tying that with a digital experience.”

By weaving a narrative across multiple channels, Scientific Games enhances player engagement and drives performance back to retail. “Having a great instant game that stands on its own and then having a digital tie-in shows the potential,” shared McHugh. “I believe we’ve developed the coolest iLottery instant

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game ever seen tied to our GAME OF THRONES license.”

Scientific Games and La Française des Jeux have also developed a new digital extension for instant games called iDecide. The game extension allows a player who wins in a physical game to continue the fun by wagering their winnings in a digital game. “We’ve completely altered the dynamic of the player’s engagement. It’s an add-on that creates a new play style. There are endless opportunities with these types of engagements,” he said.

Retail

While Scientific Games focuses a lot of attention on the future of digital, the company also recognizes that traditional retail holds billions of dollars in untapped consumer spending potential. “We have a Retail Solutions team that focuses on modernizing the retail experience,” shared McHugh. The group has been instrumental in rolling out a suite of retailer and self-service technology designed to cater to various retail needs, from small outlets to bustling high-volume locations.

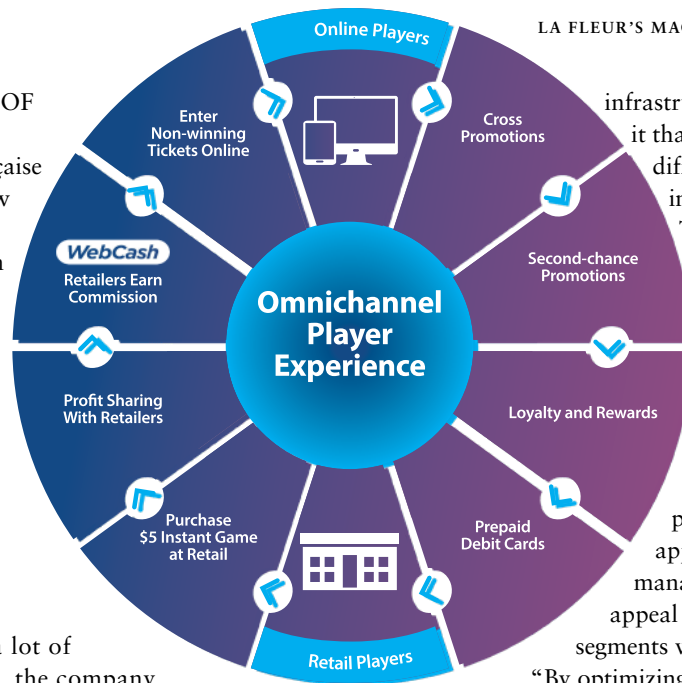
One of the most thrilling advancements is SCiQ, which is currently undergoing significant rollouts in Pennsylvania, Texas, and Illinois. Over the past seven years, Scientific Games has continued to improve the tech ecosystem, harnessing it to gain new insights into the business. With each expansion into a new retail outlet, there is a surge in sales. “We don’t see cannibalization. We see increased overall sales,” he said.

Scientific Games has also integrated SCiQ’s backend technology into self-service vending machines. This integration creates an even more comprehensive data set, allowing advanced market basket analysis, a capability the industry could only dream of prior to now. “We took 60 million player transactions, analyzed the primary game the player bought, any secondary games purchased, cash out of the game, and where it was reinvested,” McHugh explained. “We use this information to design even better games.”

But it’s not just about the hardware. The integration of third-party systems is equally crucial. “We were first to market with integration into third-party point-of-sale terminals,” McHugh noted. This marks a departure from closed network systems, emphasizing the importance of connectivity with banking systems, payment systems, and other 3rd-party partners.

Analytics

The interconnectedness of omnichannel systems tied with proper CRM allows Scientific Games to analyze more data for actionable insights that can drive performance. The scalability offered by cloud platforms, combined with tools provided by tech giants like Amazon and Microsoft, facilitates rapid data collection and processing. “The big value is when you engage with a company like Amazon or Microsoft, it’s not just the



infrastructure, but the tools around it that now allow us to leverage different attributes and artificial intelligence,” McHugh explained. The incorporation of AI is particularly promising. “We’re leading the industry in analytics. We’ve been working historically with machine learning, and now we’re using AI to be able to crunch and use data more effectively in real-time,” he said.

For lotteries, the most promising area is a data-driven approach to game portfolio management, ensuring that games appeal to a broad spectrum of consumer segments without undermining each other.

“By optimizing the portfolio with the product teams from the lottery, we see immediate growth in performance,” McHugh added.

Another area that should have immediate benefits is predictive ordering systems. By tracking orders and stock levels, Scientific Games can optimize game inventory for retailers while efficiently managing supply chain logistics. The outcome ensures players’ continuous access to their favorite games and prevents sales loss due to product unavailability.

Holistic Approach

It’s clear that state-of-the-art technology and a strong focus on the player’s journey is the key to success for Scientific Games and the industry. “The future is about the consumer journey, products and solutions that engage with retailers across every channel. It’s crucial to evolve beyond just having a terminal in a convenience store. It must be a more vibrant engagement. The aim is to offer exciting products that reach customers through multiple channels and to see more adoption of services, which can help the industry keep pace with consumers and beneficiary funding requirements,” McHugh said.

The modular architecture of these systems is another noteworthy feature. It’s all about adaptability and flexibility. “Because we’re such a large player in the international market, our systems have developed to meet any need for any part of the game portfolio. We provide components or all of the ecosystem,” McHugh elaborated, “Our business philosophy is to be adaptive and flexible for our customers, and our systems architecture matches our business philosophy.”

Scientific Games’ vision for the future continues to be innovation. But while technology is critical, the people behind the systems are just as important. In the past year alone, the company hired more new employees than during any other period to reinforce its commitment to the industry’s growth and to guarantee lotteries have the support they need. “Our people care about our customers. They care about delivery and performance. We want to support lotteries 100% with the customer service excellence that has defined Scientific Games for 50 years,” McHugh shared.