

# LEADING IN A PERIOD OF TREMENDOUS OPPORTUNITY AND DISRUPTION

## Andreas Kötter

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**PGRI Introduction:** Andreas Kötter's responsibilities traverse a wide range of areas, influencing the evolution of many sectors of the industry. With so much ground to cover, we have separated our discussion into three sections. Thank you, Andreas, for sharing your vision!

**Eurojackpot** was launched in 2012 and has since become Europe's largest lottery cooperation in Europe. Starting with state-licensed lottery companies from seven countries, the Eurojackpot cooperation has now grown to 34 lotteries from nineteen countries, with the Greek company OPAP being the most recent to join the cooperation. Eurojackpot is managed by the Admin Unit at WestLotto with the support of an Executive Committee consisting of six CEOs from five Eurojackpot member countries. Andreas Kötter has chaired the cooperation since 2016, and was recently re-elected to continue in this role. Visit [eurojackpot.com](http://eurojackpot.com) for more information about Eurojackpot.

**The World Lottery Association (WLA)** elected Andreas Kötter as President at its General Assembly on October 24, during the World Lottery Summit in Paris. Andreas has been actively involved at WLA, including as a Member of WLA Executive Committee, since 2017. He has been Chair of the WLA Illegal Lotteries and Betting Committee, which is dedicated to reviewing the tools and resources available to help member lotteries maintain territorial integrity with stakeholders in every region, since 2018, and Senior Vice President of WLA since 2022. Visit [world-lotteries.org](http://world-lotteries.org) for more information about the WLA.

**Consumer trends, marketing innovations and the proliferation of gambling options (including illegal gambling) is transforming the lottery industry.** In addition to the above two roles, Andreas is also the CEO of the largest lottery operator in Germany. This shapes his perspective as someone who is responsible to stakeholders to deliver material results that generate funds for good causes, support societal goals and protect players.

**Paul Jason:** In addition to being CEO of WestLotto and president of the WLA, you are also chair of the Eurojackpot Cooperation. That's a lot for one person to have on his plate!

**Andreas Kötter:** Thankfully, I am surrounded by incredibly talented and hardworking teams. Last year, before the election at the WLS in Paris took place, we set up a new unit for international cooperation. Eurojackpot has been managed by WestLotto since its launch twelve years ago. Looking at the demographics of the team and the profile we need the near future, we also started the transition last year. In the future, we will mitigate operational risks by involving more people involved and sharing tasks across member states. Personally, I have transferred my mandates within the national cooperation of the German Lotto and Toto Block (DLTB). So I'm ready for the challenges ahead.

I would like to take a moment to thank Rebecca Paul for her six years of service to the WLA. Rebecca has had an outsized influence on this industry and her contributions to the WLA are greatly appreciated. Together with the Executive Director Luca Esposito, she has set up a professional and forward-looking team for the WLA over the last years.

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# “NO JURISDICTION SHOULD CONDONE ILLEGAL OPERATIONS BY REWARDING THEM WITH A LICENSE TO OPERATE LEGALLY.”

**Are there new hotspots that could become relevant in the battle against illegal gambling?**

**A. Kötter:** A key trend of our industry is digitalization. This does also mean that the borderline between gaming and gambling is becoming more relevant and difficult to manage. We see that more and more lotteries are moving forward legally and responsibly forward with gaming elements, e.g. for digital scratch cards in their product portfolio. The regulator sets clear restrictions how the individual gaming element should look like. On the other hand, there is a new generation of highly entertaining multiplayer online competitive games that involves players paying money to acquire tools to help them win. Technically, though, the money is not being wagered or gambled as there is no monetary prize. So even though there is money being spent, these games do not fit the traditional definition of gambling as having Chance+Wager+Prize. Even so, the player experience has many similarities to gambling and involves spending money to play a game that is potentially even more addictive than gambling. In fact, a growing number of players are spending huge amounts of money on these games, and the operators are making huge profits. The problem is that these games are often not clearly regulated and are played by people of all ages including children. This raises problematic questions: What is the interface between gaming and gambling? How should these games be regulated? How do we protect children and consumers from the dangers of problem gambling when it comes to new forms of gaming that are not properly classified and often not even regulated?

We are already seeing an increase in the number of young adult players showing problematic gambling behavior. I consider this an important issue as these games are becoming more and more popular because they are so entertaining.

**It would seem like this could be an issue in which the interests of lottery converge with the interests of commercial gambling operators. Wouldn't everyone in the games-of-chance industry want to see tighter regulations applied to gaming that is not taxed and regulated as they are?**

**A. Kötter:** Operators driven by pure short-term commercial interests will always lobby for less regulation and lower costs. At present, they seem less concerned about problem gambling and harm to consumers and children. Our role, as state-sanctioned lotteries, is to serve society and fund good causes. Protecting the consumer is part of our DNA. Our stakeholders expect lottery operators to be the adults in the room, protecting society's interests. And they'll hold us accountable if those standards of integrity and player protection are not met.

We want everyone, parents and children alike, as well as our political constituents who shape regulatory policy, to be educated and informed about the risks and to be able to find the right solution or regulation. I hope that in the future lotteries are not finding themselves at a significant disadvantage compared to large operators who are not subject to the same high standards as we are.

**This scenario has already happened time and again. Illegal online operators build up their customer base to a point where governments decide they have no choice but to regulate and tax their earnings.**

**A. Kötter:** Their player base, which was acquired illegally, instantly puts them into the dominant market-share position in some regions. The result is that criminal behavior is rewarded, and the operators who have complied with the local laws and regulations are then put at a competitive disadvantage because the illegals have the players, and the capital acquired from years of either not paying or underpaying taxes. The operators who have been profiting illegally for years while build

up their player base are now lobbying to come into the legally regulated markets. We talked about this cycle at the PGRI conference in Fort Lauderdale in 2019. The syndrome has gained momentum since then. Some operators even continue to operate illegally in markets where they cannot get a proper license, while operating legally in other markets with a proper license. This simply gives these illegals the best of both worlds and the opportunity to maximize their profits.

Some illegals push hard to obtain a proper license to operate in the legally regulated markets, even to the point of ending their illegal activities in that jurisdiction. One reason for this may be that the availability of investment capital to grow the business, or to hedge the risk winning a high jackpot, is discouraging illegal activity. So, the air is getting thinner for these operators.

**Isn't it the case that the WLA and the EL (European Lotteries) increased their level and effectiveness of communications with political stakeholders and that had some influence on these trends away from illegal online gambling?**

**A. Kötter:** In 2014 the Council of Europe created the Convention on the Manipulation of Sports Competition - also known as the Macolin Convention. The WLA was one of the parties that created the first draft. The final version was the joint effort of more than 50 states worldwide. We have put forward the concept that if a company is operating illegally anywhere, then they should be considered an illegal operator. And no jurisdiction should condone illegal operations by rewarding them with a license to operate legally. The WLA is working intensively with the EL and the regional associations on this important issue.

**How did the World Lottery Association contribute to those initiatives?**

**A. Kötter:** The important starting point was a common understanding of what is illegal. Based on this, the WLA compiled a list of current illegal activities and legal measures taken against them. We produced white papers clarifying the difference between legal and illegal gaming, illegal gambling business and lottery operations and even templates that could be sent to the regulation bodies. Together with some multi-jurisdictional lottery cooperations we even touched on the issue of brand protection.

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A cornerstone of supporting policy advocacy initiatives and protecting our ecosystem are the certification programs to ensure the highest quality of security and responsible gaming. The WLA only accepts members who comply with all aspects of the legal and regulatory framework. We have developed programs to help our members to achieve the highest operational standards in our industry. We must need to be able to demonstrate these standards through a certification process that is respected by all our stakeholders. Combine this operational excellence with great games that consumers love to play, funding for society and good causes, and a commitment to continuous improvement and innovation... we see this as the path to continued success.

**In the U.S., we have seen the power of well-funded lobbying campaigns to determine regulation that is not consistent with the interests of the citizens. It's not that sports betting should not have been legalized and regulated. But how can legislators justify, for instance, legalizing online sports betting while prohibiting online iLottery?**

**A. Kötter:** This is a similar problem in many countries around the world that are facing market liberalization, driven mainly by new and digital business models. However, from my own experience, lottery companies in Europe recognized early on the importance of digital lottery, online sales and building a registered player base. While purely commercial operators lobbied hard for regulatory changes that would be favorable to them, lotteries pushed to be allowed to build a digital platform and sell lottery products online. We recognized that the key to long-term success is Knowing Your Customer (KYC). The digital connection is mission-critical and the key to transforming your players from anonymous consumers into loyal customers. The transformative power of data analytics is then applied to your Customer Relationship Management (CRM) infrastructure, enabling us to win in an increasingly competitive gambling market.

As you know, the lottery starts with the largest customer base, probably more than most other consumer products and certainly more than any other gambling product. Strengthening the interactive online relationship, embracing KYC, investing in CRM and creating customer-focused products are key to retaining that customer base.

## **“THE WLA VISION IS TO BE RECOGNIZED AS THE GLOBAL LOTTERY AND BETTING GAME AUTHORITY AND TO SUPPORT ITS MEMBERS IN CONTRIBUTING TO SOCIETY.”**

**Eurojackpot has grown from €894 million in sales in 2013 to €4,960 million in 2024. Could you describe how your strategies and methods have evolved over that period to keep the players so engaged?**

**A. Kötter:** The creators of Eurojackpot had the advantage of seeing what worked so well with games like EuroMillions and even Powerball and Mega Millions in the US. We could therefore also identify product details that might not work well in our cooperation. Sustainable development was at the top of the list of our objectives. We wanted the cap to be above our local offerings. And we decided that the cap should be below €100 million, so we set it at €90 million. The jackpot did not reach €90 million very often, but when it did, there was a lot of publicity and excitement. Eurojackpot was a huge success from the beginning and popularity and sales continued to grow.

We anticipated that raising the cap to triple digits, over €100 million, would be an exciting marketing event. As more and more countries joined Eurojackpot, the volume of sales increased, the game became even more stable, and the time we needed to reach the €90 million jackpot was shrinking. And we saw that we had no jackpot fatigue even at jackpots in the range of €50 or €60 million. We looked at all sorts of ways to add to the game or change

the game. We wanted to be conservative and not make too many changes to avoid what we call change fatigue. In March 2022, ten years after the launch, the time was right, and we increased the jackpot to €120 million and introduced a second draw on Tuesdays. For this change we had a 100% agreement among our cooperation partners, and we have been successful with an increase in turnover of around 30% since then.

Eurojackpot works as a cooperation where WestLotto, Danske Spil in Copenhagen and Veikkaus in Helsinki have operational support functions like first and second control center, Administration Unit or Draw Center. Lastly, Eurojackpot represents a common European value that strengthens mutual respect and cooperation between several European countries. It is exciting to

work on a product and business model that can only be achieved by working together with our neighbors, with a joint European approach, building something that benefits each of us and the society we serve.

**The games-of-chance industry has changed dramatically over the last ten years. How have the needs of WLA members changed, and how has the association evolved to continue to deliver value and exceed its members' expectations?**

**A. Kötter:** The challenges in our industry are driven by changes in consumer behavior, illegal activities, liberalization of markets, digitalization, new approaches in gaming and gambling and for some of us even by the capital markets to name just a few. The WLA is committed to supporting its members adapt to change, to continuously improve their level of performance, to evolve their individual business strategies and methods to meet the needs of the consumers, and to succeed in their mission to serve good causes and society. To this end, the WLA Executive Committee has built a new strategic framework that will be rolled out starting now and being implemented over the next four years.

There are four components to our new strategic plan. First, we want to ensure that our value proposition is distinct from and complementary to the regional associations. The WLA will remain

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aligned with the regionals by supporting and reinforcing the service and value that they bring to the industry. Secondly, it is imperative that we uphold the integrity of the industry by continually evolving our risk management and security as well as our responsible gaming standards and refining our certification processes. Integrity also includes establishing a center of knowledge and information in combating illegal gaming as well as promoting and raising awareness of sports integrity. Thirdly the WLA will continue to build on its role as an informational hub and resource, and to provide expertise or best practices in special and relevant topics and fourthly evolve Good Corporate Citizenship. Similarly, we will establish a process for identifying the key topics and how to proceed with the development and presentation of business intelligence and industry knowledge. These are all areas where the WLA has a proven track record of success.

The WLA vision is to be recognized as the global lottery and betting game authority and to support its members in contributing to society. Therefore, we must set the standards of excellence for the lottery ecosystem, serve our members and help them to succeed and prosper.

### **Is there an example of how the competencies of the WLA complement the regional associations?**

**A. Kötter:** The industry is evolving at different stages and in different ways across the globe. For instance, illegal gambling

or the business model of resellers has manifested in Europe over the past twenty years in ways that are just beginning to emerge in other regions such as the U.S. The WLA acts as an information resource and can help its members around the world understand, through case studies, how some of these issues have developed elsewhere, how lotteries have responded to threats, which strategies and tactics have worked well, and which have not worked so well. I've been impressed by how the Asian region embraced new technology in their lottery work and started to use AI to analyze the illegal market. We have just started a joint initiative with the Regional Associations to research the size of the illegal markets on a global scale. To uphold the core values of integrity and fair play in sport, the WLA, together with EL (European Lotteries), founded ULIS (United Lotteries for Integrity in Sports) as the main global player in the field of state lotteries.

The regional associations have a deep understanding of the local markets, gaming cultures, political environments, and the most relevant issues and needs of its members. Joint conferences and educational seminars reflect specific interests of the members and the WLA is happy to collaborate with the regional associations in providing experiences from other parts of the world. These are just a few examples of how the WLA and Regional Associations work together to add more value to lotteries.

### **How might lottery further its competitive advantage?**

**A. Kötter:** First of all, we should take a measure of the unique attributes of lotteries that no one else has and how we might leverage those to better effect. Lotteries have been part of the day-to-day culture for decades. We have analyzed the development of lotteries for every crisis after the Second World War. How are lotteries affected by economic crisis? Political crisis? Changes in the competitive landscape? One truism is the amazing resilience of lottery products. Lotteries currently have a retail network that no one else has or even has any hope to replicate. Lotteries have an established, trusted brand and a mission to serve good causes. That makes us strong and unique. Our business is sustainably increasing, and we have the largest customer base in the whole gambling segment. Given the associations there is no other relevant player on a global level than WLA together with the regional associations in our segment. Building on these strengths, we should be able to identify and face the industry challenges if we anticipate new trends and technology, understand the customer, exchange information and innovate, learn from each other and think in cooperations. The WLA, and I'm sure also the Regional Lottery Associations are committed to serving their members and helping them succeed in these exciting times of disruption and opportunity. ■

application of data-analytics and building out new sets of KPI's that identify and measure the factors that matter most and which are constantly changing. Our competition is raising the bar on all of these business functions which means we have to be better than them if we want to promote loyalty and retain playership.

I was asked about the evidence to substantiate the concern that lottery players are subject to shifting some of their spend over to other game categories. I would respectfully submit that if we wait for the evidence to come in, it will be too late. We are proceeding on the basis that the

consumer has more choices now, and we need to continue to earn their playership. Lottery has the most storied history of any game, a resilience and popularity and life-cycle that is unlike any other product. I think it would be short-sighted of the industry to assume that guarantees future success. We are focused on leveraging the things that make lottery unique, an ongoing commitment to healthy play and the great work that is being done to support our beneficiaries.

I think we need to prepare for a dynamic market-place with consumers who expect us to continually "up our game". That's

why we are building a culture of nimbleness that expects consumer behavior and market dynamics to be changing faster than ever. We are embracing the opportunity to set new standards that keep our players engaged, that keep our channel partners committed to lottery, and that keep the good causes – public education in North Carolina – that benefit proud of their association with the N.C. Education Lottery. ■