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INTERNATIONAL

JANUARY/FEBRUARY 2016

- Consumers Leading the Way to Convergence: Insights into Systems Technology
- Aurora Navigator: The Lottery Back-Office Solution that lets You See it YOUR Way
- Debunking Myths about Internet Gambling
- Three (Un) Conventional Strategies to Stimulate Sales of Lottery Tickets

FEATURED INTERVIEWS



Fernando Paes Afonso
Santa Casa da Misericórdia de Lisboa/Santa Casa Gaming Department



Jean-Luc Moner-Banet
Société de la Loterie de la Suisse Romande and World Lottery Association (WLA)



Andy Duncan
Camelot UK Lotteries



Inmaculada García Martínez
Sociedad Estatal de Loterías y Apuestas del Estado (SELAE)



Thierry Pujol
La Française des Jeux (FDJ), the French National Lottery



Gavin Isaacs
Scientific Games Corporation



Jim Kennedy
Scientific Games Corporation



Hansjörg Höltkemeier
Deutsche Klassenlotterie, Berlin and European Lotteries Association (EL)



Gary Grief
Texas Lottery and U.S. Powerball Group



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PGRI 2016
SMART-Tech
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WHEN:
April 6, 7, and 8,
2016

WHERE:
Park Lane Hotel,
Central Park South,
New York City

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From the Publisher

By Paul Jason, Publisher
Public Gaming International Magazine

Government-operated gaming operators have always straddled a fence. They perform in a highly competitive, market-driven environment. They are tasked with generating profits, or at least channeling profits, from the games-of-chance economy for the benefit of public service, i.e. *Good Causes*. The commercial companies in the private sector are tasked with generating profits for their shareholders. Commercial companies typically have a board of directors which represent the interests of the company's shareholders. Their job is to hold the management of the company accountable for achieving agreed upon objectives that hopefully include complying with the law, setting high standards for corporate social responsibility and consumer protection, and definitely include maximizing profits for the shareholders. Of course, there is nothing wrong with that. It's called capitalism and has been the most powerful driver of productivity and wealth by virtue of its unique faculty for turning economic chaos into equilibrium. The beauty of capitalism is how it causes an almost infinite variety of factors to dynamically coalesce into a system that allocates resources, factors of production, and consumer goods and services in the most efficient way. It's quite a miracle, really.

Government-operated lotteries must compete within that hyper-efficient system in spite of the fact that they are subjected to a whole different set of rules to abide by. There is no streamlined hierarchy that magically channels external forces (like competitive pressures) into a rapid response game-plan. Instead of a board of 10 or 12 directors who set the agendas and parameters for management to follow to achieve clear and measurable objectives, Government-Lotteries are held accountable to literally everyone. After all, the government theoretically represents the interests of all the people. So everyone – the body politic, the general public, the media, the customers/players, the channel partner/retailers, etc. – is in the position of weighing in on every single thing the Government-Lottery does. This is not the ideal business model for clarifying concrete objectives and the parameters for achieving those objectives. But, as Meyer Lansky/Hyman Roth said to Michael Corleone, this is the business we chose. Or, to paraphrase, this is the environment we operate in and it is our mission to optimize performance in spite of whatever lack of clarity we may be subjected to. And we couldn't be more proud

of our mission to achieve results that exceed the expectations of our stakeholders and, in particular, the *Good Causes* that Lottery funding supports.

There is a point to this philosophical ramble. The interviews in this issue have a common thread that, to my mind, reflects a sea-change within the Government-Lottery sector. It continues to be a reality that regulatory decisions are the most critical driver for the entire games-of-chance industry and that includes Government-Lottery. For that reason, we must continue to aggressively defend the interests of our stakeholders in the political/regulatory arenas. But there is a fresh resolve to compete and win in the market-place regardless of regulatory confusion, constraints, or even inequities.

Government-Lottery has always straddled this fence, always operated as both a market-driven enterprise and a public service. But, in recent years especially, the fight against regulatory actions (or inactions) that have the potential to destroy the entire model of Government-Lottery (protected markets that deliver high margins for the benefit of *Good Causes*) became somewhat top-of-mind. Quite logically of course. That is why they are still top-of-mind, and will continue to be so. But, as reflected in these interviews, the leaders of this industry are training their sites on the fact that we can and will succeed in spite of regulatory challenges. The focus on elevating our performance as dynamic consumer and market-driven businesses is being embraced with renewed vigor and enthusiasm. The spirit of capitalistic competition, the drive to exceed consumer expectations and lead the industry with innovation and operational excellence, is taking center-stage right alongside our mission to always be raising the bar in the areas of consumer protection, security, and integrity.

Please join us for **PGRI SMART-Tech on April 7 & 8 in New York City**. See www.PublicGaming.org for conference info, updates, and registration and room reservations links. Try to come a day early and attend the **first-ever i-Lottery Seminar hosted by the World Lottery Association**, to be held on Wednesday April 6. Both events are being held in the Park Ballroom at the fabulous **Park Lane Hotel on Central Park South, NYC**. Receptions on all three night (April 6, 7, and 8) provide lots of time to visit with friends and colleagues from Europe as well as Canada and the U.S. Hope to see you there! ■



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Jean-Luc MONER-BANET

Director General, Société de la Loterie de la Suisse Romande
President, World Lottery Association

Setting the Standards for a Global, Integrated Games-of-Chance Industry

PGRI Introduction: Mr. Moner-Banet joined Suisse Loterie Romande in 1998, was appointed Deputy Director General in 2001, and Director General in 2007. Mr Moner-Banet was also appointed to the World Lottery Association (WLA) Executive Committee in 2008 and elected to the position of President of the WLA in September 2012. His leadership of the WLA, his service to the members, is so very much appreciated! The WLA numbers approximately 150 official Lottery organizations from 82 countries around the globe, most of whose revenues (over \$200 billion) are redeployed for good causes that serve the interests of society.

Legislators and Regulators are struggling to adapt to disruption and changes in the games-of-chance market-place. Legal and political frameworks may function on regional and jurisdictional levels. But the issues we face are global. And the solutions will involve multi-jurisdictional alliances and initiatives. A primary mission of the WLA is to promote collaboration and unity among its government-lottery members. It is by working together, forming a united front in the effort to protect the Government-Lottery model, that Lottery operators all around the world will protect the interests of the good causes that they are dedicated to serving.

Paul Jason, PGRI: *What are your top priorities for the WLA in 2016?*

Jean-Luc Moner-Banet: WLA's priorities for the year 2016 are in keeping with the previous years. A top priority is the development of the two standards that have been developed by the WLA for our industry—the WLA Security Control Standard (SCS) and the WLA Responsible Gaming Framework—in particular in the domain of security and risk management. Important domains such as the operation of games on the interactive channels (Internet, tablets,

smartphones, etc.) as well as the operation of sports-betting are subject to specific sections in our standard in order to always be more relevant for our members. To date, a total of 66 Lottery Members and 12 Associate Members were certified to the SCS standard.

Beyond this element, the WLA works to strengthen the operations of the Global Lottery Monitoring System (GLMS) in collaboration with the European Lotteries (EL), the new General Secretary of the association – Mrs Sarah Lacarrière—and all members of the

Executive Committee. The year 2016 will be rich with the European Football Championship (UEFA Euro 2016) in France and the summer Olympic games in Rio de Janeiro, Brazil, which makes the development of a quality tool all the more important in order to contribute to the integrity of sports worldwide.

Beyond those major projects, the WLA remains active in the educational program by collaborating to the workshops and seminars organized by the regional associations, in particular by

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Hansjörg HÖLTKEMEIER

Chief Executive Officer, Deutsche Klassenlotterie, Berlin
President, European Lotteries Association (EL)

Transitioning from the “Lottery-Model” to Lottery-Principles. Setting the standard for Integrity, Solidarity, and Precaution that is applied to the Games-of-Chance industry.

PGRI Introduction: Every other year, the European Lottery (EL) Association holds the EL Congress, a combination of conference with presentations and panel discussions, and a mind-expanding trade show. The last one was held in Oslo in June of 2015. (Next one will be held in Krakow, Poland in June of 2017. One reason for making this a bi-annual event instead of an annual event is that the World Lottery Association also holds its global conference/trade show every other year. The next World Lottery Summit will be held in Singapore in November of 2016.) It was at the EL Congress in Oslo that Hansjörg Höltkemeier was elected to the position of President of the European Lottery Association (EL). He has been a member of the Managing Board and CEO of the Deutsche Klassenlotterie Berlin since 2005, and a member of EL Executive Committee since 2009.

The business of government-gaming and Lottery is in flux all over the world, but more so in Europe than anywhere else. There is tremendous pressure on the lawmakers to make regulatory decisions that are unfavorable to government-Lotteries. Online private commercial gambling operators have for years been pressuring the European Commission to treat gambling like any other commodity or service, with little regulatory control. Hansjörg Höltkemeier and the EL are evolving their approach to enlisting the support of the European Commission for a more balanced framework that recognizes the special nature of Lottery and gaming.

These are interesting times indeed to be President of the EL!

Paul Jason, PGRI: *What are your top priorities for the EL Association in 2016?*

Hansjörg Höltkemeier: Government Lotteries have established the highest standards of Integrity, Solidarity, and Precaution in the games-of-chance sector. My priority for EL in 2016 is to finalize our renewed strategy and to make

these well-respected Lottery-Principles more relevant to European politicians and shapers of public policy. All EU member states and society in general will be well-served for these principles to be adopted by the entire games-of-chance sector. This will directly lead to more acceptance of the need for indi-

vidual member states to decide what is best for its citizens when it comes to the regulation of Lottery and gambling. The Lottery-Principles approach will also lead to a better understanding of the role of the EU institutions to help to enforce rules that are deemed to be best for the protection of the consumer and the sup-

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port of good causes. Our goal is to forge a better cooperation with the EU Commission. It is the strong cooperation between the EU Commission (which upholds the principles of the Union) and the governments of the individual EU member states (which protect the interests of its citizens) that results in the most balanced and effective regulatory framework.

We are trying to solve the problems that the current state of confusion that European regulations and enforcement has created. We can observe the experiences of those jurisdictions which opened their markets up early. There are aspects of their experience which would not be desired by the political leaders of many European governments. Gambling expanded quickly and in ways that at least some EU member states would like to avoid. It is not the intention of the EL to prohibit a government from deciding to choose that kind of open-market model for itself. It would be our objective, though, to encourage the EU Commission to respect the rights of EU member states to choose a different path. The EL Association respects the responsibilities and the role of the EU Commission to make proposals and take decisions that serve the entire community of EU member states. That is why we are proposing that the high standard of integrity, respect for the laws of each jurisdiction, responsible gaming, and player protection established by the operators of government-gaming—that these principles be applied to all categories of gaming and gambling. The EL Association is working hard to assure that the EU Commission provide a basis of laws that enable the member states to preserve the integrity of all gambling categories, and i-gaming in particular, and empower the member states to enforce their laws and regulations for the protection of its citizens and the benefit of society and good causes.

What are some of the obstacles to accomplishing what we need as a community of government-gaming operators? What can individual lotteries do to help our common cause to defend the lottery model on the legal/political/regulatory front? Or compete in the consumer market-place?

H. Höltkemeier: Over the last number of years, the major obstacle on the European level seemed to be the widespread belief in the power of a Single European Lotteries and Gaming market. Regulation was criticized as being a tool for companies and states to protect their position and the money generated by it. Due to the difficult situation all over Europe (crises in southern Europe, refugees from Arab states, etc.) but also as a result of the experiences in liberalized pioneer-states where the negative impacts from fraud and addiction increased significantly while income to the state from gambling decreased (or, or at least did not increase as expected or in relation to the stakes), there is a real comeback of solidarity as a basic principle for the community of government-gaming operators, but not just for those, to follow. We now have a positive expectation that the EU Commission will support the rights of its member states to enforce a stronger regulation of the entire games-of-chance sector. We are hopeful! All the evidence shows that a clear, enforceable regulatory framework is so necessary to a sustainable path forward for the Lottery and gaming industry. And not just for the protection and benefit of government-Lotteries, but for the entire games-of-chance sector, and the purpose of protecting the consumer.

The next objective is to engage the support of regulators, agents of law enforcement, and lawmakers to protect licensed operators and consumers against illegal-gambling offers. Every regulation, even the most basic ones, needs the support of all these stakeholders for them to be effec-

tively enforced by regulators and agents of law enforcement. The EL is working hard to enlist the full support from everyone to fight against illegal offers. Illegal operators have much lower costs than licensed operators because they do not pay their fair share to the government or to good causes, and they do not bear the costs of operating to even modest standards of consumer protection, security and Anti Money-Laundering, and integrity. Without effective enforcement of the law, illegal operators will use their illegal competitive advantage to deliver higher prize-payouts, advertise and promote their product in ways that are prohibited for licensed operators, and thereby push legal offers out of the market. That is why effective law enforcement is a top priority of the EL Association.

But prevention of illegality in the gaming sector is not our only focus. Government-Lotteries are in a market-driven business. There will be more and more licensed operators with legal offers competing for the attention of the consumer. As a specific sector, government-Lotteries will need to innovate its games and methods of operation to attract and retain the interest of its players. The EL has initiated new programs this year, like the new Innovations Seminar held in Warsaw, to help its members be the world-class business and marketing enterprises that will succeed in the future and continue to channel billions of euros to the support of society and good causes.

The EL has always been such a powerful advocate for its members when it comes to regulatory issues. What is the current state of the ongoing debate between the European Commission goal of applying common market laws to gambling and the EU member states goal of applying member states' authority (subsidiarity) to self-determination of the regulation and taxation of gambling?

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Fernando PAES AFONSO

Vice-President of Santa Casa da Misericórdia de Lisboa
Chief Executive Officer of Santa Casa Gaming Department
First Vice President, European Lottery Association (EL)

A Fresh Perspective on “Innovation”

PGRI Introduction: With a background in Economics, Mr Paes Afonso began his professional career in the Portuguese National Parliament, and also served in financial services companies and the commercial construction sector. He has a vast experience in the lottery business, being responsible for several major and decisive changes in the business. During his first term at Santa Casa's Gaming Department (2002–2005), Mr Paes Afonso led the modernization of the lottery brand (Jogos Santa Casa), the introduction of the multi-channel Portal as well as the player's card and the launching of the multi-jurisdictional Game of Euromillions. Over his current term he updated the network of gaming terminals, and launched the online instant lottery and the land-based fixed-odds sports-betting, among other significant changes introduced to update the Lottery-playing experience to complement the lifestyles of the modern consumer. My discussions with Mr Paes Afonso always gravitate towards the ways for Lottery to connect with the modern consumer. As a realist whose goal is to bridge the gap between Lottery as a governmental institution and Lottery as a market-driven enterprise, he is a concrete thinker who focuses on the actionable. “Innovation” isn't about futuristic technology or creating the ‘next big thing’ in games. It's about using our imagination to see opportunity to improve the way we operate, to unlock value that already resides in the existing infrastructure and ways of doing business.

Paul Jason, PGRI: *The EL has always been a powerful advocate for its members in the political/regulatory arena. Now you are giving special attention to innovation, and the ways Lottery can compete in the market-place.*

Fernando Paes Afonso: Like any business, we need to adapt to reality and optimize performance within the constraints of that reality. The EL has always been bold and proactive at ad-

vancing the interests of its members in the political arena. And their educational seminars and conferences equip its members to compete in an intensely competitive market-place.

Innovation is a top priority for all of us. Our first EL Innovation Seminar was just held in Warsaw and was very successful. Wojciech Szpil, the CEO of Totalizator Sportowy (the Polish Lottery) was the organizer and he did a

fabulous job.

Our charter requires us to be risk-averse. Preserving the value of the brand, assuring the security and integrity of the operations, and promoting a responsible approach towards gaming are the values that we hold most dear. That means we are conservative and cautious in everything we do. Fortunately, there is huge potential for government-Lottery to drive innovation and progress

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and we are setting an ambitious pace to meet the needs of the modern consumer. Lottery should feel good about how it fulfills the expectations of its variety of stakeholders. And we are excited about the opportunities to continually improve and further increase the value we deliver to the players and our stakeholders. That is our goal now—to create the platform and set the standards for operational excellence while also driving innovation and progress.

Government-Lottery operates in a very special place. We must compete for the business, as we are disputing a share of the consumer's leisure expenditures, in a market-driven system. And yet, we are bound by obligations to a standard that is higher than anyone else's. That is as it should be, as long as others in the games-of-chance industry raise their standards so that the overall level of security, integrity, responsible gaming, and all other measures to protect the interests of the consumer are always improving.

Much of what we are doing is still at the early stages. The EL president, Hansjörg Höltkemeier, is setting the agenda and we are all working together to chart the course for the EL to optimize its support for its membership of European Lotteries to build successful and sustainable businesses.

Your focus on innovation is more on the logistics, distribution, and operational sides of the business. And Retail in particular. Less about technology and new products.

F. Paes Afonso: Innovation is so often associated with technology and creative game development. Let me give you an example about how a focus on process delivered a tremendous benefit to the government and the consumers of Portugal, as well as to Santa Casa Games Department and its beneficiary Santa Casa

da Misericórdia. We saw that there were two issues, seemingly unrelated. One, we would like to have our players register to play and be assigned a player card. But we wanted to make it as easy for the consumer as possible. We didn't want to impose a process that would potentially discourage player-ship, right? The other issue is that the government has a hard time collecting sales taxes from businesses. Some businesses would give the consumer a small consideration to entice them to pay in cash, waive the requirement for a receipt, and then not report the sale to the government, and in that way avoid paying the tax on the sale. Of course, this is not an uncommon problem for governments everywhere. We recognized an opportunity to both help the government solve this problem and make it easy for the consumer to register with the Lottery.

In Portugal, everyone has a "fiscal number" that is used in any transaction. When I go to a restaurant and pay for the lunch, the receipt has my fiscal number, only if I want. We proposed to the government to organize a weekly draw game based on all receipts transmitted electronically from the sellers to the treasury administration with the fiscal number of the buyers. A high standard car is the weekly prize. The only thing one has to do to become eligible for the draw is to ask the receipt of a purchase with the respective fiscal number. They do not have to enter in personal information of any kind because the government already has that on file. Their personal information is associated with their unique fiscal number. In order to be sure that my receipts are considered for the draw, the only thing I have to do is to enter my personnel fiscal e-account. If one receipt is not there I can up-load it. This causes the consumer to request a receipt for all

of their consumer purchases so they can enter it into the draw game. The receipt identifies the merchant and the sales amount. The merchant now must report the sales properly because the government auditors are able to connect the receipt numbers entered into the draw game with the sales that the merchant has made. That in turn causes the merchants to comply with the law that requires them to report the sales and pay taxes on those sales. The prize that is paid out to the winners of this draw game is a very, very small portion of the tax receipts that accrues to the government as a result of businesses now complying with the law to report their sales.

That's amazing. It also creates a fresh form of brand awareness for the Lottery. A whole new game, a new way for the consumer to play the Lottery.

F. Paes Afonso: Exactly. Market-driven solutions are always better than government fiat. The Lottery is a fun game. Let's figure out ways to use that fact to engage the consumer and drive behavior in ways that benefit everyone.

This draw game that uses the fiscal and receipt numbers was started in 2014. Now, it has become very automatic for Portuguese consumers to enter this weekly draw, entering the receipt numbers for a chance to win a prize. And restaurants, convenience stores, and consumer-facing merchants are reporting and paying their taxes properly. And we have a consumer who is registered and engaged in an interactive online relationship with the Lottery. Further, consumers are now much better informed about the resource that is their own personal fiscal number. This enables them to view their own fiscal history and data on all matters, not just Lottery. Now, most Portuguese know their

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Andy DUNCAN

Chief Executive Officer, Camelot UK Lotteries

Member of the Executive Boards of the European Lottery Association (EL) and the World Lottery Association (WLA)

PGRI Introduction: After starting his career by spending nearly two decades at global consumer goods company Unilever—including running one of its major European food businesses—Andy Duncan joined the BBC Board in 2001 as director of marketing, communications and audiences. He supervised the expansion of the corporation's digital output—including the launches of BBC 3 and 4—and became chairman of Freeview, the BBC's digital television service. Freeview became a fast-growing brand, and in 20 months, reached four million homes. It is now the UK's biggest digital TV platform and is in over 20 million homes.

Mr Duncan was appointed chief executive of Channel 4 in 2004 to manage the company's development of a genuine multi-platform media business. Channel 4 was first broadcaster in the world to put its entire schedule online in 2006. In Duncan's time there, the channel's share of Total UK TV viewing grew from 10% to 12%, and its share of the TV advertising market increased every year—from 20% in 2004 to a record 25% in 2009.

In October 2011, Duncan was appointed UK managing director of Camelot (Camelot Group), the operator of the UK National Lottery. In this newly-created role, Duncan was responsible for UK National Lottery's operations in more than 46,000 outlets across the country as well as for the National Lottery website—which is the largest online lottery in Europe in terms of sales. This was in addition to being responsible for over 700 employees across key areas, including Marketing, Sales, IT and Customer Operations.

Mr Duncan took over as CEO of Camelot UK Lotteries in October 2014. In this role, he has overall responsibility for driving Camelot's strategy for growth through ongoing innovation. This includes re-invigorating growth in Camelot's draw games, continuing to drive sales of instant play games, and the ongoing development of a major new online and mobile platform. This has resulted in another record year for Camelot UK, with overall sales exceeding £7.2 billion for the first time—an impressive 8% increase over the previous year—and the company on track for further growth in 2015/16. The new platform, in particular, has pushed digital sales to over 20% of the overall total, with more than 10% of that now on mobile.

In addition to serving on the Executive Committees of both the World Lottery Association (WLA) and European Lotteries (EL), Mr Duncan chairs the WLA's Corporate Social Responsibility Committee and chairs the EL Innovation Group.

Paul Jason, PGRI: *You have been CEO of Camelot UK for just over a year now, succeeding Dianne Thompson. How have you found your first year in the post?*

Andy Duncan: Well, I had been UK

Managing Director at Camelot for three years previously—working very closely with Dianne before her retirement in 2014. Prior to that, I was CEO at both Channel 4—one of the UK's main

broadcasters—and H.R. Owen, which is the UK's leading luxury car business. Although I knew the Camelot business very well already and felt well-equipped given my previous positions, there is always a



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certain amount of adjustment when settling into a new role—particularly when you're talking about a £7 billion-plus business! The fact that we are stewards of a national asset that generates over £34 million each and every week for Good Cause projects is a huge responsibility.

So, I am very pleased to be able say that my first year in post has been another successful one for us at Camelot UK. We announced record annual lottery sales of £7.2 billion back in April and, more recently, published our highest-ever half-year sales. A lot of this success is down to the work we've been doing to transform our digital services. This includes the

launch of a major new online and mobile platform in autumn 2014, which has revolutionised the way players interact with National Lottery games across all devices.

Another big part of our recent achievements has been down to us growing sales of our GameStore range of online and in-store instant play games. This has been driven by the launch of over 70 innovative new instant play games every year, higher prize payouts as well as the completion of our rollout of around 10,000 standalone terminals to satisfy untapped demand for National Lottery Scratchcards. The record results were also driven by strong sales of our flagship Lotto game, which, following

its successful re-launch in October 2013 after a decade of decline, has now enjoyed two years of consecutive growth.

The decline or flat sales of draw games is somewhat of a global trend. What have you done, and what are your strategies going forward, to invigorate draw games in the UK.

A. Duncan: Draw-based games are hugely important to our business because they return more in percentage terms to Good Causes than our GameStore instant play range of games. Over the past few years, we have seen sales of instant play games growing at a much faster rate than draw-based games, so we've had to up the ante, so to speak, in terms of keeping them fresh and appealing.

As I mentioned, we first re-launched Lotto in 2013. This consisted of a prize rise—we went from £1 to £2 per play—and a refresh of the prize structure. The 2013 re-launch got the game back in growth after a period of steady decline, and late last year, we introduced some additional changes to help further secure the long-term health of the game. These changes, which are performing really well, included an increase in the Lotto matrix from 49 to 59, which is resulting in bigger jackpots and is obviously great for driving player excitement. We are also creating a millionaire in every draw through a raffle element, and for the first time, players who match two numbers get a free ticket for a future draw, which further keeps them invested in the game. Some of these free tickets have already gone on to win substantial prizes, so it really is a win-win.

In terms of EuroMillions, we and the other eight countries where the game operates have been hit by a poor run of rollover luck. So, here in the UK, we have come up with other initiatives to keep it exciting. For example, since late 2014, we



(L to R) Andy Duncan, Olympian Sir Chris Hoy MBE, and Secretary of State for Culture, Media and Sport John Whittingdale MP at the House of Commons in December 2015. The trio hosted a 200-strong event to celebrate the 21st birthday of The National Lottery—which has raised over £34 billion for Good Cause projects since its inception in 1994. Sir Chris commented: “At the beginning of my career, I received a National Lottery grant of £10,000—which gave me the chance to pursue my dream of becoming Olympic champion. 21 years on, National Lottery funding allows athletes to train at the highest level—and has undoubtedly changed the face of British cycling and British sport.” Secretary of State for Culture, Media and Sport John Whittingdale MP commented: “21 years on, The National Lottery has exceeded all expectations. It was originally forecast to raise £1 billion a year if we were really lucky—and here we are, £34 billion later.”



Andy Duncan and the Prime Minister, The Rt Hon David Cameron MP, at the reception at 10 Downing Street to celebrate 20 years of The National Lottery.

have been making the last Friday of every month a EuroMillions Mega Friday. These hugely successful monthly events

have seen multiple UK players each winning an amazing prize of £1 million PLUS the chance to live the millionaire lifestyle with a truly amazing non-cash prize. Non-cash prizes so far have included round-the-world trips, private island getaways and luxury supercars.

Overall, I'd say that, instead of major game changes on an infrequent basis, it's becoming much more a case of constant innovation—regularly enhancing our games to fit in with players' lifestyles and preferences.

The new website has achieved great success. What were some of the priorities that drove the whole process, and what's next for you in

terms of digital enhancements?

A. Duncan: The new website—national-lottery.co.uk—was a huge project for us. One of our key drivers for change was that we want people to be able to play anytime, anywhere—and our old website just wasn't delivering that. It was a clunky, old-fashioned proprietary system—and just wasn't fit for today's on-the-go, mobile lifestyle. So, we decided to rebuild the entire technology platform, including the front-end and the gaming system underneath it. The site you see today is managed entirely in-house and mobile technology sits at the heart of it.

As a result, the new site delivers a much better tablet experience, which we didn't really have before, as well as a better general mobile web experience. It is easy for any company to say that mobile is key

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Inmaculada GARCÍA MARTÍNEZ

President & Chief Executive Officer,
Sociedad Estatal de Loterías y Apuestas del Estado (SELAE),
State Lotteries of Spain

Member of the Executive Committees of the World Lottery
Association (WLA) and the European Lottery Association (EL)
Chair of the Public Order and Security Committee for the EL
Senior Vice President of CIBELAE, the Association of
Ibo-American Lotteries

On Adapting to a Rapidly Changing Market-Place

And see page 58 for more on the Amazing Spanish Christmas Lottery, “El Gordo”



**Loterías y Apuestas
del Estado**

PGRI Introduction: The State Lotteries of Spain (officially the Sociedad Estatal Loterías y Apuestas del Estado or SELAE) is a public Company tasked with managing a variety of lottery games throughout Spain. The SELAE network consists of 11,000 retail outlets, 700 employees, and 55 sales offices. Its 2015 sales of €8,628,345,000 makes it one of the largest Lotteries in the world. The Spanish Lottery El Gordo (the

Fat One) is one of the most successful lottery games in the world. It’s “Christmas Lottery” draw on December 22 awarded €2.24 billion in prizes, considered to be the largest prize pool in the world. SELAE is an amazing operation with a relentless focus on Continuous Improvement.

Inmaculada García was appointed President & CEO of SELAE in September 2013. She brought to this position extensive leadership experience, managing senior executives in the sphere of the public administration of Economic and Financial issues. She joined the High Corps Inspectors of Finance in 1988. As inspector of the State Finances, she was mandated to Olot, Tarragona and Murcia, where she was Head of the Regional Technical Office and Regional Head of Collection. In 2003, Ms García was appointed to the Ministry of Finance in the Region of Murcia and subsequently the Ministry of Finance and Ministry of Economy, Enterprise and Innovation until 2011. From March 2012 to September 2013 she acted as the Commissioner for the reconstruction and economic recovery of the area of Lorca until she was appointed President of the State Lotteries.

As President and CEO of SELAE, Ms García is currently leading the company to improve the business and integrate new technologies in lottery products and services. Since her appointment, she has restructured the company and re-designed the strategy in order to the Lottery playing experience with the technological needs of the 21st century. Due to the size of business, history and experience of SELAE, Ms García is convinced that the participation of SELAE in the Boards of international bodies is crucial. Ms García is a great advocate of the need for Lotteries to have an even bigger and stronger international alliance to defend the interests of our industry and stakeholders.

Paul Jason, PGRI: *What do you see as the most important initiatives for SELAE to undertake in 2016?*

Inmaculada García Martínez: First of all, I would like to highlight that 2015 has been a very successful year. Many achievements have culminated in our worldwide-known Christmas Draw held on the 22nd of December where we have had a significant increase in revenue.

Looking ahead to 2016, SELAE's main challenge is to continue the path of growing its lottery business, raising funds for the national budget and for supporting sports, culture and other social causes, to which SELAE dedicates 2% of its profits. This is not an easy task in the Spanish gaming industry, where SELAE faces a growing competition from for-profit private gambling operators.

SELAE's games are very well known to the public, but rely heavily on the draw-based games. So SELAE is continuously trying to match its new developments with the general request from its stakeholders to create new games and business opportunities to meet the current needs of the market-place. In line with this policy, we have planned, along with our partners in the Euromillions community, to launch an exciting modification of this game. The details will be announced in the near future.

Next year we are going to introduce our new SAGA digital platform, that will replace our current internet solution. SAGA is the culmination of a great deal of effort made by SELAE in the last three years. This new high performance digital platform has been designed to address the requirements of our players in terms of betting experience, content management, multi-device use, and will be the foundation to build an omnichannel solution to digitalize our point of sales. We have high hopes for this new platform as we are growing at 15% annually on the internet.

In terms of our retail network, during 2015 we have successfully opened more than 600 new retailers in areas of Spain with low population. In 2016 we will continue our plans to increase the number of retailers to bring our games closer to our players.

Another exciting 2016 project is to revamp our brand identity, including our portfolio of games. Although our current emblem is well recognized throughout the country by a great majority of Spaniards, we need to evolve and innovate to ensure we stay relevant and engaging in this ever-changing competitive market.

What game categories represent the best opportunity for growth for SELAE?

I. García Martínez: SELAE is working to adapt its portfolio to the consumers' general demand. Along this line of commercial policy, SELAE has modernized our football pool game "La Quiniela;" we have increased the number of draws of our LOTO now which is daily; we have also created new special Lottery Draws; and finally we have implemented the new change in EUROMILLIONS mentioned before.

Is SELAE licensed to offer online casino-style gambling?

I. García Martínez: No, SELAE is not licensed to offer online casino-style gambling and we do not have plans to enter this segment of the gambling market.

What percentage of SELAE revenue comes from online sales? How much do you expect that percentage to be in 2016 or 2017?

I. García Martínez: SELAE depends on the retailer network to sell our products. Nevertheless, we realize that we are in the 21st Century and appreciate the important role that new technologies have for the modern consumer. So, in order to support our retailers and help them to increase their sales, we provide them with the opportunity to sell our

products over the internet and through mobile apps. In this way, the online channels have enabled our retailers to extend their selling time to 24/7. This is important to them and it is important for the players to have this improved access to play the lottery. Online sales still represent a modest 1.4% of our total sales, but the pace of growth is high and we expect to reach a 2% in 2017. Most important is that SELAE products be made available through multiple channels so that the consumer can buy them online and on their Mobile. And SELAE's positive relationship with our retailers is stronger than ever because they benefit directly from this online sales model. The retailers remain the true sellers of SELAE lottery products.

Spain's online gambling market is opening up to multiple commercially licensed operators to offer all varieties of online gambling. Does online gambling represent a competitive threat to Lottery, to SELAE?

I. García Martínez: The Spanish government passed a law in May 2011 that regulates online gambling. Since then, the number of new online operators have increased dramatically, offering all varieties of online gambling, including fixed-odd sport betting, poker, and most other successful casino-style games. Of course, this new offering has impacted SELAE's sales negatively, as it has diverted some of the lottery players' spend over to online betting. However, what really concerns us is that it has cut further into the number of young adults who play the lottery. Additional gaming options in general, and online betting in particular, definitively represents a competitive threat to SELAE. It is a challenge for us. But it also is the inspiration for us to be more innovative and creative in providing attractive and entertaining products to our players while always

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Thierry PUJOL

Director of Sport Integrity & Special Advisor to the President of FDJ (La Française des Jeux), the French National Lottery
Chair of the Security and Risk Management Committee for the World Lottery Association (WLA)
Vice Chair of the Public Order and Security Committee for the European Lottery Association (EL)

www.world-lotteries.org • www.european-lotteries.org • www.fdj.fr

Setting the Standards for a Global, Integrated Games-of-Chance Industry

PGRI Introduction: Thierry Pujol was appointed to the position of Director of Risk Management and Security for La Française des Jeux in 2005. He became a member of the Managing Board of FDJ at the same time. Thierry was given the new assignment as Director of Sport Integrity and Special Advisor to the President of FDJ in July of this year. Thierry's dedication to service is reflected in the leadership roles he performs for the World Lottery Association (WLA) and the European Lottery Association (EL). Security and integrity is a genuinely mission-critical priority, the most critical component to player trust, and ultimately to brand equity. Thierry's impact on this mission has helped to shape the industry, and the leadership role that government-gaming holds within the global community of games-of-chance operators. As Chairman of the World Lottery Association's Security and Risk Management Committee (SRMC), Thierry works collegially with the members of the committee from lotteries all around the world to develop and constantly improve security standards.

Paul Jason, PGRI: *You serve as Chair of Security and Risk Management at the WLA. You served in that same role at FDJ for the last ten years. But you recently shifted your role at FDJ to focus on sports betting. Why?*

Thierry Pujol: Sports betting has become such an important part of the portfolio of games that many lotteries offer. This is the reason why FDJ has developed its activity with Sport Integrity related to Sports betting. Our sports betting turnover reached almost €2 billion in 2014. We are the largest land-based

betting operator in Europe. The business of protecting the security and integrity in the sports betting space is quite different than it is for other game categories. To be successful, we must engage the active cooperation between jurisdictional authorities from countries all across the world. And we must confront the most advanced methods of cyber-crime. Protecting the security and integrity of sports and sport betting represents a most interesting and unique challenge. I believe that the solutions to these issues as regards to sports betting will provide a platform for

managing security and integrity for all internet-based and land-based wagering-games in the future. That's important.

The current position of Director of Sports Integrity evolved from the fact that La Française des Jeux is very involved in the efforts to protect the security and integrity of sports betting. That objective begins with having the ability to monitor sports betting activity across the world. The EL (European Lotteries) and the WLA (World Lottery Association) are working together to implement a global policy to accomplish the objec-

tive of monitoring sports betting. We are very active in the development and implementation of the Global Lottery Monitoring System for Sports Betting (GLMS), which is an organization of 27 Lottery operators from all across the world which offer sports betting.

Many European lotteries are very much involved with amateur sports. In many jurisdictions, a large portion of the net funds generated by the state Lottery is allocated to the support of amateur sports. And many of those same Lotteries offer betting on a wide variety of sports, including amateur and professional sport contests. So it is important that the community of government-lottery operators take the lead to ensure that sports betting is conducted with integrity, and that the economic activity of sports betting does not interfere with the integrity of the sport contests themselves. The mission-critical objective is to prevent match-fixing or other manipulations of the outcome of sporting contests.

The goal is to protect the activity of sports from being corrupted. That would be for the benefit of sports themselves and the players and the general public who enjoys its role as spectator and supporter of sports. Another goal would be to minimize the financial risks posed to the business of operating sports betting, right?

T. Pujol: Of course, the two are related. Protecting the integrity of the games is a prerequisite to protecting the integrity of a business based on the betting on those games. To that end, we are fully involved with the French Football League, French Rugby Federation, French Basketball Federation, and the French Handball Federation. We go to the clubs to promote an understanding of the risks associated with the fact that millions of people are betting on the outcomes of the games. To

your point, though, risk management and security is crucial to the financial aspect of the business of operating sports betting.

To be effective, wouldn't you need to have all operators and all jurisdictions across the world working together? And how do you even begin to control illegality in the unregulated sporting environment? After all, billions are gambled on sports betting in an environment that isn't even regulated.

T. Pujol: Before all, I would like to say that nowadays in 2015 almost all the countries in the world have a sports betting regulation. That means that there are no more regulated markets but legal and illegal operators (a legal operator is an operator who has an explicit authorization in the jurisdiction of the consumer). The solutions will not be forthcoming quickly or easily. The global initiatives to prevent match-fixing and manipulation in sports-betting will be a long marathon. Interpol estimated that illegal betting in 2012 was around \$500 billion. It is hard to know the accuracy of that figure for sure. But it does give us a good picture of the magnitude of the problem. And we know that it is increasing. This market is everywhere, even in countries where sports betting is prohibited, like most states in the United States.

It is true that cooperation between jurisdictions all across the world is a vital step towards controlling the risk of corruption in sports and sports betting. It is extremely difficult for the individual jurisdiction, or the operators within the jurisdiction, to address these issues without the support and cooperation of others around the world. Everyone understands that the efforts to protect the integrity of

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THE WORLD LOTTERY ASSOCIATION (WLA) SECURITY CONTROL STANDARD

The security of a lottery plays a critical role in maintaining the confidence and trust of the public in its lottery games. It is vital, therefore, that a lottery organization develops and maintains a visible and documented security environment in order to achieve and sustain public confidence in its operations.

The WLA Security Control Standard (SCS) is the lottery sector's only internationally recognized security standard. The WLA SCS couples a comprehensive information security management baseline incorporating ISO/IEC 27001:2005, a leading international standard for information security management, with additional lottery-specific security controls representing current best practice. The WLA SCS is designed to assist the lottery sector around the globe in obtaining a level of security controls in line with generally accepted best practices, to enable an increased reliance on the integrity of lottery operations. The WLA SCS specifies the required practices for an effective security management structure by which a lottery may maintain the integrity, availability, and confidentiality of information vital to its secure operation.

Read more about the Guide to Certification for the WLA Security Control Standard on the WLA website:

www.world-lotteries.org



Gavin ISAACS

President and Chief
Executive Officer

Jim KENNEDY

Group Chief Executive of Lottery,
Scientific Games Corporation

On Empowering the Customer

Paul Jason, PGRI: *What are your main objectives for 2016?*

Gavin Isaacs: Scientific Games is continuing on the path we have set. Our mission is straightforward. We want to empower our customers by creating the world's best gaming and lottery experiences. Our primary focus is on creating games that excite the consumer, and technology and services that make it more convenient for the consumer to interact with lottery. We also continue to focus on making it more profitable for retailers to deliver enjoyable lottery playing experiences to their customers.

Jim Kennedy: Gavin has crystallized a clear sense of purpose for Scientific Games. Our pathway to success has always been to serve the customer. So our mission to empower our customers begins with providing lottery operators and

retailers with the tools that deliver value to the consumer.

The lottery playing experience includes entertaining games that offer exciting chances to win great prizes. Creating amazing game content is key to our value proposition to the player. This has always been the core mission of Scientific Games, and the results of this leadership are evident in our customers' success. There is a tremendous opportunity to enhance the consumer value proposition by taking a broader view of the overall lottery player journey with the category.

Viewing the entire experience as a player journey also reveals the way that the market has changed over the last 10 years. The consumer is now presented with more and more gaming entertainment choices, immediate access via technology, and the convergence of markets.

G. Isaacs: That really describes the whole purpose of creating the fully integrated gaming company that Scientific Games has become. The convergence of consumer markets is best served by an integration of the products, games, messaging and delivery systems on the operator and supplier side of the business.

What exactly is "convergence," and how can government lotteries be more proactive to benefit from the opportunities that convergence is creating?

J. Kennedy: The real innovation is about turning the phenomenon of convergence into positive outcomes for lottery operators, retailers, and players. We do this when we harness and integrate across media and distribution channels to reach and appeal to the broadest range

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A Letter from Gavin Isaacs

Lottery generates hundreds of billions of dollars globally for education, healthcare, the elderly and other good causes. The mission of Scientific Games is to help our lottery customers increase funds to support their good causes. That is the mission that has driven everything we do, including the acquisitions of Bally, WMS and SHFL entertainment. In 2016, Scientific Games is positioned to deliver more value than ever to our government-gaming clients.

I want to thank all of our customers for your confidence in our vision, and reaffirm our dedication to exceeding your expectations on every front. The last 12 months have been an incredibly energetic time for all of us at Scientific Games and our customers. The company's integration is right on target and delivering benefits to our customers. The synergies on the operations and infrastructure sides of the business are ahead of plan. This yields efficiencies that will enable us to focus even more on the real objective, which is to empower our government-gaming clients with great games, great technologies and systems, and world-class support. The repositioning of Scientific Games with the customer-facing brands of SG Gaming, SG Lottery and SG Interactive demonstrates how the different components of the business are now integrated under one harmonious roof. This was showcased last fall at G2E and at NASPL. Our commitment to our existing product lines, as well as to the R&D and innovation that drives our ability to empower our customers with ongoing success, was all on full display at these conferences. The excitement level for Scientific Games at both events was awesome—a really exciting kick-off for the last quarter of the year and launch into 2016.

The synergies accruing to the combined companies will benefit our customers in all the different gaming categories. The technologies and skill sets in Scientific Games' Lottery business are being migrated across all gaming categories. The Bally and WMS product brands have tremendous assets, such as content, product development and systems technologies that are now enhancing our capabilities in lottery.

The key to building long-term sustainable success is investment. And we are investing more than ever in innovation and sales performance—initiatives that will further empower our lottery customers.

We understand and appreciate that lotteries operate within many constraints. But the fundamental ROI in this industry is so high that it should be just a matter of constructing tenders that free up capacity and that unlock the resources of the community of commercial partners so that these resources can be applied to drive sales and net funding for good causes. If there was ever an industry that was investment-driven, it's lottery. The highest margins in the commercial world are Apple, Microsoft and Google. They are all between 21 percent and 23 percent. These companies spend billions in R&D and billions more to test, launch, and market innovation and new product concepts. Lotteries haven't embraced R&D thus far. But lottery is a market-driven industry that yields a higher ROI than these commercial companies. Net funding to good causes will benefit the entire industry as we work together to unlock the reservoir of investment capital to drive lottery sales. It can and should be done.

I have learned so much over the last year-and-a-half from the incredible lottery leadership team at Scientific Games. It has been a pleasure working with and learning from team members like Jim Kennedy, John Schulz, Pat McHugh, Michael Conforti, Simone Harrison, and many others whose knowledge of the industry and connection to our customers is truly an inspiration. It's also been truly enjoyable meeting and learning from our lottery customers around the world. It has given me an appreciation for the incredible vision we have for the industry, and the drive we have to maximize funds for good causes and build a sustainable long-term growth business. Lottery is so well-positioned to continue our success in the lottery marketplace, and Scientific Games is dedicated to helping our customers make it happen.

Lottery products have fundamental and enduring appeal to the broadest cross-section of consumers in the lottery industry. Lottery is well-known and trusted, and its network of retailers provides, by far, the broadest reach and consumer access to these great products. We believe the main goal is to help lottery retailers drive the business, for the benefit of lottery and also for the benefit of the retailers. The more lottery contributes to the success of its retailers, the more dedicated they will be to the success of lottery. Enhancing the consumer connection with lottery, through digital and mobile initiatives, will benefit the entire lottery ecosystem. There is tremendous potential to build upon the incredible success that lottery has established over the decades. Scientific Games appreciates and is dedicated to helping lottery achieve its full potential. ■

of player and consumer profiles. There will be consumers who migrate some of their lottery spend over to other gaming categories. There will be others who migrate some of their spend away from other categories to lottery. And there will be entirely new sets of consumers who are experiencing lottery games for the first time. Ubiquitous access to gaming options will result in a convergence of different player segments, enabling players to easily migrate from one gaming category to another. For example, online shopping apps are causing consumer usage of mobile to converge with retail shopping. Mobile apps are creating a convergence of casino and online gaming and they're driving a convergence of retail and online lottery play. As an industry, we should embrace these trends because they're happening. Scientific Games is out in front of it all, innovating to harness our incredible assets and capabilities and integrate them with the real-world marketplace so that we produce and deliver real-world value to the consumer on behalf of our lottery customers.

G. Isaacs: The technology and the means to apply it are all here, ready to be deployed. It is time for our industry to take control, shape its own destiny, and turn these industry trends to work to its advantage. The new world is ruled by the consumer. In our industry, the consumer values a diversity of options, great games, and easy access to that game entertainment. The innovation that shapes our industry going forward will empower lotteries with tools to connect to this consumer marketplace of multiple options. Innovation will position lotteries for long-term sustainable success. The technology is available today; Scientific Games has it ready to go. And it is now much less about the technology itself than it is about applying the technology in the real world so that we create real value for the consumer. We believe 2016 is the year to make this

happen, and we are ready to empower our customers to do just that.

How will the integration of mobile, lottery gaming and retail be changing, and how will it add value for everyone?

G. Isaacs: Regardless of whether a lottery's mobile platform is transaction-enabled or not, there is an incredibly rich variety of ways, such as promotional offers, second-chance plays, and many other catalysts to drive the consumer back and forth between mobile and land-based retail. Lottery's global network of approximately one million retailers is an invaluable asset, and building on that retail connection to the player will always be paramount. Providing the most robust functionality and consumer options on the mobile platform will augment lottery's ability to drive retail engagement as well as elevate the lottery brand for the consumer. Driving this kind of omnichannel relationship with the consumer is key to creating the relationship that is so fundamental to a fully engaged and loyal player base.

J. Kennedy: There are many ways that all lotteries, completely apart from selling games online, can drive consumer engagement with mobile apps and leverage the role that retailers play in the distribution system. For instance, lotteries can enable players to select their lotto numbers online, assign a bar code to that number, and go to the retail store to have it scanned and make the actual purchase at the store. Consumer adoption of common e-wallet platforms may not have reached the tipping point yet, but it's coming. That's why lotteries that do not sell online yet should still be building their consumer-facing mobile platforms to engage their players across multiple channels. Scientific Games has already integrated our instant and draw products with our systems capabilities to include mobile to meet our customers' changing

needs. Game design and content will always be the key to success, but providing increased consumer access and a diversity of ways to interact with lottery is the key to driving sales and profits.

G. Isaacs: It is this marriage of games and technology at retail that creates that seamless player-journey. Lotteries may have multiple suppliers of games, systems and technologies that are distributing the games. The different component parts of the puzzle must be completely integrated to create the best user experience, a holistic player-journey. Standardization that enables interoperability between suppliers is key to this, and Scientific Games is committed to helping the industry evolve toward that end. Most importantly, players expect this today.

Our mission with retailers is quite simple. We need to make it easier to do business with Lottery, we need to be the technology and merchandising leader. If we help retailers be more profitable, they will be more focused on selling lottery products.

J. Kennedy: That's been the core of our SalesMaker retail-optimization program for the last five years. We have implemented this program in 500 stores across 30 different jurisdictions in many different countries around the world. Our experienced lottery retail specialists actually go into retail stores to work with the retailers to help them improve their operations. These retailers welcome our support and ideas because many of the best practices that we implement are easily applied to other areas of their business. We think of retailers as our partners, so we want to empower them in the Lottery ecosystem.

G. Isaacs: The cycle of knowledge created by SalesMaker is benefitting our lottery customers as well as the retailers. We've learned what practices produce the best results, how these best practices can be improved to make them even better, and how they can be deployed on a large scale to benefit other lotteries. This coop-

erative relationship also informs our product development and marketing processes, and engenders a spirit of cooperation and appreciation for the shared values that we all have to serve the consumer in the best way possible.

J. Kennedy: Progressive retailers think of lottery as a growth category rather than a managed product category. We show them what we mean by that and why they should devote the extra effort and resources to drive that growth. Creating an exciting in-store Lottery experience for the consumer not only drives lottery sales, it drives store traffic and shopper engagement in ways that drives overall store profitability.

How is the “player-journey” model different from a focus on just selling more lottery tickets?

G. Isaacs: The player journey is the means to the end of increasing sales. But it's important because it is a more expansive approach to viewing the entire experience, how to add value to the entire experience, and how that leads to player loyalty and more engaged players—all of which add up to increased sales.

It also forces us to look at our business in fresh, new ways. It helps us to focus on the real-world, and get past preconceived notions about consumer preferences. Some of the practices formed over the decades in the lottery industry may no longer be relevant. The player-journey model helps us focus more clearly on the actual consumer experience and evolve our games and overall approach to maximizing entertainment value to the consumer. Scientific Games is paying attention to our consumer research and we are open to the ways in which our research constantly reveals new information, sometimes even contradicting premises that may have held true in years past.

J. Kennedy: We are marrying our primary research that yields insight into human behavior with secondary research that's based on the immense amount of

Lottery-specific sales data. The information reveals changes in consumer behavior that, when combined with the primary research, is yielding significant performance differentials for us. At Scientific Games, we follow the consumer, because selling lottery games ultimately comes down to what the consumer wants to purchase.

A great example of this is the assumption that Millennials no longer like to play lottery. The research, both primary and secondary, confirms conclusively that this premise is just not factual. The data show that Millennials don't have as much spending power as 30 and 40-somethings, but that has been the case in past generations and it is also the case in the other lottery categories. But the Millennial is demanding alternative options to purchase lottery products. Younger adults of today are not that different from those of past generations. They enjoy lottery, and this is especially true with instant games, which tend to skew younger than draw games.

G. Isaacs: There is also the fact that Millennials are currently spending much more of their income on housing, education, student loans, and health care than older generations once did at their age. So the money pinch on the latest generation of younger adults may be more acute than it was in past generations. Our understanding that they like the games means that the marketing challenge is less about changing the games and more about making the games visible, accessible, and easier to purchase for Millennials when they choose to allocate a portion of their discretionary dollar to recreational gaming.

Lottery is a conservatively operated business, as it should be. Lotteries have a large revenue stream and tremendous brand value to protect. And the foremost thing they must protect is the consumer's trust and confidence in the integrity of the games. They also have to protect the loyalty of their core players who expect

to be able to continue to play the games they know and love. We can also expect that today's 20-somethings will grow into 30-somethings with more disposable income whose lifestyle includes mobile and other new variables when it comes to playing Lottery.

The success of the integration process of Scientific Games was evident at the Global Gaming Expo (G2E) in Las Vegas, at NASPL in Dallas, and next at ICE Totally Gaming in London. Applying the technologies and solutions requires investment. How can we as an industry unlock the resources needed to turn this potential into reality?

J. Kennedy: Investment is key. The high profit margins on lottery game sales create a significant return on investment, increasing these sales a smart thing to do to generate additional profits for the good causes the lotteries support. There are many very actionable ways to free up the investment capital needed to optimize the potential of this business. It just requires a more flexible way of thinking about the construct of the RFP tenders so that the commercial community can bear some of those costs and participate in some of the profits of capital investment. It is a slam-dunk win-win-win-win for everyone—for government lottery, for retailers, for consumers, and for the commercial suppliers to the industry. Truly, the biggest winners when investment capital is unlocked are the good causes supported by government lotteries. Scientific Games has the R&D power, the technology, the game content, and the deep knowledge of the government lottery business to help this industry realize its full potential. Let's make 2016 the year that lottery builds on its tremendous success and positions itself for many more decades of generating increased funds for good causes. ■

Insights Into Systems Technology

Consumers leading the way to convergence

Consumers are driving a world of innovation, integration and convergence in lottery and gaming, creating a need for world-class technology systems that has never been stronger. While previous megatrends like social media have represented a fast track to meeting changing consumer needs, innovation is largely driven by systems that offer open architecture to accommodate flexibility and a continued responsiveness to growing and changing player, lottery and industry needs.

CONNECTING PLAYERS WITH DEEPER CONTENT

At the player level, market research shows that players increasingly want to move seamlessly across verticals for gaming entertainment. The surprisingly large crossover plays out in interesting ways*:

- 50% of instant game players also play casino slot machines
- 75% of slot machine players also play lottery draw games
- 74% of slot machine players also play lottery instant games

*Source: Scientific Games Player Segmentation Study, 2015



How can industry leaders in gaming entertainment create unique offerings for customers and players in all of these verticals – slots, draw and instant games?

That's a pivotal question for Scientific Games after the company's 2013 acquisition of WMS Industries and 2014 acquisition of Bally Technologies. Building on combined strengths and synergies in 2015, Scientific Games is now looking closely at leveraging new capabilities to deepen and enhance the player's experience.

"We've already gone down the path of evaluating areas where we can leverage products, technologies and concepts that were used on the gaming side in lottery and vice versa," said Walt Eisele, Chief Technology Officer, Lottery for Scientific Games. Eisele cites bonus offerings as one example that allows casinos and other gaming operators to offer their customers as "a fun way to give out bonus points, cash, floor-wide events and links to social media. Clearly, we're the leaders in the lottery sector in terms of creating and launching loyalty and second-chance programs for a number of our customers. So leveraging some of our bonusing concepts and technology from gaming in our lottery business is something we are exploring."

Besides the ability to offer customers more targeted and creative promotions, Eisele points to the company's deepened technical resources—and the seamless merger behind their resulting capabilities. "Our Bally acquisition came with a great deal of talent on the systems development side, and now we are leveraging this for lottery where it makes sense. Both company cultures are very well aligned."

On the interactive side, direct engagement with players offers new player insights that in turn lead to innovative ways to deliver great promotional, loyalty and instant content. "For example, we're not just going to simulate an instant game on a mobile phone when we deliver an instant game," said Eisele. "We're going to make it an interactive play experience, using some of the technologies and, more importantly, some of the design capabilities from our gaming business in order to drive a better interactive content offering."

Scientific Games' interactive lottery customers are leading the way when it comes to using mobile and web in innovative ways—and a key learning from the social media world is that winning isn't just about cash. According to Michael Lightman, Senior Vice President, Lottery Interactive Products, for Scientific Games, it's more about the opportunities to win and prizes that have meaning for the consumer.

"We can make playing lottery games more fun by creating more chances to win, because value motivates the consumer beyond cash, toward a more meaningful social game-winning experience," he said. "The ability to win points and purchase exciting products from an online store expands the value of the game and deepens the player's connection to the brand."

"We can make playing lottery games more fun by creating more chances to win, because value motivates the consumer beyond cash and toward a more meaningful social game-winning experience."

**—Michael Lightman, Senior Vice President,
Lottery Interactive Products for Scientific Games**

Building on insights along the consumer's path to purchase informs continuous content improvement and a steady stream of new products, from interactive promotions that include mobile apps and an array of freemium, second-chance, FunPlay and

Skill-with-Reveal games to loyalty rewards with points and purchases, and iLottery products like e-instant games.

Lightman cites *MONOPOLY Jackpot* as the lottery industry's first linked progressive jackpot game, where players across five U.S. states use mobile and web applications to unlock the chance to win more prizes, including a weekly and monthly progressive jackpot. "This popular casino concept had never before been used with lottery instant games," he said.

He also points to the success of the Pennsylvania Lottery's *Holiday Cheer*, launched in 2014 as Scientific Games' first Skill-with-Reveal game. The fast-paced, match-three puzzle game included power-ups to more quickly increase the player's total score; after each game, players could compare scores with fellow players and friends by viewing a leaderboard.

The Pennsylvania Lottery had similar success with *The Wizard Of Oz*, an instant game with second-chance and interactive Skill-with-Reveal options.

LESSONS FROM ABROAD

In Europe, where Scientific Games customers have been selling lottery products on the internet for more than a decade, lessons learned in systems technology have finally made their way to North America.

“The complexity of systems integrating third-party systems, game content and distribution channels has been developing in Europe for years,” said Patrick McHugh, Senior Vice President, Lottery Systems for Scientific Games. “That expertise is now coming to the U.S., as systems are becoming more complex.” McHugh said the greatest impact could be happening in loyalty programs as well as with mobile, interactive and social gaming technology platforms. “In our U.S. contracts, our systems are bringing together all the products and services Scientific Games has to offer, including instant games, digital, mobile, internet, promotions and content. This can also include video lottery and central monitoring systems in addition to instant game systems and business intelligence systems. This may seem like a lot of technology, but in reality, it’s one large, integrated system.”

“The market is more complex, competition in gaming entertainment is much more intense, and lotteries are evolving quickly. The need to understand data across your business has become much more important.”

**—Patrick McHugh, Senior Vice President,
Lottery Systems for Scientific Games**

McHugh said the Bally merger has led to an increase in core competencies and that cross-pollination has allowed Scientific Games to accelerate its integration of many groups, bringing more innovation and expertise to market and resulting in technology that serves more than a million lottery retailers worldwide.

“We tell our story from the perspective of consumer insights, access to retail, knowing what’s happening in the marketplace from our more than 2,000 studies—all of this feeds into our technology systems,” said McHugh. “The market is more complex, competition in gaming

entertainment is much more intense, and lotteries are evolving quickly. The need to understand data across your business has become much more important.”

While the vast European experience may seem a bit overwhelming to lotteries in the U.S. market, keep in mind that ultimately, it all may come down to one thing: the ability to develop the clearest possible picture of players and their needs. One view of the player across verticals is critical in terms of consumer insight, product selection and promotion. “We have the capability to offer lotteries—or any customer that has a desire to operate in multiple jurisdiction verticals—one view of the player,” said Eisele. “We can understand player behavior across casinos, lottery, interactive and mobile, and provide data in ways that will help them run their businesses more efficiently—and more importantly, help them give their players more of what they want.”

According to Eisele, Scientific Games’ Canadian customers offer a good example of what can be accomplished through the convergence of technology. “The provinces in Canada all run basically every vertical offering to their players—everything from sports to lottery to online gaming and casinos. Being in a position to offer these customers solutions to help them manage their businesses more efficiently across verticals is another key differentiator for us.”

SHARING INFORMATION, PRODUCTS AND SERVICES

Convergence is not only driven by consumers and business intelligence, but also by the megatrends Scientific Games’ Shared Services Platform group and iLab track across lottery, gaming and interactive. Led by Steve Beason, Enterprise Chief Technology Officer for Scientific Games, these futurist teams are tasked with developing concepts based on a holistic industry view that encompasses casinos, lotteries, mobile, web, retailers, regulators and players.

Focusing more on technical innovation over a two- to five-year period, the iLab develops technology that can be used across any or all verticals. “Once we meet with different business units to pull in a new technology, if one of the groups wants to adopt it, we’ll look at whether or not we want to pull it across to other groups as well,” said Beason. “When something can be used across many verticals, then our Shared Services Platform group takes over, and that is really the team that is tasked with convergence at Scientific Games.”



Steve Beason, Enterprise CTO for Scientific Games (second from right, back row), and the Scientific Games iLab team at the 2015 Global Gaming Expo (G2E) in Las Vegas.

“Our Shared Services Platform group looks at what technology can be leveraged across the verticals and all three of our business units—for instance, a shared wallet that enables players to move across verticals with one form of payment that stores loyalty and financial transactions,” said Beason. “The shared wallet represents convergence at a transaction level.”

When convergence happens at a transaction level, as it does with the shared wallet, it intersects directly with the consumer megatrend toward cashless, electronic commerce across different channels. “There’s an element of loyalty built into those wallets, because it also stores what we call player account management systems (PAMs),” said Beason.

Beason said that the natural progression from PAMs is to form convergence opportunities in terms of what each vertical wants from its systems. “At a core level, they each want commerce and knowledge about their players, their activities, loyalties and achievements.”

Many of Scientific Games’ customers run more than one of the company’s products across several verticals. Beason said

his teams create and develop the technology needed to deliver business intelligence and new capabilities with open architecture that can accommodate change over time.

For instance, the South Dakota Lottery launched an innovation 26 years ago with video lottery terminals (VLTs). Today, 14 U.S. states have a similar version of VLTs in retail establishments such as bars, grocery stores and casinos—and several are serviced by Scientific Games’ *CONNEXUS* system, a distributed game network that includes a complete suite of security features that deliver the vital information all stakeholders need to drive profits, engage players and increase operational efficiencies.

“Originally, lottery systems just monitored and reported the financial meters of the VLTs,” said Steve Angelo, Vice President, Video Gaming Systems for Scientific Games. “Today, lottery operators and players demand technology and innovation that provide capabilities from business intelligence to wide-area progressives (WAPs) and integrated player rewards to responsible gaming features.” Lotteries continue to upgrade their infrastructure to provide innovative products to the ever-changing player base.

“We continue to see growth in our VLT network,” said Norm Lingle, Director of the South Dakota Lottery. “Innovation is very

important to us as we look to drive future growth and improve our network integrity, as well as provide new and innovative product offerings for our players. We see convergence as an important part of the South Dakota Lottery's vision."

Beason's teams also look at convergence at the player level, which spans social gaming, second-chance offerings and freemium to premium conversion. "We must also develop games across all platforms and channels," he said. "For instance, if you play a lottery instant game at home that's based on a freemium social model, you're very likely to go back into the retail outlet and play that game for real money. From a technology standpoint, we need to be able to support that."

Convergence at the retailer and lottery level, has centered on WAPs in the gaming space, which have the same mechanics as a multistate game. "In the lottery world, Powerball is a game in which smaller states could generate substantial and meaningful jackpots," said Beason. The same phenomenon is now happening at casinos that are banding together to offer larger jackpots via WAPs. "So, we're looking at doing multistate WAPs across casino properties, using the same types of technologies and features that we use in lottery and applying them to gaming."

SEEING INTO THE FUTURE

Convergence across all levels of the gaming experience begs the question of what new technologies are on the horizon, and Beason is quick to say that in the short term, we'll be seeing more in the realms of personalized, location-based advertising. "This is to engage more players as they move through the channels or venues like restaurants or casinos, cross-promoting products and services based on their proximity."

Millennials will become more engaged as gaming entertainment deepens community-based, lounge-environment and skill-based play as well. "Millennials are used to

convenience, but they also appreciate head-to-head competition," said Beason. "This World of Warcraft generation needs games that challenge them and take them to new levels of achievement." That includes tie-ins like TV game shows, where winners in one vertical can become contestants and win experiential prizes in another.

"Virtual reality will be on hyper-drive in 2016," said Beason. "Being able to watch our "MONOPOLY Millionaires' Club" TV game show in a virtual environment, play the game at home for a chance to enter and go to Las Vegas for real, all while you're wearing your virtual reality headset, is going to be huge across all of our genres. Imagine playing an internet slot game like Iron Man or MONOPOLY, and the bonus round happens and you're actually walking along the MONOPOLY board game as you try to win your bonus round."

Beason predicts that the industry is going to see that lottery, gaming and interactive verticals will want to present their content through these new technologies, and his iLab is key to development of these kinds of capabilities across Scientific Games' global business.

"It's a very exciting time," he said. "We demoed the virtual reality capabilities at the North American Association of State and Provincial Lotteries 2015 conference and people were really amazed by it."

One thing he believes is certain: Convergence is a never-ending story, as megatrends and insights continue to evolve and bring new technologies to life—all based on the changing needs of well-connected, tech-savvy consumer. ■



*Source: 2014 Scientific Games cross jurisdictional, motivation-based player segmentation study for Lottery and Gaming.

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A man with dark hair, wearing a light blue button-down shirt with a small dot pattern, stands with his arms crossed in a server room. The room is filled with rows of server racks, some of which are illuminated with blue light. The background is slightly blurred, focusing attention on the man.

Felipe operates
ahead of the
game with
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Debunking Myths about Internet Gambling: Unfounded Fears about Money Laundering, Terrorism Funding, and Crime



By Michelle Minton
Competitive Enterprise Institute

Supporters of a nationwide ban on Internet gambling claim legalizing the activity would increase crime and fuel terrorism. But all the evidence—including the two-year experience of various states with regulated online gambling—belies those claims. Preventing states from legalizing and regulating online gambling would simply push American online gamblers back into the black market, where crime is far more likely. In addition to being ineffective, a national online gambling prohibition would be unconstitutional. Regulation of Internet gambling is not a matter covered by any of the enumerated powers granted to Congress by the Constitution, and, as such, falls under the 10th Amendment jurisdiction of the states.

In the heated discussions about online gambling, a common mistake is the conflation of legal, regulated online gambling with illegal off-shore Internet gambling. Supporters of a nationwide ban on Internet gambling claim legalizing the activity would increase crime and fuel terrorism. But all the evidence—including the two-year experience of various states with regulated online gambling—belies those claims.

Preventing states from legalizing and regulating online gambling would simply push American online gamblers back into the black market, where crime is far more likely. In addition to being ineffective, a national online gambling prohibition would be unconstitutional. Regulation of Internet gambling is not a matter covered by any of the enumerated powers granted to Congress by the Constitution, and, as such, falls under the 10th Amendment jurisdiction of the states.

The FBI has never said that online gambling increases crime.

In September 2013, J. Britt Johnson, Deputy Assistant Director of the Federal Bureau of Investigation's (FBI) Criminal Investiga-

tive Division, wrote to Congress to express concerns about the potential of online gambling to facilitate money laundering. While the letter is often cited as evidence that the FBI opposes legalizing online gambling, it actually makes the case for regulated Internet gambling. Johnson identifies several mechanisms criminals might use to launder money—all of which are virtually impossible in the legal market that has arisen in the U.S. since he penned the letter, for the reasons described below.

Depositing and withdrawing large sums requires compliance with the Bank Secrecy Act.

Online casinos are considered financial institutions, and therefore have to comply with the same anti-money laundering statutes as banks, including the USA PATRIOT Act and Bank Secrecy Act. They must collect Social Security numbers from players, file Currency Transaction Reports for transactions exceeding \$10,000, and file Suspicious Activity Reports for any suspicious transaction that exceeds \$5,000. Sites located overseas do not have to comply with these anti-money laundering requirements.

Criminals cannot transfer money on regulated online gambling sites.

As Johnson notes, criminals may launder funds through player-to-player transfers, but in the U.S. regulated online gambling market, this is impossible. Transfers between accounts are strictly forbidden in all regulated U.S. online casinos.

Federal and state laws require players to be physically located within one of the states where online gambling is legal.

The three states that currently license Internet casinos require sites to identify players' physical location. Despite claims that hackers can "spoof" their location by changing the IP address to ap-

pear to be in one place while operating from another, sites have the technology to detect and defeat attempts to bypass these checks by utilizing Wi-Fi, GSM, and cell tower triangulation, as well as searching computers and mobile devices for software intended to hide a device's location.

For example, New Jersey requires sites to make sure a player's device does not contain features that compromise the integrity of the device or the data stored on it. If the player's location cannot be determined or is suspect in any way, sites will automatically block that player. Evidence indicates sites are complying. By January 2015, New Jersey online gambling sites had a 98 percent verification success rate, with the 2 percent being false negatives—players denied access despite being within the state's borders. To date, there has not been a single documented case of underage or out-of-state gamblers gaining access to New Jersey online gambling sites.

Online gambling does not fund terrorist groups like Al Qaeda and ISIL.

While no system is infallible, it makes little sense for terrorist organizations to attempt to draw funds or launder money through regulated online gambling sites in U.S. states. The difficulties of proving location and identity and the requirement to report any deposit or withdrawal over \$10,000 or suspicious transactions over \$5,000 to the feds creates a virtual trail that makes it an inefficient and risky route for moving money clandestinely.

Moreover, intrastate gambling markets are too small to launder significant amounts of money. For example, in Germany—Europe's largest gambling market—all gambling accounts for a mere 0.5 percent of total money laundering activity, according to Professor Friedrich Georg Schneider, a respected economist and expert in money laundering at the Johannes Kepler University of Linz, Austria. His research led him to conclude that online poker was “by no means relevant for money laundering.” In fact, other avenues, such as physical casinos, seem to be less risky and more effective for laundering money. According to the Congressional-Executive

Commission on China Annual Report in 2013, a \$202 billion in “ill-gotten funds are channeled through Macau casinos each year.”

Regulated online gambling will reduce crime.

While it is possible that crimes like money laundering could occur within the online gambling market, there is simply no incentive for criminals to choose sites regulated by American states to scrub their money. The deposit limits, oversight, and reporting requirements within the U.S. pose too much risk for far too little gain. Criminals have many other options for laundering cash that are easier, cheaper, and leave less of a paper trail. It would be easier to simply walk into a physical casino and exchange chips with another player.

The risk of money laundering within a regulated online gambling market in the U.S. does not justify the prohibition of an entire industry or federal encroachment in what should be a state matter. States have proven capable of preventing crime and keeping online gambling within their borders. Rather than push the activity back into the black market, Washington should continue to allow states to license and regulate online gambling as their own residents see fit. ■

Michelle Minton is the Competitive Enterprise Institute's fellow specializing in consumer policy, including the regulation of alcohol, food, and gambling. Michelle prefers to write about the “industry” because, apart from her personal interest in beer and gambling, it is an entertaining way to explore basic economic principles and the consequences of government interference in the economy and our personal lives. She has coauthored several studies, including topics like sin taxes, reforming state beer laws, and the negative consequences of an Internet gambling ban. Her analyses have been published and cited by nationally respected news outlets like the Wall Street Journal and USA Today as well as university and industry publications.

She earned her B.A. at the Johns Hopkins University. In her free time, she enjoys playing poker, studying economics, and learning about the art and history of making beer.

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See It **YOUR** Way

Aurora™

Whether you're a marketing executive sharing sales results with your team or a CFO reacting to a notification of a big winner in your jurisdiction, **Aurora Navigator** – IGT's new back-office suite – gives you the control you need to manage your business and maximize productivity.

The tools you need to grow your business today... and tomorrow.
That's the brilliance of Aurora.



Aurora Navigator: The Lottery Back-Office Solution That Lets You See it YOUR Way

Times are busier than ever, and the lottery business is no exception. People are on the go, mobile devices are more prevalent than ever, and multitasking is the order of the day. IGT's new lottery back-office solution, Aurora Navigator, takes a giant step toward making lottery personnel's work both easier and more productive.

Smart, open, and agile, Aurora Navigator features a responsive design, an all-new user interface (UI), and widgets with data graphics specific to a user's job function. (A widget is a small application within a web browser that displays information and allows the user to interface with the system. Widgets common for smartphones, for example, include clocks, calendars, and weather updates.)

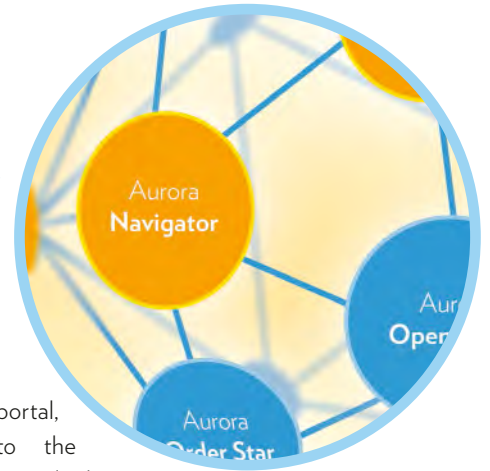
Aurora Navigator is based entirely on Application Programming Interfaces (APIs) to ensure the UI is separate from the back-end services. The services themselves are also separated from each other. This new model avoids the need for duplicate coding and testing, enabling faster changes to be made to the solution when necessary. From a lottery perspective, the use of APIs will allow IGT to be more responsive than ever to each lottery's unique



Users can put those items that are most important to them front and center, thereby increasing their efficiency.

requirements. This new simplified framework provides a level of flexibility in customization that has never been seen in the industry.

From an end user perspective, one of Aurora Navigator's primary advantages is that its UI is role based. Starting with the data users

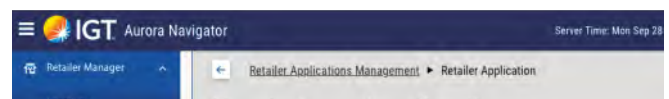


see on the initial portal, and continuing to the specific tasks they see to do their job, the home screen, or dashboard, would be unique to each type of user: an accountant's screen, for example, will present completely different information from what would display for a marketing director or a security officer. Plus, Aurora Navigator easily allows for even greater personalization, by enabling users to "drag and drop" widgets onto their own dashboard, and position them so they are readily available. A claims and payments user can go right to what he or she needs to perform daily tasks, while executives may choose to see high level information about all aspects of the business on their dashboard, then drill down for more detail where desired. Anyone who uses Aurora Navigator can customize the look, layout, and feel of the interface to meet their exact needs, help them better manage their business, and enhance their productivity.

Another of Aurora Navigator's most useful features is that it is both browser and device independent. This empowers users to work on any device, from anywhere, with any browser – fitting in exactly with the needs of today's multitasking, fast-paced lottery environment.

Improved User Navigation

Aurora Navigator includes many features and functionalities that improve the user experience. "Breadcrumbs," a type of secondary



navigation scheme that reveals the user's location in a website, provide shortcuts to get back to a higher-level page or original landing point. "Wizards" lead users through multistep processes, ensuring that each step is followed, and allow them to see their progress – even if that process is shared by multiple users. In the case of missing information, Aurora Navigator makes the user aware,



Aurora Navigator's responsive design adapts to any screen size and operating system, providing lottery staff access to the information they need anytime, anywhere, on any device.

but enables forward progress to continue; an authorized user can simply go back to complete that information when it becomes available. This is especially beneficial for application processing, change of ownerships, promotions, and other tasks that include several variables and/or require multiple fields to be completed.

As our industry has matured, lotteries require more agility, more interoperability, and a more truly omnichannel experience than existing systems can provide. Aurora was built to respond to lotteries' needs and rapidly changing market conditions.

To develop this solution, IGT dedicated a great deal of time and effort researching what lottery users wanted in a back office application and user interface, as well as what best practices are in this space across other industries. Those two inputs were the driving forces behind this advancement.

The primary benefits Aurora Navigator brings to lotteries include:

- More Flexibility:** Navigator is based entirely on HTML 5, the latest version of HTML. The combination of HTML5 and APIs makes Navigator the most flexible back-office application solution in the industry. Changes to the UI can be made independent of the back end.

- Easier to Configure:** IGT's pioneering service configuration uses a true client/server model that, by separating the client (UI) code from the back-end service, allows making changes (for example, a change to the retailer application process) without reprogramming. This service configuration is enabled by APIs.

- Role-Based Navigation:** Users can customize their display based on their specific daily job functions and preferences, increasing productivity.
- Enhanced User Experience:** Breadcrumbs reduce the number of steps needed to get back to higher level pages, while wizards walk users through step-by-step operations.
- Extended Range of Use:** As a testament to IGT's ongoing commitment to open standards, Aurora's technology enables extending back-end services across multiple applications. For example, a lottery's sales force automation, retailer website, and retailer management applications may all now share the same service – no need for separate coding!
- Greater Responsiveness:** Navigator's responsive design allows it to scale in a user-friendly manner from small- to large-screen formats and different browsers.

Aurora represents IGT's advance into higher performing and more reliable lottery technology solutions to meet the industry's evolving needs. Aurora Navigator, the portal to this exciting new suite, fully embodies the smart, open, agile solutions IGT has developed to drive lottery profitability and growth.

H. Höltkemeier: The legal concept of “subsidiarity” may not have served its intended purpose for us. To some extent, the European Commission has construed this concept to mean that it should perform no role at all in the enforcement of regulatory frameworks in the Union. The fact is that member states need the support of the EU Commission, and the resource of its legal institutions and agents of law enforcement, to help member states protect their citizens from illegal gambling offers extending across national borders, or to fight adequately against match fixing and/or money laundering. Member states do not have jurisdiction to enforce their laws over against the actions of businesses based in other countries. As a sector, we need the assistance of EU institutions to ensure that all member states act to uphold the laws. It is true that it is contrary to the interests of government-lotteries and the rights of member states to protect its citizens, for the EU Commission to force member states to open up the markets to multiple operators who sell across borders without complying with the laws of each individual member state, and the Court of Justice has clearly stated this in various cases. But this sector needs the support and resources of the EU institutions to enforce the laws and require compliance by international i-gambling operators. We have already started to change the argumentation to focus on cooperation with the EU Commission towards the mutually desirable goal of respect for the laws, and respect for the rights of state governments to protect the interests of its citizens when it comes to regulating and taxing the games-of-chance industry. We are coming together to promote the relevance of the Lottery-Principles (Integrity, Solidarity, and Precaution) and to combine and integrate those with the principle of respect

for the laws of the individual member states. The key part of this position is the recognition that Lotteries and gaming are not like other businesses. The reality of money laundering, social costs like problem gambling, and illegality require a special level of regulatory control.

Isn't the “Digital Single Market” an inevitability? Aren't we basically in a position to stanch the inevitable tide for as long as possible? And isn't it already the case that rogue unlicensed operators like LottoLand and Tipp24 are imposing the “Digital Single Market” on even the traditional lottery space in ways that are difficult to prevent?

H. Höltkemeier: First of all, the “Digital Single Market” (DSM) is not the same thing as a “unified European Gaming Market,” as the vast majority of gaming revenues and stakes are still generated off-line, outside the internet. Lotteries are a special part of the entertainment-business and their operation is most often a combination of online and offline activities. This is important to keep in mind, as a DSM might solve some challenges and open new perspectives in the digital area, but it may also cause much bigger additional problems in Lottery's land-based business.

Having said this, we should recognize that regulation of the digital markets is a pressing challenge. I will not say that a DSM is inevitable for the gambling sector, and certainly would not say that for government-Lottery. I will say, though, that we all need to observe the realities of how the “winner-takes-all” dynamic (e.g. Google and Facebook) of the DSM is problematic for Lottery if it were to overtake our activities. Further to that, lawmakers, shapers of public policy, and all Lottery stakeholders should recognize the aspect in which there is no going back. Once markets evolve in that direction,

there is no putting the toothpaste back into the tube. That is why we, as a sector and the EL Association, need to do everything we can to prevent that from happening to the government-gaming sector.

The challenge with the EU Commission is that their starting point is that minimal regulation is what is best for business, for the growth and prosperity of markets, and for the consumer. This philosophy does not consider the downside impacts of deregulation in the Lottery industry, and the gambling sector as a whole. Our mission is to bring attention to this vital point in the dialogue about how the regulation of Lottery and gaming should evolve in Europe.

In your Forward to the EL Magazine, you submit that Lotteries need to support their arguments for why governments should protect the fundamental Lottery model that supports Good Causes with more facts and data. What kinds of facts and data are you referring to, and is the EL helping to coordinate efforts to gather, curate, and organize the facts and data?

H. Höltkemeier: Let's start thinking of Lottery as operating by a set of Lottery-Principles instead of a “Lottery-model.” It's true that we operate as “a business,” but our mission of service to society is much broader than that, and our communications should reflect that fact. And we need to bring attention to the facts and the data that support that concept.

For example: Private commercial operators have always argued that the government will benefit by the taxes generated by their gambling operations. And that is the rationale for the government to simply grant license for illegal operators to operate legally—open up the markets to multiple operators who will compete for the business, grow the market, and pay

Continued on page 47

STRATEGIC ALIGNMENT FOR RETAIL OPERATIONS

ACCELERATING REVENUES AND PROFITS



The essence of Strategic Alignment involves the direction and coordination of an organization's resources so that all stakeholders remain focused on the overall strategy and business goals. By directing and dynamically adjusting the efforts of all participants in order to concentrate their efforts on the factors that are most critical to a desired result, organizations can achieve measurable improvements in both efficiency and profitability.

Leading global companies, championship athletic teams, and elite military units all rely on Strategic Alignment as a cornerstone of their success. From historic engineering accomplishments to game-changing product launches, near-perfect alignment of all the participants involved in a process, and the continuous adjustment of assignments within that framework has proven to be critical to a successful outcome. Whether the goal is the worldwide release of a blockbuster film or the explo-

ration of space, strategic alignment is a fundamental ingredient of success.

Strategic Alignment within Lottery Retail Operations

The principals of Strategic Alignment within the lottery industry go well beyond simply establishing and managing goals through periodic planning sessions and strategy discussions. Strategic Alignment entails an active and ongoing process of organizing and re-focusing an enterprise's resources to harmonize with its overall strategy, based on current conditions. Executed correctly, Strategic Alignment helps innovative operators achieve market-leading results through improved retail performance, increased efficiency, and the cultivation of new revenue sources, all while boosting customer satisfaction and lowering costs.

A modern lottery enterprise involves the activities of multiple parties whose efforts, conducted in parallel, all contribute to achieving the desired result. While interactions between the lottery sales rep (LSR) and the retailer are essential to a successful operation, many other relationships exist between key stakeholders that require proper alignment to be most effective. The evolving relationships between the retailer and their corporate offices, the corporate offices and the lottery's key account representative, the LSR and the key account rep, the LSR and the lottery's Tel-Sell rep and many other intertwining interactions all contribute to the bottom line if they are well aligned. The alignment of focus and efforts on the part of each stakeholder is key to a successful outcome, and Strategic Alignment guides that effort. By ensuring that all staff members and retailers operate within this alignment framework, and by adjusting operational responsibilities and assignments dynamically as new information is gained

and shared in real time, key objectives remain in focus and the division of responsibilities among participants is more clearly defined. More importantly, activities undertaken by each stakeholder, from the LSR in the field to the regional and executive managers at the corporate offices, can be factored into dynamic adjustments made to the responsibilities, tasks and overall focus of all other stakeholders, in real-time.

Alignment of Field Activities

Providing sales reps and managers the most up to date information and focusing LSR efforts on tasks that match the lottery's key priorities can achieve more effective retailer visits, and by extension, increased sales. Additional benefits come from providing field staff with the ability to record and share retail visit information and associated activities by recording the information on a central system in real time. This allows lottery management, regional managers and corporate account executives to view and act upon the results of each interaction as it takes place, and to adjust and align their own schedules and activities accordingly.

Properly aligned, retailer visits can include a wider range of sales-centric activities such as promotion planning, resolution of inventory issues, ordering of instant tickets and supplies, retailer surveys and more. Each activity touches upon areas of responsibility associated with other stakeholders. For example, promotion participation often requires managerial approval, and real-time operation makes it possible for a LSR to register a retailer for a promotion, capture and submit all necessary paperwork and signatures electronically, and receive approval while still at the store. Similarly, administrative issues, survey responses, score-based store ranking and other tasks can be addressed at the time of the visit, with the results immediately reflected system-wide. This results in higher value field activities, aligned with all stakeholders and focused on lottery priorities.

Product Alignment

Establishing and maintaining the optimal instant product / price point mix for each retailer is essential for maximizing sales, and is an effort that requires the involvement of multiple lottery operations stakeholders. Likewise, initiatives such as programs to increase the number of facings and demographically targeted games can be implemented far more rapidly and with measurably greater success through a Strategically Aligned approach.

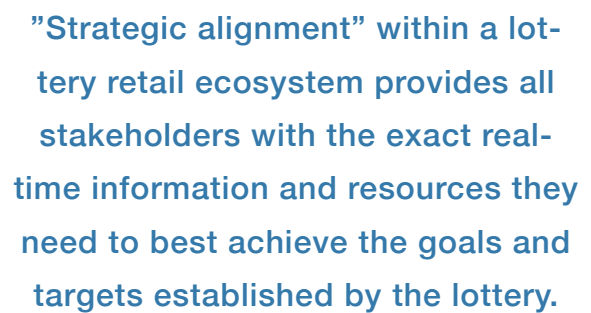
Real-time instant ticket management systems have an excellent track record of ensuring adequate inventory of new and key games, and in developing an optimized mix of games for each retailer. Late activations of new games, sub-optimal product mix,

and stock outages have a significant impact on sales. By contrast, timely activation of new games, real time alignment of facings, product selection and inventory levels based on ever-changing demand leads to sales growth and increased profitability.

By accurately recording the number and type of facings in every retail location, and providing visibility into the retailer's order history, LSRs are able to assess inventory requirements in a more informed manner and use this information to adjust the retailer's product mix and facing counts. Updates made by the LSR become visible to TelSell staff immediately, allowing them to factor this updated information into their next call. Additional flexibility provided by tools such as the "Suggested Order" functionality employed by the Massachusetts Lottery can bring the efforts of the LSR and the TelSell staff into even closer alignment.

Aligned Performance Improvement

Retail performance has traditionally been measured and evaluated on a periodic basis, typically based on sales reports alone. But sales reports rarely provide the information or incentive needed to inspire a sustainable commitment to improvement from the retailer. When performance-based compensation is involved, alignment of current performance levels with targeted actions to improve is even more critical. Some lotteries are now implementing retail performance benchmarking tools as part of their retail best practices. These serve to align the retailer and



"Strategic alignment" within a lottery retail ecosystem provides all stakeholders with the exact real-time information and resources they need to best achieve the goals and targets established by the lottery.

LSR's collective focus on the key actions that are proven to increase revenues and profits. Instead of relying on sales reports alone, lotteries can consider every element associated with retail performance improvement and track progress through regular performance benchmarking, which includes a wider range of performance factors such as product knowledge, signage and in-store merchandising.

Retailer Alignment

Retailers offer an important opportunity for improved Strategic Alignment, provided they have access to the information they need; but this means providing information and service that often extends beyond what is available through their lottery terminal. Although most lottery terminals provide sophisticated functionality for gaming operations, information provided by the POS terminal is usually limited to what is processed by the online gaming system, and lacks key performance improvement information such as store rankings, evaluation results, and progress toward goals and targets. Even retrieving the financial reports that are available from a lottery terminal can be labor intensive and time-consuming. What's more, additional retailer labor is often required to re-enter this data into a store's financial reporting system. These limitations are especially true for outlets associated with key corporate accounts, where a standard accounting and reporting format defined by a corporate office is required of all stores.

Providing retailers with easy access to a wider range of expanded information, and making key reports and data available in a format better aligned with the way they manage their stores, lets them begin to actively align their actions to lottery priorities because they are seeing opportunities faster. This is best accomplished with a secure, web-based Retailer Portal that allows each retailer to access a custom set of scheduled and ad-hoc reports that meet their exact requirements. These systems also provide ready access to lottery news and announcements, store-specific inventory details, comparative sales analysis, store ranking scores, promotion details and other information that is critical to increased performance.

The specialized requirements of key accounts have traditionally been addressed by creating custom reports that provide financial data in formats specific to each company. Unfortunately, this entails significant effort and resources. Today, many major chains (including 7-ELEVEN, Wawa, and Cumberland Farms) rely on Retailer Portal systems for the chain-wide or store-specific retail information they need, in the exact format they require, without lottery or vendor involvement. When a lottery's retailers and key accounts, as well as the reps that serve them, are aligned in purpose and have access to the real time information they need, the common focus can concentrate on actions that have measurable results in terms of improving lottery sales.

Getting Started with a Strategic Alignment Initiative

Working in close partnership with our clients, we have seen

how the benefits of Strategic Alignment can significantly improve levels of retail performance and revenue growth. Much of that improved performance came not only from automating existing functions, but by making it possible for LSRs, managers, corporate account representatives, retailers and others to work in Strategic Alignment based upon the lottery's key objectives, often for the first time in the organization's history.

The system functionality most critical to successful Strategic Alignment is the ability to make information and updates available to all users, system-wide, in real- or near-real time, on any device type including desktop computers, laptops, tablets and smartphones. Solution platforms equipped with features such as "Intelligent Alert" icons helps focus efforts on clearly-prioritized, lottery-designated tasks, ensuring that LSRs and other system users know exactly what their priorities are at all times. The most flexible solution platforms include web applications that make retailer information available in a variety of formats, including colorful and easy-to-read graphs that help focus retailer efforts on the same key lottery priorities, and are fully customizable to meet each lottery's specific priorities for Strategic Alignment.

Improving retail performance through operational Strategic Alignment represents a logical evolutionary step in a successful lottery's business processes. The improved communication among participants and the intelligent prioritization of efforts that this initiative entails make a strong case for basing these efforts on a flexible and customizable technology.

Embarking on a program of Retail Strategic Alignment is an important step in a business strategy focused on innovation and sales growth, and one that will reap benefits for many years to come. ■

About Lapis

Lapis Software Associates LLC is a global-recognized industry supplier providing lottery-specialized applications and retail sales support solutions. Their product portfolio include the real-time gemIntelligence™ sales force automation system, and the gemRetailer™ portal, providing extended retailer access through lottery websites.

Lapis recently introduced gemScore™, the lottery industry's first retail scorecard and benchmarking system. Find out more by visiting <http://www.gemIntelligence.com> or calling +1 973 884 4006.

taxes on the revenues. The EL opposed this proposal because the framework of low taxation, higher prize-payouts, and expansion of gambling has negative collateral effects that are not good for society. The reality is that the markets did expand but so did problem gambling. And revenues to the government did not increase. They decreased in spite of the fact that gambling increased. So the regulatory framework of multiple operators competing for the business just results in the worst of both worlds. More problem gambling and lower revenues to the state. The only ones who benefit by that open-market model are the shareholders of the private companies. Those are the facts and we are gathering the data to prove it to lawmakers and shapers of public policy. Our focus, though, is less about gathering copious amounts of numbers and more about identifying the relevant data and presenting it in the most compelling, persuasive, easily comprehended way. Our

goal is to position the EL Association as valued partners for politicians and regulators. Our goal is to serve our membership by using facts and data to gain the support of our political constituents for the Lottery-Principles that we hold dear.

What other regulatory issues are European Lotteries facing right now? Or emerging trends that will impact Lottery?

H. Höltkemeier: The ones we have discussed are formidable enough!

There is an important emerging regulatory trend that is based on technological developments. Technology has enabled operators to personalize their marketing and promotional efforts. Presently, this capability is typically being applied for the purpose of increasing player-ship and GGR. These same tools, though, can be applied for the purpose of guiding and helping the consumer understand and manage her behavior as relates to gambling. Technology that is augmenting the

industry's ability to increase sales will be applied to augment and drive the adoption of our "Lottery-Principles."

What do you see as the most important trends when it comes to the game-styles that consumers are drawn to?

H. Höltkemeier: There will be a convergence between the commercial and the Lottery sides of the sector in some very important respects. On the Lottery side, we will see the development of more entertaining games that deliver a much more fun, engaging, and variety of player-experiences. On the commercial side, we will see the application of Lottery-Principles (Integrity, Solidarity, Precaution) on the sports-betting and casinos side.

Lottery needs to be open to the realities of how the markets are changing. We need to embrace those realities in order to make them work for us and for the benefit of the state and good causes that Lottery supports. ■

Inmaculada Garcia Martinez Interview ... continued from page 25

staying aligned with our Responsible Gaming Policy. Responsible Gaming is a mission-critical value for SELAE. That is key for sustainable growth of this industry as well as protection of the consumer.

As Chair of the Public Order and Security Committee for the EL, what do you see as the top priorities for member lotteries to be addressing at this time as regards the most crucial issue of Public Order and Security?

I. García Martínez: We first must properly frame the Public Order and Security Committee activities: its mission is to support the EL strategy. Within that remit, the Committee's concrete activities focus on delivering tools that allow EL Members to strive to create the best benefits and outcomes for society. Those

tools include enterprise practices and management standards that contribute to always moving our performance and behaviour towards excellence, protecting our citizens, and maximizing our efficiency.

Focusing on specific elements, there are two big, somewhat overlapping areas: one is more focused on ensuring compliance, and the other more focused on Continuous Improvement. In relation to the compliance area, as Chair of the Public Order and Security Committee, I consider that anti-money-laundering and privacy are currently top priorities—especially in light of the recently approved 4th AML Directive, and the next directive to be issued General Data Protection Regulation. Pursuing further improvement, we will continue to work

on security and integrity, covering both information and operations. This is a very wide range, as it includes measures to ensure the integrity of the games, to prevent match-fixing, and to ensure game fairness and business continuity and stability. In any case, finally the ordering of priorities and updating of EL strategy lies within the Executive Committee remit.

The best way for EL Members to optimize their value to society is to fulfill our role as operators of the games on behalf of the state and ensuring that all aspects of operations meet the highest standards of excellence, integrity, security, and Responsible Gaming. These are the values that are central to the EL's Public Order and Security Committee and EL Members. ■

Three (Un) Conventional Strategies to Stimulate Sales of Lottery Tickets.

By Ulli Appelbaum,
First-The-Trousers-Then-The Shoes
Brand Consultancy



Lottery agencies are on a constant quest to balance meaningful sales and profit increases with cost controls, in order to increase their contributions to their states. In my experience, most of them are very skilled in doing so, through savvy product portfolio management, maximizing their marketing ROI and through constant focus on optimizing the POS experience.

We'd like to add to their existing arsenal of ideas by suggesting 3 additional ways to drive incremental revenue. These three solutions are already used successfully by marketers in other categories, and they're based on important lessons from behavioral science and our own experience. They may even be recognizable - to some extent, they're already used in the lottery industry

1. Act like a peacock at POS, stand out

As anyone who's spent any time in the category at all knows, POS is crucial to driving sale. According to research First-The-



Trousers did for the Indiana State Lottery and IGT, around 50% of the decision to play is triggered at point of sale. The problem? There's a multitude of available games and most frankly look alike and operate within the same form and visual conventions. This may be okay for core players who are very familiar with the games and for whom the newest game might stand out, but this "visual confusion and overload of choices" will most likely act as a deterrent to "light players," "non-players" or younger generations of players the industry so desperately needs to attract.

In Behavioral Economics, this phenomenon is called "Choice Overload" or "overchoice." In fact, research has shown that this phenomenon occurs as a result of too many choices being available to consumers. Overchoice has been associated with unhappiness (Schwartz, 2004), decision fatigue (players not being willing to put the extra effort required to make a decision), as well as choice deferral—avoiding making a decision altogether, such as not buying a product (Iyengar & Lepper, 2000) (source: <http://www.behavioraleconomics.com/>).

Not the best starting point to attract new players into the category.

So what can a lottery agency do about this? After all, the available in-store real estate is very limited and there are only so many pop-ups and stand-alone displays it can set up.

a) Elevate existing and successful tactics into strategies.

In order to stand out, a game needs to look and feel different from the other 40 (or 100) games it is displayed with. This is such an obvious statement; it is almost embarrassing to write about. And yet this simple principle doesn't seem to get systematically applied at point of sale.

We can already witness examples of this happening in the industry. Best case in point, were the "super tickets" used in some jurisdictions last year which are basically oversized tickets. The mechanism of the game didn't really change, but its extra-large size helped it stand out at POS. And sell.

However, this example feels tactical, the exception to the norm rather than part of a strategic POS display management approach. Elevating this approach strategically would imply that the product development and marketing team make the specific effort, as part of the product development and launch process, to ensure that all new products stand out through their physical attributes at POS. A simple framework for that step in the process could be something like this.

GAMES STYLE CONVENTIONS		
Design Dimension	Current Conventions	New Conventions
Size	More or less similar in size	Bigger games, smaller games, etc.
Shape	Mostly square and rectangular	Round, oval, objects or animal shapes, non-square
Color scheme	Colorful, multiple colors	Pure black or white games
Texture/material	Glossy paper	Organic, etc.
Experience	One dimensional	Interactive
Thickness	Fairly standard	Thicker or thinner games
Visuals		

b) Tap into people’s cultural passion points as a way to stand-out:

Another way to help people overcome “Choice Overload” and facilitate trial and decision making at point of sale is to tap into some of your players’ and potential players’ core cultural passion areas. This point is basically about “borrowed interest.” The best example I’ve seen illustrating this point was the Walking Dead game by Scientific Games launched a couple of years ago.

By tapping into people’s love for the Walking Dead TV show, lotteries were able to attract new players. Walking Dead has become a pop-cultural phenomenon with a strong following and tapping into that equity made it easier for younger players to “enter” the category.

Here too, what appeared to be a one-off game idea could become a more strategic way to manage a product portfolio by simply asking what other passion points and pop-cultural trends could a lottery tap into to attract new users to the category (Facebook analytics can provide a huge insights here). Star Wars, anyone?

2. Leverage digital channels to simulate experiences, not to sell

While Digital with a capital D is on every marketers mind, most state lotteries are legally constrained from utilizing it as a sales channel. So, the default option for many lottery agencies is to use the digital space (especially mobile and social) for either information purposes (the winning numbers, announcing the winners, etc.), for communication and advertising purposes or as part of their content strategy. And that’s smart given the legal constraints.

However, there is also another way to look at the digital space and its potential to draw players, especially new players, into the category. Allow me to digress for a second.

A few years ago, I had the opportunity to have Hallmark, the greeting cards manufacturer and distributor, as a client. Hallmark is generally known for its highly emotional advertising but what many people don’t realize is that Hallmark is actually in the retail business, trying to drive consumers into any of its 2250 Gold Crown stores (1850 of which are privately owned). Hallmark had a problem similar to the lottery category, known as the leaking bucket, in that it struggled in attracting younger people while older customers, well, get older and eventually drop out of the category. The typical Gold Crown store visitor was a lady in her 60s with way too much time on her hands.

To make things worse, free e-card services started to pop-up online at the time (this was 6 or 7 years ago), a trend Hallmark saw as a threat and therefore strongly resisted initially. In fact, the company was 1. Afraid to alienate its retailers (the belief at the time being that “people who send a card online will not go to a store”) and 2. Lose sales and profit to this free digital offering.

However, after a while we started to realize that this trend towards free online greeting cards was actually helping Hallmark’s sales and retail stores visits because it allowed a whole new generation of consumers to enter the category and experience the satisfaction of 1. Sending a greeting card and 2. Getting exposed to the recognition and appreciation of the receiver (a key element in the giving process).

In other words, the internet enabled a whole new generation of potential greeting cards buyers to “experience” the satisfaction of sending a greeting card from the comfort of their desk or couch, which in turn drew them into a more “ritualized social connection behavior” and ultimately into the category.

The same insight might apply to the lottery category. What if we’d use the digital space to help create experiences that would give potential players the opportunity to explore and feel what it

would like to play? And win?

To test this hypothesis First-The-Trousers is working on two Facebook apps. One taps into the insight that everyone has at one time or another imagined and even calculated what they would do if they'd win the lottery. Since we at FTT believe that technology enables existing behaviors rather than creating new ones, the idea of this Facebook App is to give people a tool to plan what they'd do with a big win and, obviously share the results with their social networks.



The second Facebook App idea FTT has in the pipeline is a quiz that would help players identify what type of Millionaire they'd be. Based on their answer to a few simple questions, respondents could be assigned to one of 6 or 7 personas (the philanthropist, the traveler, the egoist, etc.), which again could obviously be shared on social media. Online personality test and quizzes are highly popular and viral, so why not use them for the lottery category?

What these digitally enabled experiences do, we believe, is help potential players to get in the "mental frame of mind" of playing the lottery by inviting them to actively imagine (and calculate) what it would be like to win (as opposed to just communicate an advertising message). This personal experience, as we know from other categories, is then very likely to act as a door opener into the category for people who may have never imagined playing before.

3. Increase the Number of Purchase Occasions

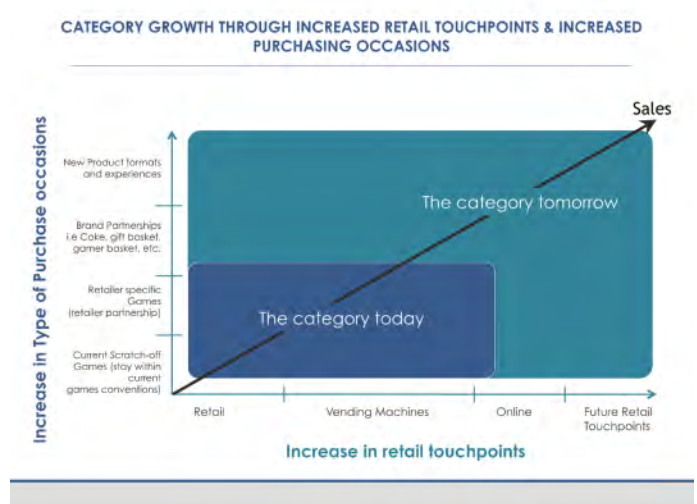
An accepted observation in the category is that increasing the number of retail outlets helps increase overall sales, as was seen last year by the New Jersey State Lottery. Behind this simple

observation is a hidden truth: "the more opportunities players have to purchase games, the more they will do so." From my past experience I know this to be also true for the confectionary category: increased distribution equals increased sales.

Another way to look at this basic truth is not so much in terms of retail touch points but in terms of buying occasions, following the logic that "the more purchase occasions players are given (i.e. reasons to buy games) the more games they will buy." In the Nov/Dec 2015 edition of the PGRI magazines we illustrated in an article entitled "Embracing The Essence of the Traditional Lottery-Playing Experience" how scratch games that looked like greeting cards or coffee sleeves (rather than traditional scratch-off games) would be equally appealing to survey respondents (in terms of purchase intent) while also tapping into very different need state and therefore purchase occasions: social gifting for greeting cards and "being part of the morning ritual" for the coffee sleeves.

As such, it might be worth to also think about increasing the number of purchase occasions as a way to stimulate sales. Exclusive partnership with specific retailers might be a quick, natural progression in the category. Though, redesigning completely new product experiences (such a coffee sleeve) might take the industry players a little longer to develop and implement.

First The Trousers teams up with many different experts. One of them is Nicole Abramson, a senior shopper marketing expert whose experience includes strategic program development for SC Johnson at major retailers including Target, Whole Foods, CVS and Walgreens. Her recommendation to promote lottery sales is to think in terms of brand partnerships, in particular during new product launches, where brands may also be able to help invest in additional in-store and digital advertising (for example,



a Coca Cola game that features a new flavor). “Product Bundles” or baskets where scratch games could be offered as a bundle with other popular items found at convenience stores and gas stations around specific “themes” may create new purchase occasions and appeal to a different shopper than just the end user. So, for example, a husband may be more inclined to purchase a Valentines themed gift basket for his wife that potentially includes scratch games, chocolate and a card that speaks to how rich life is because of her. Other ideas could include a Road Trip Kit with mini travel board games, a gas card and scratch off tickets or a “pot of gold” gift basket for St. Patricks Day that includes scratch offs and gold chocolate coins. The list of potential themes goes on and on. This tactic works very well for packaged good brands and large retailers, so why not for the lottery category? And I am sure many retailers and brands would love to partner with the state lottery.

Nicole’s recommendation and experience is also supported by research done by two Yale University professors that shows that “bundling products works well as a sales strategy especially to increase overall revenue and sales.” Give people another compelling opportunity to purchase games, and they will!

Jean-Luc Moner-Banet Interview ... continued from page 10

developing the scholarship program of which 69 individuals took advantage of since its launch in 2013 to participate to those events, at WLA’s expenses.

What are some of the obstacles to accomplishing what we need as a community of government-gaming operators? What can individual lotteries do to help our common cause to defend the lottery model on the legal/political/regulatory front? Or compete in the consumer market-place?

J.L. Moner-Banet: The community of WLA Lottery Members has to cultivate its historical values which are the operation of games for the profit of the public utility, good causes and public treasuries, whilst respecting the best practices and standards in place in the domain of integrity, transparency and social responsibility.

By being faithful to all these values,

our members defend what was their purpose, the reason for which they were created and contribute to making our community of members unique on the gaming and gambling market which is, by the way, largely governed by purely mercantile laws from which we essentially distinguish ourselves by the destination of our profits to good causes.

How does the WLA help them in their mission to prosper and grow in an increasingly challenging market-place and regulatory environment?

J.L. Moner-Banet: To come back to the first question and my answer, the WLA contributes to the prosperity and growth of its members by developing the standards of our industry, favoring the education, exchange of experiences and best practices with our members as well as by being quality partners of interna-

To conclude:

When planning the next generation of products to fill your innovation pipeline and product calendar you may want to consider following learning to help your product stand out, boost sales and attract new users to the category:

- Can you make the games physically stand out at point of sale (make them bigger, smaller, rounder, etc.)
- Can the game(s) leverage relevant trends in pop culture such as popular TV shows and thus tap into people passion points?
- Can you leverage the digital space to create experiences that would enable potential players to experience and share the thrill of playing and winning?
- Lastly, in addition to trying to increase the number of retail outlets, can you think of ideas that would increase the number of purchase occasions like creating memorable product bundles? ■

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tional entities in all domains, in particular sports, such as the IOC or FIFA.

What do you see as the most important trends when it comes to the game-styles that consumers are drawn to?

J.L. Moner-Banet: More than a question of game-style, I think that the evolution of these last years and the ones we see for a close future concern more the ways of marketing rather than the games themselves. Saying that, I think of course of the increasing development of interactive channels, mobile terminals, social networks, but also of the importance of following the evolution of technology by being able to implement it in the retail market which remains—and for a long time to come—the number one source of revenue of our members. ■

fiscal number and password by heart.

I wonder how many consumers even knew about this resource, that they could access their own personal government file in this way. The Lottery has performed a valuable service for helping the people acquire a better understanding of these resources which can help them manage their financial lives.

F. Paes Afonso: The technology has been there for a while, but it has been under-utilized. That's often the problem and it is also an opportunity. We can look at the process, the way we are doing things, and unlock the hidden capacity for the tools and infrastructure that already exists. That's innovation!

Now this system of using the fiscal number as a player identifier is being applied to sports-betting. Player identification is more important in sports-betting because it is a higher risk product than Lottery. Sports-betting is a much more fertile ground for criminality like manipulation of the outcomes and money laundering. It was decided that entering the fiscal number would be a requirement for sports-betting. But we marketed it as a tool to protect the safety of the player and the player's winnings. The ticket that is the receipt of the bet has the player's fiscal number on it. If it is lost or stolen, it cannot be redeemed by anyone else. In fact, it is in the record associated with the fiscal number who is the rightful owner of the prize. So, again we use market-driven tools to modify human behavior, to appeal to consumers' own interests as the reasons why they should adopt the methods that we want them to adopt.

Anyone who plays online has always had to register. It is that way in Portugal as it is everywhere in the world. But now we have a way to entice the land-

based players to enjoy the same benefits of registration as the online players. And everyone loves it because they see it as a benefit to them instead of a burdensome requirement imposed by us. Of course, it is a huge benefit to the Lottery too. It connects us to our entire land-based player-ship, turning them from anonymous consumers into a customer base that we communicate with on a regular basis. It is a responsible gaming as well as a marketing tool.

It is so important for the industry to think about how to integrate Lottery into the lifestyles of the modern consumer. Instead of selling a product, you're connecting to the broader landscape of the consumers' everyday activities and concerns and aspirations.

F. Paes Afonso: Here is another example of that. We know that most of Lottery's sales are at land-based Retail. That is still true for everyone, even the Scandinavian countries which have a larger proportion of online sales. We know that Lottery has a distinct competitive advantage at Retail. Lottery must compete in the online world with many other games-of-chance offers which have higher prize-payouts than does Lottery. Lottery does not have that level of competition at Retail. So, we want the consumer to play the games at Retail, right? Of course we also want to provide the consumer with options and to maximize accessibility to Lottery in all the different channels of distribution. But most of our sales will continue to be at Retail and that is alright. In fact, it is a good thing.

Now, in Portugal, there is a concern that young people are spending too much time online. As a society, there is concern that we may get out of balance, that recreation in the form of online

games and socialization in the form of texting and Facebook is consuming more and more time, perhaps too much time. I am not suggesting that video games and social media are bad or unhealthy in themselves, just that maybe we can have too much of a good thing. Television, for instance, is not bad or unhealthy, but too much television may not be a good.

We know that trying to dictate behavior is usually not very effective. So, we need to think like marketers and give people a reason to modify their behavior, something that benefits them personally. So we thought about how our mild climate and the Latin culture is naturally social. People just need a reason, even just an excuse, to leave the virtual world, get out of the house, and actually interact with real live human beings in the terrestrial world. Let's make the player the center of our focus and appeal to their wants and needs for real live social interaction.

Then we think about how our retailers have the same goal. They too want people to leave their computers, get out of the house, and visit their stores! The consumer is also at the center of their worldview. So let's collaborate together with our retail partners to accomplish the goal of giving the consumer more compelling reasons to come and play the Lottery at a retail store. And let's package this campaign to serve a socially valuable role of creating more balance in peoples' lives by replacing Virtual Socialization with real live Physical Socializing.

Yet another great example of true innovation that is not technology-enabled but process-enabled, focusing on how the way that we interact with the existing environment can be changed for the better.

F. Paes Afonso: I should emphasize

that we are not technophobes. We just want to find better ways to leverage technology, especially existing technological infrastructures, to enhance the lives of consumers. For instance, integrating the digital world with land-based Retail is a technology-rich endeavor. And that is definitely part of our strategy. And using our online connection to inform and communicate with our players is a vital part of Lottery's future. And, for that matter, we certainly do want to provide an attractive option for those consumers who want to buy Lottery products online. We just see all these goals as being compatible, even mutually reinforcing. And we are working with our Retailers to help them embrace all these tools, and all forms of human behavior and lifestyle goals, as being consistent with their own business interests.

I notice, Paul, that you often use the word "transformational." None of these things that I am talking about are transformational or revolutionary. No dramatic visions of a future taken over by technology. They are based on the way the world operates right now, not in some unpredictable future. They are very actionable and produce material near-term results. That's the beauty of it. Innovation does not need to be transformational. It just needs to re-imagine the way we do things to see how we can do things in a better way.

What are you doing to entice the consumer to spend more time at the retail stores?

F. Paes Afonso: We are working to make the Point-of-Sale into a destination to play games as opposed to buying a product. One of the things we are doing is to use pari-mutuel horserace betting and Sports betting as a way to bring the customers into the store and think of the store as a recreational venue. Our real

goal is to promote Lottery and we are at the same time developing a play-station approach that engages the consumer in ways that other games do. It is all about reinventing the traditional POS consumer experience. We want people to rediscover the fantastic public space we have in Portugal, and the joy of experiencing that with other people. And we are using the fundamental Lottery-playing environment to make that happen.

And your online sales are growing right alongside of retail sales?

F. Paes Afonso: Absolutely. It is a synthesis of strategies that supports our business objectives with an appreciation for how Lottery might fit into the lives of the modern consumer. We invest in our online channels but with a focus on building a foundation that engages the consumer at Retail as well as online. For us, online is not just a channel to drive sales. It is a digital communication network that informs and enhances our overall engagement with the consumer. It is all about sustainability, delivering value to the consumer, and doing that by identifying and highlighting the uniqueness of the Lottery-playing experiencing. And that always brings us back to the consumer experience at Retail.

How was the EL Innovation Seminar different from other EL Educational seminars?

F. Paes Afonso: There was a focus on process and creating a culture that stimulates creativity and innovation. The presentations showed us how Lotteries really need to look outside of our industry for ideas and insights into how others are driving progress and innovation. For example, we should understand more about the internal culture of start-ups. We think of Lottery as an established business, and a big business that leverages scale. So,

what can we learn from start-ups? Well, start-ups don't have scale or capital. They have only one thing to leverage and that is their ingenuity, their creativity. Their only real asset is their ability to innovate. In that sense, start-ups are the experts at innovation. And media companies. Their only real product is their imagination. How do they foster and support a culture that stimulates imagination? The presentations helped us to deconstruct the concrete elements, the specific things that can be done to create the environment that drives innovation, and provided examples of how to build a culture of innovation inside lotteries. For example, Française des Jeux showed us some unusual approaches to fostering creativity in the design of new digital games. This was the first seminar of its kind in the EL. Wojciech Szpil, the CEO of Totalizator Sportowy (the Polish Lottery) was the organizer and he did a fabulous job. He comes from the world of advertising and so has a wealth of experience that he is bringing to this industry.

There is no other economic activity that engages and involves all sectors of economic society like Lottery does. The government, the good causes supported by Lottery funds, and the general public are our major stakeholders. And our player-ship is so broad that the general public is basically our customer. We are accountable to all these institutions and yet we are also a market-driven business enterprise. Lottery is right in the middle of it all which makes this a most interesting position to operate in. Most of all, though, is the special privilege it is to work alongside colleagues throughout the world in service to our stakeholders in the mission to raise funds for good causes. ■



LINDA TURNER

PRO-LITE SALES MANAGER, LOTTERY DIVISION

“B for Billion” Put Florida Lottery in Ready Mode for Record Breaking Powerball Jackpot

Recent game matrix (algorithm changes) and the resultant jackpot climb whet player appetite for the first billion-dollar prize. Imaginations were fueled, even as players from coast to coast struggled to grasp the enormity of a billion-dollar payout. All the while, Pro-Lite, an electronic sign supplier known for reliable jackpot display, worked quietly to develop a means to denote the inevitable record breaking prize.

Since debut of the Billion Dollar (BD) feature at NASPL 2014, Pro-Lite has been in discussion with lottery executives and central system providers about its incorporation into future jackpot sign orders. In late 2014, the Florida Lottery began a Jackpot signage pilot program with 1,693 window and 319 countertop signs, all with the BD feature. Lottery Secretary Tom Delacenserie is gratified to have incorporated the innovative feature. When contacted by Pro-Lite for comment on January 11, Delacenserie stated: “I love the way the pulsing and attention drawing “B” differentiates the billion-dollar jackpot.

Pro-Lite also delivered countertop signs with the BD feature to a second client. While conversion to a new central system has prevented its use thus far, Lottery management looks forward to implementing it in the near future.



Day of Drawing feature on Minnesota’s Snap Frame™ window sign

- Constant display or can activate on actual drawing day only
- Optional animation effects: standard flash, Vegas flash, chasing and color changing modes
- Highly visible from 275’

The BD feature isn't the only Pro-Lite innovation to change the way jackpot games are being promoted:

Last summer, Pro-Lite's exclusive Day of Drawing (DOD) feature made its debut in Minnesota Lottery retail outlets. The lottery contracted with Pro-Lite for a trial order of 6-jackpot window signs (complete with DOD feature to signal the drawing days of PowerBall and MegaMillions), and double jackpot countertop signs. A supplemental order for both sign types was received last June, from IGT, as part of their central system contact. The reorder resulted from the Lottery's satisfaction with Pro-Lite signs, following a trial including competitive product.

The inspiration behind DOD: It's no secret that ticket sales rise dramatically on the day of the drawing. For example, from June 1 through December 31, 2012 New Jersey Lottery's PowerBall and MegaMillions ticket sales surged an average of 336% on the DOD versus non-drawing days; on non-drawing days, ticket sales averaged \$340,823, versus an average of \$1,143,848 on the DOD.

As the most dramatic examples in the six-month period, Powerball sales rose 707%, on the DOD, (November 24, 2012,) and MegaMillions sales rose 505% on the DOD, (September 4, 2012). Comparatively, ticket sales increased an average of 176% on the day before the drawing.

Via the central system, Pro-Lite's exclusive DOD feature enables the Lottery to signal the last chance to play, at will, and within space already allotted for jackpot display. Everyone's a winner with DOD.

About Pro-Lite: Pro-Lite Inc. introduced LED technology to the U.S. in 1981. The firm now delivers to more than 1,000,000 customers and end-users worldwide, supplying Walmart, Costco and other top names. Pro-Lite has also supplied the United States Air Force, Navy and United States Postal Service.

Pro-Lite introduced updatable jackpot signage to North America in 2000. Upwards of 100,000 LED signs have been supplied to more than 30 North American, Caribbean and Central American lotteries. Pro-Lite has the distinction of having equipped the largest jackpot sign program in the United States. New York Lottery was provided 42,500 signs from 2009-2012, which included wirelessly updated dual jackpot, New York lottery logo and game logo signs.

Since 2013, Pro-Lite has supported numerous lottery projects in the US, Canadian, Central American and European markets,



Billion Dollar feature on Florida's Snap Frame™ window sign

delivering LED signage to: Connecticut, Delaware, Florida, Hoosier, Kansas, Kentucky, Massachusetts, Minnesota, Missouri, North Carolina, Ohio, North Dakota, South Dakota, Washington, British Columbia, Ontario, LOTELHSA, Honduras, and Italy. Through these projects, Pro-Lite has cooperated with IGT, INTRALOT, SCIENTIFIC GAMES and CANADIAN BANKNOTE to integrate its updatable jackpot signs seamlessly with lottery central systems around the globe. ■

Pro-Lite's product line includes:

- Jackpot signs for window, wall, countertop and pole display
- Modular window jackpot signs (Modulex™)
- Van top jackpot signs
- Floor and counter mat jackpot signs (MatTronic™)
- Scrolling message signs with or without jackpot display
- Logo signs, wall, window and pole mounted



Gary GRIEF

Executive Director, Texas Lottery
Chair of the Powerball Group

PGRI Introduction: Powerball is sold in 47 jurisdictions. It is operated by the Multi-State Lottery Association (www.MUSL.com) for the benefit of its members and the states that license the right to sell Powerball. On the drawing of Wednesday, January 13, the Jackpot that rose to over \$1.58 billion dollars was won by three people with the winning ticket. The tickets were bought in stores in Munford, Tennessee, Chino Hills, California, and Melbourne Beach, Florida. The winner in Tennessee has already stepped forward to claim his portion (\$528.8) of the Jackpot. The January 13 draw alone saw an additional 26,110,643 win smaller jackpots totaling more than \$273.9 Million.

This is a singularly momentous event for the industry. Gary Grief is not only the current Chair of the Powerball Group, he is a past president of the North American State and Provincial Lottery Association (NASPL), has been with the Texas Lottery since its inception in 1992, and was appointed to lead the Lottery in 2010. We appreciate him taking a few minutes out of an extraordinarily busy time (this interview was done January 14, the day after the Powerball Jackpot was won!), and congratulate Director Grief and all the Powerball Lottery Directors for their stewardship of this flagship brand.

Paul Jason, PGRI: *The \$1.5 billion Powerball Jackpot is a singularly huge event for the entire industry. What are some of the implications of this for the U.S. Lotteries going forward?*

Gary Grief: This incredible Powerball jackpot run has delivered positive results to the lottery industry on several levels.

Obviously the sales and revenue are top of mind. From the last time the Powerball jackpot was won on November 4, 2015 to the drawing for the world record-setting advertised jackpot of \$1.5 billion on January 13, 2016,

Powerball jurisdictions nationwide sold more than \$3.3 billion in Powerball tickets. More importantly, more than \$1.3 billion in additional revenue was generated nationwide for good causes like public education, scholarships, the environment, and assistance to veterans and senior citizens. Three lucky winners in Florida, Tennessee and California will soon be coming forward to claim their share of the almost \$1.6 billion jackpot that was calculated by the time the drawing occurred, and a record 81 additional millionaires were made last

Wednesday night alone by virtue of them winning second prizes in the Powerball drawing.

How does the publicity that surrounded the run-up to this huge jackpot impact the Brand Value of Powerball, and Lottery in general? Wouldn't it attract the attention and interest of new consumer groups?

G. Grief: Absolutely. We made critical gains in the younger demographic by virtue of this incredible jackpot that grabbed the nation's attention. 20 and

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POWERBALL

POWERPLAY®



Patrons line up to buy Powerball lottery tickets outside the Primm Valley Casino Resorts Lotto Store just inside the California border Tuesday, Jan. 12, 2016, near Primm, Nev. John Locher / AP

POWERBALL HIT AT \$1.584 BILLION

On Jan. 13, Powerball was hit at \$1.584 billion. Three people held the winning tickets for the \$1.584 billion Jackpot. The three winners will split the prize. They can take the winnings in annual payments spread over decades or a smaller amount in a lump sum. Should these Powerball winners opt to take the lump-sum payment, the cash value of the \$1.58 billion jackpot is \$983.5 million, split three ways. In addition to the three winning jackpot tickets sold in this world-record Powerball lottery, there were eight tickets that won \$2 million and 73 that netted \$1 million.

The winning tickets were sold at a 7-Eleven in Chino Hills, California; at a Publix grocery store in Melbourne Beach, Florida; and at Naifeh's family-owned grocery store in Munford, TN. The jackpot amounts had risen steadily since Nov. 4, when it started at \$40 million. "It's history. We're all so excited

for our city," said one resident of Chino Hills where winning ticket in California was bought. The store clerks became instant celebrities, with customers requesting selfies with them. The 7-Eleven will get a \$1 million bonus for selling the winning ticket.

After a whirlwind trip to New York City for a visit with The Today Show, the Tennessee winners of one-third of the Powerball jackpot arrived at Tennessee Lottery headquarters in Nashville today to claim their share of the prize, an incredible \$528.8 million. Lisa and John Robinson of Munford, along with their daughter Tiffany and dog Abby, were greeted at the door by Tennessee Lottery President and CEO Rebecca Hargrove. "I am a little overwhelmed and excited," Lisa Robinson said during the afternoon press conference. "We just wanted a little piece of the pie, but instead we got a big piece!" The Rob-



Tiffany Robinson next to the Powerball Jackpot sign

inson's chose to receive the lump sum cash payment of \$327,835,000 rather than the annuitized amount of \$528.8 million.

Powerball tickets are sold in 44 states, as well as the District of Columbia, the U.S. Virgin Islands and Puerto Rico. But resi-

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THE AMAZING SPANISH CHRISTMAS LOTTERY: Sharing the Wealth



On December 22, the 1,500 residents of the small town of Laujar de Andaraz won the Christmas Lottery, otherwise known as El Gordo, the Big One. Really big. In fact, at €2.24 billion (\$2.43 billion) for this one single draw, The Spanish Christmas Lottery is the biggest prize pool in the world. Students at Laujar's Emilio Manzano secondary school had resold 784 winning ticket shares, each paying €400,000, in Laujar and other communities throughout the sparsely populated Sierra Nevada region of southern Spain. Residents of Laujar itself, which has an annual municipal budget of €1 million, won around €250 million.

Spaniards love their Lottery, spending close to 1% of gross domestic product on lotteries. Spanish lotteries have distinctive structures that make them as much social events as games of chance. For instance, a full El Gordo ticket cost €200, and paid €6 million. The fact that not many individuals are able or willing to spend €200 for a single lottery ticket creates a special and unique foundation for social bonding. It is true that a player could purchase a 10th of a ticket,

known as a *décimo*, which cost €20 and paid €400,000. But the end result of this structure is that families, co-workers, and communities bond together to buy their tickets, and share in the prize winnings. As is the case in the winning town of Laujar, the whole game is typically a community affair with everyone being involved, including school-children who sell the tickets. The high price of the tickets, the promotional messaging of the games, and the natural sociability of people encourages this form of "social gaming." The Spanish Christmas Lottery creates more winners than any other lottery, including hundreds of new millionaires, so that gives everyone something exciting to talk about!

The Spanish Christmas Lottery—*Lotería de Navidad* is the focus of countless commercials, news reports, and stories in the months leading up to the draw. With an estimated 90% of Spanish adults entering the annual draw, millions tune in to watch the students of the San Ildefonso School sing out the winning numbers in the *Lotería Nacional* hall in Madrid. With 15,304 ways to win on every ticket, the festive event usually lasts three hours and continues until the entire prize pool has been won.

View one of the TV commercials that expresses the spirit of The Spanish Christmas Lottery: <http://www.campaignlive.com/article/spanish-lottery-christmas-ad-captures-spirit-sea-son/1374357> ■

(Top to Bottom)

Photo 1 & 2: School Children as the Best Ambassadors for the Christmas Lottery

Photo 3: Christmas Lottery Draw: A Festival that Engages an Entire Country

Photo 4: An Enthusiastic Press Covering the Christmas Lottery Draw



UK NATIONAL LOTTERY SETS JACKPOT RECORD: £66M JACKPOT SHARED BY TWO WINNERS

Each winner will receive £33,035,323 after the January 9 Draw. The total prize amount was the Lottery's biggest ever after 14 consecutive rollovers.

Camelot Group, the operator of the UK National Lottery since its inception in 1994, sold at least 400 tickets a second, online and by retailers, in the final hours before sales were stopped. A spokesman for Camelot said: "This is certainly an unprecedented level of

sales—one of the highest selling draws we have ever had. There have been great levels of excitement leading up to tonight's draw, which is great as the higher the sales, the more we can give to charitable causes." This one Lotto draw raised £60m for charitable projects.

In the six months to 26 September 2015, Camelot total ticket sales grew to £3.615 billion, an increase of £145 million over the corresponding 6-month period of

2014. Over that same period, £875 million was generated for the direct benefit of National Lottery Good Causes. ■



Gary Grief Interview ... continued from page 56

30 something's were "discovering" the Powerball brand and game, and their purchases helped fuel sales to heights never seen before. The attractive jackpot taught them how to play, when to play, and forever impressed them with the "power" of the Powerball brand.

Likewise, significant inroads into the social media space occurred at many lotteries around the country. The number of "likes," "followers," and "friends" increased exponentially as the jackpot rolled, bringing in new players to the space, many of them of the younger variety.

This must be a wonderful boon for the ticket sales, and the funding for Good Causes that Lottery supports.

G. Grief: For those of us who work in the industry, new individual state records for sales and revenue were being set on nearly a daily basis, and the numbers involved sometimes seemed too large to be accurate; but indeed they were correct. And yes, Education and the Good Causes that are Lottery's mission to support are the real beneficiaries.

And now, what might the residual longer-term impact of this event be for Brand Lottery

going forward?

G. Grief: The question for us now as an industry is how we can leverage all the excitement that was generated, all the new players reached, all the social media progress made, and turn this moment into a "tipping point" for the industry in an upward direction. That's a tall order but I know we are up to the challenge. Just give us a few days to enjoy the results of this record jackpot, get our batteries recharged, and we will get back to moving the industry to even greater heights! ■

to its future, but when you think about the nature of what people do with us it is actually very transactional. People want to get in, buy a ticket and get out fairly quickly. Mobile works very well for this, while the other side of our business, the instant play games, also work nicely on a mobile device.

Also, last summer, we partnered with the British bank Barclays to offer The National Lottery on their mobile payment service—Barclays Pingit. This provides smartphone users with a great ‘quick pay and play’ experience, offering players even greater access and convenience, and enhancing our existing online payment options. It’s a much quicker registration experience because all Barclays Pingit customers are pre-vetted—so we know they’re over 16, we know they’re a resident of the UK—and they don’t then have to go through the full registration process. We also offer free National Lottery Official Apps for both iPhone and Android, which are very popular.

The great news is that all this hard work and investment has paid off. Our most recent half-year sales results saw interactive sales up 18.5%. Crucially, sales through mobile surged by 72% on 2014/15—with sales through smartphones and tablets now accounting for over 35% of all sales across our direct channels.

Camelot has succeeded at growing your land-based retail sales right alongside your online sales. How did you, and do you continue to, engender support and commitment from your land-based retail channel for the “omni-channel” distribution model?

A. Duncan: With all this talk about the success of our website, it’s easy to forget that retail sales still make up around 80% of all National Lottery sales. Our

retailers do a great job for us because we offer a competitive commission structure and because having The National Lottery in their store adds even further value to their business—as someone may come in to buy a ticket or Scratchcard, and then go on to buy something else. To put it into context, established independent retailers—I’m talking about small, family-run stores here—earned an average of over £6,500 from The National Lottery alone in 2014/15.

So, while interactive growth is accelerating, our retail channel is still growing alongside our digital offering—albeit at a slower rate. For us, it’s all about improving access. For example, we recently rolled out 10,000 standalone terminals to satisfy untapped demand for National Lottery Scratchcards. Catering to people’s changing lifestyles and shopping habits is where the new mobile-friendly website comes into play.

We are also looking at ways we can bring mobile and retail closer together. For example, last year, we launched our first second-chance Scratchcard where players with non-winning tickets can go to a microsite to register for a second chance to win. This has proved a hugely successful mechanic, with over 2.3 million entries into the second-chance draw so far. And, later this year, we’re going to be experimenting with QR codes on the physical retail tickets. Players will be able to check their results if they scan the code through our apps. It’s all about looking at ways of enhancing our player experience in the round—and not to the detriment of any one channel.

Camelot has struggled with the actions of the Health Lottery and People’s Postcode Lottery, which exploit a loophole in the regulatory

laws (allowing the operation of small local charitable organizations to operate lotteries) to create competition to The National Lottery. Tipp24 sells lottery products into Germany and other jurisdictions in violation of the laws of those countries. Now Lottoland and others are taking that business model to a new level. Where will it all end? What is the future of the single-operator Government-Lottery model?

A. Duncan: We have long been concerned about larger, umbrella-style lotteries—which have positioned themselves as direct competitors of The National Lottery. We see them as a real threat to our ongoing success. To be clear, and as you mention, I am not talking about small, local lotteries—like those for hospices or air ambulances. We have co-existed with those for many years and think they do fantastic work in their local communities. I am talking about businesses like the People’s Postcode Lottery and the Health Lottery—which return significantly less to society while seemingly retaining a disproportionate percentage of revenue in operating costs. These are real and present threats to The National Lottery.

We also believe that bets on lotteries—like those offered by Tipp24 and Lottoland—do not meet basic levels of transparency because they do not clearly make the distinction between lotteries and betting. As a result, they mislead consumers and trade on the good name of lotteries for—in the main—commercial gain.

Thankfully, here in the UK, we have been very pleased with the initial response from Government officials who recognise the effectiveness of the single-operator model on which The National Lottery is based. As other lottery operators around the world will know, as a monopoly business, your competition is lim-

ited but so are your profits. In Camelot's case, we take less than 1% in profit. This ensures that the lottery fulfils its intended purpose—to raise as much money as possible for its beneficiaries, not the people running it. So, off the back of this initial response, we look forward to further engaging with the Government and our regulator, the Gambling Commission, in their ongoing investigations in this area.

Off the back of that, it seems Camelot has done a lot of work recently trying to make UK players more aware of the organizations that benefit from National Lottery funding. Is this a direct reaction to the infringement of these "competitors?" Can you tell me more about this strategy and why you consider it to be important?

A. Duncan: Although it's not a direct reaction to the increased competition, I think it's fair to say that the heightened environment has made us increasingly keen to make people aware of the life-changing difference they make by buying

a National Lottery product. We launched our 'Play Makes It Possible' marketing campaign some time ago and then followed this up last year with our new National Lottery brand identity. The new branding puts the iconic National Lottery 'crossed fingers'—which is recognised by 95% of the UK adult population—at the heart of every game logo. This is designed to help raise consumer awareness of the full range of games offered by The National Lottery, as well as reinforce the life-changing role each of them plays in creating millionaires and delivering over £34 million every single week to Good Causes. It's the dual winning—through prizes paid to winners and grants paid to beneficiaries—that we really want to communicate.

Our winners' calls—that moment when someone rings the National Lottery Line and has it confirmed that they are now a millionaire—have been fantastically successful. They uniquely capture

the exhilaration of a transformational win. These pieces of audio brilliantly reflect our brand purpose in a way scripted advertising can't. And for Mother's Day last year, we worked with the charity Home-Start, which helps support families, to surprise one of their volunteers of 15 years—a wonderful 80-year-old called Edna. We created an emotive two-minute video a few days before Mother's Day and then ensured that it played in cinemas over the weekend, as well as on our owned and earned media platforms. It also got incredible traction across social media, with more than 2.2 million views over three days.

As lottery operators, we are in a unique position in the respect that we truly make a huge difference through National Lottery funding for beneficiaries. In our case, that's over 450,000 projects that have benefited—it would be folly not to use that to our full advantage. ■

Thierry Pujol Interview ... continued from page 27

sports betting involves a global cooperation of all jurisdictions. And there is not just the policies and regulations that need to be determined. There is also the matter of enforcing those regulations in the global environment.

The effort in Europe to prevent the manipulation of sports competitions is concerted and massive and being organized in large part by the GLMS (Global Lottery Monitoring System for Sports Betting). The main objectives are to first detect, then sanction, then ultimately prevent national or trans-national manipulation of national and international sports competitions. To achieve that end, we are actively promoting an international cooperation against manipulation of sports competition between the gaming and regulatory authorities, the sporting organizations, and the

operators of sports betting. This kind of international collaboration to construct systems and multi-national agreements to enforce the laws is a new concept, a new frontier for our industry. That is why 27 lotteries from around the world have come together to create a national platform for addressing manipulation of sports competitions. This national platform shall serve as an information hub, collecting and disseminating information to the betting operators, sports organizations, and regulatory and law enforcement authorities. The GLMS will receive, organize, and analyze information on irregular or suspicious betting patterns, and transmit this information on possible infringements of law to relevant authorities.

Information that is captured by individual stakeholders, like sports organizations,

regulators, and operators, typically does not yield enough insight to be meaningful by itself. It is when information is gathered from multiple sources that it becomes useful. That is when betting patterns are revealed that are not discernable when the bets are viewed in isolation. That is why the mission to protect integrity in sports depends on international cooperation, and the services of GLMS.

The manner and methods in which we conduct this service must also respect the confidentiality of sources, clients, and players alike. Our activities geared towards protection and prevention of illegality must also align with all the laws of individual nations. Cooperation with agents of law enforcement requires us to understand and operate within the constraints of due process that form the bases

for proper investigations and ultimately the enforcement of laws that differ from one jurisdiction to another. That makes this a most interesting task!

How do the laws of France get enforced in other jurisdictions? What can be done about a rogue state that allows operators to roam the world with internet offers that do not comply with the laws of other countries?

T. Pujol: That is a challenge. The operator which is illegal in France may not be illegal in such a rogue state. France and other jurisdictions may have strong and effective laws to protect the consumer and prevent money laundering, match-fixing, and other forms of illegality—laws that others may not have.

ARJEL is the regulatory authority in France and it does have the ability and the authority to block the websites of illegal operators from having access to French consumers. So, the French consumer can be protected in that way. But ARJEL cannot block these operators from proposing an offer about a French sporting event to consumers in other countries. That has two implications. First, it is our goal for consumers all across the world to be protected from illegality. Second, if illegal operators can produce profits that are based on the outcomes of French sporting events, that creates the possibility that those illegal operators may attempt to illegality manipulate the outcomes of French sporting events. Our goal is to protect the consumer wherever they might reside, as well as to eliminate the risk of sporting events being manipulated in France, and hopefully anywhere in the world.

Why couldn't the alliance of 27 jurisdictions which are represented in GLMS establish laws and standards that required all countries to comply with and respect the laws of each jurisdiction? The leverage to enforce that requirement would simply be that none of the offending jurisdiction's opera-

tors would be allowed to operate in the major markets of the world if even one of them is breaking the laws and operating illegally anywhere.

T. Pujol: You say 'simply' but that is not so simple! It is very difficult politically and from a legal point of view to implement a system that penalizes operators or other countries in that fashion. It is even difficult to stop internet-based operators based in Europe from crossing jurisdictional boundaries without license to do so. That's why the first critical step is for each country to create a national regulatory platform. We are starting with Europe and already expanding into other regions. With proper national regulatory platforms in place, we can then collaborate to help each other enforce those standards that each country has established for itself. Without those national standards and regulatory platforms, though, it is difficult to effect an international regulatory platform. Even then, there is still the task of clarifying and agreeing upon process and procedures for enforcing the standards and policies that we have all agreed upon.

We have seen what happens to the market value of companies like Volkswagen and Sony when their integrity is compromised. In both cases it was literally cut in half. I would think the value of integrity would be even higher for the brand of Lottery.

T. Pujol: Transparency of gaming industry governance is the crucial issue in terms of confidence and consumer trust. At FDJ, we consider our brand image to be our most valuable asset. And the image and value of our brand is based on the integrity of the gaming transactions, the security of its financial operations, and the trust on the part of FDJ's players and all FDJ stakeholders that everything operates without compromise. It's the right thing to do, and it is sound business strategy, for FDJ to strive to operate for the best interests of society.

Financial directors and accountants use the concept of 'goodwill,' which is the difference between the overall value of the company and the material book value of its hard assets. Our industry should establish a detailed security impact estimate for the value of goodwill of the Lottery operator to enable us to quantify the actual losses that result from a breach of security. It can be done, but I do not know that it has ever been done. Even so, I think we all know that protection of consumer and stakeholder confidence is mission-critical for government-gaming operators.

Effective security is not just about technology, is it?

T. Pujol: The American cryptographer and IT security specialist Bruce Schneier said that security is based as much on process and human behavior as it is on technology. You can have the best IT security in your company network, with the most protected servers that contain state of the art technology. It will not be effective, though, if the process and procedures that govern human involvement is not equally as well-conceived and implemented.

That's the reason why the WLA created the Security and Risk Measurement Committee, which works to enhance these controls and procedures. It is not just about technology. It is about the way that human beings interact with the technology. And that is a major focus of the WLA Security Certification program.

Criminals will always be inventing new ways to accomplish their goals.

T. Pujol: Absolutely, it's an eternal game between robbers and policemen. Cyber criminals are equipped with motivation, skills, and opportunities. They have the ability to react and to adapt their attacks very quickly against the new first line of IT defense. A good security system must defend against the ingenuity and skills of these hackers.

Has FDJ ever dealt with a breach of security or sports-betting manipulation?

T. Pujol: In 2012 we detected suspicious betting patterns concerning a match in the French Handball Championship. Suddenly, within the course of one hour, a high amount of wagers had been taken on the outsider team with a specific bet. The bet was based not on the outcome of the match, but on the half-time result of the match. Analysis revealed that the betting anomalies were all occurring in a very small number of retail shops, only 15 retailer shops out of 25 thousand. And these 15 shops were all located within the district of the favorite team. The player was eventually convicted of match-fixing. Of course, we had to react instantly to suspend wagers and prevent the fraud to continue.

That brings us to the other pillar of effective security: crisis management. In the Handball case, all operational, technical maintenance service, internal and external communications, and all top levels of the company had to be pulled together immediately to enable this instant response. Then, the response to handle the immediacy of the fraud was followed by the need to communicate with the public about what happened.

That is the other crucial aspect of crisis management: Communications and brand management. Data and reports are constantly being analyzed to detect fraud and vulnerabilities. Hopefully, fraud is not occurring and so none is found. But if or when it is found, like it was for us in that 2012 Handball match, it becomes immediately public. Transparency, as we have said, is critical to the preservation of public trust and confidence. And the breach becomes apparent to the directly impacted parties immediately anyway. That is why every lottery should have a comprehensive crisis management plan in place. We are living now in a global sphere that broadcasts information instantly, so we

need to respond instantly to the public response to a breach of security.

It seems that government-gaming operators are held to a higher standard than commercial gaming operators. In all areas of operation for that matter. But let's focus on this issue of security and integrity of operations. What can Brand Lottery do to get recognition of that from our political constituents? More specifically, why don't government-lotteries get more consideration from legislators for the fact that they achieve a higher standard in the operation of games-of-chance?

T. Pujol: There are two aspects to your question. First, there should be standards of security that apply to all operators of games-of-chance. There should be mechanisms to evaluate and assess the difference between the standards of government gaming operators and those of commercial e-gaming operators. But there is also an aspect of Public Relations. We need to ask ourselves if we are effectively communicating the importance of integrity for the games-of-chance industry, and the importance of holding all operators to the highest standards of performance. It won't likely change the fact that government-lotteries will always be held to a higher standard. After all, government-lotteries need to earn the right to hold onto their monopoly status. But we can certainly try to make sure that all licensed games-of-chance operators comply with high standards of security and integrity. And we can make sure that all of our stakeholders are aware of our own commitment to these principles.

Why couldn't lawmakers be convinced to apply the WLA standards to all games-of-chance operators?

T. Pujol: WLA and EL standards apply only to the world-wide community of lottery operators for right now. But we are proposing to make it a public resource and international standard. We are working on that including sports betting, but it will take several years. The name of this process

is IWA—International Working Agreements 17. It will be updated in due time, with more information about operations, security and integrity requirements, and made available to gaming organizations. Currently, this is an internal initiative that is being continuously updated and improved. The facts and truths of today will not stay the same for tomorrow and coming years, so we have to be sure that our controls for both the technical and human parts are adapted to an evolving landscape.

The European Union Commission is also organizing different working groups that include both state and private operators. These workshops are designed to help regulators and legislators create standards based on information from the broader gaming industry.

Legislation that applies to all games-of-chance is an area in which there are significant cultural and public policy differences between jurisdictions. That is why EU member states have made clear their position that the authority to determine regulatory policy should reside with the state. The European Union Commission may choose to respect that position, or it may choose to push a conflicting agenda. That is an ongoing topic of debate.

The WLA has developed a Certification program to equip all of their members with the knowledge and expertise to ensure that they meet the highest standards of security and integrity.

T. Pujol: That is the whole purpose of the Certification process that the WLA (World Lottery Association) developed for its members to apply and learn from. The WLA is constantly updating and improving its security standard, particularly in sport betting, online, and privacy controls. A new standard will be completed by the first quarter of 2016 and fully adopted by the general assembly of the WLA at the World Lottery Summit in Singapore in November 2016. ■

Scenes from G2E Global Gaming Expo
Las Vegas, September 29 to October 1





- THAT CAN SAVE YOUR BUSINESS
1. Software audits
 2. Security audits
 3. Communications
 4. Kiosk testing
 5. Chip verification
 6. Progressive systems
 7. Domain control
 8. Email systems

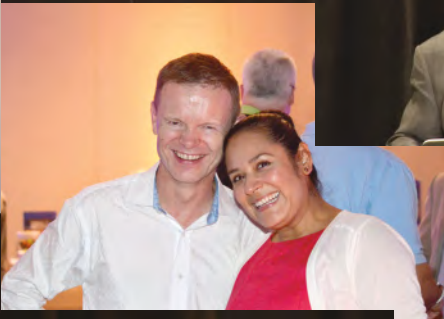
Digital Menu Boards



NOVOMATIC SOLUTIONS
EXPECT BETTER

Scenes from PGRI Lottery Expo
Miami Beach, September 9 - 11





Scenes from PGRI Lottery Expo
Miami Beach, September 9 - 11





dents in the six states that don't participate found ways to get their hands on tickets. Some of the biggest Powerball sales come from stores bordering states that don't sell the tickets. Prior to this Jackpot, the highest Lottery Jackpot won in the U.S. was a Mega Millions Jackpot of \$656.0 million. It was won on March 30, 2012, and shared by three winning ticket holders (from Kansas, Illinois and Maryland). The previous high form Powerball was \$590.5 million, won by one lucky Floridian on May 18, 2013.

How much do we spend on lottery tickets? Americans spend more on lottery tickets (\$70 billion) than sports tickets (\$17.15B), books (\$14.6B), video games (\$13.1B), movie box office (\$10.7B), and music (\$6.8B) combined.

Everybody Wins At Powerball: How Playing the Lottery Benefits Schools, Seniors, Taxpayers & More

Millions of Americans buy Powerball tickets every week and tens of millions bought Powerball tickets during the second week of January when the Jackpot exploded to \$1.58 billion. Likewise, the UK National Lotto Jackpot set during the first week of January. In Spain, it's every year the week before Christmas when the largest prize pool in the world gets funded by tens of millions play Spain the week before Christmas.

The life-changing impact of winning the Lottery Jackpot is amazing and wonderful. But the real story is the impact that funds generated by Lottery helps everyone else in society. The World Lottery Association Compendium of Global Data estimates that Lotteries generate over \$55 Billion USD for Good Causes like Education, Amateur Sports, Senior Citizens, and many others. The Good Causes supported by Lottery benefit everyone!

The Tipping Point: Where Jackpot Fever Takes Hold

Every time someone wins the Powerball

Jackpot, the jackpot resets to \$40 million. The Jackpot of \$144 million was won on November 4, 2015, and so it was re-set to \$40 million on November 5. The Jackpot size increases as people buy Powerball tickets without the Jackpot being hit. Over the next 50 days with nobody winning the big Jackpot, the Jackpot rose \$215 million to reach the Jackpot size of \$255 million on December 26. That's when sales began to really take off. Everyone came out to buy Powerball tickets in hopes of winning the huge Jackpot. So, over the next 18 days, the Jackpot rose by over \$1.3 billion, to a high of \$1.58 on January 13.

The vast majority of sales kick in after reaching that "tipping point." Now, the goal is to make sure that tipping point does not go up! However, the phenomenon of "jackpot fatigue" has also been referred to as "press fatigue." The key to bringing out the players is jackpot awareness, just making sure everyone knows about it. If the headlines screamed "Powerball hits \$250 million," it is likely that the consumers would get excited at the prospect of winning that huge amount of money. If the press does not report on it until it reaches a

higher number, then the casual players will not know about and so will be less likely to play. Unfortunately, there is no easy solution to the challenge of getting the press to think of \$250 as being news-worthy and reporting on it with the same enthusiasm as they do when the Jackpot sets a new record.

Why doesn't the press just report the TRUTH. The headline should read "Would \$40 million change your life? The odds of winning the Jackpot may not be great, but they are infinitely worse if you don't buy a ticket!"

Everyone wonders if there are any tricks to improving your odds. For one lucky woman, the secret turned out to be to make sure you cut in line when trying to buy a lottery ticket. In 2013, Mindy Crandell of Zephyrhills, Florida, was in line to buy a Powerball ticket when an older woman stepped ahead of her. Crandell, who was busy tending one of her two daughters, told the woman to "go ahead." Friends joked that Crandell's generosity would cost her the \$590.5 million jackpot, the largest ever at the time. And it did! The line-cutter, 84-year-old Gloria McKenzie, is currently the biggest lone Powerball winner in history. ■



Rebecca Hargrove, second from right, president and CEO of the Tennessee Lottery, presents a ceremonial check to John Robinson, right; his wife, Lisa, second from left; and their daughter, Tiffany.



The hot topic in the EU of the end of 2015 and the start of this new year is without any doubt the shake-up of the EU rules applicable to the processing of personal data. This article intends to shed light on new provisions that, once finally adopted, will impact lotteries and gambling operators. Processing of customer data, extensively done by online gambling operators to attract new customers and push their customers to play more, will no longer be possible in the same way.

That comes in addition to the recent judgment of the Court of Justice of the EU, in the C-362/14, Maximilian Schrems v Data Protection Commissioner (about the use of data by Facebook), in which the Court annulled the European Commission's Decision¹ that laid down the safe harbor principles allowing the transfer of personal data from the EU to the USA under Article 25(1) of the current

panies based on both sides of the Atlantic are no longer allowed to directly transfer the personal data obtained in the EU to their US establishment. Such an automatic transfer could be found in breach of EU law (and hence be suspended by national Data Protection Commissioners) considering that, absent of Decision 2000/520, nothing demonstrates that the Commission finds that the USA ensures an adequate level of protection of the EU residents in the processing of their personal data³.

Personal Data Protection rules are currently provided for in the DPD. It must be emphasized that actual rules are laid down by a Directive. A Directive is an EU legislative instrument that requires, in principle, an implementation in the national legal framework of the EU Member States in order to produce legal effect. Moreover, such text is binding on the Member States as to the objectives to be achieved, but Member States maintain discretion as to the means to be carried out to meet the purpose of the Directive. This leads to diverging national regulations, even though they are all aimed at the same purpose. The overhaul of the EU data protection laws leads to the adoption of two new legislative texts that aim to substitute and complement the current regime. The first one takes the form of a Directive, i.e. the prospective Directive on the protection of individuals with regard to the processing of personal data by competent authorities for the purposes of prevention, investigation, detection or prosecution of criminal offences or the execution of criminal penalties, and the free movement of such data (this text is not addressed in this article), the second (and the text with the most significant importance for all companies in the EU) will be adopted in the form of a Regulation⁴. Unlike a Directive (and hence the actual DPD), a Regulation is a legislative text that does not need to be implemented into national law to have legal effect in a Member State. As such, a Regulation is entirely and directly binding on all EU Member States, hence producing legal effect in the Member

Overhaul of the EU Personal Data Protection Laws: Why this is an opportunity for well-prepared Lotteries and more a problem for online gambling operators.

BY PHILIPPE
VLAEMMINCK AND
LUCAS FALCO —
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Directive on personal data protection (“DPD”)². The ruling of the CJEU is of great importance, as it implies that all transfers of personal data from companies based in the EU to US companies may be challenged since the USA is not anymore presumed to ensure a level of protection equivalent to the protection guaranteed within the EU in accordance with Article 25(6) DPD. Moreover, com-

1 Decision 2000/520.

2 Directive 95/46/EC of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data

3 The EU and the US are however currently negotiating new safe harbor principles.

4 (The prospective) Regulation on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation).

States independently from any national law. That is to say that Member States and natural and legal persons have the obligation to comply with the letter of the Regulation as soon as it comes into force. That is already a significant modification for the Member States of the EU and the market.

The future General Data Protection Regulation (“GDPR”) sets multiple obligations upon lottery operators and provides enhanced rights to citizens. Lotteries should already prepare their compliance with the prospective GDPR. The GDPR must yet receive the final vote from the European Parliament and the Council of the EU, but a final compromise agreement has been reached between all EU legislative institutions on 15 December 2015. The text is moreover not likely to suffer from any amendments in the coming weeks.

We outline in the next paragraphs of this text the (new) rights that citizens are entitled to, the main obligations impacting lotteries and other gambling operators, and the steps required for lotteries to meet those new obligations.

First, we start with the new rights granted to consumers. One of the new rights, coming from the case law of the CJEU⁵, is the “right to be forgotten.” This is the data subject’s right to request the data erasure to either the controller and/or the third party to whom the data have been disclosed in case, for example, data are no longer necessary for the processing purpose for which they were collected; data have not been duly processed; there is a decision or judgment ordering the data erasure by a court or a regulatory authority in the EU; or the data subject withdraws its consent. A second addition is the right to “data portability.” This grants to the data subject the right to receive an electronic copy of the data undergoing the processing in a commonly used format and that allows further use of the data (by e.g. another controller or processor). Additionally, data subjects benefit from the following new rights: right to have an electronic and intelligible copy of the data transmitted and intelligible information on whether their data are processed, the period during which they will be stored, whether they are transferred to a third party, the details of the data protection supervisory authority to lodge possible complaints and the rights to request the erasure or modification of the data transferred; right to object to the processing of the data in particular situations, such as objection to the processing of personal data for marketing purposes; the right to lodge a complaint with the national supervisory authority; and the right to initiate pro-

ceedings against the controller and/or the processor of the data, either before the Courts of the Member State of establishment of the controller or the place of residence of the data subject.

We now turn to the obligations that must be met by companies acting as data controllers or processors. The most significant principles applicable to the processing of personal data lotteries are subject to under the future GDPR are outlined in the subsequent paragraphs of this article.

Lottery and gambling operators (that qualify as data “controllers” under the GDPR) are allowed to process data if at least one of the following situations applies (among other things): (i) controllers have received the data subject’s consent. The final text of the GDPR now requires this consent to be unambiguous (and explicit in case of sensitive data); (ii) the processing is necessary for performing a contract of which the data subject is a party (which is most likely to be the case especially with regard to online gambling activities); (iii) processing is required to follow legally-binding rules under national law to which the controller is subject (and typically applicable to lottery and gambling operators since they are usually subject to specific national legislation requirements in fields such as player accounts and customer due diligence). The burden of proof relating to this consent must in any case be borne by the controller/processor. Moreover, should lotteries or gambling operators receive the data subject’s consent in a written statement concerning other issues/aspects as well, then lotteries must be able to demonstrate that the consent given for the processing of data is clearly identifiable and distinguishable from the statements applicable to the other concerns. To illustrate this obligation, we can put forward that, taking account of the fact lottery operators active in the EU are in principle, and especially with regard to their online activities, subject to national legal obligations such as setting up player accounts or checking players’ identity and, in particular, given that the 4th Anti-Money Laundering Directive⁶ now obliges all gambling operators to conduct (under certain conditions) customer due diligence (entailing, especially, the collection of their customers’ personal data and the effective beneficial owner’s identity) lotteries, as well as other gambling operators, will have to restrict the processing to the extent necessary for the purpose for which the data has been gathered (e.g. should data be provided for AML purpose, such data may not be used for commercial purposes - unless otherwise approved by the data subject).

5 See C.J.E.U., Google Spain, C-131/12, 13 May 2014.

6 Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the

purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC

Lotteries and gambling operators are also subject to the obligation to process data lawfully, transparently and fairly and to keep and record data in a form that allows its limited storage (with an exception under specific conditions, longer-period storage allowed when data are processed for archiving purposes in the public interest e.g. for historical or statistical purposes), including the obligation to maintain data up-to-date. Operators must collect data for strictly limited purposes and perform a proportionate processing of the data i.e., not processing the data beyond what is necessary to attain the purpose it has been gathered for (“data minimization”). Furthermore, data controllers will have to carry out the measures necessary for the data subjects to perform their rights. This includes for instance the implementation of internal policies, measures and procedures to comply with the following: providing the data subjects with information on the processing of their data (see above), replying to their information requests, informing about the right to lodge a complaint, the right to erasure, to withdraw their consent, to make any modification to their data; and finally, notifying the national supervisory authority and the data subjects of any high risk breaches that may impact the confidentiality and security of the data provided. The obligation to keep due documentation to demonstrate that the processing and gathering of data is/has been performed in compliance with the GDPR is also part of the general obligations imposed upon lotteries.

Most of the lotteries and gambling operators are likely to fall under the obligation to designate a Data Protection Office (“DPO”) who must be involved in all issues relating to the protection of personal data. Secondly, lotteries will have to perform an impact assessment. The aim here is to assess risks that could arise from personal data processing and that could impact the data subject’s rights and freedoms (e.g. discrimination, fraud, financial loss, theft ...). This obligation also entails possible periodic reviews to demonstrate that the processing is still being performed in due compliance with the data protection impact assessment. Moreover, lotteries will face the obligation to obtain the prior authorization or conduct a prior consultation of either the DPO or, in the absence of a DPO’s appointment, the supervisory authority before the processing of the data to ensure the data processing is compliant with the GDPR and to limit the risks involved when, for example, the impact assessment shows the processing is likely to give rise to risks due to the nature, scope and purposes of the processing operations or when the DPO or the supervisory authority deems it necessary to carry out a prior consultation. Lotteries and gambling operators must also implement all required

measures to guarantee that the processing of the data is secured and as well, to implement policies and measures (technical and organizational) to demonstrate that data is processed in compliance with the GDPR’s provisions. This obligation entails setting up data protection measures by default, i.e. measures automatically processing the required data and that do not go further than what is necessary, and data protection measures by design, i.e. measures created having regard to specific processing features (including the scope, nature and purposes), with the aim of protecting data subjects’ rights and ensuring a high level of security given the likelihood that such processing creates risks and damages to data subjects’ rights and freedoms.

For online gambling operators the application of the new anti-money laundering rules and the GDPR will most likely be much harder and have a more important impact on their business. In the UK, some betting operators did already express concern about the burden it will create for them. They have used the data of customers in various, often more aggressive ways, like online direct advertising and monitoring of the player behavior. The new rules will no longer allow them to do so in the same manner, which will as such be a benefit for the average consumers.

Last but not least, the amount of the fines for non-compliance with the GDPR can now reach up to 4% of the controller/lottery’s global annual turnover.

To sum up what has been outlined above, as from the final adoption of the GDPR (that is likely to occur in the coming weeks), all EU Member States and data controllers (hence including lotteries) will have two years to carry out all procedures, policies, impact assessments, appointments, to abide by the rules laid down by the new GDPR. In view of the sanctions lotteries may face in case they are found in breach of the GDPR and the workload required to ensure a strict compliance with this new legislative instrument, any loss of time appears to be very detrimental to lotteries’ business, image and solvency. While it will also be an issue for lotteries, a reason why the European Lotteries Association is already paying attention to it and talking to the authorities in a constructive manner, the spectre of a 4% of global annual turnover fine is hanging over the private gambling and betting operators, especially the online operators, who have extensively used their customer data to enhance their business. ■

Belgian National Lottery Accepts Fine for Minor Infractions

PGRI Introduction:

This constitutes an important legal/political victory for the people of Belgium. And perhaps, by extension, for the entire community of government-lotteries in the European Union. The community of remote private sports-betting operators had sued the Belgian National Lottery for “anti-competitive practices.” The suit was dismissed except for two minor infractions.

After a 2-year investigation, the Belgian Competition Authority dismisses the vast majority of claims and charges lodged by the community of remote online sports-betting operators.

On 23 September 2015, the Investigation Service of the Belgian Competition Authority has issued its decision to dismiss, to a large extent, the case against the Belgian National Lottery lodged by a number of private sports betting operators. As part of a transaction decision taken on the same date, however, the Investigation Service did impose a fine on the Belgian National Lottery for two small infractions pertaining to competition law, which were strictly limited in time. No anti-competitive effect whatsoever was proven. The National Lottery complies with a large number of standards that are stricter than those applying to private operators, making it difficult for it to draw any competitive advantage whatsoever from its monopoly lottery status.

Since 15 January 2013, the National Lottery has offered sports betting under the brand name of Scoore!—firstly through newsagents and then as of 29 July 2013 on the internet as well. This formed part of the National Lottery’s reaction to the liberalisation of the gaming market.

Specifically, part of the mandate of the National Lottery is to channel gaming behaviour in Belgium in a targeted manner, and to bring the fun of gaming to a broad public with recreational games.

Liberalisation has resulted in no fewer than 34 sports betting operators being able to offer betting legally, both in retail outlets and on the internet. Often, these are operators that had formerly been active for many years in a context that was anything but transparent, or that was even illegal.

In May 2013, the National Lottery’s betting offer led to two complaints by a number of private betting operators which considered that the National Lottery was contravening competition law. The plaintiffs, some of which are part of multinational firms, considered that the National Lottery benefited from an advantage deriv-

ing from its lottery monopoly in Belgium and that it was abusing this advantage to their detriment.

After a thorough investigation that took over two years, the Investigation Service decided to dismiss the vast majority of the allegations put forward by these private betting operators. However, the Investigation Service did impose a fine on the National Lottery for two limited infractions of competition law.

On the one hand, it was held against the National Lottery that on 16 January 2013 it informed, by means of a one-off, short and non-personalised email, some of the persons whose contact details had been in its database about its new sports betting offer available at their newsagents. On the other, it was held against the National Lottery that at a certain point it had gathered through a number of newsagents a limited amount of commercially sensitive information about other private betting operators

Both infractions were limited in time, and no anti-competitive effect whatsoever was proven. Nevertheless, the National Lottery was fined €1,190,000. The amount was calculated on the basis of purely technical rules taking into account the generated turnover. This fine will have no impact on the financial results of the National Lottery since the necessary funds have already been set aside.

The transaction decision also has no effect whatsoever on the continuity of the sports betting offer.

“With Scoore! we continue to promote a sustainable alternative range of sports betting against a more aggressive offer from large foreign multinationals that are based in, for example, Malta or Gibraltar.

The Belgian National Lottery wishes to play by the rules and is not afraid of the challenge represented by what these competitors offer—even if one can justifiably wonder whether such a large range of games of chance actually benefits consumers at the end of the day.

After all, games of chance are special services that can’t be compared with washing machines, for example.” ■



SMART-TECH

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April 6, 7 and 8, 2016

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THE ULTIMATE BRICKS & CLICKS EVENT: Come a day early to the Park Lane NYC to attend both the WLA i-Lottery Seminar on Weds April 6 and the PGRI Smart-Tech Conference on April 7 and 8. Same Hotel, same ballroom, Two Industry-Shaping events. Both events to be held in the Main Park Ballroom at the Park Lane Hotel in New York City

WLA I-LOTTERY FOR U.S. MARKET SEMINAR WEDNESDAY, APRIL 6: Engaging Retailer Support, Developing and Marketing games for the online consumer, Managing Public & Stakeholder Relations, Integrating with the Retail channel—Applying World-Class Experience to the opening of the U.S. i-Lottery Market-Place.

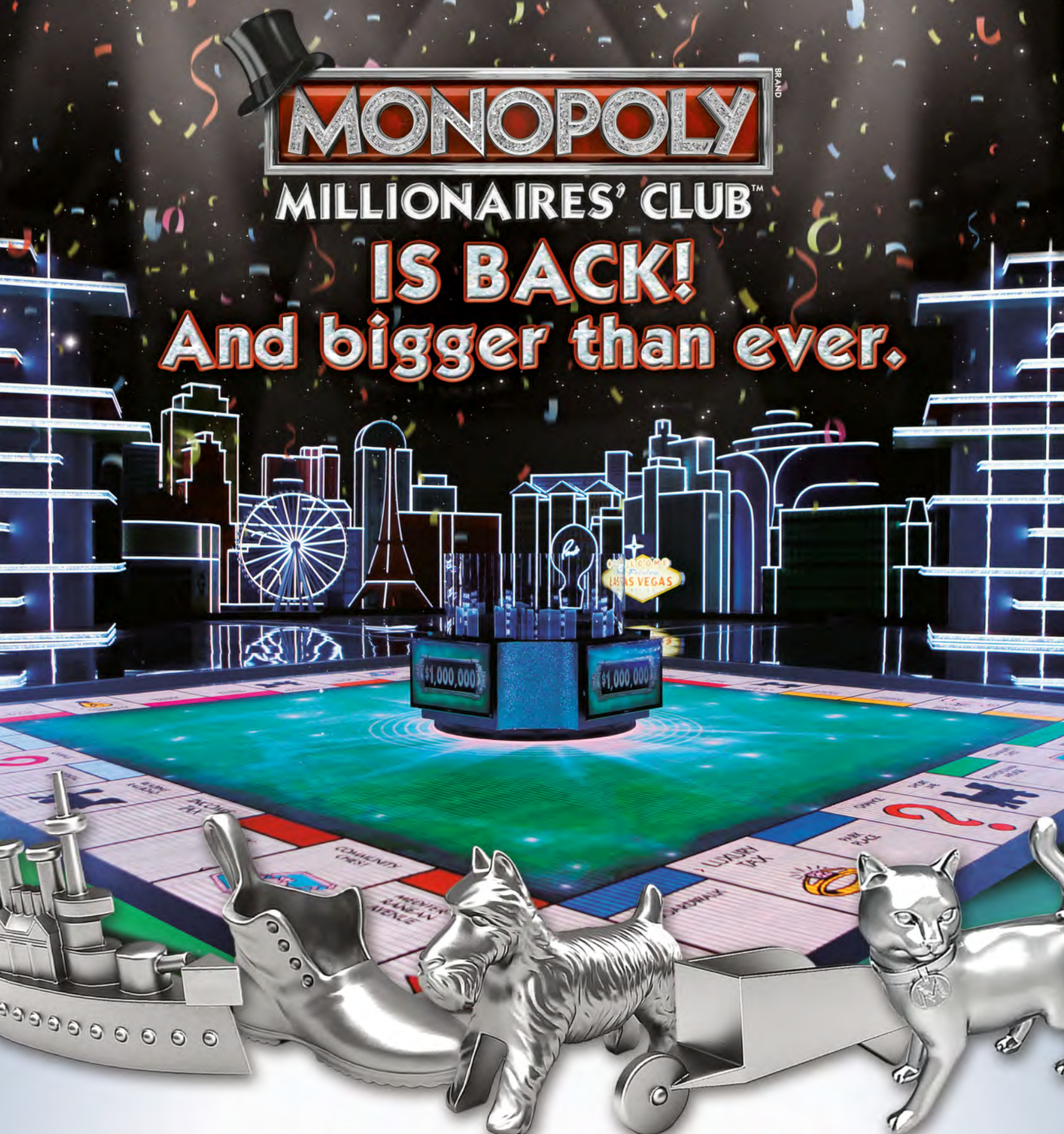
SMART-TECH THE FUTURE OF RETAILING CONFERENCE THURSDAY & FRIDAY, APRIL 7 AND 8: What will the Era of Retail Transformation mean to Lottery? How can Lottery leverage and apply the most advanced concepts that are positioning land-based Retail for long-term success? Think “Retail Optimization” on steroids!

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