

JULY/AUGUST 2016

- Retail Optimization: Marketing, Merchandising, and the Consumer Experience
- APIs: The Open, Fluid, Dynamic IT Infrastructure that Smooths the Path for Rapid Deployment of Innovation
- Creating Options for the Modern
 Consumer: Lottery & Cashless Payments





Gardner Gurney FEATURED INTERVIEW

Arch Gleason REMEMBERING AN INDUSTRY GIANT



Tracey Cohen



Carole Hedinger



Vernon Kirk

Lifetime Achievement Award Recipients

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Driving Innovation and Growth in a Super-Large and Maturing Market

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Unlocking the Power of Integration: Connecting New Media, Modern Lifestyles, and the Lottery

Think futurist Alvin Toffler meets pragmatist Jack Welch to build the marketing model that connects Lottery with the modern consumer and the marketplace of the future.

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From the Publisher

It is with profound sadness that we report the passing of **Arch Gleason**, President and Chief Executive Officer of the Kentucky Lottery Corporation (and former president of the WLA, NASPL, and MUSL along with many other accomplishments) on July 1. Arch's role in this industry and remembrances of his friends will be commemorated at Lottery Expo Miami on September 13, as well as recounted in all-to-brief fashion on page 12. Our prayers and condolences go out especially to Arch's family for their loss.

Congratulations to the recipients of the 2016 Lottery Industry Lifetime Achievement Award! **Tracey Cohen** (D.C. Lottery), **Carole Hedinger** (New Jersey Lottery), and **Vernon Kirk** (Delaware Lottery) have served our industry for decades with dedication and distinction and we are so pleased and honored to recognize their tremendous contributions. See their biographies on page 14.

Gardner Gurney has been at the helm of the New York Lottery for many years, in top officer positions for the last 27 years, as Acting Director since 2012, and as Director since 2015. Guiding one of the largest lotteries in the world (fourth largest I believe) presents a unique set of challenges. One of the topics we focus on is the risk assessment models applied for driving rapid innovation in an enterprise of this magnitude. It inspires a vision for how our industry

Consumer behavior has been evolving rapidly over the past few years, and retailing is finally resolved to catching up with its customers.

does have the ability to be the leader in the games-of-chance industry, to modernize in the face of changing consumer behavior that is driving quantum changes in the market-place, and to drive growth in a hotly contested competitive environment.

The panel discussions held at PGRI Smart-Tech NYC were more poignant and substantive than ever. We have included edited versions of four of those discussions in this issue. Three of these focus on the business of retail marketing and merchandising. Retailing has not changed as much as most industries over the past two (or more!) decades. The status quo won't continue, though, as CPG brands and retailers are innovating in rapid fashion. Consumer behavior has been evolving rapidly over the past few years especially, and retailing is finally resolved to catching up with its customers. This is very exciting for an industry like Lottery which depends so much on the retail channel. Let's be the leaders in Retail Merchandising and Marketing modernization!

Another panel discussion included in this issue focuses on the importance of API's—Application Program Interface. The technology that enables seamless communication compatibility between multiple IT systems is key to so many lottery industry objectives. For one thing, multi-state retailers require standardization of reporting and auditing across all jurisdictions, and this requires an API. But that is just the tip of the iceberg. Cost-effective and timely deployment of new technologies and games and innovation of any kind depends on the enabling technology of API's.

Initiatives like cashless transactions, for instance, depend on enabling technologies like API's. Andrew Crowe of IGT gives a detailed analysis of the benefits (and costs) of enabling consumers to play the lottery with cashless media like credit cards.

Scientific Games, IGT, Novomatic Lottery Solutions, and Camelot Global have all contributed to this dialogue on how Lottery can take the leadership position in the modernization of retailing. These editorial contributions focus on the issues in ways that help all of us to understand how the market-place is changing, and how Lottery can adapt to, and lead, the fast pace of modernization in retailing. The future is ours to claim!

Motley Fool editorial contributor Jeff Hwang is a game inventor and analyst who penned a most interesting article that drills deep on the topic of why people gamble, and assesses the challenges for the gambling industry to maintain growth into the future. He does not talk about Lottery, but does talk about all forms of casino gambling, online gambling, Daily Fantasy Sports, skill-based, etc., and the play-styles and recreational preferences of Millennials (anyone born between 1980 and 2000, a population of 87 million in the U.S., a group which outnumbers Baby Boomers and will account for onethird of all retail spending within the next five years). It is not a wholly optimistic picture, and I cannot attest to its accuracy or the prescience of its conclusions. Still, it is a most interesting analysis that makes it a must-read for those of us trying to understand, and figure out what do about, the direction of consumer markets in the broader games-of-chance industry. Google: Motley Fool Jeff Hwang The Millennial Problem.

Please join us at Lottery Expo, to be held at the Eden Roc Miami Beach Hotel on September 12, 13, and 14. Three receptions and two luncheons make it easy to visit with your colleagues from around the world. We hope to see you there! Visit PublicGaming. org for conference info, updates, and registration and room reservations links.

Paul Jason, Publisher Public Gaming International Magazine

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Arch Gleason: Remembering an Industry Giant

Arthur L. "Arch" Gleason Jr., a husband, father, grandfather, friend and globally-recognized business professional—with a heart as big as the sky—passed away on July 1, 2016. He was 69 years old. In addition to being an industry giant for more than 25 years, in addition to tirelessly serving the industry associations in almost all of the offices up to and including president, Arch Gleason was the most genuinely kind and thoughtful person you could know. This spirit of generosity and compassionate wisdom engendered such strong feelings of affection among his countless friends.

Arch had just recently announced his retirement from the Kentucky Lottery. At that time, he said, "The Kentucky Lottery has generated billions of dollars for Kentucky education, with a record \$236.1 million contribution in 2015. Over the years we've built one of the most successful lotteries in the country, a powerful economic engine for our state which will run for years to come. I'm so proud of our efforts."

For nearly 23 years, Arch served as president and CEO of the Kentucky Lottery Corporation. He oversaw the growth of the lottery to an operation with nearly \$1 billion annually in sales. Arch handed numerous four-foot-long checks to Powerball winners, never missed recognizing an employee's birthday, and most importantly oversaw the Kentucky Lottery's transition to be the funding source of college scholarship and grant programs. *"Arch leaves behind an amazing legacy,"* said Kentucky Lottery Board Chair June Hudson. *"He took such great pride in the Kentucky kids that went to college using more than \$2.5 billion in scholarships and grants generated during his tenure. He would often relate stories of young people he met and how gratifying it was to hear how education had helped shape their future. And he always refused to get an unlisted home telephone number, in case a player wanted to call him with a question or concern. That was Arch."*

Arch spent two decades as a CPA before entering government service. Prior to coming to Kentucky, he served two separate terms as director of the West Virginia Lottery, and as secretary of the West Virginia Department of Transportation, special assistant to the governor of West Virginia, and chairman of the Public Port Authority.

Arch rose to become recognized as one the most respected and accomplished lottery leaders in the U.S. and the world. He truly had a servant's heart, and it steered much of his work. He led Kentucky to be one of the first U.S. lotteries to establish a responsible gambling program. He also took this work to the global community, serving five years as president of the World Lottery Association, working to establish the first-ever responsible gambling standards for lottery use on a world-wide basis. Arch also served as president of the North American Association of State and Provincial Lotteries (NASPL) and as president of the Multi State Lottery Corporation (the oversight agency for the Powerball game). He was a member of the Public Gaming Research Institute's Lottery Hall of Fame, and recipient of their Lifetime Achievement Award. Arch was set to receive the Lottery Industry Statesman Award at PGRI Lottery Expo in Miami in September. There will be a ceremony at Lottery Expo to honor Arch and all that he has done for this industry.



His charitable efforts over the decades were endless, but he particularly enjoyed his work on the boards of directors for Bridgehaven Mental Health Services (where he served as board president), the Fund for the Arts and the American Heart Association. Arch was also a member of the Metro United Way's Tocqueville Society.

Arch is survived by the love of his life Annie Gleason, his bride of nearly 48 years. He was the proud father of four, Archie (Rachel), Colleen, Katie and Ryan (Kenzie), as well as seven grandchildren and many nieces and nephews.

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2016 RECIPIENTS Major Peter J. O'Connell Lottery Industry Lifetime Achievement Award



TRACEY COHEN Interim Executive Director, D.C. Lottery and Charitable Games Control Board

In April 2015, Tracey Cohen was appointed as the Interim Executive Director of the D.C. Lottery. Rated among the top ten lotteries in the nation, Tracey oversees a \$220 million enterprise. The post of Interim Executive Director, marked the latest achievement in a decorated lottery career that has spanned over 15 years. Prior to this appointment, she served as the agency's Chief Operating Officer beginning in 2011. In that first year, the agency saw record-breaking instant ticket sales, launched its first-ever million-dollar DC Scratcher, and welcomed Mega Millions-the nation's biggest jackpot game-to its product line, contributing another \$1.2 million in revenue. Other achievements include launching the Lucky Lottery Mobile and the opening of the Official DC Lottery Store at Union Station, the first of its kind in a major transportation and retail hub within the United



CAROLE HEDINGER Executive Director, New Jersey Lottery

Carole Hedinger began her lottery career as deputy director of the New Jersey Lottery in 1994. She became acting director in 2003, serving for a year before moving to the position of chief clerk at the Ocean County Surrogate Court in 2004. Ms. Hedinger served in that capacity for the next six years, where she was responsible for overseeing the court's guardianship and estate accounting efforts, creating and implementing a comprehensive array of tracking systems and audit procedures to ensure the integrity of the court's operations.

Ms. Hedinger was appointed by Governor Chris Christie to lead the New Jersey Lottery in June of 2010. She brought three decades of experience as a Certified Public Accountant to her new role as Executive Director at New Jersey Lottery. Charged with shaping the future of the Lottery, in FY 2016 the New Jersey Lottery topped \$3.2 billion (unaudited) in sales, and more than



VERNON A. KIRK Director, Delaware State Lottery

Vernon Kirk joined the start-up staff of the Delaware State Lottery in 1975 and subsequently served in a variety of marketing, financial and administrative positions. He was appointed Director of the Lottery in October 2011. Kirk has received the Delaware Award for Excellence in State Service from Delaware's current Governor, Jack Markell, and has been cited by both chambers of the Delaware General Assembly for his leadership during the development and successful implementations of the State's enterprises in sports betting and table games at Delaware's three racinos.

During Kirk's tenure to date as Director, the Lottery has continued its long standing tradition of innovation. Delaware's sports betting product was expanded from the racinos to include brick and mortar retailers, which were licensed and trained in time to begin selling for the 2012 pro-football

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Unlocking the Power of Integration

Connecting New Media, Modern Lifestyles, and the Lottery

> Conference Sessions September 13th & 14th Evening Receptions September 12th, 13th & 14th

First there were the four P's (Price, Product, Promotion, Place), then the more consumer-centric four C's (Consumer, Cost, Communication, Convenience). Or maybe you prefer Shimizu's four C's (Commodity, Cost, Communication, Channel)?

In the modern world of Mobile, social media, lifestyle diversity, and the explosion of consumer options —it's time for an update. We need a coherent vision, a model that grounds our thinking, for how the modern consumer marketplace actually functions, and how to build the relationship with the consumer that will blossom well into the future.

At Lottery Expo 2016 we'll start to connect these dots, with a large dose of practicality and focus on the specific needs of Lottery. Think futurist Alvin Toffler meets pragmatist Peter Drucker to build the marketing model that connects Lottery with the modern consumer and the marketplace of the future.

Lottery Expo provides a unique forum for industry leaders to address the challenges and opportunities that face our industry today. We hope to see you there!

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Gardner GURNEY Director of the Division of Lottery,

New York State Gaming Commission

Is it a "Growth Stock" or "Blue Chip Stock?" The New York Lottery is the biggest and among the oldest lotteries in the country. And it's delivered 5.8% growth in FY 2016!

PGRI Introduction: The New York Lottery fiscal year ends March 31 and so they have announced the results of Fiscal 2015/2016, and what a year this was! Overall revenue (including Lottery and VLT) increased 5.8% to hit a new record high of \$9.69 billion, yielding a record total of \$3.3 billion in net funds for distribution to public education. "On all metrics, the New York Lottery continues to be the most profitable lottery on the continent and underscores the success of New York's smart gaming policies," said NY Gaming Commission Executive Director Robert Williams. Traditional lottery games set a new record of \$7.7 billion in sales in FY 2015/16, a 6.2% increase over the previous year's \$7.25 billion. This encompasses draw games such as Mega Millions, Powerball, Cash4Life, Lotto, Numbers, Win 4, Take 5, Pick 10, Quick Draw, and Instant Games. Draw game sales grew to \$3.79 billion in FY 2015/16 from \$3.49 billion in 2014/15, an increase of 8.6%. Instant "scratchoffs" games grew to \$3.91 billion in FY 2015/16 from \$3.76 billion the prior year, an increase of 4%. VLT net win increased by 4.3% with a record \$1.98 billion in FY 2015/16. The NY Lottery's contribution represents 14% of the state's total aid to education in local school districts.

What makes these results so impressive is that the NY Lottery is one of the

sales for traditional lottery games, the third highest in the U.S.), and one of the most mature lotteries (started 49 years ago in 1967).

Over the past 27 years, Gardner Gurney has served in many capacities at the New York Lottery including its Director of Financial Administration, Administrative Officer, Director

Marketing and promotions are as much about logistics, operations, and the science of demographics, as they are about creative advertising and promotion.

most highly developed market-places in the U.S. Sales increased from a performance base-line that is already the largest in traditional lottery sales (\$7.7 billion which is 25% higher than the second highest), one of the most highly penetrated (at \$378 per capita of Operations, Executive Deputy Director, and Director. As the industry 'go-to' person for matters requiring the experience, wisdom, and decades of successful leadership in the country's biggest lottery, Mr. Gurney applies a no nonsense practicality

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NEW YORK LOTTERY ENTERS NEW DIMENSION WITH FIRST-OF-ITS-KIND 3D SCRATCH-OFF GAME

The Gold Castle instant game allows New York Lottery players to experience augmented reality in an entirely new & exciting way—via mobile app to play scratch-off games growth in FY 2016!

The New York Lottery has launched an innovative, first-of-its-kind 3-dimensional instant game that brings players into the next dimension. Gold Castle combines the excitement of dragons, castles and fantasy on a new instant game with revolutionary augmented reality (AR) via a new mobile app—all with the chance to win a \$250,000 top prize. The game underscores the New York Lottery's goal to provide innovative entertainment for its players with state-of-the-art technology.

"The New York Lottery is proud to offer the first-ever scratch-off that brings AR to life in game play," said Gardner Gurney, Director of the Division of Lottery for the New York State Gaming Commission. "Gold Castle changes the narrative in how instant games are played, bringing players into a new world with an exciting way to win up to \$250,000."

To bring the Gold Castle game to life, players simply need to download the free NY Lottery 3D mobile app and then scratch to reveal the special barcode on their \$5 ticket, available for purchase at more than 14,500 retailers across the state. Scanning the barcode will launch a 3D rendering of a medieval castle on the player's smartphone (complete with a looming dragon nearby). Players then tap the castle windows to reveal any cash prizes and earn points. With chances to win between \$5 and \$250,000, players can share news of their winnings on social networks directly through the app.

Players may also play Gold Castle as a traditional scratch-off on the bottom half of the ticket. The end result is the same regardless of whether or not the individual plays the game in 3D or in the traditional scratch-off way.

Players collect winnings by presenting the ticket to a New York Lottery retailer or customer service center. The new NY Lottery 3D app is available through Google Play for Android devices and the App Store for Apple devices.

For more information, please visit NYLottery3D.com or follow @newyorklottery and@goldcastle3D on Twitter and New York Lottery and Gold Castle 3D on Facebook. This innovative 3D technology is licensed to the NY Lottery exclusively through IGT Global Solutions and powered by Paymaxs. ■ to assessing the pros and cons to solutions involving API's, managing jackpots, developing Mobile apps, building the brand, and other topics that we address. Gardner Gurney received the Major Peter J O'Connell Lottery Industry Lifetime Achievement Award in 2015.

Paul Jason, PGRI: The New York Lottery has had some clever themes. A few years ago, it was "Yeah, that kind of rich," and "You need to be in it, to win it." This year, the theme is "Hey, you never know." Is there any one of these that struck you as particularly resonant with your audience?

Gardner Gurney: It is less about having a clever slogan than having every part of our messaging work together in a mutually reinforcing, organic way. We change the advertising theme based upon the overarching marketing and brand management strategies we are developing.

We have been working on new brand development strategies for the past year with McCann World Group, our new ad' agency. We are now implementing a more integrated brand building approach to augment the product specific promotions. We're clarifying who we are, who we want to be, and what we can offer to consumers that other CPG's (consumer package goods) cannot. Think about our "Hey, you never know" and compare that with "Yeah, that kind of rich." They are quite different. "Hey, you never know" is a softer-sell, more like an invitation to play. "Yeah, that kind of rich" is a more conventional appeal to the desire to win a jackpot, to get rich. Our new theme is more about helping the consumer to feel good about playing than tapping into the desire to be rich. The Lottery is a playful brand. This approach also aligns with our longer term goal of sustainability and responsible gaming.

"Hey, you never know" is also in tune with a more contemporary messaging concept of trying to connect with today's consumer, and especially a younger audience, which resists and may even disconnect from the harder sell approach. It's more about connecting with a positive

Guy Bartlett, Business Intelligence Analyst

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feeling and emotion than pitching a value proposition, like spend \$1 for a chance to win a life-changing jackpot.

You used "Hey, you never know" before, years ago with your in-state lotto game, right?

G. Gurney: It is important to refresh the messaging even if it still seems to be working well. The "Hey, you never know" worked very well for us, but we wanted a refresh. So we just put it on the shelf for a few years and decided now was a good time to bring it back, and it connects very well with our brand image.

We are deliberately steering ourselves away from some of the hard sell appeal to jackpot fever mentality. Even the "I make a way better rich person" we used for our Lotto is intended as a tongue in cheek view of how people believe they would be more realistic in their use of new found wealth than imagined eccentrics. At the time we used this last year, our state Lotto was hitting some high very jackpots, like \$40 million. This campaign was very ef-

fective because it points out that \$5 million or \$2 million or even \$1 million is a lot of money and a life-changing event for most of us. And when you think about how it's going to change your life, you're going to do "rich" much better than these other people. Younger adult fantasies are typically not all about being rich and self-indulgent. This campaign creates space for the millennials to imagine how they would help other people and

fulfill other aspirations.

We look back at what has worked over the past nearly 50 years and resurrect and recast some of the successful strategies and marketing themes that have worked well before. Even our branding includes some of the colors from the 70s, which we think are fun and whimsical. Right now, our branding is more of an invitation to just be yourself and imprint your own attitude and imagination onto the playing experience. We want consumers to see us as a playful brand, to find an interesting game that they can think of as their own little diversion or break in life.

It's less about creative and original than about optimizing ROI, applying resources to produce the best result.

G. Gurney: Absolutely. We also move promotions around to keep our expenses down. It costs money to run promotional campaigns every day for an entire week and refresh every week. But still, it is important to maintain visibility and keep it fresh for the consumer. So now we mix it up. A campaign might have a promotion run just one day a week, or for just a few hours a day. And we have brand messaging that attracts attention to specific promotions-like improving the chances to win higher prizes if you play during a preset two hour period, like during lunch time. Buy the ticket during these hours and increase your odds to win by 50%. Or play this particular game to receive a bonus play. Normally we run our Quick Draw promotions in the early evening or

We need to capture that new player info in the form of player registrations so that we can develop a relationship and communicate with them going forward.

late afternoon. Now we've inserted one at lunch time to create a slightly different offer. These promotions appear to be fresh and new but cost much less than what had become our standard promotion. Maybe they'll cause the consumer to change their routine, try doing something different, like buying a lottery ticket. Players that may have always played on Thursdays try playing on Tuesday to take advantage of the promotion. Also, we find that these promotions that may have been conceived for the purpose of reducing promotional costs are actually pulling in new consumer groups. Rather than going back to the same core players with enhanced value propositions, we try to maintain visibility and mind share of the core players, and focus on reaching new player groups at the same time. Promotions that are different but simple have the virtue of not alienating our core players. And ultimately, that's what it is about—broadening the player base in the most cost effective way.

The NY Lottery also just won two North American Effie awards for efficiency in Marketing. It was for a project to locate a winner who hadn't claimed a Cash4Life ticket worth \$7,000,000. Operational efficiency is fundamental to our business model. This was a very low-tech guerrilla marketing effort with stick figure posters that we affectionately called Mr. Sticky—partly because of the stick figures and partly because it stuck with the media and consumers.

New York has the biggest marketing budget in the country. Yet you focus as much on ROI as anyone.

> **G. Gurney:** Marketing and promotions are as much about logistics, operations, and the science of demographics, as they are about creative advertising and promotion. We do have a robust marketing plan, but that has to be fully leveraged in order to connect with a very diverse consumer base in New York—remember we have a population of nearly 20 million that is spread across 10

DMAs and generate nearly \$8 billion in sales. New York has the highest cost of advertising in the country. When you look at it that way, we are under as much pressure as anyone to eke out every ounce of ROI from our spending. Each jurisdiction has different sets of challenges, different sets of resources and circumstances to deal with. We know we can't advertise every single game, or reach every single consumer in a predictable way. So we focus perhaps more than most on building the brand, creating awareness, and promoting the spirit of fun. Our thought is that in-

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viting the player to choose the game that appeals to him or her is the best way to lift all the games.

How does portfolio management differ from keeping the games that sell best and dropping the games that sell poorly?

G. Gurney: Portfolio management is definitely a best business practice on the Instants side. We always have a pipeline of good games to come in behind games

that are running out of steam or stock in the market place. We work constantly with our vendors to consider price points, proven game features, play styles and new ideas. Each combination of factors results in varied products to fulfill different needs in the market place. A game may have lower sales but pulling in a new demographic. Another game may have higher

sales but is overlapping with other games and so not contributing as much to the overall results.

We have a limited amount of counter space so it's important that we are offering the right product mix. Other CPG brands actually pay for premium space. So it is vital that our product offering is optimized for the benefit of the retailer as well as our own sales objectives. And so we are constantly going in and out of games on the Instants side to make sure that every product is serving its purpose.

The draw games require a longer term strategy-they can't be switched as fluidly as the Instants. And all the games have to be managed as a category to optimize overall results. The draw game product mix and presentation has to complement the Instant side, and vice-versa. One key metric, of course, is the impact of product mix on net funds to good causes. Since we are tasked with hitting a number in the net funds column, and since margins vary, we need to track changes in product mix as well as sales. The shift to higher price points in the Instants, and the challenge of meeting consumer and media expectations in the big jackpot games, is putting pressure on margins which means we promote, market and freshen the higher margin draw based games to hold their strong position in the product mix.

So that is a good reason for launching the Cash4Life regional draw-game.

G. Gurney: We think of Cash4Life as a much needed addition to the portfolio of draw games. Powerball and Mega Millions will continue to be fabulous prod-

We saw very substantial increases in web-based purchases on the day of launch of the e-newsletter, and for the days following the launch.

ucts with huge demand. But we need to smooth out the sales volatility that occurs when those jackpots slump. The impact of a sales slump of the jackpot games on profitability is heightened by the fact of the high margins that those games drive.

In addition to Cash4Life, we are focusing on our daily numbers games. Those games have a dedicated player base, and consumer awareness of the games is very significant. The players all know that the drawings are twice a day, so they can jump into the game with their favorite numbers and quickly see if they won. A few years ago our daily three and daily four sales were flat to negative so we put some promotional emphasis on them and sales increased 2%. This past year, we ran game specific and general draw based game advertising in support of the product line, and the consumer response was exactly what we were hoping for. We went from 2% growth to 4% on Numbers, and 7% on our Win4 draw game.

The portfolio of draw-games can never be quite as diverse as it is in Instants. Do you feel good about the number of draw-games you have or are you constantly searching for

a new draw-game concept like Cash4Life?

G. Gurney: I don't see Cash4Life as being a 20-30 year game like Mega and Powerball. We are seeing some degradation in Cash4Life year-over-year, so we need to be thinking about how to evolve the category. We are researching this now to develop a new marketing campaign for the fall. Maybe it needs a change in the messaging or product positioning or how we are representing the game to the play-

> ers. We think there needs to be a change, maybe just change the day or time of the drawing, include an add-on feature or some other tweak to invigorate consumer interest. We're not afraid to swap out games here in New York just like we did when Cash4Life replaced another draw game. But ultimately the decision to make changes or not is based on consumer demand and how we can address

their perceived needs. We might always have a "For Life" draw based product but refresh it periodically.

I would have thought that it takes a longer time for draw-games to gain traction, take a longer time to recoup the cost of launching and building the player base for drawgames, and therefore uneconomic to switch them out.

G. Gurney: That's true. The economics of launching and switching out Instants are certainly much lower than draw games.

Most of our discussions about products involve the entire product line. Decisions about how to evolve the portfolio of products rarely focus on the performance of a single product, or even a single group of products. In fact, the discussions typically involve a diverse range of opinions because they almost always involve an element of strategic planning. That colors the economic assessment because the success of a single game is never as important as the overall business plan. We are always willing to change, but we are keenly aware

Continued on page 57



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RETAIL OPTIMIZATION: THE OUTSIDE-THE-STORE CONSUMER EXPERIENCE

How can Lottery optimize its entire eco-system of consumer touch-points (advertising, store POS, digital and social connections, etc.) toward the goal of creating a relationship with the consumer? How can Lottery do more to leverage its online connection to millions of consumers? How can Lottery do more to build loyalty and engagement by getting players to register, and to use its websites and social media connection to drive traffic to retail? How can Lottery leverage all of these activities into heightened retailer motivation and Lottery sales?

Moderator:

Gary Gonder, Chief Branding Officer, Missouri Lottery

Panelists:

David Barden, Executive Director, New Mexico Lottery

Kevin Gass, Vice President, Lottery Gaming, BCLC (British Columbia)

Bill Thorburn, Group Executive —Lotteries (International), Tatts Group Limited **Gary Gonder:** All the major brands realize that we live in a cashless society. Customers are always on the move and they want seamless interaction across platforms, devices, and channels. Brand managers are looking for ways to build models and make sense of all the factors that influence consumer behavior. One of those models is called Customer Journey Mapping. In Missouri, we've identified more than a hundred branding touch-points, and messaging that traverses across sixteen different media. We've learned that all customers move through a continuum from awareness to consideration, conversation, and loyalty. How important is Customer Journey Mapping, how might lotteries use it to build a relationship with our players, and how might it be used to influence players to go to the retail stores and buy lottery products?

Without online registration, the player remains anonymous to the operators.

—Bill Thorburn

Bill Thorburn: Without online registration, the player remains anonymous to the operators. In that context, you rely heavily on retailers to map the in-store journey of the customer, but you don't know much about what happens outside the store. In Australia, we've had registration programs for 30 years and internet-based registration programs for 15 years. We're in the fortunate position where more than 50% of our sales revenue is currently from registered players. That provides the platform for us to build interactive relationships with 3.4 million players.

The concept of customer journey reminds me of another concept from the 1980s called the "moment of truth." I think of "mapping" as a more modern execution of that. We just now think of that "moment" as being whenever the audience interacts with us. It's all about developing the kind of interactive relationship that yields feedback from your players and the channel for messaging and communication with your players. Some of those interactions represent a friction point where we learn about an unsatisfactory experience. That is useful information that guides our efforts towards continuous improvement. "Permission points" are another part of the player journey—this is where our interaction with the player results in their sharing of information to reinforce the kind of personal relationship that we want to create.

Kevin Gass: First, I would submit that the distinctions between outside-the-store, insidethe-store, and countless other consumer touch-points are becoming more and more blurred. Convergence is happening in these spaces just as it is between digital and brick-and-mortar.

We recently did a customer mapping exercise with our lottery players. Some had purchased on our digital channel and others had purchased at retail. The results were the opposite of what we expected. In the digital channel, we thought that once the registration process was completed, the purchase piece would be simple. And at retail we expected our customers to think that the purchase process is cumbersome because you have selection slips and all the rest of it. What our customers told us is they had much greater satisfaction with the retail purchase than the digital purchase. We got the same surprise on our customers' reaction to validation and payment. Customers felt it was a hassle to get paid at retail, to check your ticket to see if you won and then find a retail outlet to get paid. But on the digital channel, customers had a high level of satisfaction because they didn't have to do anything. They got a push notification saying they'd won a prize and the prize was already transferred into their e-wallet if it was below a certain threshold. So we were surprised about how real people behave in the real world-it's not always what you would expect.

David Barden: New Mexico is a smaller lottery. When I arrived in 2013, we had 13,000 players registered for a rewards program that didn't exist. We're up to 51,000 people now for a

We recently did a customer mapping exercise with our lottery players. Some had purchased on our digital channel and others had purchased at retail. The results were the opposite of what we expected.

—Kevin Gass

rewards program that applies to our \$1, \$2, and \$3 tickets. So we are collecting information for the first time. It's been estimated that the average person picks up their cellphone about 200 times a day. In my state, when they pick up their phone they're not getting anything from the lottery and that has to change. We're getting ready to come out with a mobile app that's going to be pretty aggressive. You're going to be able to do your purchase on your phone, walk in, scan it under our photon terminal, print the ticket, and pay at retail. It will store all your vital information. So each time you come in, if you have your lucky numbers you don't have to go through the whole process.

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Gary Gonder: Recent research conducted by App Boy found that levels of customer engagement have a direct correlation with the level of customer retention. Only 55% of individuals who use an app in the first week after download will be retained or will show further activity over the next three months. But 90% of the people who engage every week for the first month to mix these all together into a single app. We will have a lottery app designed for lottery players which will be a transactional app as well. The main thing is that it will be totally focused on the lottery world because we have found that while we can fairly easily migrate casino players into lottery, it's much more challenging to migrate lottery players into casino. There's some

will be retained. So it's key to have them active for those first 30 days.

Bill Thorburn: It can be just one key feature that drives success for the app. For instance, we launched a ticket scanning element to the app in February 2015. There's been a tremendous take-up of just that one feature. A great app has to have features that people actually value and want to use. In the first month that we put that We are going to break that apart and deliver a lotteries-only offer which is properly focused on lottery players and their interests rather than attempting to cover the interests of a sub-group who like betting on horses and sports. Lottery pleayers will have their own dedicated app.

—Bill Thorburn

feature onto the app, we had 7% of the lottery's app users using the feature. Within 30 days it had gone up to 24%, and it has become a very effective acquisition tool for our digital offer. A lot of our retail players who haven't registered for digital play wanted to use the app for that one purpose of scanning their ticket. Once they download the app, then we have the ability to talk to them about the other features on the app which include convenient purchasing of product. And because of our player registration system, once they scan a ticket that's registered then we can actually talk to them individually because we know who they are. That's a pretty good example of what value can be delivered through an app, or even a single feature of an app.

Kevin Gass: We are in an interesting spot because we are always working to move forward with the application of technology to deliver more player benefits. We thought, for instance, that it would be good to create a more horizontally integrated relationship to our player base. Create a one-stop app that makes all of our games available to the player. We were surprised to find that players do not necessarily want that. For instance, our playnow.com digital channel included a lot of casino-style games and sports-betting. We did some research and found that a lot of our lottery players got turned off by that. They felt the site was all about gambling and lottery is not really about gambling. So we hit the pause button while we think this one through. We redesigned our website to tone down the casino/ sports betting component. We also decided that we're not going migration, but not a lot. So we're starting to separate those worlds to match up the player with the game categories they are most interested in.

Bill Thorburn: Ditto! We have had the same experience in the southern hemisphere. Our tatts.com app has sports betting, horse wagering, and lotteries on the one app. We are going to break that apart and deliver a lotteries-only

offer which is properly focused on lottery players and their interests rather than attempting to cover the interests of a subgroup who like betting on horses and sports. Lottery pleayers will have their own dedicated app.

Gary Gonder: We've heard the terms Beacon Technology, Geo-mapping, and Geo-targeting, but have you heard of "Shop-Kick?" It's an app for the really cost-conscious consumer. You go into a Wal-Mart or a Target or any of the big box stores and you get points for just walking into the store. You get points for scanning something. You get more points for buying something. Those points can be turned into something that you buy at that retail location. Where should we go with this? How can lotteries take advantage of these kinds of proximity marketing tools, and how can we make sure it's not "spammy?"

Kevin Gass: I'm a bit of a skeptic. I hear lots of anecdotes, but I haven't actually seen business results or data that show the benefit and the kind of incremental sales that you might get from employing that kind of technology. The notion of spontaneously responding to a beep or push message just does not really comport with my view of the way consumers actually behave. Conversely, I think the point-of-sale signage in our retail networks are very effective in promoting impulse purchases.

Bill Thorburn: We are doing a significant level of direct marketing through our established CRM programs. So, like Kevin,

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RETAIL OPTIMIZATION: IN-STORE MARKETING AND MERCHANDISING

How can Lottery be "up-sold" and engage the shopper in the store? How can technology and Pointof-Sale (POS) tools be used to capture attention and make it easier for the consumer to understand the portfolio of different products and make their selection? How can Mobile Proximity Marketing be applied to Lottery?

Moderator:

Tom Delacenserie, Secretary, Florida Lottery

Panelists:

Wendy Montgomery, Vice President Marketing & Sales, Ontario Gaming & Lottery OLG

Adam Perlow, President & Chief Executive Officer, Hudson Alley Software

John Pittman, Vice President Marketing, INTRALOT USA

Tom Shaheen, Executive Vice President & Chief Policy Officer, Ling3

Jeff Sinacori, Vice President Retail Development, Scientific Games Corp. **Tom Delacenserie:** Even though a few lotteries have begun to sell online, it is land-based retail that sells our products. Over 99% of U.S. lottery sales happen at retail, and it will take a long time for that to change in any measurable way. That is why it is vital for us to gain as much understanding about the in-store consumer experience as we can. This 'moment of truth' when

We have to realize that we're competing not just for the customer's attention, but also for the retailer's attention.

-Wendy Montgomery

the consumer makes the final decision of buying or not buying is undergoing a renaissance, with merchants rediscovering the potential retail has for connecting with the consumer. Like most

business scenarios, this represents opportunity and challenge. Lottery can consolidate its strong existing position at retail by dedicating itself to truly optimizing the in-store player experience and its partner relationship with its retailers. The challenge is that if we don't do that we will lose ground against the community of CPG merchants who, along with the retailers, are changing the face of the retail shopping experience.

Maximizing in-store marketing and merchandising is about improving product awareness. Product awareness at retail is the critical component to retail sales growth. Awareness can be gained through expanding and improving existing space and product facings, additional product signage, third party partnerships, or all of the above and then some. How can lottery leverage its strengths, profitability per-square-foot, total sales, and growth to gain more space, better location, and a stronger focus at store level? Jeff ...

Jeff Sinacori: The key is to develop products that the consumer loves, and building the mutually beneficial relationship with the C-store owners to position lottery for success in the retail environment. Traditionally, Lottery has focused on its own agenda for how to merchandise its products. That's not illogical and worked well in the past. But the future is being driven by the consumer, and our customer which is the retailer. Our industry is finding great success when we switch over to a retailer focus, speak the language of retailers, appreciate and respect their goals and their perspectives on how to optimize lottery sales and the consumer shopping experience.

Wendy Montgomery: We have to realize that we're competing not just for the customer's attention, but also for the retailer's attention. We need to understand our retailers' needs, their concerns, and their objectives. We have to show retailers their ROI on Lottery. In Ontario, we

make sure we talk about the dollars and not the percentage because the retailers like to remind us about the low margin. We point out that you can't take the percentage

additional basket of goods.

Adam Perlow: I think there's going to be a competition for

space when it comes to digital displays. There is an argument

to be made for having large displays at retail with digital menu

boards and tying that into the ordering and planogram process.

Technology is expensive, but it's less expensive than the alterna-

tive of not maximizing product awareness. Tom is having great

success in Florida with this strategy as are other lotteries around the country. Digital technologies in general will be key to en-

There is always a cost to modernizing, and we need to be willing to invest.

-Tom Delacenserie

hancing the consumer in-store experience as well as maximizing product awareness.

Tom Delacenserie: There was a time when the only way

that you could advertise the jackpot was by using a small eraser to the bank-it's the dollars you take to the bank. For example, board that looked like a billboard and it would be on the counter. we want to get the retailers' support to advertise at the pump. By Except that the retailer had to wipe off the old jackpot to update appreciating that the retailers' goal is to cause the consumer to it with the new. So it always understated the actual jackpot. It come into the store, the sell is that we are helping to drive store cost money to upgrade that process but clearly it was a good traffic that will end up buying not just lottery products but an investment. There is always a cost to modernizing, and we need to be willing to invest.

> John Pittman: Recalling the original question about how do we get more space and more favorable location at the retailers. We need to educate. The thought process for Lottery, Vendor, and Retailer needs to be informed about the facts of what leads to success. Do our retailers understand the per-square-foot profitability of Lottery? Or the cost advantages of a product that they

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Following is an edited synopsis of the panel discussion held at PGRI SMART-Tech on April 8 in New York. You can view a video of the complete presentation at www.PGRItalks.com. Edited by Paul Jason, PGRI.

Standardized National Account System Interface & API (Application Programming

Interface): How might the industry define a universal language to enable faster retail innovation: i.e. a set of routines, protocols, and tools for building software applications and an interface that provides a single platform for seamless inter-operability, dramatically reducing the costs and time-lines required by Lotteries and their commercial partners to implement new games, technologies, and standardized business practices? How does this kind of initiative benefit Retailers, Lottery, and the Players alike? How do we define the appropriate business model, and who might host it? What are the obstacles to implementation, how might they be overcome, and how quickly can this be executed?

Moderator:

Gary Grief, Executive Director, Texas Lottery, Chair of the Powerball Group

Panelists:

Gardner Gurney, Director, Division of the Lottery New York State Gaming Commission

Carole Hedinger, Executive Director, New Jersey Lottery

Terry Presta, Executive Director, Kansas Lottery

Paul Riley, Vice President Product Marketing and Interactive Wagering, IGT

CREATING THE TRULY OPEN, FLUID, DYNAMIC IT INFRASTRUCTURE THAT SMOOTHS THE PATH FOR RAPID DEPLOYMENT OF INNOVATION

Gary Grief: We spend so much effort trying to develop new products, new games, promotions, and new methods to sell our existing products. And yet, the two main levers we have to drive growth are same store sales and retailer expansion. That's why we try to serve and support and optimize the relationship with our retailers, and optimize the retail shopping experience for the consumer. Thankfully, there is still lots of room to continue to grow sales by improving in those areas. And retail expansion certainly continues to be a great way for us to grow our sales. The investment for cost-effective expansion of the brick and mortar retail network is daunting. Retail attrition, between 3% and 10%, is a problem too. It can be a challenge to find retailers who are willing to sell our proprietary, labor-intensive, complex product in their environment. Our product is age-restricted, requires a separate terminal, and a separate communications network. It has secure inventory with significant liability for our retailers. And the 5% to 6% commission they are paid constitutes a profit margin that is much lower than other CPG's.

We can no longer dictate to retailers all the terms, conditions and methods of how to sell our products. Retailers are raising their expectations for us to integrate with more sophisticated technologies, IT platforms, and standardized processes. Retailers like Wal-Mart and Target and CVS are leveraging IT to increase efficiencies and reduce costs across the entire spectrum of operations. Data from all different channels (transactions, sales reports, customer loyalty programs, etc.) are being captured and leveraged to guide ongoing changes, improvements to operations, and modernization of POS's and marketing and promotional standards. These changes are producing

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Following is an edited synopsis of the panel discussion held at PGRI SMART-Tech on April 7 in New York. You can view a video of the complete presentation at www.PGRItalks.com. Edited by Paul Jason, PGRI.

RETAIL OPTIMIZATION: THE IN-STORE PLAYER EXPERIENCE

How can in-store technology be used to turn the store visit into an engaging consumer experience, and turn the buyer of a Lottery ticket into a player of Lottery games? How can new technology-based innovations like electronic playstations, in-lane sales, self-serve kiosks, in-store NFC-enabled internet and WiFi, and other forms of digitization engage the consumer and drive increased Lottery sales?

Moderator:

Rebecca Hargrove, President & Chief Executive Officer, Tennessee Education Lottery Corporation and Senior Vice President of the World Lottery Association (WLA)

Panelists:

Max Goldstein, Vice President Sales, Carmanah Signs

Terry Rich, Chief Executive Officer, Iowa Lottery

Rick Weil, Chief Executive Officer, INNOVA Group/ Diamond Game

Bishop Woosley, Executive Director, Arkansas Lottery **Rebecca Hargrove:** Our panel discussion focuses on the retail channel, where the internet is having a dramatic impact. What is your vision for how internet technology will apply to the retail shopping experience to change how we do business with our retail partners and how players interact with Lottery?

Expanding the number of POS's, making lottery products available in more channels and venues, is a strategy that delivers short-term, long-term, and predictable results.

-Rick Weil

Rick Weil: There are many things we can do with technology to enhance the player experience, but we need to be realistic from a regulatory point of view. Expanding the number of POS's, making lottery products available in more channels and venues, is a strategy that delivers shortterm, long-term, and predictable results. Bars, taverns, and other age-restricted venues are underpenetrated channels for Lottery. The potential for Lottery to increase sales by focusing on these non-traditional channels, and otherwise expanding its POS footprint, is significant.

Terry Rich: Here are several observations, some of which lotteries are already using, some of which are interesting possibilities. Purchasing tickets with a barcode app is a convenience for customers that we've been utilizing for three or four years. Convenience is such a huge factor in lottery purchases, it's an ongoing priority for all of us in our planning.

Instant loyalty points, ticket self-checkers and cross-use of loyalty points is a new concept that is being tried. Paperless tickets using NFC's (Near Field Communication) have been mentioned. Grocery IQ is an app that suggests purchases and gives you retail deals. An augmented reality point-of-sale system could enable the shopper to see the tickets pop up in ways that are entertaining and attention-getting. As you point to the ticket, it identifies new products and recommends tickets to order, games to play. Facial recognition could become the password that would allow the record of past purchases to be displayed on the monitor and your picture to be printed on the ticket for easy I.D., instead of requiring customers to sign their tickets. An important project that we've been fine-tuning is the technology to continuously update customers' record of purchases. A purchase is made, that information is transmitted to our server, posted to the record, the record of past purchases is automatically updated, and the Lottery can provide real-time inventory management data to its retailers. It also produces a retail purchase report of what else they're buying, and an immediate industry trends report to show what's hot for the week.

Max Goldstein: Successful programs in Europe and Canada have shown that sales for lottery in-lane sales are strong and growing, and that they are significantly increased when the jackpot is displayed to the shopper. Digital play-stations add tremendous value. In fact, digital play-stations can reshape the whole lottery playing experience by presenting Lottery in a way that appeals to the

Continued on page 38





Scientific Games' Robbie Asendorf is committed to developing new products that make lottery products easier for retailers to sell and players to purchase. He works to create products that give players more access to games when and where it's most convenient. Robbie says, "Lottery retailers love our PlayCentral[™] HD, WAVE[™] and LotteryInMotion[™] technologies."

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Retail Innovation

Elevating the Lottery Experience

Apple co-founder Steve Jobs once said, "You've got to start with the customer experience and work backwards to the technology." In the lottery industry, the best retail innovations address specific issues to improve the player – and retailer – experience. Scientific Games starts by studying that experience and then develops new solutions to fit its customers' needs.

The company's roots are grounded in innovation that has helped keep lottery relevant with retailers and consumers for decades. However, Scientific Games' innovation teams don't create technology for innovation's sake. Every new product elevates the experience for lotteries, retailers, and most importantly, consumers. The company develops products that enhance player engagement and make lottery easier for retailers to sell.

"Consumers' buying habits and retail experiences are changing constantly," said Pat McHugh, Senior Vice President, Global Lottery Systems. "There's increasing competition for player spend and entertainment. This competition will only



intensify over time. We are staying ahead of this for our lottery customers by bringing products to market that will help them keep pace to generate proceeds for their beneficiaries' vital programs."

Pat McHugh, Senior Vice President, Global Lottery Systems, Scientific Games

Removing retail roadblocks makes selling and buying lottery products more convenient all around. To empower lotteries and retailers, Scientific Games introduced a variety of new technology in the last several years. The innovations include cashless payment solutions, lottery gift cards, game purchase at gas pumps, ATMs and supermarket checkout lanes, mobile apps with advanced features, and bringing world-class casino gaming systems technology to lottery. By addressing the needs of lottery retailers and large retail chains, the company also continues to explore ways to take the industry to the next level.

"We view our systems business differently than other suppliers. We are more than simply a technology operator. Our role is to integrate best-in-breed products and services into our ecosystem that enable our customers to grow their business, whether that's new technology, products or other services. Our systems architecture supports our business philosophy. It's why we have been first to market with so many innovations," McHugh said.

Cashless Convenience

Scientific Games deployed the U.S. lottery industry's first cashless payment solution directly integrated with a lottery's gaming system earlier this year, and it was certified by the international Payment Card Industry for secure processing of credit and debit cards as well as the Multi-State Lottery Association. In the program for the Pennsylvania Lottery, players can use credit and debit cards to buy instant and draw games. In addition to security, the solution gives retailers more flexibility and efficiency without transaction processing fees.



More consumers use cashless payment methods than ever before. Scientific Games implemented the first credit and debit card payment solution in the U.S. directly integrated with a lottery's gaming system.

With consumers increasingly opting for cashless payment, lotteries must adapt to stay relevant. Forty percent of purchases at convenience stores were cashless in 2015, says the National Association of Convenience Stores. By 2017, cash payments will drop to 22.5 percent, according to *Huffington Post Money*.

"The Pennsylvania Lottery has always been an industry leader in adapting to meet their beneficiaries' increasing funding needs. That required modernizing their business through innovation. The timing was right for the Lottery to adopt new convenient commerce solutions for their players and retailers," McHugh said.

While cashless payment gives players more options at retail, Scientific Games' new lottery gift cards have also increased players' options of where they can buy lottery products. The company has widened distribution into stores where lottery had not been sold previously.

Diversifying Distribution

Reaching more players means fitting lottery into their lives seamlessly. Consumers have more entertainment channels than ever, so lotteries are adapting. This means placing products at players' fingertips and selling in non-traditional lottery retail venues.

Expanding into new points of distribution increases convenience to players. Scientific Games has created solutions to sell lottery gift cards in retail displays at convenience and big box stores. The company has also helped make it possible to purchase lottery products as at gas pumps, ATMs and in supermarket checkout lanes, where permitted. "One of the ways to drive profits for our customers and solve challenges in the industry is to give consumers access to the product where they want to buy it and remove barriers to that purchase," McHugh said.

To sell lottery gift cards in non-traditional lottery locations, the company partnered with InComm, a leading company in prepaid products and transaction services. Together they created lottery gift cards and placed them in displays with other consumer product gift cards in stores that had not previously sold lottery. An industry first, the cards are sold in open or fixed amounts, based on the retailer's point-of-sale capabilities. Then, players redeem them at lottery retail terminals.



Scientific Games partnered with InComm to produce the first lottery gift cards in North America. The prepaid cards expand lottery points of distribution to new retail locations.

Exploring new venues for lottery includes more than physical locations. With more people shopping online, Scientific Games has also helped bring lottery to the internet and mobile, as regulations permitted, since the early 2000s.

Connecting Consumers

To keep lottery relevant to consumers, especially Millennials, lotteries are engaging with them online and via mobile. Consumers now make 51 percent of their purchases online, excluding groceries, according to a study by ComScore and The e-Tailing Group. Forty-four percent of mobile users make purchases with their smartphones. Despite restrictions in the U.S. on the sale of lottery online, mobile is a great way to connect consumers and retailers.

"Our focus has been on leveraging mobile apps, content and programs to continue to drive lottery retail sales," McHugh said.

The company has delivered more than 600 digital programs and promotions to more than 45 lotteries worldwide—more than all other major lottery suppliers combined. One in four U.S. lotteries uses a mobile app by Scientific Games. Apps provide a convenient way for players to

AL 6 \$225,000

scan and validate games, receive promotions and even buy products where regulations allow.

Mobile is teeming with interactive opportunities. Scientific Games' apps provide a variety of loyalty, bonusing and second-chance options. Engaging players on mobile, like many other consumer brands and products are doing, is proving to be a natural way to extend the lottery experience.

Convergence within the lottery and gaming industry has played a role in creating and adopting new technology. As a result, the possibilities of mobile and systems technology in lottery are greater than ever.

Merging Innovation

Since bringing Bally and WMS under the Scientific Games umbrella, the company has leveraged products and services across the global lottery and gaming markets. Scientific Games serves more than 1,500 customers around the world, including more than 150 lotteries. It is the leader in gaming systems. With the combined innovation, knowledge and systems technology between the lottery, gaming and interactive divisions, possibilities abound.

"Scientific Games is leveraging strengths across all of our divisions to accelerate innovation," McHugh said. "Advancing our technology lets us bring more content, value and products to our customers."

For example, the company has adapted the geo-fencing technology used in casinos for lottery retail locations. Players can purchase credits on a lottery retail self-service terminal, scan a voucher and play games on their mobile phones within designated locations. Such advances make lottery more accessible and convenient than ever.

Convergence of lottery and gaming has already taken hold outside the U.S. New modular system designs allow lotteries to securely integrate traditional brick-and-mortar retail and internet mobile platforms. Scientific Games' new international systems expand the possibilities for players and lotteries. For example, the player account manager and universal wallet features let players engage and manage their money across gaming verticals.

Scientific Games' technology allows players to purchase credits from a lottery self-service terminal, scan a voucher and play games on their mobile phones.

"This is a great example of tying the retail and online ecosystems together," McHugh added. "These technology innovations empower lotteries to know their consumers much more holistically across their entire business."

The changes within the industry came as a response to the evolving needs of lotteries and consumers. However, innovation also involves understanding retailers' needs.

Building Retailer Relationships

Scientific Games' research and development of new solutions is guided by time spent with retailers and getting to know their needs. By conducting Retailer Roundtable meetings and its retail development program, *SalesMaker*[™], the company better understands retailer challenges. Retailers learn how lottery can be a profitable contribution to their bottom line, not just a competitive necessity.

Mobile apps offer player convenience like scanning and validating games, participating in second-chance games and promotions, and even purchasing games (where allowed).

"We have significant commitment to engaging with consumers and lottery retail partners to understand what's important to them, what solutions they desire, and what trends are happening in their business," McHugh said.

Retailer Roundtable meetings bring together retail representatives and Scientific Games' innovators in face-to-face discussions regularly. Together, they look at some of the challenges retailers face as well as the company's solutions to address specific friction points and make selling lottery products more convenient.

The *SalesMaker* program trains retailers in best practices for merchandising and growing lottery as a product category. The
SalesMaker team has conducted retail training in 29 jurisdictions and merchandising programs in 12 jurisdictions. Increasing lottery sales rep and retailer education and execution at retail significantly lifts incremental sales. After completing 85 weeks of training for Georgia Lottery retailers, the initial 200 retailers in the program yielded a net full-line sales increase of 16 percent over the statewide average when compared to the same weeks of the previous year. In 2016, the program expanded to include 150 more retailers in Georgia.

Scientific Games' investment in innovation is guided by the knowledge gained through relationships with lotteries and retailers. The company transfers that understanding – and significant R&D funds – into new technology and solutions to meet customers' needs.



Informing Innovation

Scientific Games'advanced research and development team, iLab, looks ahead at trends happening inside and outside the lottery and gaming industries. McHugh points to the iLab's work as a key component in forging the way toward cashless payment innovation for lottery at retail.



Scientific Games' iLab team follows trends happening both inside and outside the lottery and gaming industry.

"The team worked closely with global payments providers and accelerated our ability to bring our card payment solution to the lottery market," he said. "This is a great example of how the iLab leverages broad commercial relationships and technical execution. That's not a simple challenge."

By collaborating with lotteries, as well as industry and retail organizations, Scientific Games enables its customers to move the whole industry forward. The company plays an active role in leadership working with the North American Association of State and Provincial Lotteries (NASPL) and other stakeholders to standardize interfaces for lottery point-of-sale at retail.

"Our history has been to participate in these industry initiatives and to take them even further by finding productive commercial partnerships that bring value to our lottery customers," McHugh said.

From new payment methods and distribution outlets to working with lotteries and industry organizations, Scientific Games keeps moving lottery forward through innovation. If the past is any indication, the industry will continue to evolve as players' preferences change. Steve Jobs described his approach to innovation as, "Just figure out what's next." Judging by the many firsts Scientific Games and its customers have launched in the market, the company will tackle the future by figuring out what's next.

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Digital play-stations can reshape the whole lottery playing experience by presenting Lottery in a way that appeals to the modern consumer.

—Max Goldstein

modern consumer. The Millennial may not want to take a play slip out of a counter-top bin and fill it out with a pen in the conventional manner. The modern shopper is attracted to the monitor screen. That is how they are used to getting the information they need to make decisions and engage. The modern consumer wants to play and learn about Lottery on their own terms. Most shoppers do not want to ask the retailer how to fill out a play slip and play. The digital play station is scalable and can transform the retail experience by engaging the shopper with a medium that enables them to decide how to interact with Lottery. The play-station is perceived by them as a large interactive tablet or a giant iPhone. It's a touch screen. You can pick any game and learn more about it. You can go to the section that describes the good causes that Lottery supports, you can print a bar code. You can do a 'quick-pick' or pick your own numbers and then go to your shopping cart and generate the purchase to your phone, communicate with the terminal, or generate a bar code that

could be scanned and then get a ticket from the terminal. This is all brand new for the industry. Carmanah Signs is doing a couple of pilots and the results will be available this summer.

Bishop Woosley: I think everyone here would agree that the Mobile connection is integral to everything we do now. And for most of us in the U.S., Lottery is not a part of the Mobile experience. I'm glad we're In five years, we won't have the terminal and we won't be printing tickets. And because transactions will be digital, we will be capturing far more information and come to learn far more about the players.

-Rick Weil

expect that they will get messages when they walk by a store. We need to embrace some of the technology that enables these digital interactions in order to attract and engage the consumer.

Like Rick mentioned, we need to think about locations where people can stay and play: bars, bingo halls, Veterans and fraternal locations. Having something to do, a game to play, encourages those patrons to spend more time and maybe a bit more money. The shop owner benefits because more drinks and more food gets served as patrons stay to play more games. And it is more sociable with everyone interacting together.

Rebecca Hargrove: What do you think the retail world will look like five years from now? What can we do to prepare so that instead of reacting and following, we are proactive and leading and ready to help retailers get to where they want to be?

Terry Rich: Applying digital technology is the key part of any plan to prepare for the future. Ultimately, we'll be buying our tickets online and working with the retailers to have special promotions so that once you buy a ticket and see the win posted directly to your bank account or given in cash, the player will be motivated to go back into the store. The ticket boxes on the counter-top probably will go. Purchases are going to be made with an iPad, mobile, or some other personal digital device that so that the ticket may already have been purchased before you even walk into the store. And if not, there will be a Beacon to entice you to buy the ticket.

> **Rick Weil:** In five years, we won't have the terminal and we won't be printing tickets. And because transactions will be digital, we will be capturing far more information and come to learn far more about the players. Then too, we will interact with and communicate directly with the players through their devices.

Rick Weil: The whole cus-

tomer journey must be engaging, compelling, and relevant. And I do think there is an opportunity for us as an industry to improve on game content.

Terry Rich: We need to look at how self-service can help people to learn about the products. That could be just as important as providing a new transaction-enabled POS. Presently, the shopper is expected to ask the retailer how to play. Neither the shopper nor the retailer prefers that option. We need to provide the means for new player groups to be attracted to Lottery.

Rebecca Hargrove: In the video we just saw, the woman was not able to go out to the store because she was caring for her two

finally moving towards in-store Beacons, cashless lottery transactions, and interactive tools.

Max Goldstein: We can look to Europe for ideas on how to apply these new technologies and processes. They have years of experience with this and several lotteries there and in Canada are expanding their retail presence by being in-lane. The Belgian post office is an in-lane lottery retailer; they don't even have lottery terminals. They are using the POS system. They're selling draw-based games, they're advertising the jackpot, and doing the basic things to prompt people to buy.

Everybody is used to touch screens and everybody has come to

small children at home. She orders her groceries online. The popup invites her to buy a lottery ticket. So she adds a lottery ticket to her purchase. Do you think we'll ever get to where retail will become obsolete and we will all do everything online?

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—Terry Rich

Terry Rich: More and more of our purchasing will be done online. But retail will always be an indispensable option. People will always want that option and Lottery needs to preserve its place in the retail shopping environment.

Max Goldstein: I agree. There is no reason why all lottery gaming could not be conducted on the Mobile. But the consumer will always want to shop at land-based retail, and that's good for Lottery. Lottery and Retail have so much in common, so much opportunity to join forces and enhance the experience for both Lottery playing and retail shopping.

Terry Rich: We need to keep the current retail channel alive and well for Lottery. But we also need to diversify and develop new outlets. Otherwise our products and methods of interacting with our customer will mature and sales will stagnate. Innovation is important.

Rebecca Hargrove: How are FanDuel and Draft Kings getting their bills approved by some state legislators?

Rick Weil: FanDuel, DraftKings and the casino gaming industry outspend the lottery industry significantly. Influencing regulatory policy is all about making the appropriate connections and relationships with legislators.

Bishop Woosley: From a national standpoint, State Lottery needs a bigger voice. To do that, we need to create a united front, speak with one voice. If we don't do this, our voice will not be heard in Washington and commercial gaming will take significant bites out of our share of the games-of-chance market-place.

Terry Rich: The emergence of FanDuel and Draft Kings does represents an opportunity for us to reshape our relationship with our legislators. We can now ask our legislators to consider more seriously our requests to have more tools and flexibility to compete in the marketplace. We can hope that they will allow us to now accept credit cards and make our products available online.

Rebecca Hargrove: The technology is there for transactions to be processed on a multi-purpose terminal instead of having a dedicated lottery terminal. If you were putting together an RFP/ RFQ for your lottery, would it be a consideration to migrate to a technology that didn't require a dedicated lottery terminal?

Bishop Woosley: A lot of RFPs recently have done just that. Our industry needs to write RFPs that state that we want to look at multiple solutions. Our contracts can be 5 and 7 and even 10 year terms. So we have to build into them the flexibility to integrate new technology, and adapt to changes in regulatory rules, that are not available right now.

Rebecca Hargrove: The digital play-stations would seem to be a wonderful way to engage the consumer. Is there anything other than the cost of digital play-stations that's causing lottery directors to not move forward with creating a great digital play-station consumer experience to engage the player in land based retail?

Max Goldstein: The digital play-station could include a table, a digital screen, and an iBeacon. Retailers and the consumers are already using these technologies. We're just behind the curve. The ROI and success strategies are already being demonstrated in the market-place. Our industry just needs to be willing to do things differently.

From a national standpoint, State Lottery needs a bigger voice. To do that, we need to create a united front, speak with one voice. If we don't do this, our voice will not be heard in Washington and commercial gaming will take significant bites out of our share of the games-of-chance market-place.

-Bishop Woosley

Rick Weil: There are the ROI considerations. Technology doesn't come cheap. We're using this kind of technology in our products. The win-per-unit from our play-stations enables us to build a revenue share with the operator right into the cost model so there's no cost to the lottery. To our mind, and with our product, the answer is yes, the ROI for digital play-stations is there.

Engage Retailers YOUR Way \$31,113,951

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IGT's all-new retailer website, Aurora[™] Retailer Wizard provides your retailers with real-time data and all the tools they need to **efficiently manage and successfully grow** their lottery business, wherever and whenever they choose – without being tied to their terminal.

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



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Aurora Retailer Wizard: The One Stop Shop for Engaging Lottery Retailers, Driving Best Practices, and Growing Sales

It's no secret that inventory management, accounting, and lottery best practices can be challenging for most retailers. With Aurora Retailer Wizard, everything retailers need to manage and grow their lottery business is just a click away.

Unique in the industry, Aurora Retailer Wizard is a powerful tool customized to fit the needs of both corporate account and independent retailers – including those who own multiple locations – today and tomorrow. Retailer Wizard simplifies and streamlines the entire lottery process, so that retailers can devote more time and energy to engaging players. After all, that's what sells tickets.

Aurora Retailer Wizard provides lottery retailers and their employees with a single, user-friendly site from which to obtain and interact with all the information they need to manage their business, without being tied to their terminals. Because Retailer Wizard's responsive design works seamlessly across any browser or device, busy retailers can have at-a-glance access to accurate and



Aurora Retailer Wizard Functionality and Associated Benefits

timely information, training, and tools via desktop, laptop, tablet, and smartphone – from anywhere with a web connection.

Insights Your Retailers Need to Drive Their Business Forward

Aurora Retailer Wizard enables a new level of engagement with retailers and supports in-store execution and sales performance. It facilitates two-way communication between a lottery and its retailers, letting them know exactly where they stand, even

> between sales calls; drives lottery best practices; and stimulates actions to correct sales-depleting situations that may exist in their stores.

Retailer Wizard

Starting with their personalized home page, or dashboard, featuring widgets with data graphics specific to that retailer's business, retailers have their own Electronic Funds Transfer (EFT) information, sales and earnings data, jackpot and winner awareness, and other sales-driving tools right at their fingertips. Actionable alerts notify retailers in real time about potentially revenue-draining situations, such as when they have not activated new instant games by launch day or if they have empty bins in their Lottery Vending Machines (LVMs), and Retailer Wizard's extensive inventory management features provide them with real-time information about instant ticket inventory, including by-game and by-pack details; sales trends; tickettracking functionality; the ability to confirm, activate, and settle directly from the portal; and more. Aurora Retailer Wizard also delivers vital training right to retailers and their staff through its interactive Lottery Learning Link (LLL) module, ensuring the lottery presents a knowledgeable front line to its players.

Retailer Tested, Retailer Approved

To create this innovative website, IGT gathered insights from sales staffs, sales and marketing management, operations staffs, and training resources from lotteries around the world – and perhaps most importantly, from retailers themselves. In multiple usability studies and focus groups with independent retailers and corporate account users, Aurora Retailer Wizard was given "an unqualified thumbs up," lauded by all retailers in attendance for being "a true diagnostic tool to pinpoint where and how to boost lottery ticket sales" and "a real and significant improvement over the tools ... retailers currently have." Retailers were quick to see the benefits Aurora Retailer Wizard brings them, as the following remarks from participants testify.¹



<complex-block>

Because the needs of a local "mom and pop" market are different from those of a corporate account, home pages and secondary dashboards are customized to each type of user – independent retailers, chain subordinate retailers, chain headquarters users, and lottery staff – and to the user's role in his or her organization. Plus, Aurora Retailer Wizard allows for even greater personalization by enabling users to "drag and drop" widgets easily onto their own dashboards and to position them so they are readily available.

Single Retailer View

Aurora Retailer Wizard fully embodies the smart, open, agile solutions IGT has developed to drive lottery profitability and growth. Since IGT's Aurora technology enables extending backend services across multiple applications, Aurora Retailer Wizard, Aurora Retailer Manager, Aurora Performance Intel, and Aurora Instant Processing System will all share the same service and the same information to provide a single retailer view and make sure a lottery presents a unified front. Of course, as part of the Aurora suite of open, innovative products, Retailer Wizard easily integrates with other IGT and third-party applications as well, empowering retailers to reach for new heights with more control and greater access to data – whenever, wherever, and however they choose.

For more information on Aurora, IGT's new lottery technology solution, visit www.IGT.com.



Retailer Feedback

*All quotes: Reilly Group, Retailer Research report, November 2015.

45% of loyalty program members limit their purchases to specific brand stores for the express purpose of earning rewards.

—Gary Gonder

we are very careful that we don't just spray out messages that people don't want to hear. We do not want our actions to be viewed as an uninvited intrusion. And getting beeped to be told of a lottery promotion as you walk along the street might annoy some people, unless the message is relevant to them in that place at that time. We are trying to move to a one-to-one relationship in which the messages we send are as personalized and relevant as possible. We want our marketing efforts to be so personalized that they are seen as a service by the players.

David Barden: I get probably six freedom of information requests a month for everything from give me your entire player base to all kinds of information that should not be made public. Is that an issue for you?

Kevin Gass: We are building our CRM strategy with a lot of legal input. We've included all the protection that we can to comply with the laws that exist to protect that information. But confidentiality and security are absolutely critical points.

Gary Gonder: I read a study with some very interesting statistics about loyalty programs. 45% of loyalty program members limit their purchases to specific brand stores for the express purpose of earning rewards; 17% of loyalty program members join because they love the product or the brand identity; 43% of consumers in loyalty programs want to earn rewards tied to the specific brand, but 60% of such consumers viewed the brand as offering loyalty programs only as a way to spur more sales instead of cultivating a connection with their customers. So how can we engage our customers and how can we use that to drive people back to retail?

Kevin Gass: We're undertaking a broad and comprehensive CRM strategy. We want to create an ecosystem for our market where you can access any of our products through any of our channels with a single identifier. A mobile phone probably will be used most often, and through that, customers can accumulate rewards, build loyalty points, receive promotional information, etc. But we must be very mindful about not spamming our customers. Instead, we want to be much more sophisticated in terms of building that true one-on-one relationship. It's not just a sales promotion, a "make the numbers today" thing. It's a long term view of cultivating that relationship, focusing on what is relevant to the individual player, and defining success in terms of lifetime value of a customer. We believe a sophisticated CRM strategy has to be a major piece of the lottery operator platform.

Bill Thorburn: I agree. The CRM program is an essential element to building loyalty and engagement. So even if you can't have a full-fledged registration system, there will be occasions when players are willing to share information with you, and you can then build a better understanding of their behaviors, and then

The CRM program is an essential element to building loyalty and engagement. So even if you can't have a full-fledged registration system, there will be occasions when players are willing to share information with you, and you can then build a better understanding of their behaviors, and then you can start doing more personalized marketing.

—Bill Thorburn

you can start doing more personalized marketing. Our way of using it is to progressively develop it through permission points. This is not an overnight proposition. We've been building our CRM program over three decades and we continue to invest in it. It takes a lot of work, but once you've got it established, the benefits and ROI become abundantly clear, and the process of building on it becomes extremely cost-effective. The power of a very high-value app is going to be a great tool for lotteries to invite players to connect and start providing information that can be used to develop personal relationships with them.

Kevin Gass: To Bill's point, CRM is not an overnight proposition. We've had it as part of our business for ten years. It's one of those things where you have to crawl, walk, run. There are a lot of organizations that come with a prepackaged solution, but they often don't deliver the results that are best for your particular objectives. I think it's something you've got to learn as you go, building up your systems over time as opposed to trying to go for the quick win.

Fifty Shades of Digital

Duncan Malyon Senior Vice President North America Camelot Global

There is no escaping the fact that we are living in a digital world, as consumers with busy lives we want convenience and the ability to buy what we want, when we want. But does this world need to be black and white? All or nothing? Online/offline? or can we as an industry embrace the fact that there really are *fifty shades of digital*?

We do not underestimate the challenge of going fully digital, legislators, retailers and lobby groups are all ready to express their objections and concerns, but is there a happy medium that everyone can agree on? For the sake of our industry, and the beneficiaries we support, we believe there has to be.

We believe that there are *fifty shades of digital*, and even with the constraints that some states and countries face there are still digital elements that they can embrace. Re-evaluating your advertising spend and putting more money behind digital channels is a quick win that all lotteries can easily make. Using social media is also a low hanging fruit that can be used - this is also a great way for lotteries to broaden their reach and engage the younger, harder to reach player.

Executing a mobile led strategy which bridges the gap between online and in-store is also a quick win. Ticket scanning, mobile results checking, store locators, and ibeacon messaging.... these are all digitally hosted features you can offer players without any transaction happening in digital. Once you have begun to develop your digital presence, you can continue to evolve and develop the offering, introducing enhanced content with digital second chance games. This not only gives players the opportunity to interact with your lottery and to play exciting games, it also gives you the opportunity to develop a personal relationship with your players. And, in time, you can use this digital presence to demonstrate that the digital lottery world is not something to fear—it is a necessary evolution which can be well managed to ensure your lottery is able to achieve sustainable growth in a responsible way.

There are a number of lotteries in North America who are dipping their toes into the digital world. In Vermont the lottery has been looking into digital second chance games and extended online game options. In Iowa the lottery has an established a VIP Club which allows players to enter second-chance draws by entering non-winning tickets into their VIP Club accounts online, allowing them to build up and enhance relationships with their most loyal customers.

In Europe, Loterie Romande has recently launched a new Sports App which benefits both players and retailers in Switzerland, and represents a true 'digital in retail' experience for users. SportTip One and SportTip Set App users are now able to check results and get more frequent and up to date programme information, but more importantly are able to create their wagers on

Camelot | GLOBAL

the app before going into their local retailer to play, making the experience quicker and hassle free for all parties.

The Irish National Lottery has just released the latest evolution of their mobile app which now allows players to purchase a ticket on their mobile and play Instant Win Games. Prior to this the mobile app featured useful game information including draw results, jackpot reminder notifications, a ticket barcode scan facility to automatically check if they are a winner, number check functionality and nearest National Lottery outlet locator. The Irish National Lottery is a great example of demonstrating that it does not need to be all or nothing from the outset that there are various 'shades' in-between.

Many people probably believe that the UK National Lottery is at the dark end of the spectrum due to it early adoption of iLottery - in some ways you would be correct. However, the UK National Lottery is a great example of a lottery that is constantly evolving and developing its digital offering based on listening to what its players want and need. Last month they announced an enhanced offering on their mobile app which allows players in the UK to use their smartphones to check draw results to find out if they're a lucky winner—all a player has to do is tap on the 'Scan Ticket' button and scan the QR code on the National Lottery ticket. Alongside the Ticket Scanning feature, and to complement the retail customer focus of the feature, this release also includes the rollout of a 'Lite' version of the Android application - this allows the UK National Lottery to reach the majority of the UK Android user base from the ease of the Play Store for the first time, which is anticipated to result in a substantial increase in installed user base.

Like with many things in life it is all about embarking on a journey and communicating back how your journey is progressing. There will be bumps in the road and hurdles to overcome as you advance through the various 'shades' but overall the journey will position your lottery, your players and your beneficiaries in pole position to survive.

The key throughout any digital journey is communication. Be open and honest with your legislature on the success that you have seen, explaining also the benefits of your strategy, and how you will develop it. Build their support, and engage them in your vision. Bring your retailers on the journey. Share with them the success stories from Vermont, Iowa, Switzerland, Ireland, and the UK, among others, who have succeeded in growing retail in conjunction with digital. Help your players to gain confidence in the concept of digital lotteries, reassure them that you can meet their needs safely, securely, and personally. Show them that it's not all or nothing - there really are *fifty shades of digital*.



Let the Force of Disruption Inspire You

There is a cause and affect force in the universe that has driven human progress since the beginning of time. Disruptive Change—Adaptation to Survive. BAMM! A powerful force.

By Frank Cecchini, CEO and Managing Director NLS

hange occurs in any environment. A meteor strikes. Ice caps recede. Inventions are created that change our everyday world. And then change comes again, and again, and with every change new parameters for survival are set. Adding to the challenge to survive in this century is the fact that change now happens at digital speed. It is not enough to keep up with the pace of innovation, it is necessary to run ahead of it with big, strong and capable strides —boldly, assertively ... Bamm ... Bamm ... Bamm ... running to be the agent of change rather than becoming a casualty of change.

This force has been abundantly evident in the retail environment for years. We don't buy record albums or video tape movies anymore, we stream music and click on Netflix. The mobile phone and tablet have become the current retail hub for ecommerce. But even though as much as 85% of lottery revenue is still associated with the retail channel, lottery at retail is not ahead of the force of change. For years we have been watching lottery become marginalized in the retail environment as fewer people are playing in less retail locations. And yet, the change to our retail-based operational paradigm has been minimal while we simultaneously acknowledge the need to revolutionize our customer connectivity in the retail environment.

We have been offering the same thing in the same place in the same way knowing we need different results.

Up until now!

It is not the strongest species that survive, nor the most intelligent, but the ones most responsive to change.

-Charles Darwin

It's A New World

To state the obvious, the retail environment has changed, dramatically. As consumers, we all enjoy that change every time we place an online order from our mobile phone or stream music through our tablet. Yet lottery at retail, which represents as much as 85% of lottery sales, continues to require unique points of presence, separate and costly hardware and software, and significant processing.

We must accept that as the retail environment changes, the parameters of survival change. Such a disruption to the status quo requires assertive, inventive, and courageous action to survive. The force of this type of inevitable disruptive change is the catalyst of progress, but only if it is used to sharply break from the past and adapt to a new present.

CUSTOMERS LOVE CONNECTIVITY FOR MANY REASONS



The Power to Say NO!

The one sure way to anticipate and successfully triumph over the force of disruptive change is to say NO to the status quo. To identify what must change in order to succeed in protecting the most important dynamic in any business; connectivity with the customer.

While consumerism continues to move away from the physical toward the more personal, "noline" experience that directly connects to the customer, lottery operators are largely still a step

Since 2013 customers expect the same service offline and online. If you lack one channel you are blind in one eye.

—Dietmar Dahmen, European Lotteries Presentation

away from actual contact with the players in the retail channel. It is time say "no" to being marginalized and "yes" t taking action to heroically break through to the next paradigm. It is time to utilize an omnipresent approach to connect to the retail player on their terms, in their sphere of interests, so that lottery becomes relevant and within the scope of attention of a far broader base of players. To do this we need to engage in the power of social media, be visible and meaningful to all players, with relevant sponsorships, marketing and initiatives.

The Run to Adapt

The existing paradigm for lottery at retail is transaction centric with a focus on retailers as customers. The change that must occur is to move toward placing the player in the center of the business model, while unobtrusively enabling secure transactions in any circumstance. We have the technology to seamlessly offer the opportunity to buy/sell lottery anywhere and to collect player data to gain relevance to players and serve their preferences. Now, lottery must join the type of ecommerce customer service model used

by Amazon, for example, that caters to the customer through customer knowledge, without being intrusive.

Novomatic Lottery Solutions (NLS) has embraced the "Bamm" philosophy of saying "no to the status quo" as one of the company's core values. The company is wholly engaged in the run to adapt to this player-centric model through several points of change. Beginning with the lottery platform itself, NLS suggests an increased use of integrations with major retailers' back office systems, enabling retailers to sell lottery products from their systems and report the transaction to NLS in real time.

Under NLS integration plans, not only is the traditional lotto terminal unnecessary, but innovative games can be created that bring entertainment (and lottery relevance) to the shopping experience. For example, retail system integration can allow a retailer to offer a shopper the chance to purchase a dollar lottery ticket with the prize being a payment of the cost of their retail purchase. There is an instant win decision at checkout, the retailer and the lottery benefit, the shopper is entertained and connected to lottery, and he/she may even win a prize of a free purchase at their preferred major retailer.

In addition, NLS embraces convergence to bring an omnipresence of products and services to players. This convergence will allow customization of games, prizes, prices, promotions, services and experiences. It will create personalized communication tailored to preferences and greater convenience with seamless play across channels and services. It will enable better, more personalized responsible gambling tools and preferences. This is what today's customers expect and this is what will cultivate sustainable long-term player relationships.

Let the Force-of Disruption-MOVE You

Leveraging the disruption and speed of change in the current retail marketplace is essential to lottery's continued viability. As captured in NLS's solution strategy; "One size fits NONE"—each lottery market is different, operational regulations are different, people are different which means players are different and above all, the environment is, and will forever be, different. It is time to run toward our players with the full force of the vision and brilliance that has been the trademark of our industry. Bamm, Bamm, Bamm.

This article is based on keynote presentation made by Dietmar Dahmen representing NOVOMATIC Lottery Solutions (NLS) at the European Lotteries (EL) Industry Days.

www.novomaticls.com



do not need to refrigerate? Or compare the cost of managing Lottery to the cost of storing bulky CPG's and tying up their money with cost of inventory? And as others have said, we need to build strong partner relationships with retailers. And not just with the largest retailers but also with the smaller independents who are still so vital to making Lottery available to everyone everywhere.

Tom Delacenserie: I couldn't agree more, and the best way to build that relationship is to make sure you have data necessary to reinforce your position. Building trust through business recommendation that works not only enhances your credibility but also leads to a more productive, long term relationship with the retailer.

We don't need to worry about getting the 22 year-olds to play right now, but we do need to make sure that they're going to play when they're 35.

—Tom Shaheen

Tom Shaheen: Right now is the best time to really address the POS situation with the retailers. They appreciate how important Lottery is to their business and are more receptive than ever to new ways to leverage Lottery to drive store traffic and sales of all their products. As Tom says, the timing is right for the industry to tell our story to the retailers, to inform them of the facts and how and why Lottery can be a valuable component to their success. And it's all about product awareness. For instance, we found that the display of the jackpot amounts at the Pump actually drives an increase of in-store sales. Providing the option of buying the ticket at the Pump increases product awareness, promotes the jackpot, and ends up causing the consumer to come into the store. Store traffic increases anywhere from 4% to as high as 10%. This phenomenon is even more pronounced during times of jackpot fever.

Jeff Sinacori: We need that retailer commitment, buy-in, and partnership between the vendor, the lottery, and the sales rep. We learned years ago, with instant ticket dispensers, how important that is, and how damaging it can be when it is not there. Dispensers started out front and center in the store. In-counter dispensers, and counters in Zone Five away from the register, do not work well. Getting Zone One on the front counter is key. A sales rep has about three minutes with a manager to get our story across. So we need to be very clear on how to communicate and make our case. As we build a trust relationship, the retailers invite more input and support. That's what our SalesMakerTM program is really all about. Gaining retailer confidence by producing results.

In Georgia, we trained retailers and re-merchandize their stores. We generated about \$35 million in incremental sales in Georgia store locations where we were allowed to re-merchandize their stores. Merchandizing is so important, and that doesn't happen without education and buy-in of the retailer.

Signage placement is also vital. We know that the bottom half of front doors is key. Everyone else knows that too. So we need to convince the retailer why the best use of that space is to promote Lottery. We have 200 stores in Georgia with front-door signage and the impact is significant. Favorable merchandizing and signage placement is so important, and that doesn't happen without education and buy-in from the retailer.

Wendy Montgomery: It is our job to understand the path to purchase and the trigger points and messaging that creates product awareness and leads to a buying decision. Our research indicates that a key issue, especially with new and infrequent players, is that they find our category to be very confusing, and that alone becomes a barrier to purchase. So we work hard to de-clutter, make the displays more appealing and inviting, and make sure the messaging and POS helps them to know how to play the games.

The timing is right for the industry to tell our story to the retailers, to inform them of the facts and how and why Lottery can be a valuable component to their success.

—Tom Shaheen

Lottery is not used to paying for some of these things. We think that the only way to get the kind of innovative, attention-getting, and effective merchandising, POS, and signage

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The Path to Game Innovation

Nikki Orcutt, Director of Marketing & Game Development at IGT



Innovation can be defined in many ways, but simply stated, innovation is widely accepted as something "new." The term has surfaced as one of the most important drivers of future business growth in just about every consumer industry and serves as an ongoing topic for lotteries today – primarily because the execution of how we innovate is often new, but not always different.

Since 1964, when the first official U.S. state lottery was established in New Hampshire, lotteries across the country have based their business model on carrying two dominant product lines through the retail sales channel – Instant Scratch-offs and Draw Games. Although technological advancements have helped propel our industry forward, we have been fortunate to maintain our profitability by producing many of the same games in new ways. According to a recent article in *Inc.* magazine, most companies should consider four primary objectives for new Research & Development (R&D) projects:

- 1. Maximize the long-term return on investment.
- 2. Make optimum use of the available human and physical resources.
- 3. Maintain a balanced R&D portfolio and control risk.
- 4. Foster a favorable climate for creativity and innovation.

Based on these four objectives, the lottery industry has been very successful. This success could leave many questioning if doing something different from the textbook style of growth even makes sense. While most could arguably agree that the lottery industry has masterfully accomplished three of these objectives, the fourth objective provides an open door of opportunity.

In recent years, the U.S. lottery industry has effectively changed the matrix of the most popular multi-state jackpot games, added multipliers and bonus features to draw-based games, improved prize structures, increased the appeal and modernized the print technology of instant tickets, introduced many fresh concepts, opened new sales channels, and tip-toed our way into the interactive world – all yielding profitable results. While these innovations serve as impressive milestones, the issues we face have not drastically changed. Lotteries are still experiencing stagnant portfolios, the lottery player base continues to age, the challenge of attracting new players increases, jackpots are unpredictable (and growing at a much slower pace), and the rate of innovation remains conservative. As consumer expectations, attitudes, and ultimately buying behaviors change, there is one thing for sure – the next generation consumer will likely define the future of how we do business, forcing the industry down a more unstable path of innovation.

Who and what defines Innovation?

The long and short answer to this question is simple – not us. Companies no longer control what new product innovations are successful in the marketplace. The foundation of most new growth strategies is designed around consumer desires and emotions versus needs, with a constant challenge of working to balance quality versus convenience. The most pioneering companies in the world continue to invest millions of dollars in R&D every year for new product development focused specifically on innovation and, on average, 25% of sales are coming from products that have been launched in the latest 36 months. Lottery barely reaches 5%. This focus has not only created a continuous pipeline of different products to market but also produced a greater demand and higher expectations from consumers for even more new products. IGT is committed to innovation and meeting consumers' expectations, spending more than \$300 million in R&D annually, more than any company in the gaming industry. "IGT is accelerating innovation. We are building a structured process to routinely ideate, evaluate, and test the right products and shorten the time to market. This is our commitment to the industry and a pillar of IGT's Strategic Plan for the next five years," said Marco Tasso, SVP, Product Marketing, Lottery.

"IGT is accelerating innovation. We are building a structured process to routinely ideate, evaluate, and test the right products and shorten the time to market." – Marco Tasso, SVP, Product Marketing, Lottery

Today, in many industries innovation is also largely shaped by social media, which continues to define and rapidly change the consumer landscape. The social arena not only places the power of a lottery's brand at the fingertips of any customer, but it also gives one person the ability to influence hundreds or even thousands of people through "real-time," "all-the-time" opinions about products and services. The power of uncontrolled consumer feedback open to the world at large has directed companies to shift their primary focus on making the customer the foundation of their "service" platform. The social paradigm has also created a renewed commitment to innovation within the lottery industry. However, listening and responding to our customers, and designing products to meet their needs in the future, also means that we must be willing to take some calculated risks along the way.

Looking through the lens of the consumer could paint a much different picture of innovation for U.S. lotteries and ultimately change the way we develop, make, and execute product decisions. Finding ways to get valid information from consumers when we can't keep their attention, controlling the consumer experience with our products when they are sold through others, and placing lottery products in the hands of customers instead of relying on them to run to the store to buy them are crucial next steps in our journey for innovation.

The average customer's search for value in retail today begins with the expectation of reward and, unfortunately, often comes with a much lesser exchange of loyalty. Why? Because it has become clear to consumers that they not only have more choices than ever before, but there are always other companies, brands, or people willing to give them a superior value proposition.

This quest for superior value has both lotteries and vendors working around the clock for the "feel good" factor that sets them apart from the competition. But the real ticket to innovation for many will be a favorable regulatory environment that often determines their fate. In many jurisdictions this could be the very issue that stands between the desires of consumers' and the industry's need for sustained profits to good causes.

Fortunately, much of the value in our industry stands on the proposition of selling a chance at a lifelong dream and actually giving hundreds of thousands of consumers the chance to live it. While our industry has been largely successful with few failures, this has created an environment that makes creativity and innovation difficult because there is no margin for error. Put very simply – we are not allowed to make mistakes.

IGT's Roadmap to Innovation

Lotteries are under increasing pressure to innovate and their vendor partners should help enable the roadmap to the next big idea. IGT has refined its commitment to and focus on innovation through the implementation of a new game development system, FutureGame™. Most vendors know exactly "what" the industry needs in the future, but defining a path to determine "how" we get there is just as important. FutureGame provides a disciplined eight-step process, beginning with diagnostics, to understand the real consumer needs of the future. From brainstorming to testing, we refined the process to bring the best ideas to the customer.

The Challenge and Search for Value

As the industry continues to find its way into becoming a relevant part of the social conversation – and not just when record-level jackpots are achieved – finding our space in the new "on demand" and "visually-stimulated" era of consumer expectations will be critical in changing the regulatory landscape. In a world overcrowded with information in which new products continuously try to squeeze their way into the retail spotlight, sustaining long-term consumer interest in lottery as it exists today may be an even greater challenge.



"With FutureGame, we have totally transformed the innovation process. IGT's ultimate goal is to deliver a superior value proposition for our customers' specific markets around the world, wherever they operate," said Francesco Parola, VP Global Lottery Product Development at IGT.

"With FutureGame, we have totally transformed the innovation process. IGT's ultimate goal is to deliver a superior value proposition for our customers' specific markets around the world, wherever they operate" – Francesco Parola, VP Global Lottery Product

The process is divided into three logical cornerstones (diagnostics, ideation, and verification) and begins with a thorough assessment of existing games and portfolios in combination with ethnographic insights of customer behavior at retail. This enables IGT to better understand the perspective of the consumer using a "behind-the-counter" experience. This information is then used in conjunction with third-party consumer retail trends to get a deeper knowledge of the value consumers expect from any product or service.

In terms of ideation, any top-rated brainstorming technique is encouraged to facilitate a freewheeling way to be creative. On the other hand, the effort is to combine imagination with viability and handle the creativity with feasibility. Finally, players are primarily consumers, not just lottery players. Any alternate form of entertainment they might choose instead of a lottery ticket should be benchmarked against any idea.

One of the most innovative steps of FutureGame includes an exploration of 32 essential attributes of a game from four important viewpoints – the Game Designer, the Marketer, the Retailer, and the Player – to facilitate the verification through an index system and shortlist the best ideas. Once new



game concepts are constructed, these attributes are used to evaluate game concepts during consumer beta testing, mirroring lab results and securing accuracy, precision, and credibility. This rigorous evaluation helps verify both market sustainability and performance expectations prior to research and before products go to market. Lab results are sometimes surprisingly close to market expectations. Other times they are not, and we rely on the beta consumers to provide the right insight to finalize a better product.

Putting New Products to the Test

The proof is in the pudding. Will the research provide outcomes that ensure games are profitable, easy-to-market, fast-to-sell, and can be easily purchased through a more emotional connection with the consumer?

"Ideally, after multiple rounds of favorable qualitative and quantitative consumer research and testing, it would seem reasonable that a product may be ready for the marketplace," said Gerard Caro, Senior Director, Market Research. "Unfortunately, as we have all learned on our path to innovation, research doesn't always tell us the full story of how a game will perform when it goes to market."

Game prototypes are created before the final steps of development in the FutureGame process to test previous consumer research. Testing these prototypes provides the opportunity for consumers to actually "experience" the product, as well as for us to better understand the emotional drivers of consumer behavior. People can and will change their minds, an outcome that research alone cannot determine. FutureGame also includes a new "Extended Play" research methodology, putting the most successful concepts from consumer testing through yet another market "reality" test.

Extended Play research gives consumers a chance to provide insight based on their actual experience with the product over time. The results of this final test more closely mimic how a product will perform in the market by giving players a true gaming experience – including winning and losing.

The bottom line is that the roadmap to innovation is a constant journey that is not always perfect. A large portion of new ideas do not reach the expected results.

Shortening the time-to-market of new games is a must. FutureGame is a six-month ongoing process that focuses on results. "Our goal is to create relevant products on a regular basis. Of course, customers come first. We are very flexible and happy to comply with the specific timelines of our lottery partners. We welcome our customers into the process, working together from the very first step." Parola said.

"It's time for the lottery industry to step up in the way it innovates and risk more!" said Parola. With the FutureGame process, IGT works together with its lottery partners to invent new gaming concepts that are relevant to specific markets and thoroughly vetted to ensure go-to market success. FutureGame creates a win-win situation. Consumers have a new and more engaging connection to lottery products, and lotteries around the country achieve their number one priority – increasing profits to the good causes they serve.





JACKPOT SIGN with SCROLLING MESSAGE Boosts Communication to Missouri Lottery Players



- High Brightness, High Visibility LED
- Single or Double Scrolling Message Line
- Up to 20 Characters at a Time
- Equipped with "B" to Denote Billion Dollar Jackpots
- Special Effects
 & Preprogrammed Graphics

When the **Missouri Lottery** issued their most recent central system RFP, a hybrid jackpot/electronic messaging sign was among the list of contract items. Years earlier, custom manufacturer and innovator, Pro-Lite, had designed a scrolling Emergency Alert System feature, as covered in Public Gaming Magazine, November 2013. Accordingly, Pro-Lite was uniquely positioned to swiftly supply working prototypes to the three central system bidders, meeting the specifications.

Following a contract award for 5,045 units in the first quarter of 2015, Pro-Lite worked with successful central system supplier, IGT, to integrate the custom signage. Pro-Lite has also manufactured window jackpot signs and multiple LED logo signs for the Missouri Lottery.

About Pro-Lite: In 1981, Pro-Lite Inc. introduced LED technology to the U.S. and is a leading manufacturer of consumer electronic goods, delivering to more than 1,000,000 customers and end-users worldwide. Over 100,000 LED signs have been made for more North American, Caribbean, Central American and European lotteries. Pro-Lite has cooperated with IGT, INTRALOT, SCIENTIFIC GAMES and CANADIAN BANKNOTE to integrate its updatable jackpot signs seamlessly with the lottery online system.

Pro-lite's new player transaction and jackpot display signs are great and fit well in a variety of retailer locations. They are attentiongetting and have been well-received. Sometimes you can actually see them from the street. Jackpot and transaction communication to our players has improved tremendously with the addition of these units.

 May Scheve Reardon, Missouri Lottery Executive Director

For more information about Pro-Lite's lottery point of sale signage, please contact: Linda Turner Sales Manager, Lottery Division Phone: 609-538-0128 Email: linda.turner@pro-lite.com Website: prolitelottery.com

Retail Optimization: The Outside-the-Store Consumer Experience... continued from page 48

that really works is that we have to be more willing to invest. For example, in Ontario we pay for back wall advertising. Cigarettes used to occupy the space behind the cash register which are now points of advertising for us. We were reluctant to pay for that space but have found that it really is paying off for us by giving us visibility right at the point of sale where you absolutely want to capture their attention.

The retailers want the sales reps to be equipped to tell them what games are performing best and how to configure the POS to display the games in the best ways possible.

—Adam Perlow

Tom Delacenserie: You're exactly right. It may be worth investing our own money to produce the desired results of increased net funds for good causes. We invested in jackpot signage for lotto, Powerball, Mega Millions, and found that they produced a 5% sales increase which is huge.

Adam Perlow: You have already pointed out the importance of sales rep's in the whole relationship-building process. I would submit that they need to be given the tools they need to be effectively helpful to the retailers. The retailers want the sales reps to be equipped to tell them what games are performing best and how to configure the POS to display the games in the best ways possible. The sales rep's need detailed information about how the games perform in order to educate the retailer on how to optimize that performance. That's the value of Hudson Alley OnePlace force automation software.

John Pittman: We are focusing on the in-store component to merchandising. But as Tom pointed out, we should also be thinking of the entire customer journey as being an integrated process. Mobile apps and messaging, signage and advertising, and all other consumer touch-points, along with in-store merchandising, should be factored into the whole retail optimization strategy. When it comes to doing this, along with integrating digital technology into the mix, the answers are simple but execution is not always so simple.

Tom Shaheen: We don't need to worry about getting the 22 year-olds to play right now, but we do need to make sure that they're going to play when they're 35. To accomplish this we need to remained focus on taking lottery to where the consumers are as opposed to hoping they will come to where lottery is currently available. We also need to ensure that experience is fast and convenient. Lotteries are doing a fabulous job at getting there despite all the political constraints.

Szrek2Solutions

The Importance of Security and Fraud Detection for Electronic Drawings

By Helena Pereira, PhD, Marketing Director, Szrek2Solutions



SHORT SUMMARY

Electronic draw systems based on RNG have become an integral part of the lottery industry and require utmost security to reduce exposure to potential fraud. Insider fraud, where an employee of the lottery, an operator, or vendor, takes advantage of their system knowledge and access to the system to fix a draw outcome, is the most danger-

ous and difficult to detect. There are existing security methods that can protect lotteries against such fraud.

INTRODUCTION

Lottery drawings using electronic random number generators are integral to the future of modern lotteries. Lottery industry leaders have recognized that they must embrace electronic drawings: while offering potential for growth, electronic drawings also offer major cost savings to lotteries.

However, lotteries worry about potential fraud with the shift from mechanical to electronic drawings. In a recent lottery fraud in the US, the perpetrator was seized by coincidence, which raises the question of how many other fraud cases were not detected.

In this article we discuss the costs of fraud and the probability of RNG fraud in the US, and we provide some guidelines for RNG security.

THE COSTS OF FRAUD

At the recent Public Gaming conference, we approached toplevel lottery management to obtain their perceptions of fraud in the lottery industry *(see Table 1)*. The survey results suggest that fraud would be damaging to lotteries by reducing their customers, restricting lottery's freedoms to introduce new products, and through imposing large monetary costs on lotteries in the short and mediumrun. The average estimates of fraud cost to their lottery provided by lottery leaders was \$283 Million, for the first year, and \$1.31 Billion, for years 2 to 5 after the fraud occurred. The survey did not take into account other potential impact such as increased financial risk of liability through class action, so the numbers may be understated. These numbers are also based on a survey rather than actual costs that were measured, so they are only suggestive. However, they highlight that lottery managements believe fraud could severely affect their institutions in many ways. To avoid this impact, the best safety and security procedures should be introduced to protect lottery systems and particularly electronic draw systems.

THE PROBABILITY OF RNG FRAUD

With large potential winnings, insider fraud is a true threat to the lottery industry. In the US, many lotteries have been victims of fraud in the electronic drawings for games played within or across states. *Currently we can estimate that over the last 5 to 10 years electronic draw fraud has occurred in games played across 13 states. If all 50 states used electronic draw systems, this would put the probability of electronic draw fraud at 26%.* This underestimates the amount of fraud, because some states do not take part in electronic draws, and we can only report the amount of fraud that has been discovered and reported.

SECURITY MISCONCEPTIONS

Misconception 1: Mechanical drawing machines are more secure. **Explanation:** With high potential costs and prevalence of fraud, one approach would be to return to mechanical machines. However, when the security measures are correctly implemented, an electronic draw system allows the lottery to control and protect the gaming environment better than with a mechanical system, making the electronic draw system also more secure than a mechanical system. Ad-

Table 1: LOTTERY FRAUD SURVEY RESULTS

In a survey of 9 lottery directors, 2 former directors, 1 CFO, 1 COO, and 6 other top level management (n=19):

- On average, respondents thought that over half of their customers may stop purchasing lottery tickets or buy fewer tickets if they discovered that lottery fraud had been committed in that state.
- Lottery's legislative and regulatory powers, including the lotteries ability to develop new games, would be impacted by the discovery of lottery fraud—95% agreed.
- The total short-run costs estimated were, on average, \$283 Million for the first year in which lottery fraud was detected. Total costs include reputational costs, legal fees, political costs, losses in ticket sales, etc.
- The total medium-run costs estimated were, on average, 1.31 Billion for the first 5 years in which lottery fraud was detected. Total costs include reputational costs, legal fees, political costs, losses in ticket sales, etc.

ditionally, electronic draw systems offer more capabilities, such as the support for more types of games, the ability to have more frequent draws, and the capability to manage draw outcomes. Such systems are also much less costly because the games can all reside on one system and require much less human involvement to manage them.

Misconception 2: Electronic draw systems are most secure when they are isolated from other systems or networks and protected using physical measures.

Explanation: Isolating draw systems does not protect from insider attacks, as demonstrated by the recently discovered fraud cases. Additionally, committing to stand-alone offline draw systems introduce limitations on draw capabilities which may limit lottery growth and require manual procedures that are more prone to error than automated ways of communicating data; they require more human effort, and have higher operational costs.

WHAT SECURITY MEASURES ARE PROVIDED BY RNG VENDORS?

To provide some guidance, we identify a checklist of 7 critical security measures which help protect the integrity of the RNG. (1) -(5) are elements that improve on traditional methods of assuring integrity and are best practices provided by third-party vendors. Fraud detection and independent verification, (6) and (7), are deployed by some lotteries for enhanced security.

- Draw systems should be provided by an independent third party. To avoid potential conflict of interest: (a) lotteries should not develop their own draw systems and (b) lottery gaming systems vendors should not provide their own draw systems.
- 2 Security of the RNG must include state-of-the-art protective security which should include: strong password protection, restrictions on access, and read-only use of the RNG program, configurations, and reports. Also, lotteries should set procedures to restrict user access and define role separation, including users from different groups or organizations to perform draw, audit and other functions.
- 3 Independent certification of randomness and code review is necessary. This certification may not detect a hidden code or prevent injection of fraudulent code in the future.
- 4 Another important method requires verification of RNG software code checksums, or hashes, to detect any changes in code or configuration since certification. This verification may be circumvented by a fraudulent software.
- 5 Additional security certifications can be performed to increase confidence in the system. These certifications may include scanning of the RNG system delivered to the lottery to detect malicious code and system vulnerabilities. A system snapshot can be taken at the time of delivery and used later for comparison to detect unauthorized changes.
- 6 The RNG includes fraud-detection capabilities: each time a draw occurs, the system creates a tamperproof log file corresponding to the draw; if any changes are made to the log file, an independent

audit would identify these changes. By building a tamperproof log file, the draw provides non-refutable/undeniable proof of draw integrity. To clarify the principle of logs and audit:

- a. If log files are not tamperproof, fraud-detection is not certain.
- b. A tamperproof electronic log file is distinct from activity log and draw reports; computerized attacks may be 'invisible' and they may create fraudulent logs.
- c. Proof of integrity of a draw system should not require sharing of privileged or secret information, as this can involve potential collusion and fraud.
- d. Digitally signing already generated data does not provide undeniable proof, as the data may have already been modified when signed. In fact, draw reports generated in the recently publicized RNG fraud case were digitally signed.
- 7 A draw system should be accompanied by an independent audit system. The audit system must be independent from the number generation process, so that it can detect any fraud to the draw system.
 - a. Audit system should be able to analyze tamperproof logs (6) to prove the integrity of each individual draw, its time and numbers drawn.
 - b. Audit should not rely solely on scanning of draw systems as these procedures are not fully reliable: some evidence may not be recoverable through the scans. A skilled programmer will not leave traces of attack or make them extremely difficult to find.

CONCLUSION

We recommend that lottery directors and top management understand how alternative RNG solutions solve various security risks including insider fraud. We provide some guidelines in identifying a secure RNG solution. We also recommend that when choosing a RNG system, lotteries make a broad cost analysis that takes into account the level of RNG security offered, whether fraud detection is included, and how these factors impact fraud susceptibility. Lotteries can obtain impartial comparative analysis of different offerings from third party experts, familiar with the technology used and without financial interest in selling or promoting specific RNG solutions. Our hope is that in the future the industry will help lotteries by regulating RNG security, but in the meantime lotteries need to fully understand the security risks for RNG products offered.

The recent fraud in the US illustrates many of the points we discuss: the security solution of the defrauded RNG was stronger than that of RNG solutions used currently by many lotteries. It is alleged that the fraudulent code was designed to only run at a specific time and date—at the actual draw time. It is hard to defend against such an attack, as this dynamic code may reside outside of the RNG code, could be replaced by a script running in the background, and could even erase all traces of fraud after running. The investigators deserve credit for detecting this fraud. It may have gone undetected, as we suspect can be the case for other fraudulent events. Right now, this should alert us all to the potential of RNG fraud and to finding a reliable solution for detecting fraud.

The Florida Lottery and IGT: Expanding Its Brand and Portfolio with Wheel of Fortune



As one of the most progressive lotteries in the U.S., the Florida Lottery proactively adopts the latest techniques and content to grow revenue. The result of this attentiveness is a 79% increase in instant game sales since 2010. Much of this impressive growth has been fueled by designing a portfolio of games that appeal not only to the Lottery's core players, but to new players as well.

The Lottery recognized that opportunity in IGT's Wheel of Fortune, a well-established, highly equitable brand that "crosses the bridge" between money-theme and niche. The Lottery was confident this game would increase exposure for its mission of funding education through a statewide local media integration that promote the Lottery's brand and its contributions. Wheel of Fortune offered the perfect opportunity to incorporate IGT's Six Pillars of Success strategy of continuous planning, monitoring, and adjusting to evolving market needs.

IGT believes that a deep understanding of players, a balanced approach to game portfolio planning, and leveraging tools and technology across the value chain are critical to sustainable revenue growth. From insights to innovation, IGT has identified six fundamental factors that drive lottery revenue.

When lotteries holistically leverage each of the Six Pillars of Success, as Florida does, synergies develop and growth accelerates. An integrated approach to strategic planning maximizes each stage of the supply chain that will produce responsible growth and sustainable profitability.



The Florida Lottery launched IGT's Wheel of Fortune instant game on April 6, 2016, leveraging the strength of the iconic game-show brand. In

keeping with the Lottery's desire to appeal to all market segments, the Wheel of Fortune brand is synonymous with fun, entertainment, winning, and money – and enjoys nearly 100% brand recognition while popular among all age groups. The instant

game was launched at a \$5 price point, overall odds of 1:4.04, a prize payout of 70.5%, and a \$250,000 top prize.



The Florida Lottery unveiled the Wheel of Fortune instant game with true Hollywood excitement by hosting a Wheel of Fortune launch



VIN UP TO \$250,000

event with a guest appearance by Vanna White. Thousands of fans lined

up to meet Vanna and be the first to buy the \$5 Wheel of Fortune games before they officially went on sale to the public.

Subsequently, the game was also supported with a comprehensive media program that aired during the Wheel of Fortune TV show throughout the state of Florida. The program included show opening and closing segments filmed especially for the Florida Lottery by Pat Sajak and Vanna White, a graphic of the ticket and the Florida Lottery logo that ran during the show's content, and commercials and promotional spots highlighting the Florida Lottery's contributions to education. In all, the turnkey program provided nine minutes of Florida Lottery exposure throughout the week broadcast exclusively to Florida media markets.



The popularity of the Wheel of Fortune brand helped propel the game at retail. The Lottery achieved 95% penetration in 48 hours at 13,000 of its retail locations. IGT also supported the game with turnkey point-of-sale materials to create additional in-store excitement and visibility.

INTERACTIVE

The Wheel of Fortune game enjoyed full digital support with banners, website content, and a second-chance program that included a dedicated website with

Play-for-Fun games. The highly successful second-chance program garnered more than 12,000 unique entrants each week totaling more than 400,000 entries to date. More than 50,000



Play-for-Fun games were played in first three weeks after launch.

Florida Lottery Results

 $\mathsf{IGT}\mathsf{'s}$ Wheel of Fortune instant game and Six Pillars of Success strategy has been highly effective for the Florida Lottery. The

game experienced the highest weekly sales by any \$5 game in the Lottery's history, with more than \$6.1 million in sales during its first week and more than \$7 million in weekly sales

Week	Standard Index	Sell Through
3	168	35%
6	163	65%
12	153	99%

over the next two weeks. After the launch of Wheel of Fortune, \$5 games outperformed the Lottery's \$25 games. By the end of its first six weeks, the game had earned \$39.1 million in sales, generating \$7.8M in profits to education. After just 12 weeks in the market, it achieved \$58.6M in sales, and 99% of the game had been sold. Brisk sales, continued demand, and good planning on the Lottery's part resulted in a re-order, ensuring no lapse in sales.

This is the third in a series of real-world stories of how our Six Pillars of Instant Success approach has assisted lotteries with attracting new players and improving bottom line profits. To learn more about our Six Pillars approach, visit us at www.IGT.com/sixpillars.



Gardner Gurney Interview ... continued from page 22

of all the costs, including the underlying costs of retraining sales representatives and retailers to sell a new product.

For example, moving from a 4-week cycle to a 6-week cycle for our Instants was a huge decision because it required our retailers to adjust to a whole new schedule. Changes like this are undertaken with full awareness of the costs involved, both hard costs and opportunity costs. The NY Lottery is not a small enterprise. Even small changes can involve a significant alloca-

tion of time and resources. We do run pilots and tests to make sure we have a clear picture of how people will respond, and hopefully avoid surprises—well at least bad surprises!

With the record-setting jackpot, and the residual downstream benefit of that—what did you do to try to leverage the publicity ana the excitement and add value to your overall brand and the other products in the portfolio?

G. Gurney: We saw some lift in basically all products during the Powerball roll-up. There's no doubt that much of that lift is directly attributable to the record Powerball jackpot in January of

this year. Of course, we wish we had been more prepared to take even more advantage of the increased brand awareness that the record jackpot generated. We are working on lots of exciting things right now, including broadening our second chance offers into all product lines. I sort of kick myself on a daily basis for not having that in place last January for the jackpot run. That record run brought in entirely new consumer groups who had never played the lottery before. We didn't have the mechanisms to follow up and reinforce the positive impact of that exciting event, at least not as much as we would have liked. We still enjoyed fabulous residual impact from it, but wish it could have been leveraged to even extend the interaction with new players and additional brand-building benefit.

About the sustainability of the jackpot games ... How do we overcome rising consumer expectations and leverage the positive publicity that only comes intermittently with a big jackpot, into a longer-term strategy of maintaining positive growth in the jackpot-driven draw games?

G. Gurney: We need to take full advantage of the media and promotional opportunities to hold on to new players and reinforce the positive impact on existing players that the big jackpots provide. We

Decisions about how to evolve the portfolio of products rarely focus on the performance of a single product, or even a single group of products. In fact, the discussions typically involve a diverse range of opinions because they almost always involve an element of strategic planning.

need to capture that new player info in the form of player registrations so that we can develop a relationship and communicate with them going forward.

Included in much of our communications is the support the NY Lottery gives to public school education. Whenever we have the attention of our audience, we like to reinforce the true mission of the lottery and hopefully impart to them the positive feeling of being a part of a worthy cause.

The media is always highly focused on sales during the big jackpot roll. But we also like to reinforce the role that Lottery has in generating support and commissions to small businesses, and the residual sales that accrue to Lottery retailers from consumers buying other CPG's along with their lottery tickets. Also, we need to recognize that the vast majority of people who were introduced to the game did not win cash despite having the experience of anticipation and dreaming for a few days. We need to provide them a second chance to play and find ways to help them have fun and feel good about playing the lottery. It is also a chance to introduce them to other games that give the player a much higher chance of winning a small amount. That's a very important part of our promotional agenda. The Lottery is

not just about the jackpot game.

Even though you do not sell lottery products online except in subscriptions, the NY Lottery has had tremendous success with its Mobile app.

G. Gurney: We had over 98,000 active unique users of our Mobile app here in New York over a five week period. And recently, we had over 560,000 sessions where people took a moment to check their winning numbers app, and see what we were up to and whether they had a winning ticket. That is a seriously large number of contacts with players. Visitors are with us an average of a minute and a half. The most solid stat is that over

50% of visitors are coming just to look at the winning numbers to see if they have a winner. With our Keno game QuickDraw, players are using it to check winning numbers and watch the current drawing. Clearly, many of our Quick Draw players are watching the drawing on their smartphone rather than the monitor, perhaps because they bought their ticket and then left the POS before the draw took place.

We just introduced a digital newsletter that delivered to over 400,000 emails in one day. We had a very strong open rate of those emails and one of the things that we touted was the fact that we have webbased subscriptions. No discount offer, just a "Hey! Did you happen to know that we have this subscription site?" We saw very substantial increases in web-based purchas-



So I think capping or managing jackpot size may well be a part of working with a maturing product, and trying to keep ahead of players, and keeping them from getting turned off or tired of a product.

es on the day of launch of the e-newsletter, and for the days following the launch. This was our first significant foray into direct mobile marketing, and we are very optimistic about the potential of digital to directly engage our known players. And that was basically just broad mass market messaging. Now we are working to customize and pin point our messaging based upon learnings.

Where did you get 400,000 email addresses?

G. Gurney: Some of them were from the winning numbers app, some were from subscriptions, and some were from people that sent in winning tickets. We have held second chance drawings for years and that is a source for email contact information. Now we are thinking about how to gather more email information and really build on this to develop an even stronger email marketing campaign throughout this year.

With the new winning numbers app we've also developed, through our marketing partner, fun ways to pick your lucky numbers and interact with the NY Lottery. We integrated illustrated scenes of New York State into the app, like Niagara Falls and mid-town Manhattan, to add local flavor. We also have a feature that enables the player to set the jackpot amount for draw games of when they want to be notified when the jackpot hits that point. We are working on creating digital coupons that are scannable to make it easier to use your mobile device to play at the retailer or a self-serve station.

You did not get many complaints from people not wanting to receive the emails?

G. Gurney: Correct, hardly any at all. Keep in mind, we emailed only people who had signed up to receive notices or something from us. And we make it easy to be removed from the list if they want. We may have had a couple thousand people ask to be removed. But in one month alone, we gained 20,000 new followers. We need to look at the big picture and just make sure we deliver relevant messaging and respect everyone's preferences.

What is your thought on managed jackpots, or capping the jackpot of the big jackpot games?

G. Gurney: Mega Millions and Powerball are two highly successful games. Like any other product, they have to be managed with a long-term strategy and with an eye towards sustainability. Jurisdictions sometimes change lottery directors, which means we get different input and sometimes fresh input from the stakeholders of these games. That makes it even more important for us to have a defined long-term strategy in place. We all need to respect the fact that these games serve the interests and objectives of all participating lotteries. We need to realize that every decision to change something is based on the information we have now about how to grow the games. And that information changes over time. Three years from now, we will have a different perspective on what is needed to produce optimal results. In spite of uncertainties about how demographics, marketing methods, consumer preferences, technology, and everything else about what the future holds, we need to continually push to keep the games fresh and relevant.

More and more, we need to view our business as a competition for the discretionary spend, the entertainment dollar. That is an important concept because competition for the entertainment dollar is getting more intense and innovating far faster than lottery games are evolving. So I think capping or managing jackpot size may well be a part of working with a maturing product, and trying to keep ahead of players, and keeping them from getting turned off or tired of a product. I would say it's just good business sense to stay ahead with known changes in consumer mindsets and what consumers consider important. The answer can't be that we just keep changing the matrix, making it more difficult to win, in order to drive the jackpot to higher levels.

Retailers, especially corporate accounts, need advance notice to cross-sell and otherwise help Lottery to promote its products. Does the NY Lottery give its retailers advance notice about the games to be launched in the coming months?

G. Gurney: Yes, we do give retailers advance notice. We know well in advance what we are doing and have a pipeline of Instants ready to launch as needed. Next year will be the NY Lottery's 50th anniversary, and we are preparing games and promotions to celebrate that. And we always have a great set of holiday games which we give the retailers lots of advance notice so they can help us promote them.

We work closely with our retailers and especially our corporate accounts to ensure we are doing everything possible, or at least making the suggestions, to optimize performance. For example, there is a new feature on a recently launched instant game - Gold Castle. Months before launch, we started demonstrating how the game would work at the New York Association of Convenience Stores Conference. Closer to launch the sales staff was introducing the game play to our retailers to make sure that they know about it and hopefully help us to promote it. Corporate accounts like 7-Eleven like to cross promote products to promote their high margin categories like food and beverage. Of course, that's great for us since it also promotes Lottery and so it is an effort that we are actively working to improve.

You are a supporter of multi-jurisdictional collaboration to build an API. How will API's help individual U.S. lotteries?

G. Gurney: API's have the potential to reduce costs and time to market. Most lotteries already apply API technologies internally to enable the seamless transfer of data. We need to now work together to establish multi-jurisdictional protocols for a variety of needs. Interfacing with

multi-state corporate accounts/ retailers may be the most critical, and the most easily understood. Multi-state retailers need lotteries to create standardized programs so that they do not have to interface with multiple varied software and data transfer programs like they do now. Presently, these multi-state retailers need to create different sets of procedures for interfacing, sending and receiving data, with each individual lottery. It is very inefficient. We need to develop the API's that enable us to provide the most seamless

data transfer across all jurisdictions. That means collaborating to build the API that provides one standard with which the retailers can connect.

There are different ways to enable major retailers to access the data. I think the way to start is get a pilot program going. Something simple that would enable the multi-jurisdiction retailer to start getting certain reports and information the same way from multiple jurisdictions. Then we can build from that foundation as we acquire the knowledge and competencies to develop API applications. Instead of trying to implement an API that would be robust and comprehensive enough to address all the things we know need to be done, we need a way to prove that it works, and demonstrate the benefits to both Lottery and retailers. We need to build consensus

and a collaborative process that includes all stakeholders, including the vendor community, the lotteries, and the retail chains.

APIs are not new to big box retailers. API's are already in extensive use by these large enterprises. Every individual lottery will benefit by enabling the large retailer chains to do business with us. We all know that, but we need to think nationally. The investment in building the API would pay off huge in terms of sales and net funds to good causes. Development costs are an obstacle. But the benefits, the ROI on those costs, are profound. So we need to figure it out together.

The investment in building the API would pay off huge in terms of sales and net funds to good causes. Development costs are an obstacle. But the benefits, the ROI on those costs, are profound. So we need to figure it out together.

The API involves a lot more than just sales data. We need to start with a pilot program, but we also need to realize that the long game of an API includes a wide variety of applications, many of which may not even be known to us right now. What we do know now is that we need to have a secure way to transact data with multi-jurisdictional organizations. Thinking about the entire lottery business model and process, API's are truly a vital step to unlocking the full potential for Lottery to serve its stakeholders. Perhaps the best way to start is to collaborate with a multi-jurisdictional retailer to build the API pilot that meets their specific needs.

We need a smaller-scale pilot program to manage costs and enable everyone to embrace the project. But shouldn't the more ambitious long-term applications of the API be baked

into the process from the beginning?

G. Gurney: Yes, but a pilot program is necessary to ensure that the time and resources invested in the API include the features that are relevant. The pilot will minimize the costs of adjustments that are likely to be needed along the way. Of course, the whole process should be implemented with a view toward the end result of a fully featured API. And to do that, we need the active participation of all lottery stakeholders, and definitely including our retail partners. If we can provide them relevant and consistent data, they can then easily con-

> vert the data forms to whatever works best for them. Since the retailers already interface with other CPG supplier API's, Lottery will benefit by the input and guidance of our retail partners.

> So implementing an API that requires multiple lottery jurisdictions to agree to common standards and protocols is very do-able. There are no intractable obstacles to making this happen?

> **G. Gurney:** If we say we cannot go forward unless we have the agreement of every jurisdiction in the United States, it's never going

to happen. I would add that, from an operations perspective, if we never did anything in the New York Lottery until it was perfect, we never would have launched anything. Why did Cash4Life start with only two states, New York and New Jersey? Because we couldn't get others to agree and commit their limited resources of staff and time. Now there are seven states in Cash4Life. And I think the expansion of Cash4Life into multiple states prompted further expansion of the Lucky-for-Life into even more states. (Cash4Life and Lucky-for-Life are almost identical games, the main difference being the prize payout percentage.) Once people see the benefits proven out in the market place, they want to jump on board. We just need to get that traction going for the API. Start with a handful of state lotteries and expand from there.



Creating the Truly Open, Fluid, Dynamic Infrastructure ... continued from page 30

a better consumer experience as well as operational efficiencies. The other CPG brands are meeting and exceeding these increased expectations. Some of them are even leading the way. Lottery needs to do the same to preserve its high-profile space in the retail environment.

Further to that, Lottery needs go where the consumers are going, which is beyond our traditional channels of C-stores and grocery stores. We need to penetrate new venues like quick service restaurants, transportation hubs, hospitality locations, and other non-traditional venues and POS's. There is a solution that enables us to meet the needs for more efficiently serving and supporting the heightened expectations of our retail partners. It has been deployed by lotteries internationally, but we are slow to adopt it in the U.S. And it's a solution that we must approach not as individual lotteries or a particular vendor, but collectively as an industry. The solution is the API-Application Programming Interface. Our panel is going to delve into the details of API. Ours is a \$70 billion industry that is capable of taking this step towards modernization. The standard API enables retailers to integrate our business into their systems on a national scale rather than reinventing the IT infrastructure on a state-bystate basis. It's not without challenges, some of which may be daunting, but the benefits are a game changer for us. And the reason to do it is to increase sales and net funds to good causes. Let's start with Gardner ...

Gardner Gurney: The API can be thought of as the secure IT handshake that enables communication, and data transactions, to happen the same way every time. Both receiver and sender can know that the data is being transacted securely and accurately. Your own existing internal control system and your gaming system already operate with an API. What gets programmed into your internal control system is executed in your gaming system and data is transmitted back and forth between the two. You need the common communication language provided by the API for that to happen. So, lotteries are already using API's internally. We just need to work collectively to create the API that enables us to integrate as a group with our retailers.

For retailers it really is about being able to build reports quickly and easily. The retailer does not want to go to 14 different IT hubs to get information that is produced in 14 different formats. They need to go to one place where it is already assembled for them to seamlessly pull it down into their own system.

The API delivers a win/win solution. It just enables everyone to communicate in the same programming language. Outputs, inputs, and responses are all in the same language. For instance, we are in the middle of replacing our winning numbers app. We told the new vendor that they must integrate with the existing API that we already built. We're not going to rebuild it for you or communicate with you on a different platform with different processes and protocols. I require this of our vendors, and Retailers want us, the community of lottery operators, to do the same for them. That is, to collaborate and produce an API that enables them to interact with us, get data and reports and communicate with us, in a single standardized way.

Another example - we use a state-wide contract and system to support the processing of debit and credit card transactions for subscriptions. This is enabled by an API that gets some of the best ratings by the users, as well as delivering a lower cost for us, because it's for the entire state, not just for the lottery. It's just about being creative and being flexible.

Carole Hedinger: We are all so limited by our closed systems that System A can't talk to System B. And now, it's not only the multistate retailers that are demanding that we upgrade our IT. In-state single-owner retailers are also consolidating into multi-store operations that need the data to be aggregated, and for the communications systems to be streamlined in the ways enabled by the API.

We need to look at our retailers as our customers. Consumers buy the product, but retailers are our first customers. We need to treat retailers the way the producers of other products treat their customers. We need to meet their needs for convenience and operational efficiency. Current processes are simply not doing that.

Paul Riley: Our industry needs a standard API for our offer to be compelling to the modern retailer. That is what enables the retailer to integrate seamlessly with the \$70 billion industry that the U.S. Lottery industry represents. The retailers want to make this happen. They just need us to modernize, and for them that means implementing a standardized API.

As Gardner pointed out, APIs actually permeate all of our lives already. Whenever we post something to Facebook, buy something at Amazon, or watch a movie on Netflix ... all of these activities are enabled by API's. If we could make it easier for retailers to interact with us on a communications and operational level, that would unlock a whole new level of ease and efficiency. The impact of that on sales and net funds to good causes is potentially profound. API's are imperative for the Lottery industry to meet the needs of the modern retailer. I think we have good support from the vendor community. We just need to accelerate our efforts. We all have IP and our R&D investment to protect, but collectively we need to pursue the best possible solution for the industry as a whole. The single API is not technical rocket science. It just requires that we collectively come together to establish that solution and implement it on the back end.

Gary Grief: Do we have the right contractual relationships and business models with our vendors to move us from where we are to where we need to be regarding API?

Gardner Gurney: I think we do have the right contractual relationships. It's about being creative. When you write an RFP, insert language requiring the vendor to commit to research. It doesn't even need to be specific, but it should require a commitment to invest a specific monetary amount to research within a pre-set time, like 12 or 24 months.

Carole Hedinger: Any lottery can write in an RFP a requirement for either open systems or the ability to connect with open systems. The modern RFP should look much different than it did even a few years ago. We need to think about how our needs have evolved, and future-proof by thinking about how they will be evolving over the next number of years.

Gary Grief: Terry is the chair of the NASPL retail subcommittee. Tell us where we're going with that.

Terry Presta: We have to get into the retailers' point-of-sale system, and the

API is the best way to do that. In my first year as director, our largest retailer of lottery products, increased from 12 to 20 facings. After a year, they reduced us back to 8 because we were slowing up their lines. We're really not in-lane anywhere in groceries in America because they're not going to put up with us slowing their lines down. That's why it is so important for us to get into the pointof-sale in whatever fashion that takes. API's are a key component to making that happen.

Retailers know they need to sell our product. We are sometimes frustrated because they tend to think of Lottery as a "managed" category as opposed to a "growth" category. Well, there's a reason for that. We treat our own product like it is a "managed" category. If we cared about growing sales, we would meet the needs of our customers, i.e. the retailers, for improved IT and operational support systems, starting with a standardized API. Right now, retailers think of Lottery as a product they need to sell because it draws customers into the store and if they don't sell it then the customer will go to the competition to buy it. Their main goal is to not lose money on Lottery and not let it slow down their lines too much. That mindset is just not a great recipe for driving sales. We need to show them that we mean business. We need to treat them like a customer, help them decrease the cost and increase the profit for them to sell Lottery.

It's not just about enhancing service to our retail partners. The open API benefits us too. It increases the speed to market of new technologies and new games. It enables third-party innovation to be implemented at a fraction of the cost to replicate the deployment across different IT platforms. These are benefits that would clearly translate into increased sales and net funds for Lottery.

Gary Grief: How can we make the cashless initiative and API work together to expand our retailer footprint and make the point of purchase easier for the consumer?

Gardner Gurney: Cashless and APIs line up perfectly together. In New York, for the past three or four years, we've been using redemption of instant tickets at self-serve. When someone redeems their ticket at self-serve, they can immediately play-they don't have to take cash out of their pocket. Sales were maybe \$10,000 a week in the beginning, and now we're doing \$2 million a week in self-validation at self-serve. It makes it easy for the player to continue to play with their winnings. This is an example of how an API enables a cashless application to make it easier for the consumer to play the lottery.

Gary Grief: The feasibility of innovating becomes a matter of cost and ROI. And isn't that about getting everybody to agree that the benefits of implementing the standard API exceed the costs?

Carole Hedinger: We need to start having this discussion. Vendors and lotteries need to be clarifying the costs, the values, the details of implementation, and work it out. Enabling standardized API's that operate across multiple lotteries is certainly not an issue that will solve itself or work itself out over time. We need to get actively engaged, address the issue head-on, find the common ground of what we want, decide on an actionplan, and make it happen.

2016 RECIPIENTS Major Peter J. O'Connell Lottery Industry Lifetime Achievement Award

... Continued from page 14

TRACEY COHEN

States. Several times during her lottery tenure, Tracey has achieved national industry recognition from NASPL (North American Association of State and Provincial Lotteries) for successful and innovative lottery product launches. Other noted accomplishments include La Fleur's Women in Leadership Award (2013); and OCFO (Office of the Chief Financial Officer) Distinguished Service Award (2012). ■

CAROLE HEDINGER

\$965 million in net funds contributed to public education and other state institutions which serve the people of New Jersey.

Ms. Hedinger maintains professional memberships with the New Jersey Society of Certified Public Accountants where she served in several leadership positions including a term as President in 2011, only the second woman to serve in that capacity in the Society's more than 100 year history. She is a member of the American Institute of Certified Public Accountants and serves on the AICPA Council. She currently serves as the Region 1 Director for NASPL. Ms Hedinger previously served on Gov. Christie's Sports, Gaming & Entertainment Transition Team and Gov. Whitman's Education Transition Team. She is the current Chair of the HealthSouth Rehabilitation Hospital's Community Advisory Board, former member of the Georgian Court University Planned Giving Council and the Board of Trustees for Stockton University of New Jersey, chairing the board from 1997 to 1999. Ms. Hedinger has been a featured speaker at a variety of Lottery conferences as well as both legal and accounting organizations.

VERNON A. KIRK

season. This expansion was extremely successful with sales up 42% the first year. In January 2013 the Lottery began Keno at select retail locations throughout the state. Keno has proved very popular and interest in the game continues to grow.

In October of 2013 Kirk oversaw the launch of the first in the nation casino style iGaming platform, including peer to peer poker. Then, in February 2014, the Lottery made history again when the Governors of Delaware and Nevada signed the first of its kind Multi-State Internet Gaming Agreement. This Agreement allowed for "shared liquidity" of poker players from Delaware and Nevada (poker players from both states sitting at the same virtual table). The next advancement, a mobile application for casino iGaming, was introduced in May 2015. In about the same time frame, limited video lottery at fraternal organizations was authorized and placed under the administrative and regulatory control of the Lottery.

And, traditional lottery prod- in Political Sc ucts were not overlooked when it ministration fre came to firsts. In early 2016 the of Delaware.

Lottery introduced its first \$25 price-point instant game, Quarter Million Large. This game became the first instant game that the Lottery ever re-ordered and was a major contributor to the Lottery's record FY2016 traditional sales, which were up 17% over FY2015.

The Delaware Lottery now oversees more public gaming products than any other lottery in the country, including traditional lottery products; video lottery at the racinos; sports betting statewide; table games at the racinos; Keno statewide; Las Vegas style iGaming; and, limited video lottery statewide.

Kirk currently serves as Chair of the Video Lottery Game Group, a multijurisdictional, progressive video lottery network administered under the auspices of the Multi-State Lottery Association (MUSL). Member states include DE, WV, RI, OH, and MD. He is also the Chair of Delaware's Advisory Council on Charitable Gaming and Planning. Kirk has a degree in Political Science/Public Administration from the University of Delaware.

Choice for the Modern Consumer: Lottery & Cashless Payments

By Andrew Crowe, Vice President, Interactive Payments, IGT

s lottery has historically been a cash-only industry, we are early on in the learning curve for accepting other forms of payment. With "cashless," a great opportunity awaits us—to embrace the next generation of lottery players and drive incremental sales and profits to good causes.

Cashless includes traditional credit, debit, and gift cards, as well as newer methods, such as PayPal or ApplePay and other mobile payment models. These are all well supported by the many technical solutions available in the market, but the greatest challenge for lotteries is to understand and accept the economics related to cashless—i.e., the benefits and costs of the investment in expanding the payment options available to lottery players.

Cashless is about customer service—for players and retailers.

Consumers prefer choice and respond much better when you bring your products to them, via their favored medium and

channel, and support their ideal way of paying. While cash will never go away completely, it is no longer preferred, particularly with the younger generation, who shop with a card or their mobile device and often don't even carry cash.

Your retailers and players, current and prospective, will be more receptive to a cashless lottery, its brand, and its products.

Ultimately, this is about optimizing profits for the lottery and its retailer partners.

While there are costs related to cashless, they are an investment in the future growth of lottery sales.

It is important to view cashless as an "investment" as we review its related costs—the banking fees—and who should bear these costs—the lottery or the retailer.

Let's begin with an explanation of the components of banking fees related to accepting credit and debit cards. There are quite a few layers to this, each with fixed and/or variable cost components, including:

- Interchange that is paid to the issuer of the card.
- Acquirer Fees for the merchant banking partner who processes the transaction.
- Network Assessments owed to the payment network (e.g., Visa or MasterCard).
- Chargebacks related to customer disputes or fraud.

Most retailers don't review this at the individual transaction and fee component level. Rather, they typically review the total



Exhibit 1: An example of the banking fees involved in accepting credit and debit cards.

banking fees across all of their card sales and calculate a blended rate for accepting credit and debit cards.

Interchange:

Rather than go into the complexity and details of all of these fees, we'll focus on Interchange, the most prominent of the fees that best illustrates the concept of a blended rate and the impact of the fixed and variable components.

Interchange can be very complicated—there are many interchange categories established by each of the payment networks across their range of products (credit, debit, gold, platinum, corporate,

etc.) as well as the different categories of merchant. For this exercise, we'll use the most common Visa interchange categories we expect to see for retail lottery transactions.

For "Regulated Visa Check Cards" (Visa Debit Cards issued by banks with more than \$10B in assets), the rate of 0.05% + \$0.21 is particularly illustrative of the challenges that exist for small-dollar transactions. On a \$1 transaction, interchange alone would result in a blended rate of 22%. That is simply not sustainable in our business; however, as you move to \$10 or \$25 transactions, the blended rate drops quickly to a much more manageable level of 2.2% and 0.9%, respectively.

The Credit rate, "CPS/Retail 2" at \$0.05 + 1.43%, has much less of an impact on small-dollar sales, with a blended rate for a \$1 transaction down to 6.4%—still problematic for a \$1 sale, but higher amounts also bring the credit interchange rate to a more manageable level.

To fully understand the impact of these fees, lotteries should think differently about Clerk-Activated vs. Self-Service sales.

Clerk-activated lottery sales are likely part of a larger shopping basket, for which the retailer will have already incurred all of the fixed banking fees for the non-lottery parts of the transaction. If a consumer adds lottery to an existing transaction for the purchase of bread, milk, and cereal, the retailer's banking fees only increase by the variable cost components. In the debit card example shown above, the \$0.21 is already covered in the non-lottery purchase, so the incremental interchange on the lottery ticket is only 0.05%. We see the same effect on the credit interchange—only the 1.43% applies.

Therefore, for clerk-activated lottery transactions, a business case can be made for the retailer to incur the banking fees, since the lottery products are part of a larger transaction, and they're already paying the fixed fee components for the non-lottery items in the basket.

Clerk-Activated Transactions: Incremental cost of lottery to an existing shopping basket

DEBIT Card: \$0.21 + 0.05 %	CREDIT Card: \$0.05 + 1.43 %
The Rate: Variable:0.05% Fixed: 	The Rate: Variable:1.43% Fixed: .\$0.05
The Impact: \$1 purchase:	The Impact: \$1 purchase: 1.43% \$10 purchase: 1.43% \$25 purchase: 1.43%

Exhibit 2: When lottery is part of a larger shopping basket, only the variable fees apply when looking at the marginal cost of accepting credit transactions.

However, self-service lottery sales must bear the full economics of the banking fees.

Unfortunately, self-service lottery sales stand alone and incur the full set of banking fees, fixed and variable; however, it is expected that enabling card purchases will drive incremental sales. After a review with Visa and leading merchant acquirer Vantiv, we looked at other markets, including fast-food restaurant, vending machines, etc.—lottery could see as much as an 18% sales lift on card-enabled self-service machines. While banking fees could consume much of a retailer's commission if the retailer pays them, lottery profits on these incremental sales should be at least five times the banking fees—a solid return on the "investment." Therefore, lotteries should consider bearing the cost of the banking fees for the self-service environment.

To illustrate the business case, the following is a simple example of the self-service machine economics.

Assumptions:

- Weekly sales per unit: \$3,500.
- Incremental sales: 18%.
- Cannibalization of existing cash sales: 20%.
 - NOTE: the reality is that some existing cash transactions will convert to card sales, for which banking fees will incur.
- Average card transaction: \$15 assumption.
 - NOTE: we have a few data points in the market that give us confidence this is a realistic benchmark, perhaps even conservative.
- Card type(s) accepted: debit cards only.
- Blended rate for all banking fees: 2.15%.
- Lottery profit: 30%.
- Retailer commission: 6%.

So what does all of that mean? If enabling cashless results in an 18% lift in sales, that is going to equate to another \$630 in sales per week from that individual machine—that delivers an additional \$189 in profit to the lottery and \$38 in commission to the retailer. A 2.15% blended rate for banking fees on both the incremental and the cannibalized sales means a cost of around \$29.

Were the Lottery to bear these fees, the investment of \$29 will return \$189 in additional profits to good causes—a very compelling case for cashless. In sharp contrast to that, if retailers have to pay the banking fees, they would lose the majority of their commission earned on those incremental sales.

Of course, we are not limited to all-or-nothing in the distribution of the fees between the lottery and the retailer—lotteries could also introduce a model where the retailer earns a slightly lower commission percentage on cashless sales and the lottery covers the rest of the banking fees.

Regardless, lotteries are encouraged to view cashless costs as an investment and embrace the expanded payment options, driving incremental sales and higher profits to good causes. ies to manage the all-important average transaction amount and reduce the impact of the blended rate, this is quite limited under Visa/MasterCard rules. A minimum is permitted for credit cards; however, it can't be any higher than \$10. As for debit card sales, lotteries are currently not permitted to enforce a minimum transaction amount.

Public policy and the need for a lottery industry cashless strategy.

Last, but not least, any discussion of cashless for lotteries must include an honest discussion of the public policy implications of accepting credit cards. Regardless of what a state statute allows, each lottery needs to have a thoughtful conversation with its stakeholders and decide whether the lottery should implement debit-only sales or also accept credit cards for lottery purchases.

Conclusion:

Self-Service: Should lottery bear cost of banking fees?

While we still have much to learn and prove about the benefits of cashless, it represents a significant opportunity for the lottery industry to engage the next generation of players, support retail partners, and drive incremental profits for good causes. This is

Cashless card brand (Visa/MasterCard) rules:

Lotteries should also be aware of the rules in place by Visa and MasterCard. Several lotteries have stated a preference to shift the costs to consumers by charging them a convenience fee. While this is quite common across state governments (for driver's licenses, tuition, tax payments, etc.), it is important to remember that those are mandatory government transactions—we are in the entertainment business. And again, if the goal is maximizing profits and engaging players, lotteries will not benefit by raising barriers. Self-Services Assumptions: LOTTERY RETAILER Debit card only Incremental Sales \$630 \$630 Weekly Sales:..... \$3.500 (self-service per unit) Sales Lift:.... 18% Profit / Commission \$189 \$38 Cannibalization of Cash:..... 20% Average Ticket: \$15 Banking Fees (\$29) (\$29) Banking Fees: 2.15% Lottery Profit ... 30% Retailer Commission6% Net \$160 \$9

Exhibit 3: Hypothetical comparison of Return on Investment for lottery and retailer if banking fees are included.

Setting aside the philosophical debate, there are also challenges within the card brand rules. The rules, as they stand now, provide the ability to charge a fee for the convenience of a channel, but do not allow addition of a surcharge only to card transactions. So, while you may impose a convenience fee on all payment methods through a specific channel, you may not assign a surcharge to debit or credit cards when cash has no fee. Lottery does not qualify for the right to impose a surcharge similar to other areas of state government.

A second card rule that impacts the cashless business model regards requiring minimum transaction amounts for card transactions. While setting a minimum is an effective way for lottera shared need across all lotteries and their technology partners which will benefit greatly from a concerted industry effort to share learnings and best practices, and engage the payment networks to optimize the positive impacts of enabling cashless payments across lottery retail networks.



Corporate Culture: The Last Untapped Strategic Asset of Your Organization

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





ottery agencies face a unique set of business challenges which we're all familiar with and trying to tackle on a daily basis. They include:

- Player fatigue with big jackpots
- Difficulty identifying and reaching the next generation of players
- Rising operating expenses mean that each dollar of incremental growth comes at a higher cost
- · Cracking the code on successful digital engagement
- · Better utilizing digital throughout the POS experience

However, there is an even more important challenge most lottery agencies face and that directly influences the performance of their business. I am referring to an agency's corporate culture, and the fundamental role it plays in driving innovation, growth, profits and employee satisfaction.

In fact, a lottery's ability to tackle its business challenges is directly related to the strength of its corporate culture.

So, what exactly is a corporate culture?

When in doubt, we can start with Wikipedia:

Corporate Culture (or organizational culture as it is often referred

to) represents the collective values, beliefs and principles of organizational members and is a product of such factors as history, product, market, technology, and strategy, type of employees, management style, and national culture. Culture includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits ... Thus, organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders. In addition, organizational culture may affect how much employees identify with an organization (Source: Wikipedia)

So: the corporate culture represents the unique style and policies of an organization as expressed by the beliefs and values of its employees. As well, and perhaps most important—the corporate culture is also seen in the official and unofficial behaviors deemed as acceptable or desired inside the company.

The peculiar and sometimes dangerous aspect of corporate cultures is that they don't have to be consciously created in order to exist and seriously affect a business, for better or for worse—they can just as easily be a remnant of a past management legacy.

Or perhaps, the corporate culture is not clearly defined at the top of the organization or changes too frequently because of constant management changes. Then, subcultures will take over that are usually more driven by the preservation of a department rather than the thriving of the organization. And that makes sense! In absence of a clear vision and a clear set of values and accepted behaviors, it is human nature for employees to default to behaviors that create a subculture that will help them preserve their own domain and jobs.

Jeremy Gershfeld, founder of Corporate Culture & Communication firm Quartet Approach (http://quartetapproach.com/) believes that it is not easy to get a concrete grasp of a company's corporate culture. A analogy Jeremy likes to use to describe corporate culture is the unique way one's own family might do things and interact with each other. For example, think about visits with your family over the holidays. At a large family gathering, you might notice how family group habits can distort your own behavior. You might observe, over, say, Thanksgiving dinner, how different members of the family do things very differently, and how this affects the group's behavior as a whole, especially when the full group is brought together.

Of course, the stakes are different in a professional environment, where individual and group goals are different than getting along with your relatives for a few days. However, the culture still exists, and the group is often bound by its social dynamics.

The Lasting Value of a Strong Corporate Culture

Harvard Business School Professors Jim Heskett and Earl Sasser and coauthor Joe Wheeler assert in their new book, *The Ownership Quotient*, that strong, adaptive cultures can foster innovation, productivity, and a sense of ownership among employees and customers. They also outlast any individual charismatic leader.

While all these benefits are highly relevant for lottery agencies the last one is particularly salient, as lottery Executive Directors will change every few years and each new ED will bring their own sets of priorities, values and styles of doing business.

As Catherine McIntyre-Velky, a project management and process consultant who has worked with First-The-Trousers on a process optimization project for the Arizona State Lottery says: "One cannot under estimate the power of culture and its influence on productivity, especially in an environment that deals with regulations. A good strong corporate culture is as much a part of the process as the process itself. In order to successfully navigate deadlines and approvals, you must be able to speak the currency and understand the communication exchange."

"Your Culture is Your Brand"

-Tony Hsieh, CEO of Zappos

The idea that corporate culture is a strategic asset has become increasingly popular over the last few years. The most shining example, of course, is Zappos: the world's largest online shoe store, known amongst other things for its "Wow" customer service and its philosophy of delivering happiness to both employees and customers.

Zappos CEO Tony Hsieh captures his beliefs in this quote: Our belief is that if you get the culture right most of the other stuff like great customer service or building a great long-term brand or empowering passionate employees and customers will happen on its own. He should know: his company was acquired by Amazon in 2009 for \$1.2 billion.

"Culture Eats Strategy for Breakfast"

This quote is from Peter Drucker, management consultant and business thought leader whose writings contributed to the philosophical and practical foundations modern companies perhaps more than anyone else. He argues that having a strong corporate culture is actually more important for a company's success that a well thought through strategic plan. In the same vein, Harvard Business School Professor Emeritus James L. Heskett (and author of "The Culture Cycle") finds that as much as half of the difference in operating profit between organizations can be attributed to effective cultures.

As such, improving ones corporate culture should be seen as an opportunity for an industry, like the lottery, that struggles with operating costs growing faster than sales and the resulting pressure on profits and revenue contribution.

But, Lottery Agencies Face Unique Cultural Challenges

Lottery agencies face two unique challenges with regard to their corporate culture:

- 1 Lottery agencies are government agencies and therefore cannot incentivize their employees based on their performance like a private organization would. This in turn has a direct impact on employee morale.
- 2 Every few years a new Executive Director is appointed to head the lottery agency directly impacting the agency's culture in ways that may be surprising. Many of the lottery employees we've talked to across the country over the years describe their tenure with the agency not in numbers of years ("I've worked here for 15 years") but by the number of Executive Directors they've worked under ("I've had 9 Executive Directors"). This point matters because of the crucial role the corporate leaders have in defining and implementing the organizations culture.

These challenges can leads to "dysfunctions" within a lottery agency that directly impact performance, employee motivation and



profits. Some of the symptoms of a weak lottery agency culture are:

- 1 Lack of clarity within the agency with regard to the agency's objectives and how to achieve them. While the core objective of a lottery agency is clear, or should be (increase the revenue contribution to the state) Executive Directors tend to provide their own interpretation of the agency's objectives and how to achieve them. This interpretation, of course, has an immediate impact on the culture and the priorities set by the broader organization.
- 2 Intra- and inter-departmental silos and lack of alignment: A lack of unified culture that everyone can live by often leaves each department or even each individual to pursue their individual objectives. This leads to subcultures that may not necessarily be aligned with the organization or with other departments (but that are aligned with their understandably natural need for job security). This often leads to a lack of coordination and collaboration between and within departments which again directly impacts the overall business performance.
- 3 Lack of communication & accountability. A weak culture is also often defined by a lack of transparency or accountability in the decision-making process. Employees in one department don't know for sure what people in other departments do. Critical information is often poorly documented and not easily accessible. The default behavior becomes to only share information if needed or if actively requested.
- 4 Lack of appreciation for subject matter expertise. Another symptom of weak corporate cultures is often a general lack of understanding or appreciation for how others do--or could--contribute to the mission. On a personal level this often means that individuals do not feel appreciated or valued for their roles and contributions.

Improving Ones Corporate Culture

The first task for any organization looking to improve its culture is to actually try to define its current culture and assess its strength by asking a few basic questions:

- 1 Is the agency's vision and core values clearly defined and consistently understood by everyone within the organization (can everyone within the organization tell you in a few words what the vision and core values are)?
- 2 How motivated are the agency's employees? How valued and appreciated do they (really) feel?
- 3 Is there transparency and cooperation within and across departments or is the cooperation hampered by formal or informal silos?
- 4 Does information flow freely within the organization or it is "hoarded" by specific departments or individuals?
- 5 Is the decision making process (RACI framework) within the organization transparent and it is clear who is accountable for what decisions?

These questions are basic yet fundamental. And while you'd think or hope that he answers to those questions are obvious, the reality is that they often are not. However, I am always surprised, and I've talked to many people working in the lottery industry over the last 5 years, by how open and willing employees generally are to share this information candidly when asked (though maybe they are more willing to open up to an outsider).

Imagine Your Organization is a Music Group

Undertaking an objective self-assessment of ones' corporate culture can be difficult. Because of that, understanding how to evolve your corporate culture isn't easy either.

For example, imagine your organization is an orchestra playing a symphony. How would it actually sound? Does your group sound like a harmonious masterpiece that transports you into a different world or does it sound like the cacophony of uncoordinated and un-synchronized noise (think first-grader annual Christmas concert)? Be honest with yourself.

The illustration of how a quartet can either produce beautiful music or just noise based on how well coordinated and in-synch the quartet members are is at the core of Quartet Approach's consulting philosophy. Based on an upfront audit which identifies the strengths and weaknesses of your organization's culture, Jeremy Gershfeld and his team let you actually experience what your organizational culture 'sounds' like now and what it could sound like in the future. In Jeremy's own words *"The Quartet Approach personifies what happens when the rehearsing and performing group of four musicians plays a substantially better group performance when the elements of their culture are healthy (as well as hearing/observing what happens when culture is not). It becomes very clear what happens when, for example, a lack of clarity in the group's roles create a psychologically unsafe setting."*

Translating the strength and weaknesses of an organizational culture into music often creates an "aha!" moment and the discussions that result from these insights of one's organizational culture can help determine alignment, communication, and expectations.

To Conclude

Corporate culture has become an increasingly relevant subject in the business world over the last 10 years as companies have come to realize the role it plays in sustaining a competitive advantage and building a business. It is especially relevant in the lottery industry which faces its own specific challenges that could be overcome with decisive movement toward a stronger corporate culture. This type of corporate culture exploration and refinement might therefore be worth exploring as an opportunity to improve the performance and revenue contribution of lottery agencies.

Ulli Appelbaum is Founder & President of brand research and consulting firm First-The-Trousers-Then-the-Shoes specialized in brand growth and brand storytelling. He's worked with various state lotteries in the field of new product development, brand positioning/re-positioning, communication strategy development and process optimization. He can be reached at ulli@first-the-trousers.com

Pulse of the Industry

These news stories comprise a small fraction of the gaming and lottery news stories posted every day to www.PublicGaming.com. Too, these stories are the short versions. You can visit our news website and go to the "search" field at www.PublicGaming.com to pull up the complete story. Sign up for our free e-newsletter by just sending your e-mail address to sjason@publicgaming.com.

NORTH AMERICA



New York: Major Expansion Planned for Aqueduct Casino

December groundbreaking on an expansion project expected to add more than 750,000-square-feet to the facility, with \$400 million to be spent adding space for gambling, hotel rooms, retail, and entertainment areas.

New York Senate Votes to Legalize Online Poker Gambling

Legalization of online poker is a historic expansion of gambling. The legislation still needs to be approved by the NY state Assembly. If approved, New York would become just the fourth state in the country to legalize online poker gambling. New Jersey, Delaware and Nevada are the only other states where it's legal.

New York's constitution prohibits the state from allowing gambling except on state lotteries, horseracing and casinos approved by the Legislature, but the bill would get around that prohibition by classifying the online games of Texas Hold-em and Omaha Hold-em as games of skill instead of games of chance.

New York, DFS Leaders Reach Agreement

The New York attorney general's office clarified the murky Daily Fantasy Sports (DFS) legal landscape by reaching agreements with industry leaders FanDuel and DraftKings. The agreement purports to resolve the competing arguments over the legality of fantasy sports contests generally; however, the agreement protects the state's claims against the companies for charges of deceptive advertising. New York has sued FanDuel and DraftKings for their claims concerning contest participants' ability or likelihood to win fantasy sports contests, arguing that the representations are false or misleading.

Missing Millionaire Campaign Earns New York Lottery Two North American Effie Awards

The Effie Awards are known by advertisers and agencies globally as the preeminent award in the industry, and recognize any and all forms of marketing communication that contribute to a brand's success. Since 1968, winning an Effie has become a global symbol of achievement.



INDIANA POISED TO REAP RECORD LOTTERY PAYOUT The lottery is projecting that it will finish the fiscal year on June 30 with \$1.2 billion in revenue—14% more than last year—and it is on track to return \$275 million to the state.



Missouri Lottery Upgrades their Sales Force Automation System to GemIntelligence™

FROM LAPIS SOFTWARE ASSOCIATES

The Missouri Lottery as its application field software.

The Missouri Lottery, which was one of the pioneers in the lottery industry in using sales force automation, selects gemIntelligence[™] lottery sales force automation software. "Upgrading to gemIntelligence provides Missouri Lottery retailers, lottery sales representatives and sales managers with the advantage of real-time visibility into service levels, inventory and revenue growth," said May Scheve Reardon, executive director for the Missouri Lottery. "The single, easy-touse application, customized for our unique business processes, will help us better serve our retailer partners."

Illinois Lawmakers Try New Strategy to Push through Daily Fantasy Sports Bill

The big idea (in Illinois anyway): Push it through the Senate first and hope that that

might unlock some votes in the House, where the bills seem to face stronger opposition. Casino operators have also spoken out against bills that authorize Fantasy Sports betting without the operators submitting to the same rigorous vetting process that casinos are subjected to.



OUEBEC MOVES

TO BLOCK ONLINE ACCESS TO ILLEGAL UNLICENSED **I-GAMING OPERATORS**

Provincial i-gaming website Espacejeux is operated by Loto-Quebec, the authorized operator of online gaming in Quebec. Lawmakers are taking action to prevent illegal online gaming requiring Internet service providers (ISPs) to block consumer access to all major gambling sites except Espacejeux.



MICHIGAN LOTTERY INTER-NET LOTTERY SALES HAVE MUSHROOMED ALONG WITH THE NUMBER OF PLAYERS Using their Smartphones AND PERSONAL COMPUTERS TO PLAY

At the outset there were about 86,000 players who registered with the state for the Internet games. The number of players has grown by over 300% to about 322,000 players. The increased Internet betters have pumped \$147 million additional dollars into state coffers with \$14 million of that going to Michigan schools. And the Lottery Bureau is predicting those numbers will increase over the next eight years to an additional \$480 million. Rep. Andy Schor says "If they're going to play anyway, we should probably regulate it and we should probably grab some tax dollars off of it. I think that people can gamble if they want to gamble."

NEVADA GAMBLING REGULATORS APPROVE NEW FANTASY SPORTS MODEL

The New Fantasy Sports gambling platform approved by Nevada regulators will further blur the lines between traditional sports betting and fantasy sports contests, an industry that insists its games are not gambling in the face of legal challenges across the country. Several states over the past year have challenged the fantasy sports industry, which first drew widespread scrutiny last year amid a flurry of advertising that promised the savviest sports fans millions of dollars in payouts. The industry has lobbied states to approve laws that would allow them to operate without legal ambiguity.

NOT MUCH ACCOMPLISHED AT FANTASY SPORTS INAUGURAL **CONGRESSIONAL HEARING**

The major DFS operators and sports leagues refused to participate. The informational hearing, no legislation has been introduced, was largely void of the fireworks and theatrics some had expected. Rep. Pallone still took the opportunity to blast FanDuel and DraftKings as hypocrites. He asked how the two operators, which comprise 95 percent of the DFS market, could maintain their stance that daily fantasy sports is distinguishably different than prohibited forms of sports gambling, even as they apply for gambling licenses in the United Kingdom. "What is DraftKings' rationale for getting a gambling license in the U.K. if they say daily fantasy sports is not gambling? How do they justify this?"

THE UNITED STATES CONFERENCE OF MAYORS (USCM) APPROVES A RESOLUTION THAT BACKS SPORTS BETTING

The USCM represents 1,407 US cities that have a population of at least 30,000 people.

"The American Gaming Association estimates that in 2015 alone, Americans placed nearly \$149 billion in illegal sports bets," the resolution states. "Current law is out of step with public attitudes, as the vast majority of football fans, 65 percent, say legal, regulated betting will protect the integrity of the games or have no impact on outcomes." In conclusion, the USCM said, "The United States Conference of Mayors and the

nation's Mayors, believe it's time for a new approach to sports betting in the United States that could include strict regulation, rigorous consumer protections, taxation of revenues to benefit local communities, and robust tools and resources for law enforcement to root out illegal sports betting."

THE AMERICAN GAMING ASSOCIATION'S (AGA) CONVENES LAW ENFORCEMENT LEADERS TO CRITIQUE FEDERAL **PROHIBITION ON SPORTS BETTING**

More than 30 law enforcement leaders from across the country gathered at the American Gaming Association's (AGA) first-ever Law Enforcement Summit. "The illegal sports betting market is a growing problem and no group is more credible in carrying that message and identifying a solution than members of law enforcement," said Geoff Freeman, president and CEO of the AGA. "This Summit highlighted that the illegal sports betting market funds large criminal enterprises and fails to protect the integrity of the sports we all love. It's time for a modernized approach that will support law enforcement around the country."

Based on input from the Summit, the AGA's Illegal Gambling Advisory Board will author an after-action report that will serve as a guide for stakeholders-including policymakers, regulators and sports leagues-to develop potential solutions.

"The reality is that illegal sports betting is a growing and dangerous problem; the scope is massive—hundreds of billions of dollars and shows up on every street corner," said Ed Davis, former police commissioner of the City of Boston and a member of AGA's Illegal Gambling Advisory Board. "We need to look at the utility of a regulated, transparent sports betting market. Let's face it, demand is only rising. Consumers would rather do this in a regulated market that provides consumer protections, integrity of the game, and I would rather have certainty and transparency. It's easier to maintain public safety in that type of environment."



The Massachusetts Lottery would be Authorized to Offer Its Products Online and On Mobile Applications

Treasurer Deborah Goldberg late last year cautioned lawmakers that the recent string of record-level Lottery sales will not continue unless the Lottery adapts to changes in the market-place to compete with the state's growing casino gaming industry and daily fantasy sports contests. Ms. Goldberg has touted the idea of a Lottery-run fantasy sports game, which she said would attract a younger audience that favors playing on mobile devices, particularly 25-to-45-year-old males "who are not Lottery players (and) who are extremely excited by sportsrelated fantasies. "Since millennials and other younger players have grown up with access to technology at their fingertips, they are less likely to purchase lottery tickets in the traditional marketplace and we need to find an alternative way to engage them," committee co-chair Sen. Barbara L'Italien said in a statement. The Lottery has been looking for a "broad mandate" from the Legislature to move online, saying that an internet presence will be essential if it is to continue to thrive and return hundreds of millions of dollars to cities and towns as online games attract young players and their money.



The Multi-State Lottery Association

(MUSL) ELECTS GARY GRIEF AS PRESIDENT OF THE ORGANIZATION

Mr. Grief is the immediate past chair of the Powerball game, past Lead Director for the Mega Millions multi-state game consortium and past president of the North American Association of State and Provincial Lotteries (NASPL). In 2012, he was honored with the PGRI Major Peter J. O'Connell Lottery Industry Lifetime Achievement Award and in 2014 he was inducted to Public Gaming Research Institute's Lottery Industry Hall of Fame.



Iowa Lottery Introduces New Look, New Logo, New Tagline

CAMELOT GLOBAL OPENS OFFICE IN CHICAGO

Camelot Global, a sister company to Camelot UK which has operated the United Kingdom's National Lottery for 22 years and is a stakeholder in the enterprise that manages the Irish National Lottery, has opened an office for North American operations in Chicago. Camelot recently won a five-year contract to develop a business plan for the Arkansas lottery and also hopes to be awarded a piece of a private management contract to run the Illinois Lottery.

Scientific Games' Successful Partnership with Georgia Lottery Corporation Extended for Seven Years

IGT PLC Creates Central Administrative Organization; Appoints Robert K. Vincent As Lead

Scientific Games Wins North Carolina's Instant Game Business

Missouri Governor Joins Colorado and Mississippi in Signing Fantasy Sports Bill

Brian Rockey is being appointed Director of the Nebraska Lottery

Atul Bali Named Chairman of the Board of Social-Lottery Company GameRail™, a subsidiary of Shoutz, Inc.

Linq3 Partners with Verifone to Bring Play at the Pump Lottery to Gas Stations

California: Legislation Will Help Clarify Complicated Relationship Between Horse Racing and Gaming Public-Private Board Considered for New York Racing Association (NYRA)

IGT to Provide 1,500 New Video Lottery Terminals to Oregon Lottery

Indiana: Hoosier Lottery Implementing Cash4Life Draw Game

Connecticut Lottery: Keno Sales Nearly \$6M in First Month

Mississippi becomes Latest State to Legalize and Regulate Fantasy Sports Law

Florida: Seminoles End Legal Fight, Avoid Financial Disclosure: Made \$2.4B Last Year

A UK Company wants Overseas Players to Buy Millions of Oregon Lottery Tickets

TheLotter.com claims to provide what is in essence a messenger service. Consumers from all around the world select the numbers they want to play through thelotter.com. For a handling fee, theLotter then sends an agent to a lottery retailer in the country or state where the customer wants to play. Currently, the company uses agents to buy tickets in New Jersey, New York and Florida, as well as in Oregon. A lawyer representing TheLotter says that the company would like to consolidate its U.S. operations in Oregon. To do that, the lottery would need to change its rules. Until last December, nobody in Oregon thought much about foreign lottery players. State and federal laws prohibit internet gambling, and that prohibition has meant in practice that lottery purchasers have to buy their tickets in person.

Last December, an Iraqi national presented a winning ticket at the Oregon Lottery's Salem headquarters. The lotto ticket was purchased online from TheLotter. After consulting state and federal law enforce-



ment officials, the Oregon Lottery determined the ticket should be honored and the prize paid. TheLotter, which had provided the service that allowed the man to buy the winning ticket, now sees a golden opportunity to expand its business. The Oregon Lottery Commission is expected to vote on the rule changes in August.

Nevada Casinos Make Changes to Attract Millennials

Manufactures nowadays are moving to a more video game experience. It's moving to skill-based, it's moving to to the Xbox or the PlayStation, arcade games, pool, beer pong, pool and shuffleboard to sports book, and even a mini showroom with UFC fights. Poker is still popular with the younger generation. A mixture of a casino, game room, and lounge, is being added as they try to appeal to the nightclub crowd, outside of a club.

Connecticut Casino Embraces OnLine Gaming

With a crowded casino market in New England competing for consumers' gambling dollars, Foxwoods Casino in Connecticut has entered the arena of on-line gaming with its launch in April of FoxwoodONLINE. The early returns on this digital platform are encouraging, according to Eric Pearson, vice president of gaming and revenue enhancement.

Pearson said daily average usage (a key performance metric) has doubled Foxwoods' previous online initiatives. In-app purchases and other digital avenues have created new revenues, but the key driver is allowing online players to win points or credits that can be redeemed at the brick-and-mortar casino for food, shopping, and hotel stays.

Online gambling for money is legal in three states—New Jersey, Delaware and Nevada—but casino operators are experimenting with gaming offerings to learn what works and to begin to acquire brand loyalty in the belief that additional states will legalize it. In 2015, California, Illinois, Massachusetts, and Pennsylvania introduced online gaming legislation. Connecticut considered a bill to legalize and regulate online daily fantasy sports, but the measure was defeated.

Online gambling around the world is projected by some research agencies to be a \$56 billion a year market by 2018; the United States is expected to represent one-third of that total.

Gaming Industry can Show the Way in Livestreaming

As businesses enter the rapidly evolving arena of live streaming, they may be well-served to study the lead of the gaming industry. Facebook, Twitter, and Google collectively are expected to garner 44% of all display advertising revenue in 2016 while other media companies struggle to identify profitable new revenue models. Meanwhile, game publishers make billions using novel livestreaming approaches.

Twitch, which is owned by Amazon, and YouTube were live streaming pioneers, but media channels such as Facebook, Snapchat, Twitter, and other platforms are undertaking initiatives to create more live video for their sites. Facebook, for example, is spending more than \$50 million to encourage media companies and celebrities to live stream on its platform.

The live stream gaming industry offers valuable lessons for those hoping to build their own brands on social platforms. Among those lessons:

It Takes Three Years to Build A Following: A recent analysis of more than 4,000 streams on Twitch across 11 popular game channels demonstrated that building an audience might take at least three years before significant returns are generated. More than 75% of statistical outlier channels were created during or prior to 2013. The gaming channels that fell in the lower 95th percentile of total followers were predominantly created since 2014. Organizations should be patient with their live streaming programs. Followers Lead to Compounding Returns

On Views:

As a Twitch streamer builds an audience, there is a corresponding compounding growth on the number of views the channel receives. A 10% increase in followers correlates with the same 10% growth in total views. The faster a channel attracts followers, the faster it increases its views on Twitch. This may be attributable to platform-specific algorithms, which raise the most popular channels to the top, but those same choices probably would happen on any platform.

TECH COMPANIES INVADE HOLLYWOOD

Paramount. Warner. Universal. Three legacy names synonymous with Hollywood.

Apple. Facebook. Google. Three global tech giants that may become the dominant new names in entertainment.

In recent months, Apple and three of the company's principal competitors—Google, Facebook, and Alibaba—have increased their investments in Hollywood content. Google's YouTube has launched a new "originals" division that is combining its homegrown talent with mainstream TV producers and filmmakers to upgrade its content. Facebook is encouraging—and compensating—celebrities to live-stream video on its platform. Alibaba, the Chinese e-commerce company, is licensing, financing, and developing feature films.

These enterprises have embraced Hollywood for two reasons. 1) The success that Netflix and Amazon have experienced by producing exclusive, high-quality programming is undeniable. Netflix has become a \$40 billion business, has attracted 75 million subscribers, and has won Golden Globes and Emmy awards. Amazon's move into original video has helped Amazon Prime add tens of millions of customers and win awards of its own. 2) Entertainment content is a growing opportunity. The dissolution of the cable TV bundle has fueled a battle to win audiences now free from their old provider contracts.

Alibaba, Apple, Facebook, and Google are aggressively pursuing this new business

opportunity. They are among the richest companies in the world, with a combined market cap of \$1.5 trillion, but none of the tech companies wants to buy its way into Hollywood. Rather, they hope to establish an independent presence.

Apple has been a player in the entertainment business for years, but few people know that. Eddy Cue, who oversees the company's Internet software and services, is a well-known presence in Hollywood. He has been negotiating licensing deals with film studios and TV networks since the beginning days of iTunes in the early 2000s. In Apple's 2015 annual report, the company reported nearly \$20 billion in revenue for its services business, which includes sales from the iTunes Store, as well as the App Store, Apple Music, AppleCare, and Apple Pay. The company sees these services-especially "apps, movies, and TV shows"-as an important part of the company's growth strategy. Apple appears to be undertaking a two-pronged approach to original programming. The first is a slate of short films, music videos, and documentaries that will feature musicians. The idea is to use this content to promote Apple Music, the subscription streaming service that launched in 2015.

The second method is to do what Amazon and Netflix have done: offer original TVstyle entertainment.

This effort is being directed by Robert Kondrk, Apple's VP of iTunes content. Kondrk must balance Apple's objectivesfor multiple successes at once-with the risk required to achieve those successes. For example, Amazon executed a \$250 million deal for a new series with the Top Gear stars and HBO signed the popular sports-and-culture figure Bill Simmons, who could have helped Apple with both original series and podcasts. Apple is "definitely more cautious," says Eric Jackson, managing director of SpringOwl Asset Management. "They probably see that as a strength, but I think it could hurt them if they end up being too slow. By all accounts, [Amazon and Netflix] are going to keep press-

ing on the gas in terms of making investments in this space."

In March, Apple announced its first original production, an unscripted documentary series celebrating apps and starring Will.i.am. As Apple moves into originals, it has leverage that neither Netflix nor Amazon had when they began making original shows: a positive reputation among creators. Years of recruiting celebrities to be brand advocates has entrenched Apple as a company friendly toward artists.

Although there are numerous questions, including whether Apple will use its money to finance shows or build its own team of development executives, no one is concerned by the lack of specifics. Why? *"Because it's Apple,"* one manager says.

Mysterious ancient civilizations are the hot new thing in gaming

AROUND THE WORLD

Poland and Czech Republic Boost Online Gambling in E.U.

The new law regarding online gambling in the Czech Republic includes strict ISP blocking measures as well as financial transaction blocking in an attempt to stop unlicensed operators. The law also includes strict loss limits and bet size limits. The Poland Ministry of Finance announced the government's intention to amend its gambling laws to make it less complex for offshore internet gambling operators to apply for a Polish betting license. *"We want Poland in a sphere of normality and common sense. We want to move away from solutions that make 95% of betting a gray area."*

The New Finland Gaming Company will be Called Veikkaus

The Finnish gaming operations of Fintoto, RAY, and Veikkaus are merging to form the new Finnish gaming company that will start its operations on 1 January 2017. The company will reinforce the Finnish responsible gaming system and offer fun and benefits by providing entertaining Finnish games. It will generate over one billion euros a year to the common good for everyone living in Finland.

As of 1 January 2017, the new gaming company will be called Veikkaus. The company has a total of 1.9 million Finnish loyal customers. The objective is to appoint the CEO of the new company in June. The company will employ nearly 2,000 people.

The new gaming company will be called Veikkaus. The new shared name was decided on the basis of an extensive, multi-stage consumer survey. The company will be provided with a completely new brand and visual image. The name and identity of the new company were designed on the basis of an extensive multi-stage consumer survey. During the spring 2016, a total of 4,300 Finns took part in the different stages of the survey. According to the survey, two out of three Finns feel that Veikkaus is a suitable name for the new gaming company. Finnish consumers are familiar with it and it represents security and responsibility.

The survey analysed Finns' views on a reliable gaming company. Among the key points raised in the survey were the fact that the products enjoy a strong Finnish consumer protection and that the company provides tools for gaming control and is a social benefactor.

Several experts from all of the current gaming companies were involved in the planning of the consumer survey. Whilst looking for the best possible solution, the working group also explored the option of introducing a completely new name. However, the customers chose the old accustomed name, Veikkaus.

The new name and brand will be implemented gradually. The first elements of the new brand and the shared name will be visible to the customers at the beginning of 2017.

The new company will be provided with an altogether new brand, visual image, and colour scheme. At the present stage, the new gaming company's text logo and symbol are ready.

The symbol of the new company will symbolize the company's positive impact on society, representing three cornerstones: good causes, humanity, and entertainment. The design of the symbol also refers to the letter V in the name Veikkaus.

Finland Veikkaus: Olli Sarekoski Appointed CEO of the New Gaming Company

Mr Sarekoski has been working for Veikkaus in several different positions, so he is thoroughly familiar with the changes in the gaming industry, together with the needs for development in the Finnish gaming system. The gaming company to be launched at the beginning of next year will need to earn its position among Finns from the very beginning. The company will be operating on a market that is subject to digital competition. We will need to be able to respond to that competition in a responsible manner in all respects. The new Veikkaus will be supporting the wellbeing of all Finns, including equine industry, in a broad-ranging sense. Further information: Olli-Pekka Kallasvuo, Chairman of the Board of FRV Evo Oy, requests for interviews via Communications Manager Anna-Maria Halle, tel. +358 40 821 3406.

Norway: Åsne Havnelid Appointed New CEO of Norsk Tipping

Ms. Havnelid comes from the position as Secretary General of the Norwegian Red Cross. She has a broad background and extensive experience from central positions within business, sports and the humanitarian sector. Before joining the Red Cross in 2011, Ms. Havnelid has held several leading positions in Norwegian sports and businesses. Amongst them are positions as CEO of the Nordic Ski World Championship in 2011, Deputy Head of Olympiatoppen, Head of Toppidrettssenteret, as well as leading positions within Scandinavian Airlines (SAS). "I am very glad and excited, but also humble to have been given this opportunity. Norsk Tipping is a vital contributor to Norwegian society. I look forward to lead Norsk Tippings task of developing and offering attractive games within a framework of responsible gaming.

The company ensures funding for a broad range of sports-, culture- and humanitarian organizations in Norway," states Havnelid. "I am looking forward to getting to know the company and the industry. But most of all I am looking forward to meeting my new colleagues at Norsk Tipping. However, I also have to say that it will not be easy to leave the Red Cross, an important humanitarian organization, both in Norway and internationally." Åsne Havnelid will begin in her new position this autumn. The exact date will be confirmed at a later stage. For further information, please contact Åsne Havnelid, 419 00 370 Linda Bernander Silseth, Chairman of the Norsk Tipping Board 907 35 979 Bjørn Maaseide, Dep. chairman of the Norsk Tipping Board 996 39 000.

Limit on German Sports Betting Licenses is Lifted

A German court has ruled that a treaty- imposed limit on the number of sports betting licenses is illegal, thereby opening the market to the rest of the European Union (EU).

The 5th Chamber of the Administrative Court of Wiesbaden held that a cap of 20 sports betting licenses imposed by a treaty was unlawful. The Treaty for European Union (TFEU) has primacy over state and federal laws in EU member nations, including Germany. National or regional parliaments that pass laws in conflict with the TFEU are legally unable to enforce them.

The Court of Justice of the European Union (CJEU) has ruled that operators cannot be penalized for violating national laws that are inconsistent with the TFEU. Since the German Interstate Treaty is no longer enforceable, and there are no other laws governing sports betting, operators licensed in other EU member states can now offer services to German customers.

The gambling industry thinks a federal solution is needed.

The most prominent industry lobbying group is the German Association of Telecommunications and Media. Its most influential member is partly state-owned telecom company Deutsche Telekom (DT).

DT has an online gaming platform; it was one of the original applicants judged to be suitable for a sports betting license. DT wants the federal government to intervene, arguing that there is little chance of the 16 separate Länder agreeing to changes that will produce measures acceptable under EU treaties.

"The exodus of investment and sales abroad and the resulting loss of tax revenue in the billions can be avoided by creating legal certainty for the industry and consumers," the DVTM said in a statement. "Only a liberalised, regulated market can protect the youth, data and consumer, expand addiction-fighting measures and keep the real 'black sheep' out of the industry."

Novomatic to Buy 53% Stake in Ainsworth Game Technology

Novomatic Buys Tatts Group UK Slots Business

Australian gambling operator Tatts Group announced the sale of its UK-based slots subsidiary Talarius to Austrian gaming equipment manufacturer Novomatic for the amount of A\$210 million.

Novomatic Lottery Solutions (NLS) Partners with Safran to Supply Terminals for the Catalonia Lottery in Spain

Partnering with Novomatic Lottery Solutions (NLS), Safran Identity & Security has delivered 2,500 S8 lottery terminals to the Catalonia Lottery in Spain. Miriam Lindhorst, CEO de NLS, the Catalonia Lottery operator: "The NLS system is a state of the art solution utilizing the most modern technologies in the industry. It was important to us that this was the case end to end."

FRIEDRICH STICKLER, a long-standing member of the Board of Österreichische Lotterien GmbH and six years as President of the European Lotteries association, became a consultant for the NOVOMATIC Group on July 1.

TAB CONFIRMS TALKS WITH AUSTRALIA'S TABCORP

New Zealand Racing Board spokeswoman Kate Gourdie said the state-owned betting agency is in discussions with three organizations, including Tabcorp, about "automating" its fixed-odds betting business. The NZ Racing Board runs the TAB which has a monopoly over sports betting. Tabcorp is a based in Australia, where is it is valued at A\$3.6 billion, and employs more than 3000 staff. The Australian Financial Review reported it was looking at New Zealand's TAB after the failure of several deals at home. A partnership could see it take over the management of the TAB's fixed-odds betting business. Tabcorp's "vast experience" in fixed-odds could make it a strong partner for the TAB which was "well run but ripe for innovation," the AFR reported. The Racing Board cautioned in its 2016 "statement of intent" that its costs were rising faster than its revenues as customers switched to less profitable, online, fixed-odds betting, and that was "not sustainable." It explicitly opened the door to "outsourcing or partnering," saying that could lower costs and enhance its service. The Government has been tightening laws to discourage Kiwis from using overseas online betting services and that "showed pretty clearly the Government's intention," he said.

Thailand: New Lottery Bill to Introduce Online Lottery and Sales Licenses for Vendors

Danske Spil's CEO HC Madsen Stepping Down in April 2017

OPAP Splits Chairman & CEO Positions

Mr. Ziegler will continue to serve as Executive Chairman of the Board of Directors. Mr. Damian Cope is new CEO Regulated Online Poker Delayed in Portugal Until at Least November

Cyprus Appoints Experts to Advise on Possible State Lottery Privatisation

Major Events, Lifting of OnLine Restrictions Expected to Fuel Chinese Sports Lottery

2016 is the year of the monkey in the Chinese zodiac. It also may be the year of sports gambling. Fueled by major global sports events such as the UEFA European Football Championship, the Copa America Centenario, and the Rio Summer Olympics, China's sports lottery business is expected to experience significant growth.

"We expect sports lotteries to deliver sustained high growth driven by frequent sporting events in the near term and the prosperity of China's sports industry over the longer term," said Yan Peng, an analyst from Citic Securities. The 2014 FIFA World Cup in Brazil showed

how a sports event can enhance China's sports lottery business. China's total sports lottery sales reached an all-time high in 2014 to 176.4 billion yuan. Sales in 2015 declined nearly six percent for two reasons: there were no major sports events and online lottery sales were banned in February of that year.

Online lottery sales accounted for 22 per cent of all Chinese lottery sales before the ban. Market watchers say they have noticed signals from Chinese authorities that they may start online lottery sales again this year. The tender by the China Welfare Lottery Centre for its telephone and online lottery marketing project was a sign that the government may be preparing for the reinstatement of online lottery sales.

New Chinese Civil Law Draft Classifies Bitcoin as Property

China may soon have a set of laws offering legal status to Bitcoin and other digital currencies in the country. The laws offering rights to virtual property and data is part of the recently released draft of the People's Republic of China General Principles of Civil Law. If implemented into the statute, the new draft will automatically consider bitcoin and other digital currency holdings as private property, making the owner eligible for legal protection against fraud and theft. So far, digital currencies did not have any legal status in the country, which was exploited by criminals and confidence men to create elaborate investment programs and pyramid schemes. The new draft law is a sign that China is coming to terms with Bitcoin being an alternative currency and a medium of exchange of value.

Macau Ramps up to Penalize Operators for Gaming Violations

Macau's government plans to introduce penalties for violations in its \$30 billion gaming industry, as it plugs gaps in outdated laws including one banning phone-betting at casinos.

High rollers are continuing to violate a ban on using mobile phones at betting tables. Macau has been trying to reign in an industry that's 4.5 times larger than the Strip amid China's campaign against corruption, which has included clampdowns on illegal money laundering and outflows from China to Macau. That crackdown led to a two-year gaming revenue slump as mainland gamblers avoided Macau, hurting profits for casinos. Phone betting helps gamblers skirt China's currency controls, as promoters conduct card games via wireless earpieces connected to mobile phones for high-stakes VIP clients. While a 2001 Macau law banned the practice, it doesn't come with sanctions. There was no enforcement as long as operators reported the bets and the identities of the gamblers to the regulator. By comparison, Singapore's prohibition against phone betting, which took effect last year, calls for a fine of up to \$\$5,000 (\$3,700) and six months in jail for the gambler and as much as S\$200,000 and up to five years in jail for those who facilitate remote gambling.

Kent architects secure systems for omnichannel integration.

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Kent Christensen is an innovator. Whether it's new credit/debit card options for players, unified player account management, more conveniences for retailers, or mobile games and promotions, the advanced systems his team architects are ready for secure, omni-channel integration. "We offer lotteries technology they need to stay relevant to consumers and retailers today, and in the future," explains Kent.

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