

FEATURED INTERVIEWS



RICHARD WEIL
INNOVA/
DIAMOND GAME



DERMOT GRIFFIN
PREMIER LOTTERIES
IRELAND (PLI)



JIM KENNEDY
SCIENTIFIC
GAMES

THE SIX PILLARS OF INSTANT TICKET SUCCESS



Lottery Industry Collaboration Award

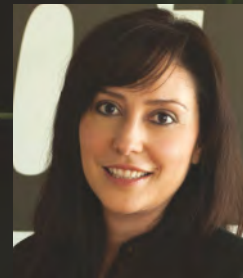
Major Peter J. O'Connell Lottery Industry
Lifetime Achievement Award



GARDNER GURNEY



EDITH MCCARTHY



CHRYSSA AMANATIDOU



LARRY LOSS



GAYLE KENNEDY



REBECCA HARGROVE

Celebrating 30 Years in the Lottery Industry

OTHER FEATURES:

LOTTERY MARKETING, THE SCIENCE OF EMOTIONS, AND COMBINING BIG-DATA WITH BEHAVIORAL ECONOMICS

PUBLIC
GA
 I
 N
 T
 E
 R
 N
 A
 T
 I
 O
 N
 A
 L

September/October
 2015

UNLEASH YOUR INNER SUPERHERO

Our new GLI University curriculum is a collection of intensive learning modules to help bring out the superhero in you, keeping you and your business at the very top of the game, armed with critically important and up-to-date information.

Each of GLI University's courses is led by world-class instructors who are experts in their related fields. GLI University has the widest range of instruction and highest caliber of professors in the gaming industry.

Our globally recognized training is one more way that you get more, so much more from GLI. So contact GLI University today and bring out your inner superhero. Who knows – you might even find yourself leaping tall buildings in a single bound.

Start today at
gaminglabs.com

Visit Us at Booth #4430 at G2E





mobile
lottery

Meet us at **INTRALOT booth**
NASPL 2015
12-16 October | Dallas

FAME

Tom, New York

LOTTERY
Lucky days ahead!



Sergio, Rio

SCRATCH
Scratch and win!



Wang, Beijing

DRAW INFO
All you need to know!



George, Athens

SOCIAL MEDIA
Share the fun!



Jacqueline, Paris

DONATE
Share the luck!



Marco, Rome

MOBILE SPORTS
Are you ready
for some action?



James, London

STATISTICS
Lottery Statistics
at a glance!



Lotteries go mobile.

INTRALOT presents "Mobile Lottery". The first native app in the industry to allow participation in all games of a Lottery organization.

In a fast changing world, you have to keep up and be there every second of every hour. Mobile lottery goes where the players go. Join the ride and be part of an innovative lottery platform that turns the world into a playground.

Available worldwide at:

www.intralot.com



intralot

INSIDE THIS ISSUE

SEPTEMBER/OCTOBER 2015

PUBLISHER & CHIEF EXECUTIVE OFFICER

Paul Jason
pjason@publicgaming.com

PRESIDENT

Susan Jason
sjason@publicgaming.com

ART DIRECTION/DESIGN

Lisa Robinson
www.departmentofcreativity.com

HONORED FOUNDERS

Doris & Duane Burke

CONTACT INFORMATION

Send all address changes and subscription requests to the address listed below.

PGRI, Inc.
218 Main Street, #203
Kirkland, WA 98033
www.PublicGaming.com

T: +425.449.3000

F: +206.374.2600

PUBLIC GAMING INTERNATIONAL MAGAZINE

Is published six times a year is distributed readers all around the world. Electronic version is also e-mailed. Electronic version is also available on our news website:

www.PublicGaming.com.

September/October 2015,

Volume 41, No. 5.

© 2015 all rights reserved.

Public Gaming Research Institute

ISSN: 1042-1912

SUBSCRIPTIONS

Annual Public Gaming

International magazine

subscription rates:

United States: \$145 USD

Canada & Mexico: \$160 USD

All other countries: \$225 USD

VISIT OUR ONLINE MEDIA CHANNELS:

News website:

www.PublicGaming.com

Conference Info & Details:

www.PublicGaming.org

View video-recorded presentations:

www.PGRItalks.com

PGRI, Inc. publishes a free

e-newsletter 4 times a week.

Request to be put onto e-news-

letter distribution list by sending

your e-mail address to:

Sjason@publicGaming.com

PUBLIC
GAMING
INTERNATIONAL

COLUMNS

8 | From the Publisher

Paul Jason

AWARDS

10 | Major Peter J. O'Connell Lottery Industry Lifetime Achievement Award

Gardner Gurney, Executive Deputy Director of the New York State Gaming Commission and Acting Director of the Division of the Lottery

Larry Loss, Executive Vice President, Iowa Lottery

12 | Celebrating 30 Years in the Lottery Industry

Rebecca Hargrove, Chief Executive Officer, Tennessee Education Lottery Corporation and Vice President of the World Lottery Association

PGRI Collaboration Award

Chryssa Amanatidou, Head of Public Relations & CSR, INTRALOT

Gayle Kennedy, Director, Tradeshow and Special Events (Retired), Scientific Games Corporation

Edith McCarthy, Director, Benchmarks, Tradeshow, and Events, IGT

FEATURE INTERVIEWS

18 | Dermot Griffin

Chief Executive Officer, Premier Lotteries Ireland (PLI)

50 | Jim Kennedy

Group Chief Executive of Lottery, Scientific Games Corporation

52 | Nigel Railton

Chief Executive Officer, Camelot Global

54 | Richard Weil

Chief Executive Officer, INNOVA

74 | Rebecca Hargrove

President and Chief Executive Officer, Tennessee Education Lottery Corporation

FEATURE ARTICLES

14 | Three Pathways to Growth in the Lottery Category

Ulli Appelbaum, Founder & President of brand consulting and research firm First-The-Trousers-Then-The-Shoes Inc.

24 | Interactive Goes Mainstream

Synopsis of Smart-Tech Panel Discussion

28 | Fantasy Sports—Will Regulators Throw a Yellow Flag?

Mark Hichar, Partner and Chair of Gaming Law Practice Group, Hinckley Allen law firm

NASPL 2015
Dallas, Texas

The Dawn of a New Era

Coming October 2015



- 36 | Are Cryptocurrencies and/or Binary Options Enhancing the Risk of Disruption in the Lottery and Gambling Sector?**
Philippe Vlaemminck and Lucas Falco – ALTIUS
- 41 | The Six Pillars of Instant Success**
Stefano Monterosso, Senior Vice President of Global Lottery Same Store Sales, IGT
- 48 | Retail Modernization: Setting the Standard in Digital Signage**
Carmanah Signs
- 56 | Pre-Commitment and Player Services in Gaming:**
The win-win combination of a clever strategy
INTRALOT Gaming Solution Department
- 59 | Lottery Revenues are Upwardly Mobile**
Rhydian Fisher, Chief Executive Officer, Instant Win Gaming
- 60 | Lottery Sales Force Optimization**
Lapis Software Associates
- 64 | Washington’s Lottery Realizes 5 to 7% ROI on LED Jackpot Signs**
Linda Turner, Sales Manager, Lottery Division, Pro-Lite
- 66 | The Consumer Shopping Experience at Retail:**
Time for a major re-boot!
Frank Cecchini, Managing Director and Chief Executive Officer of
Novomatic Lottery Solutions
- 70 | Innovation: It isn’t a new “thing” to implement...**
Susan Golightly, CODEI
- 76 | Corporate Profiles of Government-Gaming Industry Leaders**
- 81 | Lottery Expo 2015 Program**
September 10 & 11, Eden Roc Miami Beach Resort, Florida
- 82 | “Thank You” to Lottery Expo Sponsors and Co-Host**

UPCOMING EVENTS

PGRI 2016 SMART-Tech Conference

WHEN: April 4, 5, and 6, 2016

WHERE: Mid-Town Manhattan, New York City

(See page 83 for details)

Innovating
at retail is
Robbie's
passion.



© 2019 Scientific Games Corporation



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."

Let us show your lottery more retail innovations and solutions that offer a great point-of-sale experience.

THE WORLD'S BEST LOTTERY EXPERIENCES

Visit scientificgames.com/lottery



From the Publisher

By Paul Jason, Publisher
Public Gaming International Magazine

Congratulations to the **Major Peter J. O'Connell Lottery Industry Lifetime Award** recipients **Gardner Gurney** (Executive Deputy Director of the New York State Gaming Commission and Acting Director of the Division of the Lottery) and **Larry Loss** (Executive Vice President, Iowa Lottery) are well-known to most of you. It is such a pleasure to honor these industry leaders who have served in top executive positions for decades. These are the operators who really know this business and apply the hands-on management that is responsible for the long-term growth and prosperity of the government-gaming industry. Their service to the industry and their guidance to us individually is so appreciated!

Also appreciated are three women who created a most unusual collaboration in the service of our industry. **Edith McCarthy, Gayle Kennedy, and Chryssa Amanatidou** are the event planners and coordinators for IGT, Scientific Games, and INTRALOT. Recognizing that the results of their efforts to serve their own company as well as the industry could best be served by setting aside differences, they began many years ago to work closely together to ensure that industry conferences and trade-shows were produced with class, style, and precision to meet the needs of everyone –of their many other collaborators like NASPL, EL, WLA, PGRI, all the other vendor exhibitors, etc. and of course, of the attendees to the events. Their example is an inspiration to all of us whose service to this industry could be enhanced by creative open-mindedness to working more cooperatively with others. We may not agree on much else, but where there is an opportunity to produce a better result by collaborating, let's set aside our differences and pull together for the benefit of everyone.

We look forward to honoring our award recipients at PGRI Lottery Expo!

Classical economics presupposes that people act in their own self-interest, and in a basically rational manner. While economists have always known that people do not always behave rationally, the basic idea has always been that irrational behavior is the exception. And it is easier to test, measure, and analyze behavior using models based on rational decision-making. There is mounting evidence to suggest, though, that human behavior is riddled with cognitive biases and barriers, with emotionally-driven factors that can diverge significantly from traditional notions of rational self-interest. Behavioral economics is the study of how these a-rational emotional and psychological factors inform the whole decision-making process and drive human behavior.

Nobel award winning psychologist Daniel Kahneman and Dan Ariely, author of *Predictable Irrational* (whose presentation we saw

three months ago at the EL Congress in Oslo), as well as others engaged in the new field of Behavioral Economics, are finding that while the factors that drive decisions and actions are not necessarily logical and rational, these underlying emotional factors and cognitive biases can be analyzed, their drivers be modeled, and the impacts (to some extent) be predicted.

The desire to win a jackpot, for instance, is a behavioral impulse that is consistent with the classical economics model of how humans make decisions and behave. To be sure, it will always be a major driver for lottery player behavior. I am wondering, though, how Lottery might be able to tap into these other underlying factors that drive consumer behavior. That is the focus of some of the articles in this issue as well as conference presentations and panel discussions that are making the rounds and will be addressed at PGRI Lottery Expo Miami.

Another common theme that courses through many of the editorials in this issue is the need to Ask the Right Questions. One of the criteria for that end is to frame questions so they point us towards truly actionable answers. And away from ambitious and interesting but ultimately unproductive discourse. Do we need, for instance, to create a different player experience that appeals to the young adult? Or do we need, instead, to focus more on how the changes we make to existing games are actually perceived by the player? Getting a better understanding for how each game attribute is perceived by the player, and then endeavoring to convert that understanding into game design and messaging that enhances the appeal of the existing game attributes, is a more actionable project than the vaguely ambitious goal of inventing a whole game or player experience. Maybe "How can we improve the impact/effectiveness of our advertising" should be changed to "What drives consumers to buy" which would lead us towards social media. If word-of-mouth is a more powerful driver of consumer behavior and buying decisions, maybe we need to make budgetary changes to reflect that reality. How to enhance the player experience for Instant as the means to curbing the increase in prize payout could become: How do we appeal to a broader spectrum of play-styles and motivations and build a balanced portfolio to meet the diversity of consumer needs. Instead of asking how Lottery can compete with other game categories, better to focus on what Lottery can do to optimize the player experience by appealing to the rich variety of underlying emotional drivers.

Thank you for your support - See you at Lottery Expo Miami, G2E Las Vegas, and NASPL Dallas! ■

EXPECT BETTER

MEET US AT OUR BOOTH
AT NASPL 2015!

WWW.NOVOMATICLS.COM



NOVOMATIC
LOTTERY SOLUTIONS

Contact us: sales@novomaticls.com

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



Gardner S. Gurney

Executive Deputy Director of the New York State Gaming Commission & Acting Director of the Division of the Lottery

Gardner was appointed to the position of Acting Director New York State Gaming Commission's Division of the Lottery in February of 2013. In fiscal year 2013–14, the Lottery generated over \$7.3 billion in traditional lottery sales and over \$2.25 billion in aid to education (a 3.5% increase over fiscal year 2012–13). Overseeing the largest lottery in the U.S., Gardner is responsible for the key business drivers of the organization's marketing and operations, assessing key performance indicators and strategic initiatives, and providing day to day directional guidance for the entire organization.

Gardner started with the New York Lottery in 1988. He has served during those nearly 27 years in its Internal Audit, Financial Management and Operations areas and as its Executive Deputy Director. Gardner has been the procurement lead and an active member of the evaluation committees of many requests for proposals, including those involving the procurement of the video gaming central system, video gaming terminals, instant tickets, external auditors and the traditional lottery central system. Gardner also oversaw the Lottery's side of replacing a total lottery system, including conversion of all network communications from a statewide controlled network to a substantially more efficient lottery contractor-provided system which has saved millions of dollars over the past five years and driven those savings into funds for aid to education in New York.

Gardner has also worked collaboratively with other state lottery leaders to manage and improve multi-state games like Powerball, Mega Millions, and Cash 4 Life.

Gardner applies his leadership skills, discernment, and guidance abilities to accomplish goals despite an ever increasing number of challenges. He is continually curious about what aspects of an organization's processes are working or can be improved and a strong believer in research, testing and analysis to make the best decisions and bring the underlying business strategies to fruition. He finds the consumer-driven aspect of lottery industry very rewarding—it is quickly apparent if a product or marketing program is hitting the mark since consumers respond every day with their discretionary income spending decisions. It is also very rewarding to see staff and managers work together and grow (even when that may mean they leave the New York Lottery to further their career development).

Gardner is a U.S. Air Force veteran, has a Bachelor's Degree in Business Management from Husson University, Bangor ME and continued post graduate work in New York's capital district. He resides in Altamont, NY with his wife Kim and has three daughters. ■



Larry Loss

Executive Vice President, Iowa Lottery

Legacy Employees: The ones who have made our industry successful year after year. That description fits Larry Loss, Executive Vice President of the Iowa Lottery and one of the 2015 recipients of the PGRI Lifetime Achievement Award. This year, Larry celebrates 30 years in the lottery business and is among a handful of Iowa Lottery employees who have worked at the lottery since its start in 1985.

Larry has worked in nearly all aspects of the lottery business, beginning his career as a lottery district sales representative making weekly sales calls at lottery retail locations in northwest Iowa. His understanding of retail issues, sales leadership, and growing knowledge of the lottery industry led to his promotion to regional sales manager after just four years. In another four years, Larry became a member of the Lottery's senior management team when he was promoted to vice president of sales. He held that position until 2012, when he became the second in charge at the Iowa Lottery as executive vice president and vice president of sales and product development.

The Iowa Lottery has achieved a number of industry firsts during Larry's career, and his skills as an innovative problem solver and field-management expert have contributed mightily to the lottery's long-term success. To cite just a few recent examples, Larry led the lottery team that developed the Iowa Lottery's first game-book offering, an instant-scratch product with several games contained in a multi-page booklet. That product became one of the Iowa lottery's biggest sales successes and went on to win the Best New Instant Game award in 2013 from the North American Association of State and Provincial Lotteries.

Larry also led the team that developed the Tech the Halls concept, a wildly popular holiday promotion featuring electronics as prizes. The lottery offered that promotion for a few successive years, and it went on to be copied by several other U.S. lotteries who took note of Iowa's success.

Larry has also spearheaded solutions for important issues applying to our industry as a whole. In 2006, he helped develop the Lottery's voluntary self-exclusion program, which can be utilized as a tool in recovery for those dealing with problem gambling. Similar programs modeled from Iowa's concept have been introduced by other lotteries around the country. He also was instrumental in the development of the Iowa Lottery's "Gold Star" retailer compensation program, which utilizes increasing sales commissions to encourage

Continued on page 57

73%

OF FUEL CUSTOMERS
NEVER SET FOOT INSIDE
THE STORE



Not A Problem
Bring the lottery to them

POWERED BY *linq3*

P: 646-837-7070 LINQ3.COM

PLAY AT
THE
PUMP

Celebrating Her 30th Anniversary in the Lottery Industry! REBECCA PAUL HARGROVE

President and Chief Executive Officer Tennessee Education Lottery Corporation

Having served as the Chief Executive of four U.S. lotteries and as a consultant to lotteries across the globe, Rebecca Paul Hargrove is a longtime lottery industry veteran. Rebecca is also a mentor to so many of us whose lives are decidedly different because of the inspiration she provides, the spot-on guidance she so generously shares, and the friendship we treasure. Rebecca's accomplishments are the stuff of Industry Legend. But it is the person who cares deeply about others that makes the most lasting and affecting impression. Just don't challenge her to a game of old movie trivial pursuit!

Rebecca is especially known for her marketing savvy. She began her career working in local television news, advertising and promotions in Indiana and Illinois before being tapped in 1985

Continued on page 75



Paul Jason Interviews Rebecca Hargrove on page 74. Celebrating Her 30th Anniversary continued on page 75.



CHRYSSA AMANATIDOU



GAYLE KENNEDY



EDITH MCCARTHY

PGRI COLLABORATION AWARD

CHRYSSA AMANATIDOU: HEAD OF PUBLIC RELATIONS & CSR, INTRALOT

GAYLE KENNEDY: DIRECTOR, TRADESHOWS AND SPECIAL EVENTS (RETIRED), SCIENTIFIC GAMES CORPORATION

EDITH MCCARTHY: DIRECTOR, BENCHMARKS, TRADESHOWS, AND EVENTS, IGT

“Collaboration” has become a major staple to any discussion about what we can do to improve the quality and performance of the government-gaming industry. It applies in so many different ways, across so many different component parts that must integrate together for this industry to function effectively.

But we want to do more than function effectively. We want to operate at Peak Performance levels. And deliver Peak Performance results. The industry leaders have always worked together. The tremendous success of multi-state draw games alone are testament to that. But lotteries all around the world are forging creative new collaborations that promise to keep government-gaming in the leadership role and continue to drive increasing funds to Good Causes.

It's not just about working together when it makes sense to do so. It's about seeking out and creating new opportunities to work collaboratively in service to our industry. That's why we want to recognize

three industry leaders who took it upon themselves to collaborate for the purpose of delivering a better result that benefits the entire industry. IGT, Scientific Games, and INTRALOT vigorously compete in the market-place. But they are also the primary sponsors of industry conferences and trade shows. Seeing an opportunity to enhance the overall conference and trade show environment, these three leaders set aside differences and worked together to deliver a better result. They work behind the scenes to coordinate the activities that lead up to conference/trade show experiences that benefit all of us. Gayle, Edith, and Chryssa are well known to almost everyone who attends the industry conferences and trade shows. Let's congratulate them for all of their tremendous efforts, and work to emulate their example for how service to our industry will be best served by focusing on our common goals and interests. ■

Advanced Digital Signage Solutions

carmanah
signs



› Digital Play Stations



› Menu Boards



› In Lane Jackpot Signs

› Monitor Game Networks

› Sports Betting Kiosks

› Video Walls

› Interactive Experiences



Attract, Engage & Retain Your Players!

Americas:
Maxwell Goldstein
+1.416.332.2860
mgoldstein@carmanahsigns.com

EMEA:
David Roy
+44.777.581.7673
droy@carmanahsigns.com

A DIVISION OF
STRATACACHE



Three
Three
Three

Three Pathways to Growth in the Lottery Category



Ulli Appelbaum—Founder & President of brand consulting and research firm First-The-Trousers-Then-The-Shoes Inc.

The lottery industry is in need of innovation. Yes, overall sales are still increasing, but the first symptoms of a struggling industry can already be observed. Growing jackpot fatigue, point-of-sale product confusion, industry-wide challenges in recruiting a new generation of players, and stagnating transfers back to the state are all clear signs of shifting category dynamics and decelerating growth. The current evolution can't be sustained over time and some dramatic shifts must be made in the next two to five years in order to increase revenue transfers back to the state.

But changing or reacting to change, in any category, is easier said than done. How do you do it? How do you change to the mental paradigms required to induce change? How do you evolve the business practices needed to promote change? Change is never easy.

I believe, to quote the British philoso-

pher Alan Watts, that “The only way to make sense out of change is to plunge into it, move with it, and join the dance.” But I've also learned that the path to change requires one to ask different types of questions and change the way one looks at the category. Last but not least, having the right kind of data is crucial in answering these new types of questions and provides some guidance on the road to change.

Through our work with various state lottery agencies, we at First-The-Trousers have identified three options that may spark the change this category needs.

1. Focus on better meeting the motivations and drives of existing players, rather than creating new ones:

The interesting thing with change, especially technology-driven change (and what isn't influenced by technology nowadays), is that it doesn't typically create new consumer behaviors. Rather, it *amplifies and enables existing behaviors*.

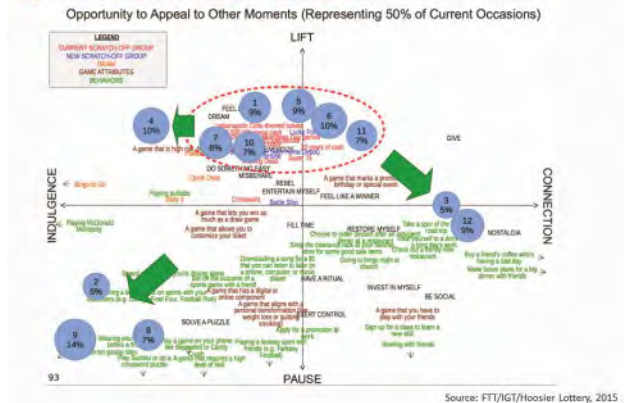
People took cabs before Uber, kept in touch with friends and family before Facebook, took and shared pictures before iPhones and searched for information before Google. These technology titans did not create these consumer behaviors—they just found a better, more convenient or more effective way to deliver against them.

Therefore, a focus on why people play, the motivations behind their behaviors, and the needs they are trying to fulfill—

rather than a focus on trying to create new needs—should serve as a catalyst for change in the lottery category. After all, product innovation is more likely to come from products that are able to better deliver against current needs and motivations than from products that try to create new needs and behaviors.

Case in point: A project we did for IGT in Indiana enabled us to conclude (based on a quantitative analysis) that 50% of the needs people try to fulfill by playing lottery games are not being satisfied by the current products. In other words, the category has

Only 50% Of Current Players Needs Are Being Satisfied By The Current Product Portfolio.



the potential to be twice as large in terms of sales—and in terms of amounts transferred back to the state—as it currently is, if the right products can be aligned to the corresponding player need states. We've seen this to be true across state lines and for both scratch-offs and draw games.

The point here is that people play lottery games (draw, scratch, and online) to satisfy a variety of needs, many of which are not being met by the current offerings in the category. Understanding and embracing



DiamondGame

AN INNOVA COMPANY



where innovation plays

Diamond Game is proud to announce that it is now a wholly-owned subsidiary of INNOVA Gaming Group, a new lottery Company recently listed on the Toronto Stock Exchange (IGG.TO).

"We are very excited to be a part of INNOVA. This new relationship will provide us with the resources and focus needed to accelerate the development of new and innovative 'stay-and-play' devices for our lottery customers."

Diamond Game President, James A. Breslo.

"My vision for INNOVA is to turn the page in the lottery industry by delivering innovative products born from a clear focus on the unique needs of lotteries. I look forward to working closely with lottery leaders to fulfill this vision."

INNOVA CEO, Richard M. Weil.



these unmet needs could drive the development of new products to satisfy them.

Can You Spot The New Games? Your Consumers Can't.



2. Radically change the product experience:

Uncovering untapped needs is one thing. Developing and designing new products that would satisfy them is another altogether, especially in a category that has seen products designed in a certain way for decades.

Our data suggests that adding a “Happy Birthday” headline to a scratch-off game doesn’t necessarily make it a birthday card or present from the player’s perspective. Instead, we believe that the actual experience with the product needs to be radically different.

For example, we’ve learned that if you have a game that provides a new and innovative feature (e.g. an online gaming component) but show it to players looking like a “typical” scratch game, they tend to ignore the new feature and assign the

scratch-off game into the scratch-off game “bucket” together with the 40 to 100 other scratch games. So while the game may provide a new and added benefit, it is not perceived as such by players.

On the other hand, if you remove the context (the visual of a scratch-off game) and ask players about a game that provides the same online feature and benefit, they will attribute this product idea to a completely different and category-expanding need state and motivation. In other words, in order to be able to satisfy those untapped needs, the games must look and feel different from the existing games. So maybe a scratch-off game meant to be purchased as a gift should look more like a greeting card (with a scratch-off surface) than a scratch-off game.

While the industry is able to slice and dice their product portfolios into many different “segments” and types of products, consumers—especially non-core players—bucket all the games into the same “category.” The sophisticated thinking that goes into the design and management of the product portfolio doesn’t make it through to players. That’s obviously a problem, especially when you already have

more than 40 products to manage in your portfolio.

The opportunity, we believe, is therefore to develop products that deliver against existing needs and emotions (see point 1) but that look and feel different, products that not only add a new idea but also provide a new playing experience. Basically, products that break the current visual and experiential conventions

of the category and clearly tell consumers, “Hey, this is something new and very different—try me.”

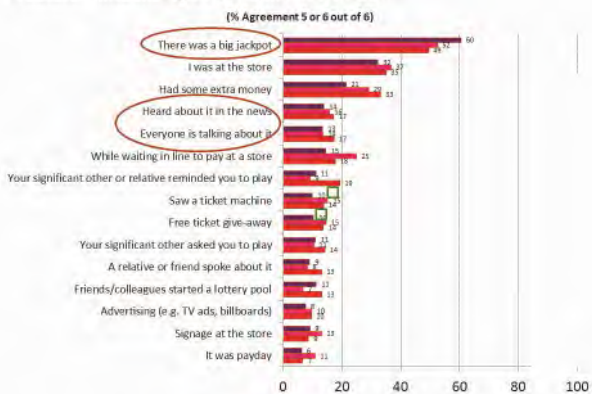
3. Make your marketing more social:

What drives trial and sales in the category? Word of mouth and buzz. In other words, people talking about the lottery, its products, and the size of the jackpots are the most effective catalysts for growth.

We recently completed research identifying which touchpoints were the most effective at triggering a purchase impulse. These findings were validated by a recent analysis by the media agency Optimedia, which showed that “recommendation from family and friends” is in the top three factors affecting sales. Advertising ranks 13th.

Traditional marketing and advertising also rank way lower than personal recommendations in terms of their impact on trial rates and on business in general. In other

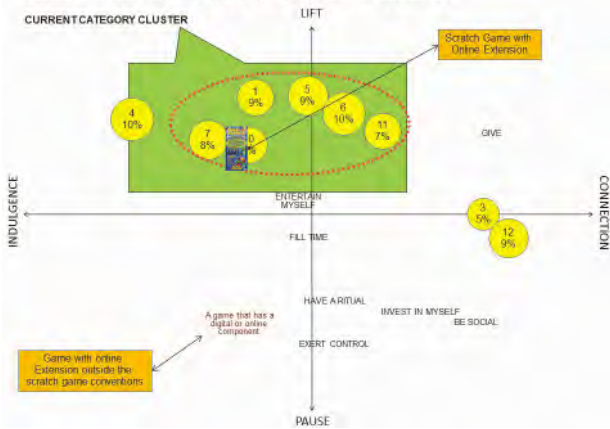
“Factors” Influencing Draw Game Purchases.



words, the disciplines that require the highest level of financial investment are some of the least effective drivers of business growth.

This doesn’t mean that lottery agencies should stop advertising. But for us, this leads to the obvious conclusion that the role and goals of advertising need to change and adjust to the new rules of marketing. The good news? These are some of the easiest changes a lottery agency can make. In fact, instead of focusing on game features (how the game works)—a pattern that is very obviously still a convention in lottery ■

Game Conventions Limit Differentiation Potential.



Lottery solutions with game-changing benefits.



lottery gift cards

Markets lottery as a “GIFT”

Positions all lottery games as giftable

Leverages retail holiday seasons throughout the year—not just Christmas

Merchandises lottery in a new retail context—where consumers are looking for gifting options

Significantly expands retail footprint

InComm is a leading provider of cutting-edge products, services and transaction technologies for retailers, brands and consumers.



1 BILLION
consumers



450,000
points of global
distribution



20 years
of innovation



186
global patents



\$28 BILLION
annual transaction
volume



500+
brand partners

To learn more, contact Tony Fontaine at tfontaine@incomm.com
or Karina Grotz at kgrotz@incomm.com.



incomm.com



Dermot GRIFFIN

Chief Executive Officer, Premier Lotteries Ireland (PLI)

PGRI Introduction: Following a competitive tender process in 2013, the Irish Government selected a private operator, Premier Lotteries Ireland (PLI), to operate the National Lottery for 20 years. PLI took ownership of the license in February 2014. PLI is a consortium made up of An Post (the Irish Postal Service), An Post Pension Funds and the Ontario Teachers' Pension Plan (owner of Camelot UK, the operators of the UK National Lottery, and Camelot Global). Dermot Griffin, who has headed the National Lottery since 2006, was appointed Chief Executive of Premier Lotteries Ireland. The Irish Government received a €05 million up-front payment from the sale. The ongoing arrangement includes the provision that an amount equal to 65% of the National Lottery Sales minus Prizes goes to good causes.

Celebrating the license signing, Dermot Griffin, CEO Designate, Premier Lotteries Ireland, said: "I am delighted the Government has awarded Premier Lotteries Ireland the license to operate the National Lottery. Premier Lotteries Ireland will invest in the National Lottery and its Retail Network, providing state of the art technology to facilitate game innovation. In addition, we will provide players with choice through the development of the online channel. These opportunities will allow us to grow the National Lottery, increase returns to Good Causes, and create jobs in Ireland. Premier Lotteries Ireland will continue to operate with the existing National Lottery branding, maintaining the highest levels of integrity and responsible gaming."

Premier Lotteries Ireland is well-positioned to deliver on this, given the expertise and experience of its shareholders—An Post and An Post Pension Funds and Ontario Teachers' Pension Plan (OTPP). Both companies have a successful track record in the lottery industry through their shareholdings in Camelot and the Irish National Lottery respectively. An Post has successfully operated the Irish lottery since its creation in 1986. OTPP is the 100% owner of the Camelot Group, which includes UK National Lottery operator Camelot UK Lotteries Limited, and Camelot Global which provides consultancy and management services to lotteries worldwide. Both An Post and the Camelot Group have proven track records of growing lottery sales in Ireland and the UK respectively, as well as demonstrated global leadership in responsible gaming and corporate social responsibility.

Paul Jason, PGRI: *The Irish government attempted to privatize the National Lottery in years past. But no deal was ever reached. What was different about this situation that resulted in a successful sale, raising over €05 million in an up-front payment to the government of Ireland?*

Dermot Griffin: The previous attempts to privatize the National Lottery were for seven-year periods with the possible extension of an additional three years. The

biggest difference with the tender that resulted in a sale is that this license is for twenty years. The longer term license made it possible for the bidders to put together a much better proposal, including a significant upfront payment, for the right to operate the National Lottery. It's not just about the longer time-line to produce a return commensurate with the higher bid price. It's also about executing a well-conceived and funded strategy to optimize long-term performance. The

twenty-year license enables the operator to implement a sustainable plan that adapts to changes in the market-place and grow the business. Conversely, with the short-term license, the operator initially spends some eighteen months or so working through the transition and then must start preparing for the next bidding process while executing on its mission to deliver short-term results. That's just not a good recipe for building a business for long-term success.

YOUR INTERNET PARTNER

Over Fifteen years of experience and proven technology for internet lottery sales.



e-Retailer
Innovations



Turn-Key
Solutions



Zero Cost
Partnership



partners@jumbointeractive.com
www.jumbointeractive.com

The long-term license has proven successful in many other jurisdictions, most notably in Australia, Italy, and, of course, the UK. The benefits really accrue to the government, the owner of the asset, because it enables a bid to factor in a longer period of time to generate a higher ROI. That optimizes the value of future cash which in turn maximizes the value of the bid to the government. In particular, the up-front payment of €05 million would have been much lower with a shorter-term license. And for our part, it enables the PLI to invest in the business, to make the National Lottery be as successful as possible and to properly position it for maximum long-term value. That's important, because the government wants to be confident that the value of the asset, the relevance of the National Lottery to the people of Ireland, will be higher than ever when the license expires in twenty years. So that's the main difference between this tender and the previous attempts to privatize the National Lottery.

And as a private corporation, you have far more flexibility to invest in growth than does a government-owned entity.

D. Griffin: Absolutely. Governments operate under a wide variety of restrictions (National & European) when it comes to managing a business. Governments also have many other priorities to focus on. In a privatised model shareholders are fully focused on the business. PLI is responsible to stakeholders that understand and accept the fact that managing a business involves an element of risk. We certainly also want to minimize risk, and apply the highest standards and most sophisticated risk-assessment models to our management practices. But we are free to invest in growth and in initiatives that have a longer-term ROI. This greatly reduces the time-to-market so we can move forward with those ideas that have a shorter window of opportunity to tap into the most relevant and current consumer tastes.

We are just over a year into the contract and are already launching a broad range of new initiatives to engage our customers and increase player-ship. The National Lottery already had a high player-ship percentage. But our fundamental business objective is to appeal to more and more people, engaging a larger audience to play within their means. It's sound business strategy, and it's the responsible way to build a games-of-chance business.

To what extent are the skill-sets, brain-trust, and industry knowledge of Camelot Global being applied to the operation of PLI?

D. Griffin: The Ontario Teacher Pension Plan owns Camelot Global and also owns 80% of PLI. So the capabilities of Camelot Global are certainly being applied to optimize the performance of PLI and the National Lottery. The experience and resources of Camelot Global are an invaluable asset that contributes to the success of PLI. This is particularly the case when it comes to growing online or mobile channel sales where Camelot UK have developed good product offerings and have built up technical knowhow.

What were some of the initial objectives?

D. Griffin: The first objective was to execute a successful transition from the old license into the new PLI license. All the technology had to be changed and the actual switch-over of the entire system needed to be completed within a few hours. The November 29, 2013 lotto draw was carried out by An Post National Lottery Company. The next day, November 30th, the Daily Million draw was carried out by Premier Lotteries Ireland. The transition was seamless from a player and agent view point. The first months trading when added to the previous 11 months resulted in 2014 being our first growth year in 6 years. Now we want to build on that growth, engage the players with new gaming options, and increase player participation. That's good for players, it's great for good causes, and it's good for our shareholders.

How does a 20-year contract factor in the uncertainty of what technologies and games will even exist in the future?

D. Griffin: A 20-year contract allows an operator to fully invest and re-invest in the lottery, eg latest gaming and CRM technology, and allows the operator to be flexible and adaptable to changing consumer/player behaviour. Under the previous license, the National Lottery was being operated under the National Lottery Act which was created in 1986. That's almost thirty years ago. The internet and Mobile and all the games associated with those new technologies did not exist in 1986. The Lottery Act was changed in 2013 to facilitate the new technology world and provide flexibility to adapt to future changes.

The PLI License Agreement includes provisions that hold us accountable to the highest standards of corporate social responsibility and responsible gaming. It also includes reward and consequence mechanisms to assure alignment between the operator (PLI), the owner (government), the Retailers and players. The terms of the license cause PLI strategies and actions to align with the interests and will of the government. The key to a successful license is the construct of rewards and consequences that drive the operator's performance. It might seem straightforward, but is actually quite difficult to fine-tune the terms and conditions such that they do not produce unintended results, and really do cause everyone to pull in the exact same direction.

The Agreement also includes terms that protect all stakeholders. For instance, retailer commissions are fixed current rates mainly at 6% for the entire 20-year term.

The National Lottery started selling online in 2009. But the requirements placed on the consumer were so onerous. The player was required to send you their drivers license with their application, or physically come to a National Lottery office, not just a retailer, to show their drivers license or passport? Has that changed?

offering proven & pioneering solutions.

Delivering you responsible
net revenue growth

Providing industry-leading lottery
technology and managed service solutions:

- Camelot iLottery platform
- Interactive instant win Games
- Fully managed services
- iLottery and operational services
- In-Lane retail solutions

Camelot Global also advises lotteries on:

- Business planning
- Retail management and execution
- Sales/marketing strategy and transformation
- Corporate responsibility
- Portfolio development
- Technology design and procurement
- RFP processes



To learn more about us visit:

www.camelotglobal.com

For all enquiries please email:

cgsenquiries@camelotglobal.com

D. Griffin: Yes. In spite of the inconvenient registration process, we had built a base of 50,000 online players. The new license agreement facilitates the whole process of registering and interacting with the Lottery online, and for the player to manage her PLI accounts online. Our online registrations and player-ship have now increased to over 150,000 and growing. That has been achieved in the space of just over 1 year. We see the online connection as being key to building player-ship with new generations of consumers, and also with consumer groups which may not have been playing the lottery when online wasn't a convenient option.

How do your land-based retailers feel about the growth of the online channel?

D. Griffin: As we all know, the most loyal and engaged player is the one who plays both online and off-line. The multi-channel approach is required to meet the needs of the modern consumer. The result is good for everyone, including the retailers. The player who sets up her online account is just as likely, perhaps even more likely, to buy at the land-based store as well as online. Lottery becomes a bigger part of the lifestyle for the multi-channel player.

Do your online initiatives involve cross-sell promotions or incentives for the online lottery player to go into the store to either redeem a discount coupon or take advantage of an in-store-only offer?

D. Griffin: We do not see a need to do that right now. The online business is growing, and the more engaged multi-channel player is buying at retail as well as online, so we are not doing anything right now to further drive the consumer to one channel or the other.

That could change in the future. But right now, just 3% of our sales are online. The UK has nearly 20% of their sales from the online player. So at this point, our focus is simply on recruiting online players.

Continued on page 39

Irish National Lottery Introduces BIGGER BETTER LOTTO

More winners and bigger jackpots

Average value per draw up 43% from €4.5m to €6.3m

More ways to win with new prize tier introduced

New Lotto Plus Raffle

First change since 2006

The National Lottery announced the introduction of a number of innovations to make the flagship Lotto game more exciting and engaging to players. **Bigger Better Lotto** will come into effect from Thursday 3rd September.

The game will have bigger jackpots and more ways to win, creating a more exciting game for players, which will drive sales and, in turn, create increased funds for Good Causes. Bigger Better Lotto will see a change to the lotto matrix, with the addition of two new numbers, creating **Lotto 6/47**. This change, along with the other enhancements to Bigger Better Lotto will improve the odds for players to win a prize from 1:42 to 1:28.7.

The announced changes have all undergone market and player research, with the findings strongly indicating that "it's time for a change" and that players are attracted by larger jackpots and the increased chance to win.

The enhancements include an increased win from €25,000 to €100,000 (avg.) for a Match 5 plus Bonus number; a prize for matching two Lotto numbers plus the Bonus number; and a new way to win with a Lotto Plus Raffle, where a 4-digit raffle number will be displayed on each Lotto Plus ticket and the player, if lucky, can win €300 if that number is drawn.

The changes take effect from Thursday 3rd September 2015.

BACKGROUND TO THE CHANGE:

- Lotto game sales peaked at €381.4m in 2008 and declined by 40% in the next five years to €229.5m in 2013. Forecasts maintaining the status quo indicated ongoing decline which would represent a significant problem for the National Lottery as the reducing revenue-generating capacity of its core game category would seriously inhibit its ability to maintain, much less grow, funds generated for good causes.
- The new Bigger Better Lotto game is jackpot driven, whereby analysis has shown that play levels respond to significant jackpot growth. Over the history of the lottery, the offer of a record jackpot has been an infrequent, but significant, driver of sales. Under Bigger Better Lotto, within three years we expect that the Lotto jackpots will reach record levels (estimated up to €20M).
- The highest Lotto jackpot won in Ireland to date is €18.96m, which was won in June 2008. [PLI's biggest jackpot to date was a €10,650,121 Lotto jackpot on April 4th 2015.]
- The new matrix will increase from 6/45 with 8,145,060 different combinations to Lotto 6/47 with 10,737,573 combinations. This equates to on average 14 jackpot winners per year which is three less than the number statistically expected in the current game. Average wins will however be larger at an estimated €6.3m jackpot win under the new structure compared to the current €4.5m average jackpot. ■

DREAMTOUCH

Step up to the dream



INTRALOT unveils its next generation Intelligent Gaming Station, DreamTouch.

First of its kind, DreamTouch offers a variety of Lottery gaming products, like instant scratch tickets, lottery numerical draw, and interactive touch games.

This powerful, simple and stylish gaming station uses an amazing 42" interactive touch screen display and has a feather touch smartphone-like operation that enables quick product identification and offers a more delightful gaming experience. By combining lottery games, impulse selling video games and promotional advertising content with full flexibility according to lottery preferences and marketing strategies, DreamTouch constitutes not only an innovative gaming station but also a powerful tool for direct product advertising and digital signage.

With DreamTouch INTRALOT takes a great leap forward creating a universe of possibilities for players to experience fun and interactive games.

www.intralot.com

Responsible Gaming is an integral part of INTRALOT's solutions. Our state-of-the-art technology and operational expertise enable us to implement responsible gaming practices on behalf of our customers. **At INTRALOT... we care a LOT.**

intralot

Interactive Goes Mainstream in the U.S.

The following article is based on a panel discussion at Smart-Tech 2015 in New York City. Everyone is online, connecting with merchants, with information resources, and with each other. Lotteries' huge brand awareness is already driving huge website traffic. How are successful lotteries leveraging this online connection to drive consumer engagement, disseminate information, and drive sales? How are some lotteries positioning themselves for a successful long-term sustainable business by integrating interactive strategies into every aspect of the business?

Moderator:

Scott Bowen, Commissioner, Michigan Lottery

Panelists:

Debbie Alford, Chief Executive Officer, Georgia Lottery Corp.

Danny Bogus, Deputy Commissioner of Gaming Operations, Michigan Lottery

Richard Bateson, Commercial Director/Senior Vice President Sales & Marketing at Camelot Global

Doug Pollard, Co-Chief Executive Officer, Pollard Banknote

The challenge facing lotteries as they wade into the online waters is no different than the broad challenge that faces the industry as a whole: Lotteries have to grow their player base and get younger. The online player experience, on Mobile in particular, has simply risen to occupy center stage as the access point for consumers. And not just young consumers, or non-players, but for everyone. And not just for news, e-mailing, and shopping, but for countless apps, including games-of-chance.

Lotteries all around the world are racing to create the online experience that appeals to the consumer. There is no template or 'best practices' that determine which games are launched first, for sequencing the timing and rollout of the different games categories. An interactive agenda can be implemented with Instant-win games, draw-games, Keno, or whatever games fit the objectives of the jurisdiction and needs of the marketplace. In the long-run, you'll want to have as broad a portfolio to maximize consumer options as possible. But it doesn't much matter what you start with. What matters is to create the right win experience, win ratios, call-outs, and focus the messaging to connect with a highly segmented market. It is vital to present the overall portfolio in ways that make it easy for the different player segments to navigate the website and find the games that appeal to them. That's why the Lottery needs to have an open-system architecture, one that gives them the flexibility to pick and choose among an incredible diversity of product content,

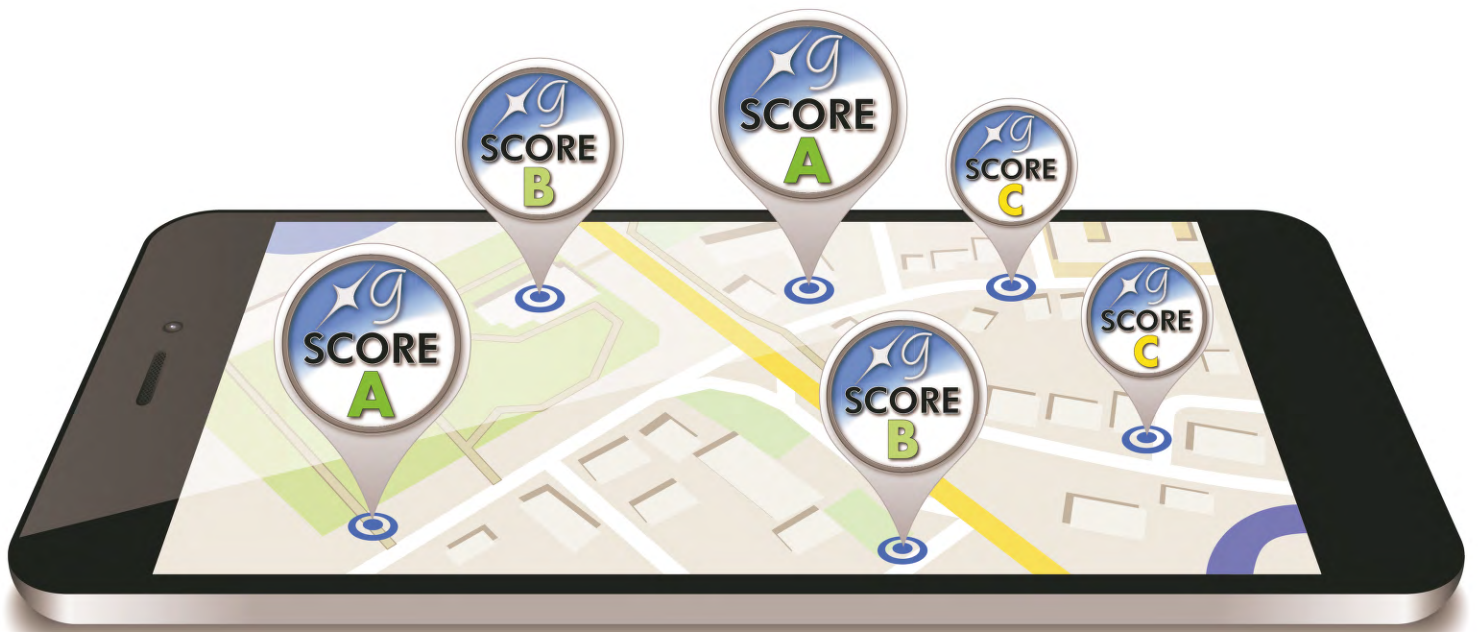
and deliver what makes sense for them and appeals to the players in their market-place. One over-riding strategic driver being "If it's a good game, I want it. And if it means that a player stays on our site for an extra five to 10 seconds, that's money time and it's accomplishing our goal." Another is smart and strategic portfolio management.

Lotteries shouldn't be surprised if the first thing they launch does not meet expectations. In the initial stages, the objective is to test and learn how to position games and get a read on what games will be important to their players and what messaging attracts the players. The online space is the ideal format to see how the consumers respond to the messaging and the games and to learn what appeals to their players. It provides the Lottery all the real-time feedback and information to really know the players and understand their behavior. A lottery actually sees a player's spending habits, their navigational activities, and what products players have an appetite for by the way in which they are looking at and using the website. Over time, this dynamic and interactive relationship with the players becomes a whole new platform upon which to base game and portfolio development, and the messaging and value propositions that attract the consumer.

Most lotteries have various databases already: a winner database that is populated when prizes are claimed; a player's club/loyalty program that includes player registrations. But that



How do your retailers SCORE?



Retail performance benchmarking from gemIntelligence™

SALES FORCE AUTOMATION. MADE MORE INTELLIGENT.

 GEMINTELLIGENCE.COM

email: INFO@LAPIS.COM

phone: +1 (973) 884-4006

data is not typically aggregated into a warehouse where it can be mined and used for CRM (Customer Relationship Management). Building a robust CRM program is a key tool that enables the data to be extrapolated and inform the efforts to strategically extend marketing, advertising, and game development. Further, the insights gleaned from these data improve the intelligence of all operations including those for the traditional retail as well as online channels. The result is much better content, a much richer player experience, and messaging that is tailored to appeal to the specific interests of different player groups. And, as the numbers of players registered to play online increases, the application of big-data tools and more sophisticated approaches to data-analytics will become mission-critical competitive advantages.

Granted, data collection and use must always be done carefully and with diligent oversight to protect the confidentiality of personal information. Lotteries should retain ownership over their own data and be responsible for the information they send to players. Further, Lotteries should exercise caution to not overwhelm the players with more information, or the kind of messaging, than the players want to receive.

Online gaming can be a new venture for traditional Lottery players, but it is also an opportunity for a Lottery to attract the much coveted new player. It is then vital that once those newbies enter the online gaming arena, they need to have a great experience. It absolutely must be simple to register and simple to play. That is often where new online ventures stumble and it can severely impair the ability to get the consumers to come back and try again. And once the consumers have demonstrated their interest in participating in Internet lottery games, Lottery must deliver an online player experience that is engaging and fun—and social.

Lottery products are still lagging behind some other consumer products with regard to providing a socially engaging experience that involves play with friends. Lottery play is still a solitary, independent occurrence. Lotteries will certainly want to offer their traditional, established games through their online platforms. But social gaming, even non-money social gaming, is an absolute must for the mix. Or, adding a social dimension to the traditional games. For instance, El Gordo is the wildly popular Spanish draw-game in which entire communities join together to increase their chances of winning, and so carries a social component that brings people together. Lotteries in the United States might try to follow the social networking trend by affording that sort of player experience, tapping into the basic need for socialization that everyone everywhere has.

In addition to considering the social aspects of their offerings, lotteries must consider the various devices on which a player can use to participate in gaming activities. Mobile is no longer just a device that enables communications, accessing information, or playing games. Mobile is now an integral part of everyone's lifestyle. And the momentum that has brought it to this unique position is driving more applications that will only increase the indispensable role it plays. Like all other businesses, including all other gaming sectors, are already doing, Lottery must create the most robust and expansive Mobile connection to its customers it can.

In the gaming world, there is the pure retail experience and the pure internet experience. But there is also a whole wide space in between where the real-world consumer resides. That includes not just the traditional lottery player, but consumers who go to land-based stores as well as online. And that's everyone. That middle ground represents an audience that can be engaged and cultivated in many ways that do not even involve transaction-enabled activities.

In answer to the question of what will the world of online gaming look like in ten years, the panelists all concurred that we can't even imagine that right now. What we do know is that there is so much that can and should be done right now to move our businesses in the right direction, for both short-term benefit and for long-term positioning of the business. The content will change and technologies and player tastes will evolve in ways that we can't predict. But we do possess all the tools, the know-how, and the real-world empirical evidence to have a clear path in front of us for what we can do today, and over the coming months and even years, to leverage Interactive for the benefit of the players and the business.

Lastly, the importance of product mix and player retention notwithstanding, the general principles of U.S. states' rights as regards to regulation and taxation of internet gaming remain under fire in Congress, and this could eventually act to render all these scenarios and considerations moot. Social non-money gaming is taking the world by storm. It is creating a gaming ecosphere that revolves all around Mobile and Tablet. The worlds of casual games, social gaming, and wagering games are merging and the single unifying element of this phenomenon is Mobile. Lotteries must continue to mobilize, and strengthen, their efforts to fight for the right to sell products via the internet. In the meantime, they need to consolidate their online relationship to the consumers in the best ways that are available to them now. ■



14 YRS
 LOTTERY EXPERIENCE

50M+
 GAMES PURCHASED
 IN 2014

250+
 GAME LAUNCHES

Our games are live on desktop and mobile across multiple jurisdictions in 4 continents and on more than 10 platforms.

Analysing real world sales data from live clients has been the key to creating games that sell in their millions and are tried, tested and ready to go.

We have a portfolio of over 100 games available in HTML5 for desktop, tablet and mobile. Our creatives continue to innovate adding titles every month.

Successfully launching instant tickets online doesn't have to be a game of chance

**We can help make your launch a winning experience
 Contact us to play our games and find out how**

Online www.instantwingaming.com
Email info@instantwingaming.com
Call +44 (0)20 7920 7145





FANTASY SPORTS —WILL REGULATORS THROW A YELLOW FLAG?

Mark Hichar, Partner and Chair of Gaming Law Practice Group, Hinckley Allen Law Firm.

Mark represents operators of casinos, internet gaming websites, and providers of gaming systems, software, equipment and services.

Since fantasy sports industry leader FanDuel¹ was founded in 2009, the growth of the on-line fantasy sports market in North America has been phenomenal. For example, the Fantasy Sports Trade Association (“FSTA”) estimates that the number of people playing fantasy sports in the U.S. and Canada more than doubled between 2009 and 2015, from 28.4 million to 56.8 million.² The average annual spending per fantasy sports player over this time has increased at an even greater pace, from \$80 in 2012 to \$475 in 2015.³ Total 2015 spend by fantasy sports participants in the U.S. and Canada is estimated to be almost \$27 billion.⁴

Fantasy sports prize payouts have similarly exploded.⁵ In 2014, FanDuel alone awarded \$560 million in prizes,⁶ and the industry No. 2, DraftKings,⁷ which launched in 2012, gave out \$300 million in 2014.⁸ FanDuel has estimated that it will award more than \$2 billion in prizes in 2015,⁹ while DraftKings plans to give away \$1 billion.¹⁰ (FanDuel and DraftKings are reported to control an estimated 90% of the fantasy sports market.¹¹) By comparison, the Massachusetts Lottery announced that in its fiscal year which ended June 30, 2015, the Lottery set a new sales record of \$5.011 billion, and paid \$3.641 billion in prizes.¹²

As participation in fantasy sports has skyrocketed, fantasy sports operators have become significant businesses. In July, 2015,

FanDuel announced financing of \$275 million from investors, including KKR, Google Capital and Time Warner, along with “[a] number of NFL and NBA team owners.”¹³ This brought its valuation to a reported \$1.275 billion.¹⁴ That same month, Draft Kings announced that it obtained an additional \$300 million in financing.¹⁵ Its latest financing round included investments from Fox Sports, Major League Baseball, the National Hockey League, Major League Soccer, as well as Legends Hospitality (owned by the New York Yankees and Dallas Cowboys) and the Madison Square Garden Company (owner of the New York Knicks and Rangers).¹⁶ The Kraft Group, which owns the New England Patriots and Revolution, invested in a prior round.¹⁷ Draft Kings is valued at approximately \$1.2 billion.¹⁸ Professional sports leagues covet the increased viewership that results from fantasy sports contests. “If there is a statistic that puts dollar signs in the heads of league commissioners, it’s this one: Fans consume 40% more sports content—across all media—once they start playing FanDuel. ‘This is the stat that helped us at FanDuel get our deal with the NBA,’ said Paul Martino of Bullpen Capital, an investment company with a stake in FanDuel. ‘That’s a pretty amazing statistic.’”¹⁹

Clearly, professional sports leagues and the capital markets view fantasy sports

1 <https://www.fanduel.com/> (All cited websites were last accessed on August 18 or 19, 2015, unless otherwise noted).

2 See FSTA “Industry Demographics” at <http://www.fsta.org/?page=Demographics>.

3 Id.

4 Id.

5 Fantasy sports contests can be offered for no cost to enter, and with or without prizes, but the types of contests that are the most popular (and that are the mainstay of the industry) are those involving a fee to enter and valuable prizes awarded to the winners. This type of fantasy sports contest is the focus of this article.

6 <https://www.fanduel.com/about>.

7 <https://www.draftkings.com/lobby/#/featured>.

8 “DraftKings obtains additional \$300M in financing,” by Darren Rovell, ESPN.com, July 27, 2015, at http://espn.go.com/chalk/story/_/id/13326551/draftkings-obtains-additional-300m-financing.

9 “FanDuel to Announce It Has Raised \$275 Million More,” by Michael J. de la Merced, nytimes.com, July 14, 2015 at <http://www.nytimes.com/2015/07/14/business/dealbook/fanduel-to-announce-it-has-raised-275-million-more.html>.

10 “Daily fantasy sports is more than a game,” by Jonathan Berr, cbsnews.com, July 31, 2015, at <http://www.cbsnews.com/news/for-big-media-companies-fantasy-sports-isnt-childs-play/>.

11 “Gambling or game of skill? Debate swirls over fantasy sports,” by Howard

Stutz, Las Vegas Review-Journal, July 11, 2015, at <http://www.reviewjournal.com/business/casinos-gaming/gambling-or-game-skill-debate-swirls-over-fantasy-sports>.

12 Massachusetts Lottery “Lottery News,” July 14, 2015, at <http://www.masslottery.com/about/news.html>.

13 “FanDuel Announces Series E Financing of \$275 Million from KKR, Google Capital and Time Warner,” businesswire.com, July 14, 2015, at <http://www.businesswire.com/news/home/20150714005506/en/FanDuel-Announces-Series-Financing-275-Million-KKR#.VdM0P02FPgCh>.

14 “Fantasy Sports Create Billion-Dollar Startups,” by Lora Kolodny, wsj.com, July 14, 2015, at <http://www.wsj.com/articles/fantasy-sports-create-billion-dollar-startups-1436846402>.

15 Rovell, ESPN.com, see footnote 8.

16 Id.

17 Id.

18 “The Billion Dollar Startup Club,” by Scott Austin, Chris Canipe and Sarah Slobin, wsj.com, Feb. 18, 2015, at <http://graphics.wsj.com/billion-dollar-club/>.

19 “Leagues see real benefits in daily fantasy sports,” by Brent Schrottenboer, USA TODAY Sports, January 1, 2015, at <http://www.usatoday.com/story/sports/2015/01/01/daily-fantasy-sports-gambling-fanduel-draftkings-nba-nfl-mlb-nhl/21165279/>.

favorably. But is it gambling? Amid the tremendous growth in daily fantasy sports have been calls for its regulation by licensed operators of gambling activities who object to the distinction between their activities as “gambling” and fantasy sports as non-gambling. “[Daily fantasy sports] is gambling,” asserts Joe Asher, CEO of William Hill US, whose company operates sports books throughout Nevada and handles football parlay card wagering in Delaware. “Any suggestion that [fantasy sports] is not gambling is the biggest bunch of baloney I’ve ever seen.”²⁰ Asher also stated: “I think daily fantasy sports betting should be legal, just like I think traditional sports betting should be legal. But let’s not pretend one is OK and the other is not. Drawing some artificial line between the two makes no sense as a matter of law or policy.”²¹ John McManus, MGM Resorts International’s General Counsel echoed this, stating: “MGM Resorts International would like to see daily fantasy sports made legal and properly regulated, similar to our position on all forms of gambling.”²²

Perhaps as a result of these and other complaints from licensed gambling operators, Nevada’s Gaming Control Board,

the regulatory body that oversees gambling in that state, stated in July of this year that it had begun to analyze the legality of daily fantasy sports.²³

What are “Fantasy Sports” Contests?

The term “fantasy sports” has become shorthand for many different forms of sports-related contests. Most involve participants creating a simulated team of players in a particular amateur or professional sport by selecting actual players from throughout the applicable sports league. Participants compete against others who have similarly created teams, and contest outcomes are based on the statistical performances of the players on their respective teams. Contests may last throughout an entire season of the sport or be as short as a single day—i.e., “daily fantasy sports”—in which case they involve only players playing and games occurring on that day. Teams may consist of fewer members than an actual team would put in play, depending on the rules of each contest. By way of example, in DraftKings daily NFL fantasy football contests, a fantasy football team consists of nine players and must include players from

20 Stutz, Las Vegas Review Journal, see footnote 11.

21 “Daily fantasy sports land in gambling industry crosshairs,” by Liana B. Baker, Reuters, Aug. 3, 2015, at <http://www.reuters.com/article/2015/08/03/us-dailyfantasysports-insight-idUSKCN0Q80DH20150803>.

22 Id.

23 Id.



Delivering Bright Ideas for More than 30 Years



**The Pioneer.
The Biggest Player.
The Reliable Choice in Updatable Jackpot Signs.**






Pro-Lite Lottery (Division of Pro-Lite, Inc.)

3505 Cadillac Ave., Bldg. D, Costa Mesa, CA 92626 | TEL: 1-609-538-0128 | Toll Free US: 1-855-568-8652 | sales@pro-litelottery.com | www.pro-litelottery.com

NOTE: Product images shown here are signs manufactured and sold by Pro-Lite or one of its resellers.

at least two different NFL teams, representing players involved in at least two different football games. Each team consists of a quarterback, two running backs, three wide receivers, a tight-end, a flex player (running back, wide receiver or tight-end) and a defense or special teams player, and scoring is based on a specified point structure set forth in the rules (e.g., 4 points for throwing a touchdown, 6 points for receiving a touchdown pass, minus one point for throwing an interception, etc.).²⁴ DraftKings assigns each eligible NFL player a hypothetical “salary” based on his past performance, and each contest participant must stay within a \$50,000 “salary cap” when selecting his or her team.²⁵ In season-long fantasy sports contests, usually a player may not be on more than one team at the same time, trades are permitted, and participants decide each week which players to play from a participant’s roster of players. In the daily game, participants in the contest may draft the same player(s) and, since the contest lasts only for a single series of games or events (usually a single day), there is no trading of players nor decisions as to whom to play or bench.

This article concerns fantasy sports contests involving a fee to enter and the award of prizes to the winners. There are a variety of forms of such fantasy sports contests. In addition to the season-long and daily varieties in which participants compete against each other, some operators have begun to offer formats that allow participants to compete directly against the host site. For example, as stated in an article by Professor Marc Edelman:

BetAmerica, which is a longstanding online horse and greyhound wagering website, operates a contest that it describes as “daily fantasy sports,” which allows contestants to pay a \$1 “entry fee for the chance to win \$1 million by correctly picking nine players that will hit a home run on any given day”—a task with approximate odds of one in two-million. Meanwhile, Game Sports Network recently launched HotRoster, a contest in which participants compete “against the house” in attempting to select between four and ten consecutive, correct player events.²⁶

Other fantasy sports operators have reduced the lineup sizes to three or fewer players. “These contests market themselves as user friendly and easy to enter, even though many ‘daily fantasy sports’ players would acknowledge that the skill-to-luck ratio of these games is lowered.”²⁷

Each different form of fantasy sports offering requires a separate legal analysis to determine whether or not it is lawful in the jurisdiction in which it is intended to be offered.

The Legality of Fantasy Sports Contests Generally

The legality of fantasy sports contests is predicated upon their being contests of skill rather than games of chance. Under federal law and the law of most states, contests of skill are treated differently than games of chance. True skill contests involving an entry fee and pre-established prizes usually are lawful because they are neither a “lottery” nor “gambling” under applicable statutes and/or case law.

Most states define a “lottery” as an activity in which persons give consideration for an opportunity to win something of value, where the outcome is determined by chance. If the element of chance is removed—i.e., if the activity meets the applicable state test for a contest of skill – the activity is not a lottery (and thus cannot be an unlawful lottery).

A different type of law prohibits betting on the outcome of events outside the bettor’s control. Generally states and courts construing state and federal laws define “gambling” in a manner similar to that of New Jersey, which defines “gambling” as “staking or risking something of value upon the outcome of a contest of chance or a future contingent event not under the actor’s control or influence, upon an agreement or understanding that he will receive something of value in the event of a certain outcome.”²⁸ In true skill contests, the outcome of the contest depends on the participant’s relative knowledge, judgment, decision-making ability, experience, skill, dexterity, quickness, athletic ability and/or understanding of the contest and its rules (collectively, “skill”). Gambling laws do not apply to true skill contests because the outcome is within the control of the participant. Thus, properly designed fantasy sports contests require, among other things, the material involvement of the participants via the exercise of their skill, where the exercise of that skill determines the outcome of the contest. In a properly designed fantasy sports contest, success is within the control of each participant.

The Unlawful Internet Gambling Enforcement Act (the “UIGEA”)

There is a common misconception that fantasy sports were made lawful by the UIGEA.²⁹ The UIGEA prohibits a gambling business from knowingly accepting credit, electronic funds transfers, checks or various other financial instruments in connection with another person’s unlawful internet gambling.³⁰ The UIGEA also requires electronic payment systems, and participants therein, to identify and block such transactions.³¹ “Unlawful internet

24 <https://www.draftkings.com/help/nfl>

25 *Id.*

26 “Navigating the Legal Risks of Daily Fantasy Sports: A Detailed Primer in Federal and State Gambling Law,” by Marc Edelman (March 30, 2015), University of Illinois Law Review, 2016 forthcoming (footnotes and citations omitted). Available at SSRN: <http://ssrn.com/abstract=2587362>.

27 *Id.*, (footnote and citation omitted).

28 N.J. Stat. 2C:37-1.b.

29 31 U.S.C. §§ 5361 - 5367.

30 31 U.S.C. § 5363.

31 31 U.S.C. § 5364.

Ask the Person who has one

Here in Jamaica we are currently using about 25 draw machines from Smartplay. We do five draws every day so we need machines that will work first time, every time. I couldn't ask for more reliable equipment... we seldom have a problem. When you have something that works and looks great... why change it?

Anthony Jackson
Draw Manager
Supreme Ventures Ltd.



SMARTPLAY
INTERNATIONAL

gambling” is defined, generally, as “to place, receive, or otherwise knowingly transmit a bet or wager [using] the Internet where such bet or wager is unlawful under any applicable Federal or State law ... in which the bet or wager is initiated, received, or otherwise made”³²

However, the UIGEA expressly excludes from the term “bet or wager” (and thus, from the application of the law):

participation in any fantasy or simulation sports game or educational game or contest in which (if the game or contest involves a team or teams) no fantasy or simulation sports team is based on the current membership of an actual team that is a member of an amateur or professional sports organization (as those terms are defined in section 3701 of title 28 [this refers to the Professional and Amateur Sports Protection Act, or “PASPA”] and that meets the following conditions:

(I) All prizes and awards offered to winning participants are established and made known to the participants in advance of the game or contest and their value is not determined by the number of participants or the amount of any fees paid by those participants.

(II) All winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals (athletes in the case of sports events) in multiple real-world sporting or other events.

(III) No winning outcome is based ...

(aa) on the score, point-spread, or any performance or performances of any single real-world team or any combination of such teams; or

(bb) solely on any single performance of an individual athlete in any single real-world sporting or other event.³³

Thus, the UIGEA exempts from its application certain particularly-designed fantasy sports contests. Among other things, for a fantasy sports contest to be exempt from the UIGEA, prizes must be established and made known to participants prior to the contest and cannot be made up or be determined by the entry fees paid, and all outcomes must reflect the relative knowledge and skill of the participants. However, the UIGEA also states:

No provision of [the UIGEA] shall be construed as altering, limiting, or extending any Federal or State law or Tribal-State

compact prohibiting, permitting, or regulating gambling within the United States.³⁴

Accordingly, all fantasy sports contests, even if exempted from the UIGEA, are subject to other federal laws and regulations and the laws and regulations of the states from which players are accepted. As a result, whether a particular form of fantasy sports contest is lawful can only be determined by a state-by-state analysis of that form to determine whether it is lawful—even if it is covered by the UIGEA exemption.

Conversely, if a fantasy sports contest is not covered by the UIGEA exemption, that does not mean that it is unlawful. The UIGEA only applies to “unlawful internet gambling” which is defined to mean internet betting or wagering that is unlawful under a different federal law or under an applicable state law. If a fantasy sports contest is not unlawful under another federal law or under the law of a state in which the contest is offered, there will be no UIGEA violation.

The Professional and Amateur Sports Protection Act (the “PASPA”)

Enacted in 1992 in response to a perceived threat from state lotteries, the PASPA prohibits, generally, the operation of state-sponsored lotteries, sweepstakes, and other gambling schemes. It provides:

It shall be unlawful for ...

(1) a governmental entity³⁵ to sponsor, operate, advertise, promote, license, or authorize by law or compact, or

(2) a person to sponsor, operate, advertise, or promote, pursuant to the law or compact of a governmental entity,

a lottery, sweepstakes,³⁶ or other betting, gambling, or wagering scheme based, directly or indirectly (through the use of geographical references or otherwise), on one or more competitive games in which amateur or professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games.³⁷

A fantasy sports contest which can be shown to be within the control of the participants, and thus a true game of skill, will be outside the scope of the PASPA. Such a contest will not constitute a “betting, gambling, or wagering scheme,” nor a “lottery” or “sweepstakes” (each of which requires the element of “chance”). The PASPA does not prohibit contests in which the outcome is within the participants’ control.

32 31 U.S.C. § 5362(10)(A).

33 31 U.S.C. § 5362(1)(E)(ix).

34 31 U.S.C. § 5361(b).

35 “Governmental entity” is defined as “a State, a political subdivision of a State, or an entity or organization, including an entity or organization described in section 4(5) of the Indian Gaming Regulatory Act (25 U.S.C. 2703(5)), that has governmental authority within the territorial boundaries of the United States, including on lands described in section 4(4) of such

Act (25 U.S.C. 2703(4)).” “State” is defined as “any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Palau, or any territory or possession of the United States.” (See 28 U.S.C. § 3701.)

36 The term “sweepstakes” is not defined in the PASPA. However, it likely would be held to have the meaning given the term by most states – i.e., an activity in which prizes of value are awarded to participants based on chance, and in which no consideration is required in order to participate.

37 28 U.S.C. § 3702.

The Wire Wager Act

Generally, the Wire Wager Act³⁸ prohibits an operator's interstate transmission of sports bets or wagers, or information assisting in such wagers. A fantasy sports contest that can be shown to be a true game of skill—i.e., within the participants' control—will not involve "bets or wagers" as those terms are used in the Wire Wager Act. Thus, if properly designed, fantasy sports contests will not be subject to the Wire Wager Act's prohibitions.

Other Federal Laws

Other federal laws relevant to online fantasy sports contests require an underlying violation of state law or of a different federal law. For example, the Travel Act prohibits certain conduct with respect to an "unlawful activity." For purposes of the Travel Act, the term "unlawful activity"³⁹ means "any business enterprise involving gambling ... in violation of the laws of the State in which they are committed or the United States, ..." ⁴⁰ Thus, if no other law is violated, no "unlawful activity" is occurring, and the Travel Act will not apply. Similarly, the Illegal Gambling Business Act⁴¹

is violated if one "conducts, finances, manages, supervises, directs, or owns all or part of an illegal gambling business." To constitute an "illegal gambling business," a gambling business must, among other things, violate "the law of a State or political subdivision in which it is conducted."⁴² Thus, if a gambling business does not operate in violation of a state's laws, the Illegal Gambling Business Act is not triggered.

Are Fantasy Sports Contest True Skill Games under State Laws?

The law of each state will determine whether a particular form of fantasy sports contest may lawfully be offered in that state, even if the contest complies with the PASPA and Wire Wager Act. To be lawful in a particular state, each form of fantasy sports contest offered must meet the applicable state test for "skill" and not otherwise be prohibited. As discussed above, state law is not superseded by the UIGEA, and the express carve-out for certain fantasy sports contests contained in the UIGEA does not exempt such contests from state law.

38 18 U.S.C. §§ 1081; 1084.

39 18 U.S.C. § 1952.

40 18 U.S.C. § 1952(b).

41 18 U.S.C. § 1955.

42 18 U.S.C. § 1955(b)(1)

The art of sports betting

One solution

Online

On land

Whether it's on web, mobile or retail, Kambi provide the ultimate fully managed sportsbook solutions.

Technically way ahead of the game, our innovative global sports betting platform gives clients the complete package – everything from odds pricing to exceptional customer intelligence and risk management.

Our innovation and unique insight provide a quick, slick, exciting user experience that simply has no equal.

Experience, pedigree and technical know how – creating a tier one sportsbook is an art form.

Most states will determine a contest to be one of skill rather than chance (and thus, not a “lottery” or “gambling” activity), if skill, rather than chance, is the “predominant factor” in determining whether the participant wins or loses. A significant number of other states will determine a contest to be one of skill only if chance does not play a “material role” in determining the outcome. A small number of states will consider a contest to be one of skill only if there is no chance (or almost no chance) involved in determining the outcome. In these states, which include Arkansas, Iowa and Tennessee,⁴³ fantasy sports face greater risk than in other states, because contests involving any chance (or more than a de minimis amount of chance) are deemed games of chance, and pay-to-play games of chance for prizes are generally illegal gambling.

Whether a fantasy sports contest is one of skill within the control of the participant is a question of fact, not law. As such, it cannot be opined upon by lawyers. For a fantasy sports contest to be deemed one of skill, the operator must be able to demonstrate that the outcome of the contest meets the applicable state test for a game of skill. Usually this means showing through expert math testimony that the contest is within the control of the participants and the contest outcomes reflect each participant’s relative knowledge and understanding of the contest and its rules, and the participant’s judgment, decision-making ability and experience. In the standard daily fantasy sports contests offered by major operators such as FanDuel and DraftKings, participants must evaluate the relative worth of players and draft their teams to maximize scoring potential while remaining under the salary cap. This involves an assessment of past statistical performance and assessing probable future performance, taking into account available information such as weather, injuries and “fit” within the team’s over-all strategy against a particular opponent—again always keeping in mind how the contest is scored. It is argued that this assessment process is similar to the process that coaches and managers go through in determining what line-up they will use against a specific opponent—a job which most would agree requires skill, given the salaries paid to top coaches in various professional and college sports and given that certain coaches and managers are consistently more successful than their peers. Those participants in standard daily fantasy sports contests who are consistently more successful than others tend to spend many hours each week (and in some cases each day) reading information about player performance and contest strategies

so that they can better predict the future performance of eligible athletes against a given opponent. At the end of the day, however, if a fantasy sports contest is challenged as being a game of chance, the ultimate decision will be made by a trier of fact, and thus the operator should be able to show that accomplished participants consistently outperform inexperienced or poor participants.⁴⁴

Some states prohibit pay-to-play fantasy sports for prizes notwithstanding the skill argument, however. For example, in Arizona, the State Department of Gaming website states that fantasy sports contests are “legal as long as only the participants receive the winnings. A league operator may not take a cut.”⁴⁵ In Montana: “It is lawful to conduct or participate in a fantasy sports league . . . , [but] [i]t is unlawful to wager on a fantasy sports league by telephone or by the internet.”⁴⁶ While some uncertainty as to legality remains, as of this writing, FanDuel, DraftKings, DraftDay, CBS Sports, Yahoo and USA TODAY⁴⁷ allow play in 45 U.S. states and the District of Columbia, and prohibit play from a uniform list of U.S. states: Arizona, Iowa, Louisiana, Montana and Washington.⁴⁸

What Does the Future Hold for Fantasy Sports Operators and Contests?

The key question going forward is whether U.S. gaming regulators will decide to regulate fantasy sports operators, systems and contests. As mentioned above, the Nevada Gaming Control Board is reviewing the legality of daily fantasy sports contests. AG Burnett, Chairman of the Nevada Gaming Control Board, who is leading that review, stated:

When you start offering daily fantasy contests, then you start to blur the line between skill and chance . . . When chance begins to govern the outcome more than skill, you have a form of gaming, and that’s when the need for regulation kicks in.⁴⁹

In response, FanDuel and DraftKings said in a joint statement that they “are speaking with gaming industry representatives to educate them on the fantasy sports industry as our products are fundamentally separate from, and not competitive with casinos and gaming businesses.”⁵⁰

However, as the fantasy sports industry continues to grow and participation increases, fantasy sports operators may decide to embrace self-regulation or some form of cooperative regulation by

Continued on page 65

43 “Out of Bounds?: A Legal Analysis of Pay-To-Play Daily Fantasy Sports,” by Nathaniel J. Ehrman, *The Sports Lawyers Journal*, Vol. 22, No. 1, Spring 2015, p 98.

44 For a detailed discussion of the different skills that must be utilized in daily fantasy sports contests vs. season-long fantasy sports contests, see Ehrman, at 101-108.

45 Arizona Department of Gaming, “Gambling Tips to Remember,” at <https://gaming.az.gov/sites/default/files/documents/files/socialgamblingtips.pdf>, p. 6.

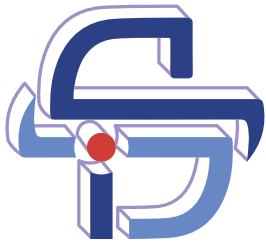
46 Mont. Code 23-5-802.

47 USA TODAY’s fantasy sports contests are operated by FantasyScore, a partnership between USA TODAY Sports Media Group and RT Sports. See: Schrottenboer, USA TODAY Sports, footnote 19.

48 <https://www.fanduel.com/terms>, <https://www.draftkings.com/help/terms>; <https://www.draftday.com/faq#Who%20can%20play%20at%20DraftDay%3F>; <http://www.cbssports.com/fantasy/football/games/prize-leagues/rules>; https://football.fantasysports.yahoo.com/f1/proleagues_rules and <http://fantasyscore.com/rules>.

49 Baker, Reuters, footnote 21.

50 Id.



**Schafer
Systems**
iNC.

**Schafer Systems innovates.
Schafer Systems integrates.
Schafer Systems inspires.**

Since 1986, Schafer Systems Inc.

is delivering on a promise to bring you high quality, durable and long lasting products for your lottery location needs. 29 years later we still deliver on that promise servicing lottery locations around the world. We live and breathe lottery. We see the ever-changing needs of capturing business and we hear the things you want and with that we are committing to integrating our expertise with the knowledge and ingenuity of others; inspiring and creating new and innovative products. Products you can believe in just as much as we do every day. Imagine the possibilities with Schafer Systems Inc. With our re-commitment to you we bring in a new look.

1-800-222-4489 | 1-641-742-3266 | ssi-ia.com | teresa.immel@ownrev.com | shay.wahl@ownrev.com

© 2015 SCHAFFER SYSTEMS INC. / PLEASANT GAMING INTERNATIONAL



On 16 July 2015, Advocate-General Kokott published her Opinion in the first ever European case dealing with the well-known cryptocurrency “Bitcoin.” The role of the Advocate-General in European Court cases is to provide the judges with an independent legal opinion based upon an in-depth analysis of the legal questions involved and the written and oral arguments submitted by the Parties, the Member states of the EU, and the EU Commission. Although such opinion is not binding to the judges, we note that the Court does follow its Advocate-General in the majority of the cases. The Opinion relates to the case of *Skatteverket v David Hedqvist* (C-264/14)¹ which evaluates the legality and treatment of cryptocurrencies from a VAT (Value-Added-Tax) angle. The concern is that these alternative currencies enable a shadow economy in which consumers could play games-of-chance on websites that are neither regulated nor taxed.

taxed nor subject to the regulatory oversight of currencies controlled by any central banking system means that the Bitcoin economy and Bitcoin transactions are not legal currency in the strict sense.

This case assesses the qualification of Bitcoins within the scope of the European Directive of 28 November 2006 on the common system of value added tax (“the Directive”).² The facts of this case relate to the opening of a website whereby Mr Hedqvist would exchange Bitcoins against fiat currency (i.e. legitimate currencies, in this case Swedish krona) and vice-versa. The question is whether such an exchange operation qualifies as the “supply of services” under the Directive (see Article 2 (1)) and hence to its provisions and requirements. Should the Court answer in the affirmative to that question, it would have to then determine whether such an activity could benefit from one of the exemptions enshrined in Article 135 (1) of the Directive, the so-called legal currency exemption.

The particularities of this case lie in the fact that Bitcoins are considered nowhere in Europe to be a fiat currency or a regulated method of payment. In spite of that fact, Bitcoins are accepted by many websites as payment for the purchase of products and services, or to otherwise participate in economic activities. Few gaming websites allow players to engage their stakes in Bitcoins or other cryptocurrencies.

Advocate-General Kokott first reminds that the Court of Justice of the EU (hereafter: CJEU) found that the taxable activity does constitute the exchange of currency per se and not the transfer of money in itself.³ Advocate-General Kokott clarifies the situation even further as it specifically states that: “What applies to legal/regulated means of payment should also apply to other means used only in a strict payment purpose. Even though those payment means were not falling under any obligations to be monitored or ensured, they fulfill, from a Value Added Tax (hereafter VAT) perspective, the same functions as any other regulated payment instruments and should therefore be subject to the same treatment, in compliance with the

Are Cryptocurrencies and/or Binary Options Enhancing the Risk of Disruption in the Lottery and Gambling Sector?

BY PHILIPPE
VLAEMMINCK AND
LUCAS FALCO —
ALTIUS
WWW.ALTUIS.COM

Cryptocurrency can be defined as a form of digital or virtual currency, with the distinguishing characteristic that it has been created and then put on the market based on people solving complex computing algorithms or mathematical dilemmas with their own computing system; and in ways that are not controlled by a central bank. Bitcoins are simply a type of cryptocurrency. Being neither

1 Opinion of Advocate-General Kokott of 16 July 2015, C-264/14, not published so far but available on the internet at <http://eur-lex.europa.eu/legal-content/FR/TXT/?qid=1440252381535&uri=CELEX:62014CC0264>

2 Directive 2006/112/EC.

3 CJEU, *First National Bank of Chicago*, C-172/96, EU:C:1998:354.

4 Par. 15 (Free translation from French – Text not available in English).

principle of fiscal neutrality.”⁴ Since the referring court found that Bitcoins qualify as pure payment means and given the case law of the CJEU on the definition of exchange activities, Advocate-General Kokott believes the operation contemplated by Mr Hedqvist is to be qualified as a “supply of services” in the meaning of the Directive and hence subject to VAT.

However, the second question relates to possible VAT exemption applicable to this type of activity. In that aspect, according to the Advocate-General, the exemption of VAT that applies to “transactions, including negotiation, concerning currency, bank notes and coins used as legal tender, with the exception of collectors’ items, that is to say, gold, silver or other metal coins or bank notes which are not normally used as legal tender or coins of numismatic interest” (Article 135 (1) (e) of the Directive) applies as well to the activity at hand regardless of the fact the exchange occurs between a fiat/regulated currency and a crypto/unregulated means of payment as long as the latter meets the objective assigned to that exemption, namely: the free movement of capital. Indeed, applying VAT to this type of transaction would prevent, or at least curb, the full achievement of that objective, being one of the four EU freedoms. His opinion has far reaching consequences. It actually means that

he believes that Bitcoins can be legally exchanged against regulated currencies and benefit from the same rules as exchanging regulated currencies against each other. This Advocate-General Opinion provides from a value added tax perspective Bitcoins with a legal status comparable to regulated currencies.

Of course, this only reflects the Opinion of Advocate-General Kokott, and does not prejudge any final judgment of the Court. However, one can already state that it appears the regulated/unregulated aspect of a currency does not seem to be sufficient to apply distinct treatments between currencies from a VAT perspective. Should the Court rule in favor of the Opinion outlined above, this could represent the first step toward assimilation between crypto and fiat currencies.

To rephrase the above, and in a more general context, such a judgment would be the first step adopted by an EU institution to “define/qualify” Bitcoins from an EU law perspective accepting an equivalence of treatment between fiat and unregulated currencies. This could pave the way to a prospective general allowance or treatment of Bitcoins as a usual mean of payment for different activities (including online gambling) without paying a specific attention to the risks inherent to cryptocurrencies, such as value volatility, systems failure, hacking, and the lack of

Lotteries win when retailers win, so let's do more to help retailers improve their lottery business.

Let's do more.



Lottery Sales Force Automation & Retailer Engagement Solutions

institutional controls. Lotteries and regulators should monitor these developments. The Advocate General opinion learns us that Bitcoins can be considered as “consideration” in a gambling activity, and by extension any other contribution. This is useful to avoid that bitcoins are used to circumvent the application of gambling laws.

Another topic that should be addressed by national legislative authorities is the proper regulation of binary options. Binary options could be defined as the speculation on the short term movement in price of a stock, commodity, currency, index, or just about anything that is capable of being measured in financial terms.⁵ Binary options thus allow people to bet, for instance, on the short term increase or decrease of the rate of a specific share or stock.

Many of the EU Member States currently regard binary options as instruments falling under the general EU legislation applicable to financial instruments (inter alia, MiFID Directives⁶).

While binary options are currently classified in the UK as gambling activities falling under the powers of the Gambling Commission, the UK government is working to cover those activities under the Financial regulations, as also Cyprus already did. Moreover, while the new 2014 UK gambling licensing regime requires operators who intend to provide online gambling activities to UK residents to obtain a remote gambling license from the Gambling Commission, this requirement has not been extended to binary options operators pending the outcome and future decisions of the UK government. Finally, in the Netherlands, both the Gambling Regulatory Authority (“Kansspelautoriteit”) and the Financial Market Authority (“AFM”) must come to an agreement to settle the question about the competence in relation to binary options. In a recent case, the AFM refused to grant an authorization to a binary options operator since it considered such activities had to be regarded as gambling falling under the supervision of the Kansspelautoriteit. This question remains, nevertheless, legally unsettled. This issue has even been the subject of a parliamentary question to the European Commission.⁷ This question outlines the situation in the Netherlands and the fact the EU Directives applicable to legislative instruments do however regard binary options as financial instruments. The Parliamentarian finally sought information about the plan of the European Commission in relation to that issue (i.e. restricting

the offering to financial professional investors or following the AFM and treating binary options as hidden betting activities). The Commission expressly replied that binary options have to be regarded as financial instruments provided that they meet the conditions set out in the applicable Directives.

However, no one can deny the similarities between “usual” betting and binary options. Betting could be defined as “any wagering of a stake of monetary value in the expectation of a prize of monetary value, subject to a future and uncertain occurrence.”⁸ In light of this definition, it can be argued that binary options are nothing but a type of betting activity. Instead of betting on the outcome of a game, on the weather, on the outcome of an election etc. one bets on the price of a share quoted on the market. Nevertheless, under the current EU legislative framework, the operators of such activities are subject to distinct legal obligations that are different from those applying to Lotteries and legal gambling operators. This consequently enables binary options companies to obtain a license in one jurisdiction and that one license authorizes them to be active in different EU Member States.

What has been described above represents only a few of the issues that could threaten to undermine and disrupt Lotteries in the future. Be it in the form of the provision of veiled gambling activities that benefit from imposing an EU-wide regulatory approach, or from the “bit by bit” recognition, assimilation, definition and regulation of new payment instruments that would be highly disruptive to State Lotteries (and leave the consumer vulnerable to unregulated and aggressive promotional offers and methods that would be to the detriment of the principles of player protection, the fight against criminality and the curb of gambling addiction). What happens in Europe, or anywhere else in the world, can have an impact in every jurisdiction. Strengthening the transatlantic dialogue, exchange of knowledge and information, and cooperation (as it successfully happened with the “.Lotto”—Generic Top Level domain name issue) may help Lotteries to overcome the future threats caused by innovation that would have a negative and disruptive impact on Lottery and Society. ■

5 Definition given by the UK Financial Conduct Authority, see [https://www.fca.org.uk/news/statements/binary-options--potential-changes-in-regulation-](https://www.fca.org.uk/news/statements/binary-options--potential-changes-in-regulation)

6 Directive 2004/39/CE and Directive 2014/65/CE.

7 See Parliamentary Question of MEP Paul Tang of 30 January 2015, E-001570-15, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=->

<https://www.fca.org.uk/news/statements/binary-options--potential-changes-in-regulation-%2f%2fEP%2f%2fTEXT%2bWQ%2bE-2015-001570%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN>

8 Definition drawn from Article 3 of the Council of Europe’s Convention on the Manipulation of Sports Competitions.

I agree that there is huge opportunity to enrich the whole online consumer experience, and that will likely include looking at ways to leverage all our assets even more effectively. But we move one step at a time, ensuring that every change to our operation is executed well, and achieves the desired consumer response, before moving onto further changes and enhancements. I would emphasize, though, that speed to market is a top priority, we are evolving our processes and innovating to enhance the consumer experience as quickly as we can. The top priority is to do everything in a responsible way that never puts our integrity at risk, or jeopardizes the goodwill of our stakeholders.

Do you have a measure of how your land based retail sales have increased, or not, since you started to ramp up your online channel?

D. Griffin: We do not have a precise measure, but we know that the online channel is not negatively impacting our retailers. We have a formal structure to ensure active communication and ongoing engagement with our retailers. Regularly scheduled meetings help us ensure that we are all accomplishing our shared objectives. Keep in mind that Lottery is not the only product category that is sold online. Almost all the CPG products you find in a retail store are also available to purchase online. Retailers understand this and are working with their suppliers to adapt to a multi-channel system that engages more consumers in more ways and ultimately benefits everyone. They want happy customers just as we want happy players. They see that online is the best way to engage young adults interested in Lottery, and that these new players subsequently become customers in their retail stores.

What are some of the differences in the way that the Lottery is being run now as opposed to before the license was granted to PLI?

D. Griffin: First, and perhaps most im-

portantly, we retained the staff that ran the National Lottery for the past number of years. So we are able to preserve the strengths and wealth of experience and understanding of the business as it existed prior to the license transfer to PLI. We then reviewed all aspects of the business with a focus on changing things that could be improved. Camelot Global brings a fresh perspective that has opened our eyes to lots of opportunities to change and improve our operations. And on an ongoing basis, the resources and experience of Camelot Global has helped transform our business. Camelot Global applies the risk-assessment and predictive modeling tools that enable us to invest in innovation, reduce the time-to-market, apply best-practices to the execution of the plan, and be confident of the ROI. We can think and act in a bigger way as well as move more quickly to keep up with changing consumer tastes and preferences.

Camelot Global gives us a significant head-start as we ramp up the whole online portfolio of products. We are moving at warp speed from being an embryonic online operator to having the best Instant-Win Games, Mobile apps, and technology platform to support our ambitious digital strategy. We won't need to suffer a long learning curve fraught with possible costly mistakes. Camelot Global already have gone through that stage and now is helping guide our online business to scale up with maximum efficiency. Our experienced National Lottery staff has the knowledge of the local markets and gaming culture. Combining that with Camelot's global experience positions us for long-term sustainable growth.

Intralot has brought in, modern gaming technology. Our telecoms are now predominantly wireless, which is the way the modern world is going. We started with one mobile operator and found that is a mistake to be dependent on one single operator. We now have four Irish mobile operators. So if

one goes down then the signals are automatically transferred to another mobile operator. That provides the redundancy and resilience to ensure local telecoms access to Retailers. It also delivers a stronger signal to our retailers. This infrastructure is superior to the wired connection for many reasons, including the vulnerability to service disruption when wires are cut or impaired.

So the service disruption of last February is not likely to happen again?

D. Griffin: That was an extremely unusual circumstance that affected not just the Lottery but lots of communications-reliant businesses in Ireland and across Europe. The telecom breakdown was in Spain and then its back-up system had a coding problem. It was a confluence of events that was not predicted by anyone. The bottom line, though, is that the Lottery can't be vulnerable to that kind of disruption and our telecom providers have taken steps to minimize the possibility of future disruption. It should also be pointed out that we dealt with the service disruption in a way that did no damage to the Lottery, Retailers or its players. We deferred the draw by 24 hours and gave people the opportunity to play the next day. Getting back online within 24 hours and the way we handled the whole experience actually demonstrated the flexibility of the new system.

For all of your progress over the past year and a half, now that you are past the transition period you are more able to focus on the players and building the business.

D. Griffin: It's true. We have ambitious plans to deliver more value to the players. We have commenced our game development programme with the revamp of our premier game 'lotto.' We have announced details of Bigger Better lotto which will have bigger Jackpots and more ways to win, creating a more exciting game for players, which will drive sales and in turn create increased funds for good causes. ■



Instant Growth Partners

From the latest innovations to time-tested content, from business analytics to warehouse operations, IGT provides you with the tools needed to grow your Instants profits.

Retail Solutions

Production Capabilities

Logistics & Distribution

Sales Management

Game Development

System Technology

Insights & Research

Promotion

The Six Pillars of Instant Success

by Stefano Monterosso



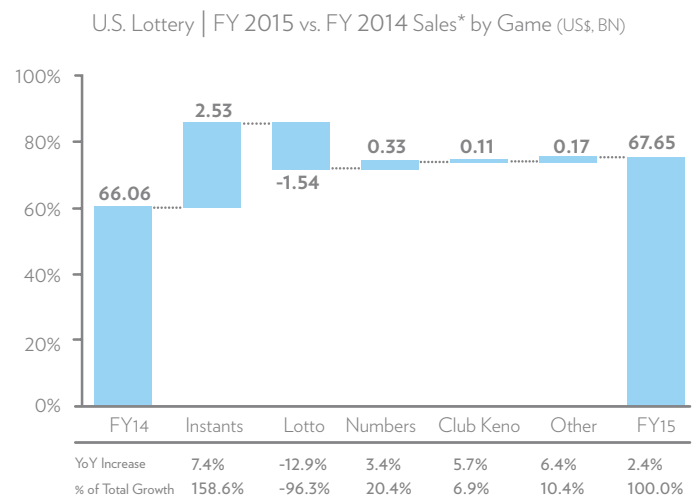
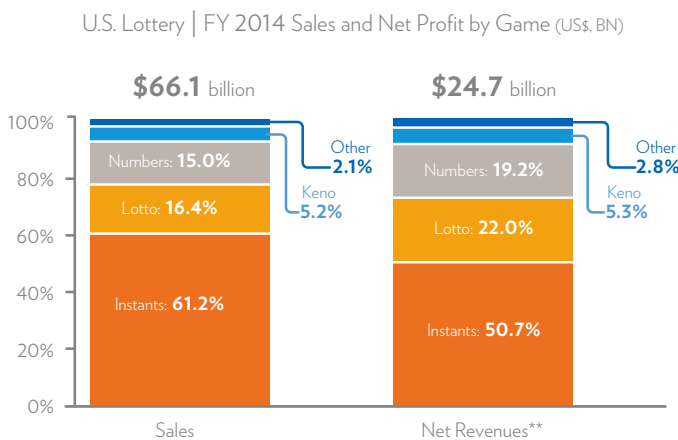
Instant Games: An Outstanding Growth Opportunity for Traditional Lottery

Instant games play a key role in U.S. lottery portfolios (see Figure 1):

- Instant games in FY 2014 generated more than \$40.4 billion of lottery sales (about 61% of total U.S.) and more than \$12.5 billion of net revenues¹ (about 51% of total U.S.).

- Instant sales are continuously growing. In FY 2015, U.S. instant sales increased by \$2.5 billion, contributing to more than 100% of total lottery growth.² Unaffected by the volatility of jackpot activity, instant games provide a consistent source of revenue to good causes. Instant games also offer the largest growth opportunity in international markets, where (with the exception of France,

Figure 1. The Role of Instant Games in U.S. Lottery Portfolios



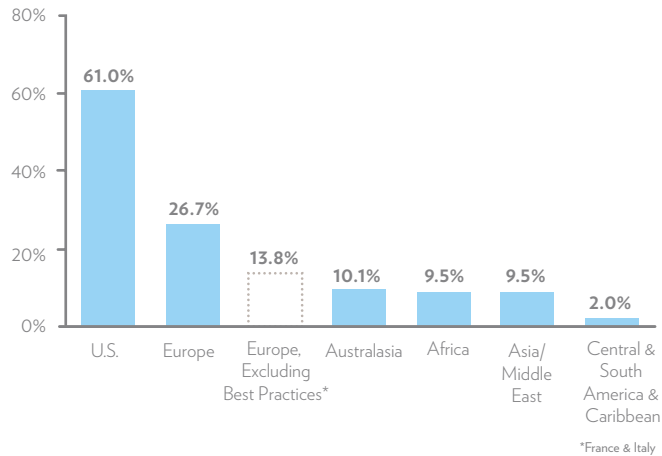
Note: Lotto includes Powerball, Mega Millions, In-State Lotto, & Cash-5 games. *Data for non-IGT sites are estimated. **Sales less prizes paid.

1 Net revenues = sales less prizes paid. By comparison, in FY 2014, Lotto Games generated in total sales about 22% of total net revenues and numbers games about 19% of total net revenues.

2 Total Lottery sales in FY 2015 increased by \$1.6BN vs. the prior year, due to the decline of multistate jackpot games (data preliminary for non-IGT customers).

Italy, and a few other markets) instantly remain significantly underpenetrated (see Figure 2).

Figure 2. Instant Sales Penetration over Total Lottery FY 2014



As the world's leading lottery supplier, IGT is privileged to serve customers in 100 jurisdictions globally:

- ▶ We are proud to partner with 38 of the 45 U.S. lotteries, cumulatively representing 79% of total U.S. lottery sales.
- ▶ As the global leader in lottery management contracts, and the only one with contracts across three continents – Europe (Italy), North America (Indiana and New Jersey) and Latin America (Antilles, Colombia, Costa Rica, and Trinidad and Tobago) – working with our customers/governments, we manage approximately \$30 billion in lottery business annually.

We deeply understand local markets and consumers and the nuances of the very diverse regulatory environments. Our global footprint and dual role of lottery supplier and lottery growth services partner allows us to provide lotteries with unique value: we have relentless focus on cross-pollination of best practices across businesses and markets. In those jurisdictions where we are supply partners, our revenues depend primarily on our customers' ability to grow the market and, therefore, our interests are perfectly aligned with those of our lottery partners.

A global leader in managing and advising on instant ticket programs, we run the world's largest instant program in Italy, *Gratta e Vinci*, and also have lottery management contracts in the U.S., all of which have experienced significant growth in the instant category. Our capabilities driving instant growth include the following results:

- ▶ In FY 2015, our U.S. customers' instant sales increased on average by +7.8%, significantly higher than the non-IGT U.S. customer average.
- ▶ In CY 2014, all of IGT's international customers experienced double-digit growth, at an average rate of 24.7% mathematical average and +18.9% as weighted sales average.

IGT's Vision: Six Pillars of Instant Success

Based on this experience, IGT has identified six key success factors in instant games, as shown in the graphic on the following page.



Pillar 1: Game Portfolio

Fundamental to an effective portfolio is ensuring that the needs of each consumer segment are fulfilled.

Our team has deep experience integrating industry best practices with jurisdiction-specific consumer and retailer insights to design the optimal target portfolio. This includes specifying the price range and optimal number of games to offer, the distribution of themes, which families to offer, the approach to seasonal games, and the "refresh frequency" for each component of the portfolio.

Once the optimal target portfolio is determined, a comparison to the current offerings is conducted, and a plan is developed to close the gaps. This also enables long-term planning and responsible growth of revenues to good causes.

The planned initiatives often include strengthening the portfolio at specific price levels and evolving the theme mix. In addition, different price points or additional play styles (or play mechanics) can be recommended.

Particularly critical is the role of the lowest price points (\$1 and \$2 in the U.S.). These lower price points encourage the continuous influx of new players (and/or the return of lapsed players), a key strategic lever for expanding the player base and responsibly driving lottery transfers to good causes.

Internationally, the range of price points offered in some markets still includes levels which are too low (equivalent to \$.20–\$.35). This makes it difficult for lotteries to absorb the fixed printing and distributions costs, and limits market potential, because retailers do not fully embrace the instant category due to low commissions.

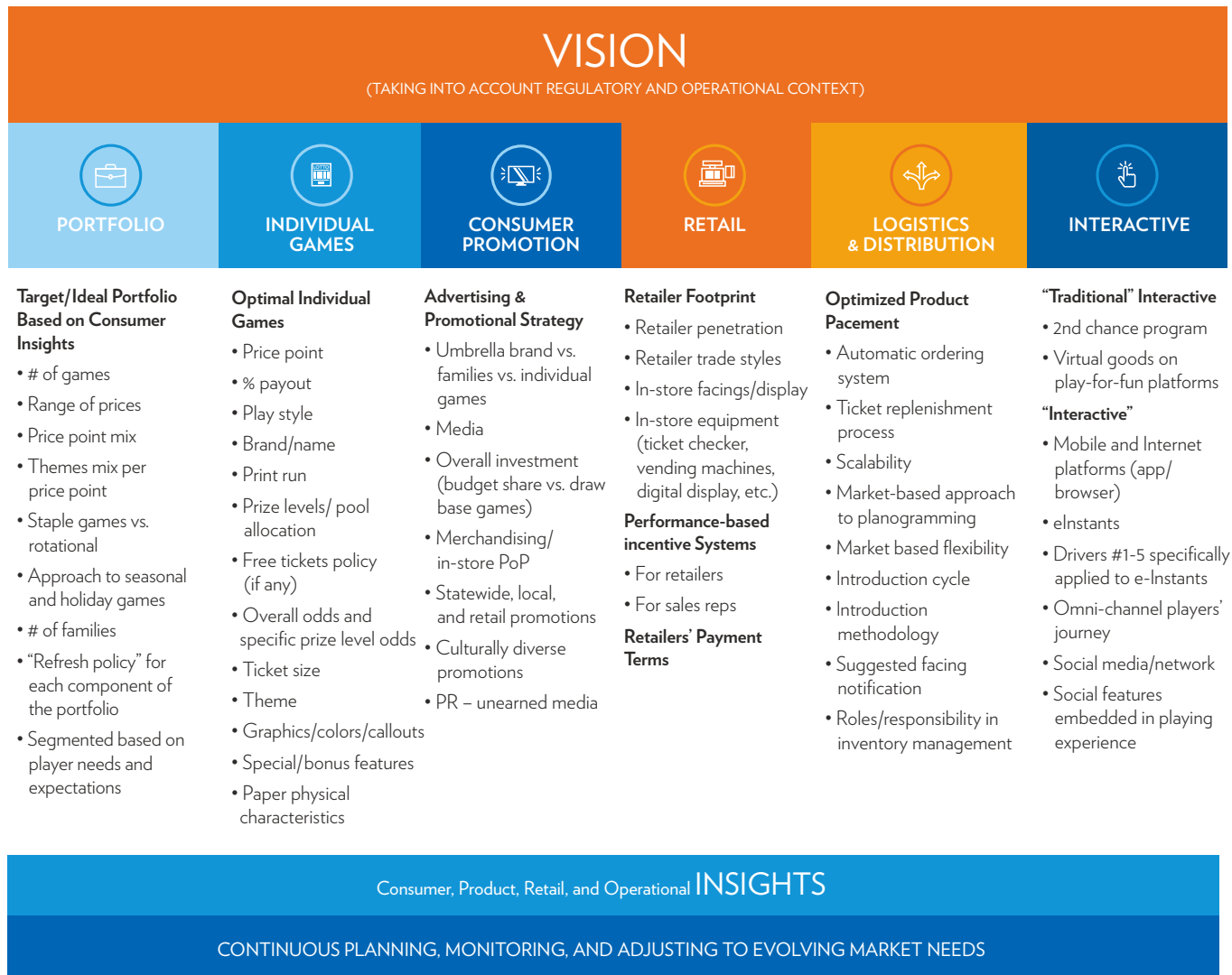
The optimal target portfolio is not a static entity, but should and will evolve over time. Each jurisdiction has its own specificities to be taken into account. For example:

- ▶ Smaller populations or lower sales per capita will dictate fewer games on the market.
- ▶ Regulation and local context have a great impact. For example, in Italy, the Regulator's game approval process limits the number of new games introduced; in the UK, the Lottery must comply with a minimum share/number of £1 games.

In addition, the set of recommendations can vary substantially by maturity level. Younger lotteries will still have opportunities to introduce higher-priced games, while in more mature markets, the typical focus is on better satisfying consumer segment needs not yet fully addressed, and on leveraging product innovations.

The definition of the optimal target portfolio has great strategic

Figure 3. The Six Pillars of Instant Success Framework



value and, when well executed, the transformed offerings can actually assist in market development. IGT’s insight and expertise in this area can provide great value to lottery customers.



Pillar 2: Individual Game Development

Once the general structure of the portfolio has been optimized, each individual game must be designed to deliver a compelling player experience.

Game characteristics such as brand, price, theme, play mechanics (play style), payout percentage, callouts, and graphics, including the colors, will have to be specifically designed to differentiate each unique game from the rest of the portfolio, so that all the potential players’ needs are addressed and fulfilled. At the same time, it is important to secure enough variety in price/theme/play style combinations to satisfy core players.

Thoughtful, well-designed prize structures are critical for driving

lottery success. Odds of winning \$500+ or \$1,000+ prizes and the frequency of 5x, 10x, 20x prizes are crucially important. Over time, players will develop a perception of how winnable a game is, and will consequently either adopt or abandon the game. Prize structures decide the game’s credibility and will ultimately contribute to effective word-of-mouth winner awareness.

Because IGT captures and analyzes the performance of hundreds of games launched globally every month by its customers, we learn rapidly what does and does not work, what factors contribute to success – or failure. This allows us to provide reliable guidance when collaborating with our customers on portfolio and prize structure decisions.

Much of the recent success in New Jersey can be attributed specifically to the transformation of prize structures. Working with our customer, we increased the payout differentiation across price points and optimized the prize pool allocation for higher prices. Recently, this enabled the Lottery to introduce the new \$30 ticket

at the same payout percentage as the \$20 ticket. In October 2015, we will launch a new \$20 game at a payout of 1.4 percentage points lower than any other \$20 game previously launched in New Jersey, while still improving the player experience.

We provide recommendations for prize structure optimization even when the customer has chosen another print vendor. The Michigan Lottery is one such example. After experiencing flat sales for two years, the Lottery applied our recommended prize structures (developed in collaboration with the Lottery and its print vendor) to their portfolio in Q1 2012. The sales trend immediately turned positive, resulting in multiple years of double-digit growth (a total increase of 42%).



Pillar 3: Consumer Promotion

Among lottery games, the instant ticket category is where effective marketing and advertising initiatives can generate the quickest sales results. At the same time, it is difficult to quantify the actual advertising ROI accounting for cannibalization of the other instant games offered, but not promoted, in the portfolio.

Best practices and international benchmarks provide great insight on how to enhance the efficiency of advertising and promotions. It is typically most effective to spread the promotional investment across multiple price points; for example, promoting a Holiday Suite or a Family of games.

In 2004 in Italy, we paved the way in establishing an umbrella brand and logo for the entire instant category with the introduction of the *Gratta e Vinci* brand. Expanded in 2007 to include elstants, *Gratta e Vinci* is still among the most recognizable brands for Italian consumers. Most recently, La Française des Jeux (with Illiko, in 2014) and Camelot (with Game Store, in 2015) both adopted a single umbrella brand for scratch tickets and elstants.

Successful, responsible umbrella promotional campaigns have historically stressed the favorable differences from draw-based games, focusing on ease and convenience of play, frequency of wins, and immediate gratification...win or lose. Several jurisdictions, both internationally and in the US, have experienced great success through the appropriate use of humor in high-production value TV commercial advertising.

We typically do not encourage running TV promotions limited to games at \$20+ price points for a variety of reasons, including responsible gaming. While often these promotions result in great sales for the promoted games, net sales increases are much less favorable, and it is highly unlikely that many new players will be attracted at the high price point. We encourage instead seeking long-term sales growth through promotion of tickets at price levels that are more likely to get the attention of non/lapsed players. The exception to this rule is promotion of a product with features that offer a uniquely different playing experience and in-store visibility (for example, the Texas Lottery Commission's recent IGT Super Ticket offering).



Pillar 4: Retail

Player convenience is a key success factor. The strong correlation between retailer density and sales per capita is well established throughout our industry. Two of the highest-performing instant lottery programs in the world – Massachusetts and Italy – have retailer density of more than 1 retailer per 1,000 inhabitants.

We have a proven track record of success in expanding retailer networks.

Since 2004, when Lottomatica/IGT started operating *Gratta e Vinci* in Italy, the network expanded from 20,000 to more than 65,000 retailers. In our first nine months of operation in New Jersey, from October 1, 2013, to June 20, 2014, Northstar New Jersey expanded the retailer base by 7%, or 461 locations – including more than 240 Wawa convenience store locations, a key growth driver for the New Jersey Lottery. On average, the Wawa locations are selling over \$6,000 per week through a Gemini® self-service solution. When several of our U.S. customers introduced keno, they asked for our recruiting expertise. These include Michigan, one of the world's top-performing Club Keno lotteries, and Kentucky, which launched keno in 2014.

Our support in the recent retail expansion of Camelot in the U.K. was helpful in mitigating retailer resistance due to counter space concerns by providing innovative, small-footprint terminals.

In addition to retailer density, additional factors are critical to the success of instant programs:

- ▶ *In-Store Displays*. In California, we provided the Lottery with modern equipment solutions to increase in-store instant POS: our self-service equipment deployments increased facings by more than 12,000 and the total facing count plan generated an incremental 45,000 instant ticket facings in just one year (July 2014–June 2015).
- ▶ *Incentive Programs*. In all of our lottery growth services contracts, collaborating with each Lottery, we design performance-based incentive programs for both retailers and sales representatives, with the goal of increasing in-store product visibility. We also provide our global customers guidance on an ongoing basis on effective sales incentive programs to help them improve retail.
- ▶ *Sales Force Effectiveness/Optimization*. In Indiana, we completely transformed the role of Sales Representatives from simply managing instant ticket reordering (now a completely automated process) to focusing on value-added activities aimed at improving visibility and display of the product.
- ▶ *Sales Force Training Programs*. We periodically present tailored Sales Training Programs for our direct management operations (Indiana, New Jersey, Colombia, Costa Rica, Italy, etc.) as well as for jurisdictions in which we manage the sales operations (Texas, Poland, Czech Republic).
- ▶ *Partnership with Large Corporate Chains*. Our global retail strategy group is actively involved in recruiting large national retailers and has been proud to play a supporting role in the recent agreement among NASPL members to offer standardized accounting terms to large national chains, which has long been a key barrier to entry for that retail segment.



Pillar 5: Logistics and Distribution

Ticket distribution is a sometimes overlooked element of the value chain; in fact, *product placement* is critical. **Consumers cannot buy what they cannot see.** Retail shelf space is often the single greatest bottleneck that lotteries face in their instant operations and optimizing its use is a fundamental enabler of lottery profit growth.

A best-practices distribution operation is based on:

- ▶ *Insightful Analytics*. Analytics are a fundamental part of optimizing performance and an important tool in translating and condensing vast amounts of game and retailer data into *actionable insights*.
- ▶ *Game Performance Assessment/Analysis Tools*. Sales should be assessed at the micro level, based on an individual retailer's overall portfolio of games, trade style, and store location, as well as at the

macro level, based on the total number of retailers that are actually carrying the game.

- ▶ **Careful Planning.** Goals and objectives in terms of which games should be displayed by each retailer should be continuously set and maintained.
- ▶ **Optimal Communication.** The people in the field – both sales force and retailers – will be most effective if they are included in the planning. **Listening** to retailers is imperative, and vital information can be gained by holding regular Retailer Advisory meetings.
- ▶ **Compliance Measurement.** Having KPIs in place to monitor the quality of the execution vs. the goals is a recommended practice. We have developed simple, transparent, and effective KPIs aimed at tracking the effectiveness of distribution. KPIs can be articulated for retailer, sales district, tel-sell operator, etc., and used as an effective marker for incentive programs.
- ▶ **Automatic Ordering System.** An automated ordering system leverages data-driven analytics to maximize the effectiveness of the order prepared (either for review or for direct ordering, based on your lottery's requirements and retailers' preferences).
- ▶ **Continuous improvement.** An attitude of laser focus, coupled with relentless execution and drive to increase value chain effectiveness, is key to a best-practice distribution operation.



Pillar 6: Interactive

Due to regulatory restrictions, the United States lags behind Europe in the development of the interactive channel, with few U.S. lotteries able to offer interactive sales.

The first lottery to offer Internet sales was the Illinois Lottery. The State of Illinois authorized the Lottery to offer sales of draw-based games online in March 2012, just three months after the Department of Justice ruling that legalized sales of lottery tickets via the Internet. We were privileged to support that startup. As of 2015, Georgia and Michigan offer eInstants, and Georgia also offers Internet sales of draw-based games and is the world's most successful distributor of the traditional keno game on the interactive channel. Kentucky plans to launch its interactive offering in Q4 2015. On the other end of the spectrum, the Minnesota Lottery unfortunately was forced to cease Internet ticket sales upon being banned by the State legislature.

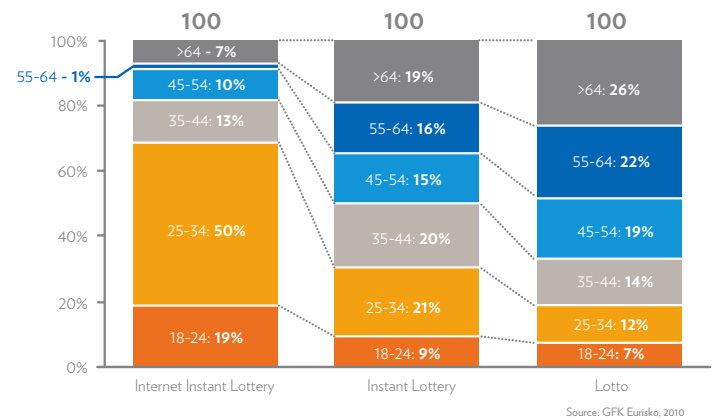
Owing to this scenario in the U.S., the interactive channel has been mostly limited to Internet subscriptions and second chance programs. There is no doubt that the Internet will be a major distribution channel for lottery products in the future. Given the prevalence and success of Internet sales in the traditional retail/ecommerce space, it is clear that Internet sales will act as a complement to retail sales; cannibalization is not a concern, with evidence proving both channels will grow together.

Data from the most advanced jurisdictions offering Internet lottery sales shows that this channel attracts new players and appeals to a younger demographic, as compared to retail lottery sales.

Figure 4 illustrates the demographics of *Gratta e Vinci* players via Internet as compared to *Gratta e Vinci* and Lotto players at retail.

Three years after the launch of interactive *Gratta e Vinci* in 2010, we saw that approximately 69% of interactive players fell in the 18–34 age group, compared to 30% for *Gratta e Vinci* retail sales and 19% for Lotto in that same age group. This compelling data proves that interactive will be one of the key drivers for attracting these currently less-engaged segments of the population. IGT is actively working with its customers currently able to

Figure 4. Age Distribution of Customer Base – Internet vs. Traditional Lotteries



offer Internet sales to identify the most effective business model to keep brick-and-mortar retailers engaged and benefiting from the concurrent sale of lottery via interactive channels.

Vision

The instant ticket category allows for the shortest lead-time for introducing innovation, which in turn enables immediate visibility into the results of different courses of action. Significant improvements can be executed only when real program transformations are applied. We deeply respect the knowledge each lottery has of its unique market and players. However, the further current operations are from adhering to best practices, the more dramatic and transformational the results will be once those best practices are incorporated. IGT's global expertise and deep understanding of diverse markets at very different stages of development can provide unique support in this assessment. The exponential growth in instant game performance in Italy (30x) and the dramatic growth in our three U.S. lottery management contracts following incorporation of the Six Pillars clearly illustrates our capabilities to drive lottery growth to good causes.

Consumer, Retail and Operational Insights

Incorporating analytics – *and translating them into actionable insights* – is a fundamental part of the planning process. This includes results from consumer research, characteristics of the retail network, point of sale space available at the retailers, retailer trade styles and locations, penetration of vending machines, impact of consumer promotions, return of investment of marketing actions, and entertainment and gaming activities available to consumers in potential competition with lotteries.

“Player Insights’ enables lotteries to better understand their players’ needs and expectations. Research and analytics continuously reinforces this bond, informing all aspects of product development, marketing and promotion.”

- Todd Bauman, Director, Business Intelligence, IGT

These critical insights are also a key element in understanding actual performance of games. Although this seems an easy task, it is not uncommon to see that themes that perform well in the market are not offered consistently on the market, because the additional value that they bring to the portfolio is not fully recognized.

Our years of experience in the industry have allowed us to develop unique methodologies for analyzing market trends, year-over-year comparisons, retailer and trade style performance, the contribution of vending machines, the effectiveness of the replenishment process and of the sales force in distributing the tickets, and the proper alignment of the portfolio with the consumer insights provided by market research.

Market research is essential to testing games prior to launch and determining their appropriate role in the overall portfolio. Other valuable consumer insights to be gleaned through research include the “consumer experience,” which is aimed at mapping the consumer’s purchasing decision process. For example, answers to questions such as, “When do you decide which game to buy – before entering the store or only when inside? Do you decide in advance which price point you will buy? If you change your mind once in the store, what influences your decision?” allow lotteries to better segment the current offering, understand the role of the different games in the consumer’s mind, and assess the optimal balance between core and rotational games.

Actionable insights are invaluable in identifying the initiatives that will further enhance a lottery’s portfolio. In addition, they will support lotteries in crafting effective incentive programs for retailers and sales representatives. The end result: increased revenues to good causes.

Planning and Monitoring

The instant tickets category is complex, with multiple variables affecting performance. Factoring in the impact of these variables (e.g., different games/themes across the portfolio, evolution of the retailer network,




jackpot activity of multi-state games, different timing and intensity of consumer promotions) to year-over-year results can be a daunting task.

We have developed rigorous methodologies for analyzing the market, some of which we apply weekly, others that we leverage in specific circumstances. We maintain a relentless focus on continuous improvement and optimization of our customers’ operations, understanding that the more mature a market is, and the less low-hanging fruit exists, the more such an attitude is critical to success. The importance of planning ahead and across the whole value chain, of measuring performance across several operational tasks, and not just limited to sales or profitability, cannot be overemphasized. Our large set of operational KPIs tells us how healthy a program is and helps us to highlight opportunities for further improvement.

Success Case Studies: IGT as Lottery Management Service Provider/Operator

Thanks to the trust our customers and their governments have placed in us, coupled with a clear understanding of full market potential, we have a strong track record in transforming instant programs to deliver responsible growth to good causes.

Figure 5. Case Studies – IGT as Lottery Management Service Provider/Operator

	Key Drivers for Success	Results
	<ul style="list-style-type: none"> Product transformation (price, prize structures, graphics, colors, etc.) New brand and consumers’ communication Retailer expansion from 20K to 65+K retailers New logistics and distribution Relentless in-store and sales force optimization 	<ul style="list-style-type: none"> Gratta e Vinci grown to become the world’s largest instant program Sales grew from about €300M in 2003 to above €10BN in 2011 Revenues to good causes grew from less than €100M to more than €1.7BN in same period
	<ul style="list-style-type: none"> Brand transformation Refreshed portfolio / Product innovation Reduced # of games launched per year to <50 Maintained focus on prize structure optimization Reduced launches of same-price games at same time Moved retailer to centralized automatic ordering 	<ul style="list-style-type: none"> 2nd fastest growing U.S. instant lottery among top 20 U.S. lotteries in instant sales per capita from CY2011 to 1st half CY2015 (Source: IGT Global Analysis) Weekly sales per capita from \$1.53 in CY2011 to \$2.35 in 1st half CY2015
	<ul style="list-style-type: none"> Further leveraged extended play games Increased focus on \$10, \$20. Introduced \$30 Transformed prize structures (within the very restrictive regulatory payout constraints). In progress \$20 payout reduction Optimized distribution and retailer display Moved from bimonthly to monthly launch cycle 	<ul style="list-style-type: none"> Achieved #3 in U.S. ranking in sales per capita in 1st half 2015 (was #6 in CY2012) 1st half CY2015 sales per capita +42% vs FY2013



Stefano Monterosso is Senior Vice President of Global Lottery Same Store Sales at IGT.

A New Spin

on an Instant
Success Story

New Playstyles

Fresh Designs

Mobile Friendly

Interactive Second
Chance

New Insights



Visit us at NASPL: Booth #500



Retail Modernization: Setting the Standard in Digital Signage

Challenges & Opportunities in the Current Landscape

Retail modernization is a hot topic on the minds of lotteries and their retailers. Competition for the attention of consumers is increasing, while retail footfalls are declining at a steady rate.

Digital engagement at retail is becoming increasingly necessary to entice and engage new audiences and convert them into players.

Digital screens and interactive networks enable automatically-updated, customized and targeted messaging at each retailer, helping in-store lottery marketing to stand out from the thousands of messages consumers are inundated with daily.

“With the increased adoption of digital engagement by brands and retailers, shopper expectations will also increase.”

Digital sign networks allow lottery retail messaging to be expanded beyond prize value information to almost any automated and customized messaging that a lottery marketer can imagine.

Whether a digital sign is providing game play information to a new player, highlighting local winners to a lapsed player, or simply by providing services that take pressure off of the POS lineup, the end goal is to simplify and personalize each player’s experience.

Carmanah Signs is setting the standard in digital and interactive signage for lottery retail channels by offering a full suite of customized software, products and services that will help the lottery industry make smart and cost effective digital investments.

Digital Sign Networks at Retail

With the increased adoption of digital engagement by brands and retailers, shopper expectations for digital experiences will also increase. Brands and retailers are responding to this expectation by installing new digital signage and digital interactive networks.

For example, Carmanah’s parent company, Stratacache, has recently installed and is operating a network of 34,000 end cap touch tablets in 3,800 Walmart locations.

In addition, Stratacache supplies McDonald’s with the software, screens and services that operate 24,000 digital menu boards. Both these installations provide new product information and calls to action.



End Cap Touch Tablets at Walmart

BCLC is a leading example of the potential digital signage has to attract, engage and convert.



BCLC Mall Kiosk

kiosks serve to inform and delight customers and give them an increasingly personalized experience.

Leveraging social media to share their experiences with others while in-store is a key factor in personalizing the buying experience and increasing BCLC's brand awareness.

"Leveraging social media is a key factor in personalizing the buying experience for consumers and increasing brand awareness."

Example Lottery Solution: Digital Interactive PlayStations

Carmanah offers full service digital messaging solutions including scalable software, custom hardware and network operating services that can be customized to the specific needs of each Lottery.

One example is Carmanah's Digital Interactive PlayStation, which features both a large LCD display and an interactive touch tablet.

The large LCD screen displays attractive and relevant content such as prize values and winners and is used to draw potential players to the PlayStation.

The touch tablet provides an easy interface enabling players to – among other things - quickly pick their numbers and print out their bet slips, rather than filling out a slip by hand.

The PlayStation also has the capability for mobile information hand-off and reward and loyalty card synchronization, personalizing each player's purchasing experience.

The two screens also have the potential to display contextual information concurrently. For instance, when a player engages the touch screen to learn about a specific lottery game, the large screen can display how-to-play and responsible gaming information, as well as local winners for that game and area while the player navigates the app.



Digital Interactive PlayStation

Setting the Standard

Digital engagement is the next major retail trend. Carmanah is setting the standard for the global lottery industry, enabling lotteries to use networked digital engagement to attract and retain players in the digital manner that consumers are starting to expect.

About Carmanah Signs

Carmanah Signs helps casinos and lotteries activate and engage players by supplying digital sign networks, interactive digital media experiences and value-added LED signs.

Carmanah is the gaming division of Stratacache, a leading global provider of digital sign software, touch interactive hardware and network operation services. Carmanah and Stratacache's digital technologies improve in-store shopper experience, promote retail conversion and assist with mobile activation.

*For more information, please visit
www.carmanahsigns.com*



Jim KENNEDY

Group Chief Executive of Lottery,
Scientific Games Corporation

On Asking the Right Questions

Paul Jason, PGRI: *Insofar as Lottery has a far larger market share than any other games-of-chance sector, “convergence” does not seem to be a trend that favors Lottery. Doesn’t Lottery need to fight against this trend, and fight to keep its players from “converging” with other sectors?*

Jim Kennedy: I think your question assumes a zero sum marketplace without meaningful organic growth, therefore, a fight for trading market share. I’d suggest a more actionable question is about growth from doing a better job delivering what consumers want. Our research and experience is clear yes, there is meaningful growth in the lottery business. Consider the range of Gross Gaming Revenue (GGR) in the US. The 2014 annual per capita GGR by state ranges from a high of \$930 to a low of \$64 with an average of \$348. This performance difference clearly indicates a significant opportunity for growth.

The Lottery industry is in an era of unprecedented consumer choice. Convergence in gaming entertainment is happening because consumers have choices. And they vote with their purchases. I think it’s our job as lottery business leaders to sup-

port consumer choice responsibly, or consumers will stop choosing us and choose something else. Instead of thinking about competition and battling for market share with a zero-sum mentality, we all have to focus directly on the consumer and how we as an industry can continue to create value for the consumer. Playing the Lottery is not the same thing as buying a consumable product like an apple or banana. Most people can only eat one apple at a sitting. A person can play an additional \$5 game in one-minute when they can’t eat two apples in one minute. Playing a game is an experience and is much more flexible in its consumption. That’s why we see such amazing year-on-year growth in lottery products, and why the best retailers see Lottery as a growth category. In our experience, by focusing on value creation, the marketplace for Lottery will continue to grow responsibly.

However to generate this new growth, innovation requires a lottery and commercial supplier partnership. For many lotteries, achieving new growth involves a policy change to shift from buying solutions out of the current fixed budgets to a method of investing in evolved solutions with an eye on return from growth. Lotteries have

profit leverage that rewards sales, and we have solutions that can enable this growth.

Content versus distribution: which is the bigger sales-driver?

J. Kennedy: I don’t think you can separate the two. In today’s consumer economy, great content is now distributed on demand and on multiple channels. This is now expected by the consumer. An example is television—we’re currently in the “golden age of content.” Popular TV shows are being created and distributed by Amazon, Netflix, Hulu and high-speed communication companies. They’re available on-demand on tablet computers and smartphones as well as traditional television. If you look at games, a large group of consumers play entertaining games on their mobile devices. For our industry, the great advantage is the retail footprint and the enormous popularity of retail lottery games. Instant games and draw games supported by mobile and interactive promotions add an exciting new dimension to the player experience. Innovating at retail and for distribution, in general, will continue to represent an opportunity to have a direct impact on sales, provided the retailer’s point of view is taken on how

best to integrate into their business. After all, they are the experts at serving their customers in their environments.

Your presentation at the EL Congress in Oslo described three pillars of innovation?

J. Kennedy: Value creation for Lottery stakeholders is the first pillar of innovation. That's about content and creating the best gaming experience for the consumer. It's also about creating value for retailers, who are the face of Lottery to the consumer. If the goal is to have retailers focus on lottery as a product category, their support and dedication to serving the lottery player needs to be earned. The level of retailer engagement is driven by the value created for them. The consumer is the one member of this entire ecosystem who has money to buy lottery games. If we all keep this in mind, the other pieces of the puzzle—like maximizing net profits for good causes—will be much easier to accomplish.

The second pillar is scale. So we know that we must innovate to scale—to the size of our consumer base. Lottery is a \$65 billion consumer product category in the U.S. Globally, it's a \$284 billion category—one of the largest consumer products in the world. Individually, lotteries manage businesses in the tens and hundreds of millions and, in many cases, billions of dollars. This is big business. Our ability to innovate to scale, to innovate across large populations, to leverage best practices globally, and to generate recurring revenue that builds value, is key to long-term success.

The third pillar of innovation is the local, jurisdictional nature of the lottery business. There isn't a customer relationship in any other business quite like the lottery-provider relationship. Government rules, regulations, content, distribution channels, security, responsibility and the general oversight involved require a provider who can innovate with all of these complexities in mind and who can bring decades of knowledge to their innovation and a depth of experience to problem-solving based on the uniqueness of each local jurisdiction.

Overall, I think that perhaps the industry tries to juggle too many objectives, and this may interfere with focusing on those that matter. The mission of Lottery is to maximize net funds transfers to good causes by selling games in a responsible way. This is a business where Lottery has already achieved very respectable operating efficiencies. Margins are over 25 percent, and consumer engagement is broader than virtually any product known. All of this adds up to the fact that if there is a focus on top-line sales, net profits will follow. This is a business where \$4 in sales generates \$1 in net profits for most lotteries. So, increased investment in the business generates more sales. And focusing on sales brings us into direct contact with the consumer. Create value for the consumer and net fund transfers will follow.

So how does the goal of leveraging large-scale comport with the need to adjust for differences between markets and jurisdictions?

J. Kennedy: That brings us right back to the third pillar of innovation. I call it jurisdictional sensitivity. Every lottery has its set of constraints, its rules, and gaming and political cultures. And each Lottery stakeholder, including commercial partners like Scientific Games, must function within those constraints, respect the needs of all stakeholders and serve the needs of each jurisdictional operator. This industry operates in a very jurisdiction-centric way, which means innovation must combine scalability with jurisdictional sensitivity. These are not mutually exclusive objectives. The commonality of consumer behavior in marketplaces all over the world far exceeds the differences. What we learn about consumer behavior and market dynamics in one part of the world informs our overall understanding of the consumer. Every day, we apply this knowledge in markets all around the world. We want to learn from whatever resource, and real-world experience is available to us. We then adapt the learning to the specific needs of each lottery.

The commonality to the way markets behave all around the world is reflected in the commonality to the products sold by lotteries all around the world. But Scientific Games also needs to embrace the specific objectives, work within the specific constraints, and meet the unique needs, of each lottery operator.

J. Kennedy: That's exactly right. The Lottery industry requires commercial partners with global reach and world-class capabilities. The R & D, productive capacity, insights and game development resources, delivery and service infrastructure, etc. need to support scalability commensurate with a \$284 billion industry. Lottery also needs its commercial partners to focus these resources on the clear objective of driving its jurisdiction-specific business agenda. So we need to do both: create world-class content and adapt all of our solutions to the jurisdiction-specific needs of our Lottery customers. To do this, we need an organization with global reach, with game development infrastructure that integrates input from all game categories, and with capacity in production, sales, and marketing to scale up quickly. That, in a nutshell, is the rationale for Scientific Games' acquisition of Bally Technologies and WMS Industries. These recent acquisitions are two of over a dozen acquisitions we've done in the last decade. This constant infusion of new, creative energy married with the security and scale of Scientific Games give our customers the best of scale, innovation and security available today.

Why does anything need to scale up "quickly?" Isn't government gaming an industry where everything happens in cautious, deliberate fashion?

J. Kennedy: Not in the game categories that Scientific Games has always excelled. Instant games are a super fast-moving category with product life-cycles that are constantly refreshed. The consumer expects this in every game category now. Scientific Games provides our customers

Continued on page 58



Nigel RAILTON

Chief Executive Officer, Camelot Global

PGRI Introduction: In November 2014 Camelot Global successfully delivered the ambitious technical and business transition programme of the Irish National Lottery, seven months ahead of schedule.

PLI now has a new, modern and flexible technical platform to meet the needs of the new license period and support the growth and strategic plans of PLI. The Camelot Global team in Ireland operate the gaming systems on behalf of PLI and provide technical support, as well as providing Contact Centre support for both retailers and interactive players. A key component of Camelot Global's Irish team is the new iLottery function, which provides PLI with a dedicated and specialist interactive managed service to develop and grow the PLI digital channel. Camelot Global draws on its experience from the UK, where it supports Europe's largest interactive lottery (Camelot UK National Lottery).

I met with Nigel Railton at the European Lotteries Congress in Oslo to discuss how the multi-channel approach results is a win for everyone, including the land-based Retailer.

Paul Jason, PGRI: *UK retail sales have grown even as your Interactive sales have become 20% of your total sales. That's impressive.*

Nigel Railton: Camelot invested and continues to invest heavily in its retail estate. The success of this investment has paid off, for retailers and for us. We were open and transparent with our retailers about our interactive channel and how players would use the channel. For example we flagged to them that a proportion of online lottery players would be new customers for the lottery who have never purchased at retail, and this is down to two main reasons. The Interactive channel would increase player-ship with the end result that more people are buying at retail as a direct result of their exposure to Lottery on the

Interactive channels. Our explicit goal is to encourage consumers to interact with us on all channels. We want our players to continue to play lottery at retail, in addition to benefiting our retailers, because the multi-channel player is more engaged, more loyal to Lottery, and therefore has a higher lifetime value to Lottery. We support our retailers because we want them to succeed and be dedicated to promoting lottery. But it also serves our interests to build a connection with the consumer that spans across all channels. Retail will continue to be the most important channel of distribution, by far, but by developing a multi-channel relationship with the consumer is a win for everyone—Lottery, Retailer, and Consumer alike.

The fact is that the tremendous growth in the UK Interactive channel is incremental. Camelot UK has increased sales in both channels over the past five years. Retail sales have grown by 30% during the same period that the interactive channels increased 130%.

There is also the public policy concern, albeit misconception, that Interactive makes it too easy to wager and that might cause vulnerable players to over-spend.

N. Railton: You're right this is a misconception. Player protection is superior on the Interactive channel than it is in retail. The only constraint to buying at retail is age—which that is not uniformly enforced. The player is anonymous, there is no way to communicate with the player, there are no

tools to enable the player to self-govern, and there are none of the advantages that Interactive provides the players with to play responsibly such as spend limits. In the UK and Ireland the Interactive channel is growing its player-base with a larger numbers of active players who wager small amounts of money. Increasing player-ship as opposed to increasing spend of core players has always been the cornerstone of Camelot's mission. That philosophy has translated perfectly to the Interactive channels. Further, geo-location and age restriction technologies work flawlessly in the Interactive channel—we have no incidents of under-age players, or players buying from outside of the UK.

It is surprising, and dismaying, the misconceptions that legislators sometimes have about the online channels.

How did Camelot gain the trust of its retailers to be confident that online sales would not cannibalize its retail business?

N. Railton: Simple, really. First, you commit to the success of your retailers. That means investing in their success, allocating material resources to helping the retailers modernize and build their business. Communication with your retailers is important, but enabling them to grow their sales right alongside the expansion of the Interactive channels requires a commitment of resources. Second, clarify the plan and sell it to the retailers. The sell includes the facts of life that the modern consumer is doing more and more business online and Lottery needs to be where the consumer is. It includes the fact that Interactive brings in new consumer groups that are not currently buying lottery products in the stores and that results in more customers who will end up buying at retail as well as online. Also re-affirming the fact that the new lottery customer will

Continued on page 63

Camelot's New iLottery Platform can be plugged into host gaming systems worldwide

Camelot Global, working with Camelot's in-house product development team, has developed and built a new revolutionary iLottery platform that can be used with any host gaming system worldwide. The new platform was launched in the UK for The National Lottery (national-lottery.co.uk) at the beginning of September and will be introduced in Ireland from next year.

Camelot has made a significant investment in the new system, which has been developed using the latest methods and technologies, and has the capability to help lotteries in two main ways. Firstly, it will increase participation and revenues, because it allows players the freedom to play anytime, anywhere. The new system provides a suite of products that can be customized to any market and has been designed to give players a tailored experience depending on what device they use to access the site—mobile, tablet, PC. The new platform also delivers a transactional mobile service, allowing consumers to play a selection of Instant Win Games on their mobile.

Secondly, the modern platform can be rapidly enhanced to meet the needs of the individual lottery—significantly improving the speed to market and reducing the costs associated with legacy platforms. The introduction of automation, which improves the quality and timeframes associated with testing, will also allow lotteries to be more agile and responsive to consumer needs—ensuring that they can move at the speed of their players.

Andy Duncan, Chief Executive Designate of Camelot UK Lotteries Limited, said: "The launch of this new platform has been an overwhelming success that was delivered seamlessly by the in-house team. The feedback from our players has also been very positive, with most users loving the new design, layout and functionality—especially the ability to play Instant Win Games on their mobile phones, a first in the UK. The new site has, and continues to, attract new registrations and we have seen a significant uplift in incremental sales from mobile and tablet devices, which is great news for National Lottery Good Causes across the UK."

The launch of the iLottery platform in the UK saw more than six million registered users and over 195 million transactions moved across from the old site in the first 24 hours. The new National Lottery site has also attracted over 20,000 new registrations in the first week.

Nigel Railton, Chief Executive Designate of Camelot Global Services, commented; "We are extremely pleased to announce that we have added iLottery services to our open lottery platform, which can be implemented into the lottery market in any jurisdiction. Achieving a multi-channel experience—incorporating both retail and digital sales—is vital for the future health of lotteries worldwide. This new platform enables lotteries to adapt quickly to consumer demands and gives players the choice to play when they want on any device. Following its successful launch in the UK, we will be installing the new platform in Ireland—to ensure that the Irish National Lottery can also offer a truly integrated player experience. We look forward to working with other lotteries throughout the world to implement our innovative iLottery and in-lane solutions—enabling them to satisfy untapped digital and retail expansion opportunities, and return more money for beneficiaries." ■



INNOVA

GAMING GROUP

Richard WEIL

Chief Executive Officer, INNOVA

PGRI Introduction: With more than 20 years of experience in the lottery/gaming and interactive industries, Richard Weil is the Chairman & CEO of INNOVA Gaming Group, a newly formed company created to focus on Lottery. By forming a group of experienced gaming industry executives and entrepreneurs, his intention is to seek the opportunity to develop unique lottery products to meet the demand for incremental revenue in the lottery industry.

Paul Jason, PGRI: *Describe the inception of INNOVA and its vision.*

Richard Weil: INNOVA Gaming Group is a newly-formed public lottery company with a focus to provide unique games and products to the global gaming industry. Diamond Game is INNOVA's first wholly-owned subsidiary. Our objective is to combine the capital resources of INNOVA with the industry expertise of Diamond Game to deliver the very best service, and an expanding line of products, to help the Lottery industry accomplish its goals. Diamond Game has been very successful at creating products that open up entirely new venues to make lottery products more accessible to consumers. Self-serve solutions and game terminals that enhance the entertainment value of the lottery-playing experience have been the core competency of Diamond Game. Our goal is to leverage that expertise to expand the product line, and create new solutions that open

up new markets and bring in new consumer groups to Lottery.

In recent years, Diamond Game has focused its resources on its Lottery customers. And to great effect. The LT-3 instant ticket vending machine creates a whole new play style for Lottery players. It also introduces lottery products to consumers through channels that have been largely ignored—like bars, bingo halls and veteran halls and other age-restricted entertainment venues and social environments. INNOVA will build on that success with new products that further develop that initiative. We will also develop new product concepts, and seek targeted acquisitions, to enhance our portfolio of solutions that help Lottery grow in a responsible way.

I'm excited to be working with Diamond Game's President, Jim Breslo, and the management team, who have been doing an extraordinary job and impacting the industry in a positive

way. Our goal now is to augment the team with an additional layer of strategic leadership and capital resources that will build on their success. My longstanding industry relationships and extensive history of growing companies in the gaming space, combined with the experience of our Board members, will bring added value and experience to that realm as well.

How will this augment the accomplishments and contributions of Diamond Game to the industry?

R. Weil: Over the last several years Diamond Game has shifted its focus to the lottery space. Diamond Game has leveraged its history and experience in developing games for traditional gaming markets to expand Lottery's marketing reach. Specifically, our approach has been to open up new channels of distribution by creating games and systems that deliver the entertainment and

appeal of other forms of gaming to new consumer groups. Frankly, we see that as the key to growing this business. The standard lottery games continue to have huge appeal. The challenge is to bring Lottery into new non-traditional venues, to reshape the gaming experience, perhaps only slightly but in ways that appeal to new and potentially younger players.

Innovation is not about creating the next “Big Thing” or “killer app.” It’s about leveraging the strengths of a business in exciting new ways. Lottery should not aspire to create the next Candy-Crush or Farmville. For one thing, the most phenomenal successes of the past few years have shown us just how fleeting that success can be. Innovation is about focusing resources in ways that build sustainable long-term success. And Lottery has always excelled at doing just that! Our goal, the focus of INNOVA and Diamond Game, is to align with the strategies and methods that result in a sustainable business model.

Among the specific guideposts for our business are bringing in new consumer groups with innovative twists on the traditional lottery-playing experience, and integrating a more compelling ‘stay-and-play’ dimension to that experience. Of course, that is what Diamond Game already excels at. So we will now stretch to apply those success strategies in exciting new ways.

Too, we feel our strength is especially keen in the highly regulated markets of North America. We appreciate that it’s not just about statutes and regulations. We have a deep understanding of how political sensitivities, media, and public perception are so important to the success of any Lottery initiative. That is why, to my mind, innovating around the fundamental constructs of traditional games

is the most actionable way to grow the Lottery business in North America and, as we look forward, internationally.

Any near-term initiatives or acquisitions the industry could look forward to?

R. Weil: M&A is a strategy we are focused on and as a management team, we have been very successful at in the past. We see a number of opportunities in the lottery space as other vendors are consolidating and shifting focus on traditional casino gaming.

We are at various stages of discussion with a number of potential acquisitions. There are lots of exciting possibilities. And we are in a great position to translate concept into market-ready products. At this stage, though, we are more focused on establishing internal processes and infrastructure to deliver more value to our customers. Growing the LT-3 gaming terminal business is key at this time. Continuing to enhance our current products, extending the core technologies into new products and solutions, and focusing on our current customers is the first order of action. Adding to our portfolio of products is a part of our long-term strategy, but that will be driven and determined by our customers and what is best for our existing Lottery clients.

How does the vision of INNOVA align with the big-picture industry trends or opportunities or challenges?

R. Weil: That right there is the purpose of INNOVA’s acquisition of Diamond Game and doing our IPO in May on the Toronto Stock Exchange. INNOVA will apply a longer-view and big-picture vision to the success of Diamond Game’s industry success. Our focus is now the Lottery industry. We see huge opportunity for Lottery to capitalize on the most

successful and enduring product in the entire games-of-chance industry. We are listening to what the lotteries have to say. We are meeting with many state and provincial lotteries to better understand the opportunities and challenges they face and discussing ways that INNOVA will play a role in addressing them.

More specifically, we see great opportunity in the non-traditional retail space where stay-and-play devices are becoming more and more popular. This sector overlaps another big industry trend towards self-service. Self-serve is a massive consumer trend that is quickly gaining traction in all consumer-facing industries. Corporate accounts demand self-serve to minimize staff requirements for processing transaction. And the beauty is that Diamond Game is all about creating a self-serve stay-and-play format that actually enhances the player experience, engages the consumer, and drives sales. The Lottery industry has always thought of self-serve as vending machines which do not result in as much sales as a clerk-assisted transaction. Diamond Game and INNOVA see it as just the opposite. And we are dedicated to applying our vision for such products in exciting and innovative ways.

We also understand the challenges the industry is facing with product innovation and state regulations. Our goal is to find the balance between how we can help Lotteries innovate, increase Lottery’s appeal to the current players, bring in new consumer groups, and all the while complying with regulatory restrictions and political sensibilities. The future is bright for the Lottery industry and INNOVA is very excited to support it in every way possible. ■

Pre-Commitment and Player Services in Gaming The win-win combination of a clever strategy

INTRALOT Gaming Solutions Division

Adding value to the player experience and delivering a raft of Player Services, like loyalty, bonuses, promotions, tournaments and more, engages the consumer, and leads to more loyal and frequent player-ship. Pre-Commitment measures on the other hand, are the main tools to engage into a sustainable and Responsible Game and have become a key component to an effective Player Services agenda.

The vast majority of game-play is still transacted at land-based EGMs in Gaming Halls and retail stores. While the offering of Player Services is nowadays the norm in casinos, such transactions in the street/route gaming environments, remain largely anonymous, lack player engagement, and provide no platform for further interaction. Players Services have indeed only recently started to become a trend and gain popularity in that gaming sector.

There are two main drivers behind this trend, drivers that come from opposing viewpoints: on one hand, to provide incentives to players to re-visit a specific venue and increase the money they spend on that venue; and on the other hand, to respond to the social/governmental pressure to minimize the destructive effects of excessive gambling that some players exhibit and to enable players to have full control of their GamePlay.

Most people will regard these drivers as totally opposing, but is this really the case? Can these opposing ends converge?

Government officials in Gaming and Regulators from around the world, although they may never admit it publicly, they do see loyalty schemes favorably, when these are used in combination with responsible gaming and pre-commitment programs. The benefits of introducing responsible gaming, together with loyalty, are multi-fold and provide a satisfactory response to pressures from both sides, social and operational. Such combination works well in many ways:

- Preserving overall gaming revenues and tax levels, despite any pre-commitment scheme in existence;
- Securing player loyalty and visitation;
- Keeping those loyal regular players well-informed about their losses history and providing relevant warnings, or even stopping them from gaming when they exceed their limits;
- Maintaining excessive gaming habits under control.

A Classic Win-Win Combination

To keep up with these ideas, any contemporary world-class player management system, aiming to also meet diversified and evolving regulatory needs in various gaming jurisdictions globally, should offer a set of comprehensive services with multiple and customizable responsible gaming features and options. Such features and options are itemized below:

- Allow both, a Voluntary Scheme, where EGMs can be played by non-registered players, or a Mandatory Scheme, where the use of a player card, with player set limits, is necessary to activate the Games;
- Support Anonymous or Named Registration: either or both options can be active at any installation, but the Named Registration may offer additional services, such as game history reporting and link/re-activation of an account, in case of loss of card and credentials;
- Be configured to Stop Game Play when a limit is reached, or Allow Game Play after that limit, with warnings or no warnings. Players are informed in real time about their gaming activity pre and post limit;
- Offer fully configurable limits that can be switched on and off: Loss, Time, Bet Level, daily, weekly, monthly limits;
- Support configurable warning messaging and warning levels;

- Incorporate self-assessment questionnaires available via a web site to all players allowing them to measure their risk level (green, yellow, orange, red).

From a technology perspective, a system would be best to allow the use of any card technology (Magnetic, Chip, Contactless) and provide support for either an external or built-in touchscreen PUI, or a Picture-In-Picture (PIP) EGM technology (retrofit or natively supported by the EGM). In addition, the system should avail web Links to resources and organizations related to responsible gaming and gambling addiction, while it should also enable combined services with external systems, such as offering of different responsible gaming rules with regards to player classification, based on Risk Levels or Loyalty classes. Finally, the system should provide real-time and batch interfaces to 3rd party systems, using established gaming standards (S2S) and integrate seamlessly with other player services systems, enabling the concurrent service provision by different service providers;

INTRALOT is one of a handful of technology providers that has developed a state-of-the art large scale Pre-commitment system and is certainly the only company that has optimally combined the security, monitoring and control of EGMs with Player Pre-Commitment through its iGEM system. As a matter of fact, INTRALOT has successfully deployed both the EGM-centric and the player-centric features of iGEM in Australia with great success.

Dealing with the regulatory body and participating in the introduction of a massive state-wide pre-commitment program in the State of Victoria Australia, we, at INTRALOT, realized that a key consideration for the State lies in maximising the player take-up in the program. If acceptance were to be low, the State would be faced with strong reaction from the opera-

tors and venues which were required to invest millions of dollars to make their EGMs pre-commitment ready and pay pre-commitment fees. To minimize this risk, a set of smart choices were implemented, to make the investment in pre-commitment most attractive to the industry and the players:

- Centralized and open pre-commitment system and database which allows the limits set by players to be applicable state-wide, in the street venues and in the Melbourne Casino;
- Participation in pre-commitment is optional for the players, but compulsory for the operators: all venues and EGMs need to offer the required service and related infrastructure (card reader and player display on each EGM, links to the system, kiosk, etc.);
- Licensing of 3rd party loyalty and bonusing systems, provided that these systems work in conjunction with the central pre-commitment system and exchange information;
- Loyalty points, for players registered for pre-commitment, accrue only if pre-commitment is used in the same gaming session;
- Sharing of EGM and venue pre-commitment infrastructure (card reader, EGM player display, player card, kiosk, registration terminal, network, etc.) between pre-commitment and loyalty systems;
- Allowing for additional player related value added services (e.g. anonymous card based cashless).

The Pre-Commitment initiative of the State of Victoria is set to go live in December 2015. The initiative involves about 29000 EGMs in over 500 venues throughout the State and the Casino in Melbourne and it is driven by a Centralized Responsible Gaming System based on the iGEM system provided by INTRALOT.

This whole endeavor has been characterized a Great Success. ■

Lifetime Achievement Award: Larry Loss ... continued from page 10

retailers to maximize lottery game selection at their locations. He helped tweak the program to integrate bonuses for locations that sell tickets winning large prizes, and the streamlining of the payment process for retailers.

Larry acts as a mentor both within the Iowa Lottery and the lottery industry as a whole. His counsel and input are regularly sought out by those who respect and appre-

ciate his ability to achieve real-world solutions and explain the benefits to all involved.

Larry has received numerous leadership awards from multiple Governor's Administrations in Iowa, and was honored with PGRI's Outstanding Achievement Award for Quality and Excellence in June 1996. He also has worked to make a difference in his community, being active in many different

organizations through the years from the Iowa Jaycees to Heartland Greyhound Adoption and school booster clubs.

Larry and his wife, Mary, also have been on an amazing personal journey, adopting their son, Sergei, in Russia in 2009 when he was 11. Sergei now a high school teen-ager who loves sports, tolerates the classroom and best of all, is leading a successful life. ■

more than 3,500 instant games a year. Over the last ten years, that's 35,000 individual customized, localized games. We produce more unique core lottery content than any other supplier in the world by a wide range. Our culture of scale and pace has produced very successful and measurable results. The instant products business has driven the growth in the U.S. and around the world. Instant games are the fastest growing lottery category measured by dollar contribution. And we stretch our innovation to encompass not just the games, but the whole gaming experience: the ecosystem of the lottery system, just-in-time inventory from design and manufacturing, and custom retail delivery. Then, second-chance draws and licensed products have extended the player experience and tapped into the demand to affiliate with pop culture. And our player loyalty programs have created a relationship-based platform to engage consumers further.

Meeting the demand for continuous and innovative content development, and creating fresh ways to enhance the overall player experience is in our DNA. It's what we have always done, and it's what positions our customers for success in a world where speed to market and short-product life cycles are critical to building a successful and sustainable business.

It seems that there will never be a killer app as far as games go. First, Angry Birds was the rage and then Candy Crush. iPoker was thought to have enduring appeal, and even it is showing signs of declining popularity.

J. Kennedy: We manage product categories that are an integrated collection of individual games. To build value over time, we help our customers manage their entire portfolio, the entire player experience. Content creation is not just about creating the next killer app. I think this painful lesson has come to many in the interactive space; the game curve is like death and taxes. We've known this for decades. Con-

sumers fall in and out of love with a specific game, but they stay with the category if you do it right. Content creation is the ability to attract and entertain consumers in an environment that is constantly novel, constantly reassuring, and constantly adjusting and evolving with that consumer. It is a delicate balance, and that's really where our core competency lies.

I love that we are called Scientific Games. It's a perfect description of success in this business. We nurture the yin-yang marriage of science and art. The science is focused on truly understanding player behavior, applying the scientific method of proposing a data-driven thesis, testing it, adjusting and re-testing. Playing games is an ethereal experience, and it involves underlying behavioral dynamics that can be difficult to measure. There is an art to combining measurable data with insight into what lies behind the data. And even the art of interpreting the data is informed by decades of real-world experience that further informs the whole process.

We have evolved our customer segmentation over the last two years by focusing on consumer motivation. The sheer numbers of consumers who participated in the primary research stage through the segmentation process give us a sound basis for analyzing and classifying motivational drivers. For example, there is much talk about Millennials, the 24- to 35-year-old demographic that which is so key to positioning the Lottery business for long-term success. Our segmentation studies are yielding tremendous insights into how the buyer motives of this group vary greatly. Understanding that this is the least homogeneous consumer group opens up a wealth of opportunity for us to create value by focusing product development and promotions that appeal more directly to the diversity of the buyer motives of the millennial.

Integrating our primary research into our rich source of secondary sales and attribute research that use over a million weeks of data provides our customers the critical informa-

tion they need to make informed decisions. I think the results speak for themselves. Our lottery customers who have chosen Scientific Games as their primary instant game provider have the best-selling instant game categories in the industry.

One last question on what I see as the problem that convergence creates for Lottery: Insofar as there is cross-over between the Lottery player and casino gambling, how can Lottery not be the loser in that battle for player-ship?

J. Kennedy: Consumers don't see it this way, consumers enjoy Lottery AND casino games. Great games and great access to great games are what the consumer demands and will choose. Let's look at a state like Arizona where there is a large number of tribal gaming casinos and a growing lottery. In 2014, the Arizona Lottery generated approximately \$724 million in revenue, which amounts to gross gaming revenue (GGR), or sales minus prize payouts, of \$268 million, and transfers of \$176 million, or 65 percent of GGR, to public education, health and human services and other good causes. Now look at the Native American casinos in Arizona that produce around \$1.8 billion GGR. So, in total, Arizona consumers chose gaming entertainment of over \$2.5 billion dollars in GGR last year. These facts and our research suggest that consumers have already converged.

Asking about competition between Lottery marketplaces and casino gaming marketplaces is the wrong question to ask because it simply does not produce a growth solution. These are the same consumers visiting different retail distribution locations. Instead, we want to recognize that 65 percent of any increase in Lottery GGR generated is returned to beneficiaries in the State of Arizona! The question to ask is: How do we increase Lottery sales and GGR by investing in the consumer? We do this by creating value for the consumer who is choosing gaming entertainment. ■

Lottery revenues are upwardly mobile

Our product development shifted to mobile a long time ago because with smart phones we found the perfect form to deliver lottery products that engage and help grow the online audience. Instant games have the potential to revolutionize online lottery because they are **the most relevant and easily accessible product available to a generation of players**



whose smart phone usage dominates the time they spend online. Sales figures from territories where we have launched instant products demonstrate that **mobile games are bringing in players who only play on mobile but more significantly, that the demographic of this audience is younger than traditional lottery players.** All the data from real money gaming on mobile clearly shows that the audience is skewing heavily towards 18-35 year olds.

Place a paper ticket next to a smart phone it's clear that the instant format translates very well onto the small screen. Everywhere we have launched on mobile we have included games that are either the same as or very close to traditional paper tickets alongside our more complex games like Cash Buster. The simplicity of instant games works for mobile players and the controls and layout are very intuitive which means there is no barrier to entry for new players. Typically, mobile players snack on content and they want games that they can play easily and progress through without reading detailed instructions. Complex UX and difficult to understand mechanics only lead to confusion and this has the potential to alienate players. Once a new player is engaged there is the opportunity to evolve them onto more complex games.

Important as it is for attracting new players delivering a mobile channel is also about giving your existing players what they want by offering games in a more accessible and relevant way.

We have learned from social and real money gaming markets that the expenditure per player multiplies considerably when they are more than one channel (desktop, tablet and mobile). In fact, players playing on three devices can be 5-6 times more valuable than on desktop alone.

In one European lottery where we have mobile content live the launch of the mobile channel alongside desktop increased plays by 20% almost immediately. This would suggest that the players were already visiting the lottery website, they just weren't being offered a product that was relevant to them. When the launch of mobile instants can have such an

But this should come as no surprise. Whether it's casual or social gaming, social media, watching the news or buying a holiday, for the majority of people online today, online means on mobile and it's younger audiences driving this engagement. Historically mobile has been hamstrung by its reliability on networks and devices to deliver games that perform consistently well. **The switch over to HTML5 and the increased performance via broadband and 4G is now allowing us to make games that are slick and immersive and therefore meet the expectations of a younger audience.**

What we are learning from sales and analytics

"The launch of the mobile channel alongside desktop increased plays by 20% almost immediately."

immediate impact on sales it would seem a bad idea to ignore it. In another European lottery where we offer a mobile portfolio, out of all the players who play on mobile, on average 63% of those players never play games on desktop. This rises to 70% with games where we have spent more time optimizing the mobile experience. It is clear from these statistics that by failing to offer games on mobile you would be missing out on a group of players who only want to play games on mobile.

So who is the mobile lottery player? **Early analytics showed that when lotteries launched instant games on mobile the average age of players dropped.** If you've ever sat in a meeting room discussing how lotteries can appeal to the elusive younger audience then developing a strategy for launching games on mobile should definitely be in your plans.

on player behavior is helping us shape our mobile platform and strategy. As a content provider we have always seen the best results come from offering a breadth of games in terms of play styles, mechanics, themes, prizes and price points. By offering our entire catalogue of games via our mobile platform we help lotteries deliver the range of content needed to appeal to all players as well as ensuring that we can handle mobile's rapid growth. Having our own mobile platform allows us to keep innovating and developing content that meets the demands of the younger players who have cut their teeth playing social and casual games on their smart phones. Mobile is poised to revolutionize lotteries online and instant win games are the perfect product to kick-start the transition.

www.instantwingaming.com



LOTTERY SALES FORCE OPTIMIZATION

By Lapis Software Associates



Sales Force Automation (“SFA”) is increasingly giving way to Sales Force Optimization (“SFO”). Websites were first

used to simply automate the communication of information via the web. Over time, the focus shifted to optimizing the accessibility and usefulness of websites; often referred to as Search Engine Optimization or “SEO.” Similarly, lotteries first used Sales Force Automation (“SFA”) to automate manual tasks. Today, with advanced capabilities lotteries can now focus on optimizing their sales reps performance, which might be thought of as Sales Force Optimization or (“SFO”).

The shift from retail service visits to sales meetings is enabled by more accurate and up to date information, graphic sales reports and performance tools like real time goal tracking, surveys and scorecards for retail benchmarking. The fact is, lottery sales reps now have more detailed, real time information at their fingertips, with faster and more graphical ways to present information. This allows them to focus their attention on the areas that can improve their retailer performance and increase sales.

What do these new capabilities mean for the daily work of a lottery sales rep? How does real time access to information change the way managers work and what creative new ideas are being operationalized with more flexible and customizable platforms?

We recently asked several leading lotteries their thoughts on the ways that they have leveraged their SFA tools to optimize their sales forces. Their comments centered on 3 key areas of improvement ...

IMPROVED TEAMWORK AND BUSINESS PROCESSES

Real time information has been a game changer for the Penn-

sylvania Lottery. Upgrading from their legacy store-and-forward SFA software in 2012, the Lottery has had years of experience leveraging their new tool set. According to Eric Grubbs, Deputy Executive Director

Pennsylvania Lottery, Retail Operations Division, their District Lottery Representatives (“DLRs”) ability to drill down and have multiple screens open simultaneously means their calls are now “data-driven,” detailed and dynamic because based on questions from retailers, the DLRs can access the information they need, when they need it.

The Florida Lottery implemented SFA in 2014, and according to Tom Delacenserie, Deputy Secretary of Sales and Marketing, their success over the last year of record sales is the result of doing a number of things well, not just one thing, and their SFA solution plays a key role. One of the areas of optimization was improving the quality of every sales call. With real time information, Reps now give retailers immediate answers (“No more, I’ll get back to you on that one” and the associated work cycles of emails, calls and meetings), and best of all, Reps can show immediate sales trends. “The ability to provide retailers with timely, accurate and up to date information from their tablets has helped to increase customer satisfaction, which has led to increased shelf space, point of sale displays and additional facings,” said Tom.

Lotteries can now focus on optimizing their sales reps performance—Sales Force Optimization or SFO.

Tom also pointed out that having a single platform and user interface, with the flexibility and ease of use for the Lottery staff to add new items and change things quickly has been great; allowing reps to show the graphic images of new Point of Sale displays and signage, sign forms and view training and product videos has been a force multiplier.

The Kansas Lottery is the latest lottery to deploy the power of SFA, with an immediate focus on using the capabilities to drive SFO. Terry Presta, the Director of the Kansas Lottery

commented that while they only started using their solution recently, the operations managers and field, District Managers are “in awe” of the power and potential of their platform. According to Terry, “Right now, we are looking at it like a spaceship just delivered a tool that is beyond what we ever imagined existed,” and the Lottery started using the tools right away. From replacing slow and labor intensive internal processes with nearly “instantaneous” answers and resolutions, to augmenting their ability to improve in-stock inventory, the Lottery reps are already changing the way they work. Terry summed it up as saying they feel they are already “light years” ahead.

The Michigan Lottery upgraded its SFA system this last spring with a new solution that was customized for their business processes and ideas. The Lottery’s SFA Administrator and several sales managers agreed that, “Being able to see your idea translated into a new software capability in minutes really helps us see how new functions can work for our reps.” The Lottery sales team has also seen big improvements in productivity with capabilities like the real time, two-way communications (being able to see actions in real time), electronic forms (eForms) that automatically populate and provide the workflow routing, and the advantages of simplified operations, including no software or application installation or daily downloading. “Saving just 30 minutes a day across 60 reps is new found time that translates into more sales calls and better productivity.”

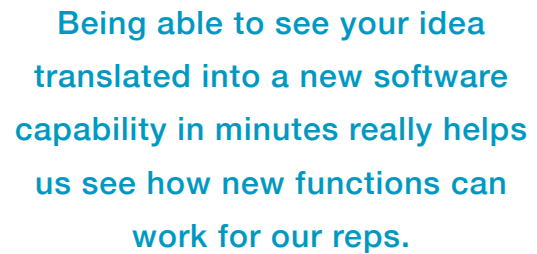
HIGHER VALUE RETAILER VISITS

The Florida Lottery has not only improved operations and saved costs, but also accelerated the service for retailers. The “eForm” capability has helped the Lottery dramatically reduce the amount of paper sales reps were required to keep track of. Retailer documents and internal administrative tasks can all be handled more efficiently. This efficient form of “paper management” allows sales reps to spend more time in the field and still meet their administrative responsibilities and due dates. It also allows more time for pre-call planning, selling and increasing Lottery sales.

As Tom reflected on the impact of optimizing the sales process, he pointed out that the multi-media capabilities allowed the Lottery to create a “teaching platform.” This includes sales and product training videos sales reps can use to learn the best

practice sales skills and improve their product knowledge.

Eric described Pennsylvania Lottery retailer visits and DLR daily tasks as being far more effective, the result of ongoing analysis to improve sales effectiveness. An example is their new



Being able to see your idea translated into a new software capability in minutes really helps us see how new functions can work for our reps.

“Blitz” icon that gives the DLRs real time information as to new pack activations and suggestions for replacement of stale games. In addition, the DLRs show retailers new promotions and Point of Sale displays in real time with color graphics right on their device. “It is easy for our staff to upload the graphic images, easy for the DLRs to access it (and no need to carry samples), and best of all it is a really great way to build retailer excitement and commitment,” Eric said.

For Michigan Lottery DSRs, SFO means having “more Business-like conversations with retailers” based on better information and presentation. It is also good for supervisors, who can pull up the same screen with the rep on a sales call. Capabilities like a “Goals” dashboard help DSRs have much better discussions with retailers because the simple graphical goal tracking reports open the door for “more productive” discussions on the incentive plan performance and actions to increase sales such as higher price points or promotions.”

Terry also commented on the immediate impact on sales visits to Kansas Lottery retailers. SFA is not only saving the reps time, but the access to up to date and detailed information “at their fingertips,” that can be displayed graphically on their Microsoft Surface tablets is already a game changer. In addition, the ability to use multiple devices is already allowing Lottery managers to use their SFA platform, anywhere, any time; and they are!

INSTANT TICKET SALES GROWTH

Probably the topic that really has the lotteries most excited is

the impact SFO is having on instant ticket sales.

The Massachusetts State Lottery Commission (MSLC) pioneered the real time management and ordering of instant tickets from their SFA mobile application. As the leading lottery for per capita instant ticket sales, the MSLC has focused its SFO efforts on improving the ability for the reps to optimize the facings mix and inventories including a “Suggested Order” function that recommends orders for each retailer, in real time.

Michigan Lottery DSRs are making the most of real time information by using their customized “NO-ACT” icon to quickly spot retailers who have not activated new games. “Instant sales are up statewide, and we think a key contributor is the increase in activations to over 95%. Even if the DSR is not visiting the retailer that day, they can zero in on who needs to be contacted immediately, even exporting the phone list to Excel for easy reference. We want to continue optimizing our instant ticket sales process by having the DSRs update the in-store facings inventory in real time, when they are in each location.”

The Pennsylvania Lottery is using real time information to proactively drive sales. “Our DLRs seeing the real time status of all instant tickets by price point has been invaluable, said Eric. With our DSRs able to see actual pack status in real time, they can zero in on ensuring all facings are fully stocked right now.”

The Florida Lottery just closed another record fiscal year and is the world leader in instant ticket sales. Adding 100,000 new facings last year, the real time connection with the Lottery TelSel system eliminated the gaps and blind spots in an environment of increased volume. “Our TelSel system is great, but as the rate of sales fluctuates from day to day across 13,000 locations and up to 100 facings in some locations, gaps can occur. Reps can now work to eliminate out of stocks and keep bins full by monitoring high volume locations and placing instant orders where needed right from their tablet.”

The Kansas Lottery also sees the impact on instant ticket sales as the most fundamental game changer. Terry described the success their DMs are already having using real time instant ticket sales information and graphical sales charts to show retailers the sales potential in higher price point tickets. The Lottery is leveraging their DM “boots on the ground” to augment the automated inventory replenishment system. Using creative Icons that were customized for the Lottery, the “Eight

Ball” Icon represents the top 8 instant ticket sellers every week. As Terry commented, “Consumers vote every week with their dollars and we must increase our inventory levels of these top games. DMs having the ability to improve the merchandising and facing mix on a daily basis is “a very attractive business model” for the Lottery. With the planned additions of real time instant ticket ordering and suggested orders, Terry foresees even more optimization for their instant ticket management processes; “it is all about the turns and with the right ticket at the right place at the right time.”

CONCLUSION

The exciting progress being made by lotteries in SFO not only offers quantifiable business value, but can inspire the end users. Every lottery we talked to stressed the positive “human” benefits that have emerged as a result of better communication, organization and information. Sales reps feel more empowered to help their retailers grow sales and all report that the retailers are clearly more satisfied.

Perhaps, several quotes from lottery sales personnel sum it up best;

- “Now I feel like I can control my business. They keep asking me about retirement, but I am having a blast!” a Michigan Lottery District Sales Rep.
- “For the first time, I feel like I can really make a difference for my retailers and for the Lottery,” a Kansas Lottery District Manager with over 20 year’s experience.

Now that is truly Sales Force Optimization! ■



ABOUT LAPIS

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

Lapis recently introduced gemScore™, the lottery industry’s first retail scorecard and benchmarking system.

Find out more by visiting <http://www.gemIntelligence.com> or calling +1 973 884 4006

also be buying other products in-store at retail in addition to their lottery buy. But the key component to the sell is that it can't be all talk. Show the retailers what you are going to do to help them be better merchants. Invest in upgrades of signage and POS and the tools we all know contribute to lottery sales and the success of the retailers.

We also believe that Lottery is in the best position to help its retailers integrate digital strategies and technologies in the retail shopping environment. Many lotteries are moving in this direction and we see it as a fabulous opportunity for Lottery to carve out a more relevant space for itself in the retailers' overall business plans. This also highlights the importance of Mobile for players—this channel is already being used to purchase products, for price checking, for learning about new products and new games. Mobile is and will continue to be an integral part of the retail shopping experience. So too, will in-store internet-connected monitors that enable the consumer to check stock, order online, compare products, learn about new games, etc. Lottery operators could be the ones to help retailers modernize in this and many other ways. We need to move quickly, though, because we are not the only retail supplier who see the opportunity to gain retailer support by partnering with our retailers in a more comprehensive way.

Lottery has an enduring, resilient appeal. But we need to improve the consumer experience to retain that appeal. Integrating the Interactive offer into our channel and product mix is a mission-critical enhancement that must be made. Improving the player experience at retail is another. And there is certainly potential to create fresh new and exciting games that comply with Lottery's fundamental game design formats.

Will the proliferation of casinos in the U.S. impact Lottery?

N. Railton: Of course, they are all games-of-chance. As casinos become easily accessible to consumers everywhere, there will certainly be some cross-over from Lottery play to casino play. Our experience is that Lottery play is actually quite different from casino play. Lottery is all about attracting a large numbers of people, who spend small amounts of money for a much lower likelihood of winning a very large, life-changing amount of money. Casino gambling is completely different—a smaller group of people spending more money on games with better odds but lacking the possibility of winning that life-changing jackpot. However, even though the players differ it would be a mistake to think that Lottery is not in competition with all other forms of gaming and gambling.

Insofar as the player profiles are so different between Lottery and casino gambling, why would the lottery player migrate to casinos?

N. Railton: Casinos, and the introduction of other new gaming options, do not have as big an effect on the UK market as they do on the U.S. market. The consumers in the UK have had easy access to all forms of gaming for fifty years. There is an equilibrium in the market-place as most of the consumers decided long ago what games-of-chance appeal to them. It's different in the U.S. where Lottery has been readily accessible for decades in most U.S. states, but easy access to casino gambling is a relatively new phenomenon. That introduces a dynamic into the U.S. market-place that should not be ignored. Even though the lottery player profile is different from the casino player, we must expect that the consumer will try new options. And that some of those consumers will decide that while they've enjoyed playing

lottery, their decision to choose lottery over casino had been based more on the lack of accessibility to casinos and the lack of knowledge re the entertainment and socialization attraction that casinos have over lotteries.

Currently, Massachusetts is trying to assess the impact that new casinos will have on its state lottery. The Massachusetts Lottery has the highest per capita sales in the country, one of the highest in the world and is highly reliant on higher priced, high payout scratch tickets. Unfortunately, that high degree of market penetration is going to be hard to defend against new consumer options like casino gambling being located in the center of its two major cities. We estimate that the introduction of casinos under consideration will have of a significant impact on state Lottery sales, and aid to local governments.

As the Massachusetts Lottery knows, and others like California (which just delivered a 13% increase in sales over fiscal 2014), the way to compete isn't to try to appeal to the play-styles of the casino gambler. Most U.S. lotteries acknowledge that they do not have the advertising budgets and capital investment to directly compete with the new major casinos popping up in state after state. The way to compete is to continually enhance the lottery-playing experience. We do not want to be the next Words with Friends or Candy Crush or deliver an experience that would appeal to the casino gambler. But we do need to be the best that we can be for the lottery player. And the most actionable initiative that any state Lottery can undertake is to provide the very best Interactive experience they can to their lottery player.

I think that everyone who is reading this agrees that Interactive is a key component to Lottery's future. Many U.S. lottery di-

Continued on page 69



Washington's Lottery Realizes 5–7% ROI on LED Jackpot Signs

Linda Turner, Sales Manager, Lottery Division, Pro-Lite



In managing sales for Pro-Lite, a leading jackpot sign manufacturer, the top questions from prospective buyers are “How do I know that jackpot signs really increase sales?” and, “Am I guaranteed a return on my investment?” In July, at the NASPL Professional Development Seminar, hosted by Washington's Lottery, I had occasion to sit with Dr. Stephen Wade of the Lottery's Research and Development Department, who offered to share

data he'd collected on the subject. In August, Wade provided his summary, *Positive Effects of Digital Jackpot Signs on Sales of Jackpot Games*, which forms the basis for this article.

Washington's Lottery began to install Pro-Lite LED jackpot signs in 2010, with installations continuing into 2015. A mix of window and countertop signs are now in place, with over 1000 Lottery retailers.

According to Wade, “The installations have been managed in “waves,” each comprising roughly 50 to 200 stores. The Research and Development group tested the impact of the signs on sales of the jackpot games in each wave. Very consistently, there has been a significant increase in sales of the jackpot games in stores that got the jackpot signs. The increase is consistently in the range of 5% to 7%.”

In Washington, the Pro-Lite jackpot signs automatically update from the lottery terminal at the retail site, to display the current jackpots for the Lotto, Mega Millions, Powerball, and Hit 5 games. The impact of the two sign types, window and countertop, was tracked independently. Per Wade, the smaller format sign (countertop), when tested in its own wave of installations, pro-



The Pro-Lite countertop sign, shown above on a telescoping pole stand, was custom designed to meet the need for a small format 4-game sign.



A Pro-Lite window sign is used at the majority of Washington's Lottery retail outlets.

duced results similar to the larger-format (window) sign.

Wade explained that the test method used in each installation was a “different stores, same time” comparison. For each wave of installations, the Research and Development department studied jackpot game sales in the six-month period before

the first installation. They were able to develop a highly reliable prediction of the weekly aggregate jackpot game sales in the set of stores that later got signs, from a larger set of stores that did not get signs. Per Wade, sales in the “test” stores were reliably predictable from sales in “control” stores during the same weeks.

Wade elaborated, “Our expectation was that if the jackpot signs had no effect, sales in the test stores would continue to match this prediction week after week, after the all the signs were installed. Conversely, if the signs had a positive effect, actual sales would consistently exceed the prediction.”

In conclusion, Wade explained that they saw that actual sales consistently exceeded the prediction by 5% to 7%. Seeing this effect in early waves of testing encouraged the Lottery to continue persuading retailers to place the signs. The most recent wave of placements (in 2015) produced results similar to those seen in earlier years.

For more information about Pro-Lite's wide range of window, floor, counter-top, wall, and outdoor signs, please contact linda.turner@pro-litelottery.com ■

Fantasy Sports—Will Regulators Throw a Yellow Flag? ... continued from page 34

regulators, rather than have regulation forced upon them. In this regard, Richard Schuetz, Commissioner of the California Gambling Control Commission, wrote in May:

If any of the participants in the fantasy space believe that they can, in the long run, maintain their present sanctuary from state imposed regulation, it can probably be proposed that they possess a high degree of tolerance toward risk. And while the direct participants in the space may be willing to tolerate this risk, many of the related parties may not, and this would certainly include the payment processors, who do not want to see this layer of golden eggs unduly constrained, and the venture capitalists, who do not want their investments tied up in legal matters for the foreseeable future. What is being suggested is that somebody in the sector better start self-regulating, or running to regulation, and the most logical candidates for providing this impetus are the payment processors and the venture capitalists.

The fantasy sports entrepreneurs are a bit young, unseasoned as to the vagaries of regulation, and are way too busy to appreciate all of this; but the payment processors and the venture capitalists have way too much skin in the game to think that state after state will continue to sit on the sidelines. Pick your poison, be it self-regulation or running to, for the third option state imposed regulation will not make you happy.⁵¹

Finally, fantasy sports may provide opportunities for state lotteries. The Montana Lottery has operated a NFL-based fantasy-football lottery game since 2008,⁵² and also operates a fantasy racing game.⁵³ In addition, in April, a bill was introduced in Massachusetts that would permit the Massachusetts lottery to offer daily fantasy sports.⁵⁴ Expect more state lotteries to explore whether fantasy sports lottery games would enable them to reach a younger player and thereby increase sales and the lotteries' ability to generate revenues for worthy causes. ■

51 “You’re Busted: Fantasy Sports and the Need for Adult Supervision,” by Richard Schuetz, GGB News, May 21, 2015, at <http://ggbnews.com/issue/vol-13-no-20-may-18-2015/article/youre-busted-fantasy-sports-and-the-need-for-adult-supervision>.

52 “State of Montana to Institute Fantasy-Football Lottery Game,” by Nando Difino, *wsj.com*, Aug. 22, 2008, at <http://www.wsj.com/articles/>

SB121935765240561711

53 Montana Lottery, “Montana Sports Action FAQ,” at <http://www.montanalottery.com/msaFAQ>.

54 “Fantasy Sports And The Lottery? Massachusetts Bill Illustrates Another Possible Avenue for DFS,” by Dustin Gouker, *Legal Sports Report*, July 7, 2015, at <http://www.legalsportsreport.com/2115/daily-fantasy-sports-lotteries/>.



NOVOMATIC
LOTTERY SOLUTIONS

FRANK CECCHINI

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF
NOVOMATIC LOTTERY SOLUTIONS

THE CONSUMER SHOPPING EXPERIENCE AT RETAIL:

Time for a major re-boot!

In almost 20 years of working for and with lotteries, the concept and implementation of retail has remained virtually unchanged. While the retail ecosystem for virtually all other products has moved on, in retail, we still buy lottery tickets the way we did in the 1990's. Let's take a quick look at what's going on in retail:

According to McKinsey:

"The concept of a physical store, whether at malls, downtown districts or shopping centers, is not going away any time soon. In fact, in 2020, more than 80 percent of U.S. retail sales will still happen within the four walls of a store."

"The retailers who thrive in the next decade will be those that reimagine and redefine their stores for the digital age. Brick and mortar retailers have enormous opportunity to leverage the distinct benefits of old fashioned, in-person shopping in ways that digital sites can only dream about. Tomorrow's winners will be those who are able to transport the digital world into their stores in a manner that delights customers, builds loyalty and generates brand value."

When shopping via the Internet, there is a high degree of personalization and an understanding of who the customer actually is, what they like and don't like. By cultivating mountains of rich customer data, online retailers have a huge advantage. Every click, mouse over, time spent looking and reading can be collected and analysed—we can

understand how well email marketing programs have worked etc. And by using the latest personalisation technologies, a shopper can be presented with only those products they are interested in. It's a much better shopping experience than visiting a store, being treated as a stranger and receiving often-questionable customer service.

This new customer journey has new engagement touch points across marketing, sales and service, how do we duplicate that?

Again, from McKinsey:

"More than 60 percent of Americans have a smartphone and 80 percent of these consumers are 'smartphone shoppers'—they use their phones to help them shop while in a store, most often to research product reviews, specifications and compare prices."

"The various interactions consumers have with digital media and digital platforms have rewritten the arc of the consumer decision journey, causing shoppers to become accustomed to a much greater level of convenience, choice and accessibility. The use of a variety of online-only features—such as personal recommendations, product reviews from other customers, huge product assortments and availability, and 1-click everything—has afforded shoppers the power to make purchasing decisions much more on their own terms. When the doors swing open to the temperature-controlled confines of a store, shoppers bring many of these expectations with them."

It's a fact that we live in a totally connected world. This has changed how we shop, how we choose what to buy and when, Facebook tells us what to buy and what not to buy, TripAdvisor tells us where to holiday and where to eat and twitter allows us to complain to a worldwide audience. We can wander around a store, read the barcode of a product and find out instantly if it's any good and if it's cheaper elsewhere. Research shows that we are 12 times more likely to buy something based on recommendations from strangers than from the manufacturers' marketing material.

Thing is, where do we fit?

We at NLS believe its time to be really innovative. Its not just about technology but about the whole approach to selling lottery. We must adapt in the same way that other members of the retail ecosystem have adapted.

What's the one thing we cant buy on EBay or Amazon?—yes you guessed it, a lottery ticket. Neither can we buy a lottery ticket on supermarket e-commerce websites.

Why not?

Because its too much trouble for the EBays, Amazons, Walmarts and Tescos of this world to connect to outdated lottery central systems. Supermarkets find it really hard to get the data they need about lottery sales, in some cases having to manually ket data into their accounting systems. Well run large scale multinational retail chains want their data all in one place, no exceptions, no special devices or processes requiring manual intervention.

The lottery market has been served by the same three technology providers, with very few new parties (if any) entering the business. This has given rise to an Oligopoly which makes it difficult for lotteries to choose alternative vendors with transformative solutions. Just look at the difference between the way commercial gaming companies operate when compared to these. A casino from twenty years ago looked a lot different from casinos today, both on the gaming floor and in the systems that support it.

Real innovation has been scant. As we said at the beginning, what is the real difference between the technology we use today and that which we used 15 years ago to sell lottery tickets?

So How do we fix it?

We have to bring lottery into the 21st century. We have to take full advantage of the advances in technology:

- Engineer systems utilising modern, truly open technologies.
- Provide standard APIs that allow external systems to connect and transact in a secure manner.

- Utilize a service bus based approach that allows the easy connection of product/game verticals as well as back office BI applications without complex interfacing.
- Adopt a thin client approach to terminal application software that is totally hardware agnostic. Again making good use of APIs to allow applications to transact with the central system, using native (Android, IOS or Windows) applications or HTML 5 based applications using responsive web design to allow the use of any and every type of terminal—not just dedicated proprietary hardware.
- Take advantage of the availability of ubiquitous, low cost bandwidth to allow the management of terminal GUIs from the central system using a powerful CMS (just as you would with any web page).
- Utilize modern secure VPN and encryption technologies to secure transactions over readily available Internet connections.
- Provide a truly “OMNICHANNEL” solution allowing the use of loyalty cards via retail as well as Internet or mobile based applications.
- The loyalty card is an app resident on a smartphone, or indeed a plastic card.
- Track transactions with the loyalty card and player management system (PMS), both from retail and Internet/mobile.
- Allow interconnected wallet to process transactions from mobile, Internet or retail.
- Provide API or ‘widgets’ that can be used by other e-commerce sites to transact with the central system—e.g. a button on Amazon's checkout that would allow the purchase of lottery bets, and given that the purchaser is known, its easy to deliver transactions to the PMS.
- Provide API to external retailer BI systems to allow the merging of lottery transaction data with their own BI universes, allowing much richer data mining capability

Most of the large chains and super retailers really don't want to have additional devices sitting on counter space or on their checkouts. They don't want to hold up the checkout queue using separate devices to validate tickets. Installing an app on existing hardware that utilises APIs to connect to the transaction engine to validate not just lotto tickets, but also scratch cards would make it easy and desirable for retailers to sell more and capture the relevant data. Would the lottery like to allow winnings to be deducted from the retailer's invoice? It would now be possible. Would the lottery and the supermarket like to do some kind of joint promotion which buying certain products

gives a free lotto wager? It would now be possible.

It would also be possible to stock un-confirmed scratch-cards, that when passed through the POS would (again using API calls) be enabled and therefore tracked uniquely, without fear of internal loss or shrinkage.

BYOD or BYOT

Bring Your Own Device—Gartner Predicts by 2017, Half of Employers will Require Employees to Supply Their Own Device for Work Purposes. One of the biggest advantages of BYOD is its potential to speed up processes and communication in the same way that mobility—the availability of apps and information on mobile devices—has undone geographical boundaries.

In our world this would translate to BYOT or **Bring Your Own Terminal!** Again ... a radical change of thinking.

Instead of the lottery providing terminal, communications, service etc to a retailer, the lottery could ask that the retailer acquire a low cost tablet, running an android application, connected to a thermal printer and scanner via a docking station, with pre-existing wireless or wired Internet (or of course a 4G modem integrated into the tablet). The lottery would then set up an account for the retailer, provide a username and password, with which the prospective retailer could connect and download the appropriate application, or simply connect to a HTML5 site.

If we take this one stage further, the potential retailer could via the Internet, set up all the appropriate information, adding a creditcard or verifiable bank data to allow him to begin selling at low volumes very quickly, without the need for credit checks etc on any device that is available to him (this could be Android, Windows or IOS based).

In any case the Retailer Management System (RMS) should be an extension of the PMS, allowing full self service access for invoices, requests for consumables, general communication with the lottery etc. Tied to a lottery extranet, this would also provide FAQ's and training videos. We see a retailer accessing his account in the same way that a player does, either at home on a PC, or indeed on a mobile device of his choosing and of course on the terminal itself.

Most of the lottery networks in place today are built around principles that were developed in the 1980's. Based around thick client applications on proprietary devices linked via slow, private (but secure) and expensive networks to a monolithic transaction engine. Message data had to be kept short and to the point due to bandwidth constraints and costs of moving data.

As time has gone by, things have been tweaked around the edges, we have added Internet, B2B connections etc. but the old

principles hold true; a land based transaction engine interfaced with a standalone Internet platform acting as a super terminal, interfaced again with another server to send and receive transactions for B2B services, all using SOAP protocols, thus a once solid and straightforward approach becomes complicated, difficult and time consuming to manage and of course, expensive.

This has to change. It has to be possible for the lottery product to become far more available, more ubiquitous, in any shop, supermarket, service station shopping mall, Internet store, or using social media, our traditional outlets are slipping away we need new ones and they have to cost much less to replace.

All of these access points would connect directly to a 'web enabled' transaction engine, without the need of front end processors. A terminal server, could act as a translation device to enable connection to legacy gaming systems, using APIs to translate types of retailers in different languages if required, this would not need specialized technical involvement.

Providing access to reports would be a function of the GUI combined with a retailer extranet, using standard and freely available development and deployment tools. The retail POS would become "Internet enabled" or to steal from Apple, an "iTerminal!" The lottery could mix and match terminals to suit and if appropriate even use very low cost tablet devices that could almost be "disposable" In any case, if the retailer owns the device—they will take far better care of it.

Finally, in our view, today's lotteries are tied to technologies that have been far superseded and are therefore limited by it. We believe so much more is possible with a different approach, and this has been demonstrated by the advances made in the retail world generally. BYOT will be good for retailer transacting at lower volumes probably unsustainably under the old model, they will deliver sales at MUCH LOWER COST in some cases even free of significant cost to the lottery. This allows the ultimately more responsible approach of selling to a wider audience, rather than convincing existing players to play more.

Utilising modern technology, with service bus techniques and standard APIs will allow much faster and easier connectivity to best of breed solution untieing the lottery's hands with regard to selecting service providers and delivering better results faster.

message formats, so theoretically old could co-exist with new allowing for reduced migration risks.

In all cases the applications on the terminals would be native or HTML5 using responsive web design, the lottery could choose to write those applications or have an external third party do it. The supplier would provide appropriate APIs and other tools to allow this. Utilizing a CMS the terminal GUIs could easily be modified and managed to suit different ■

rectors may want to act on that conviction, but are constrained by legislative statutes or a political climate that would be hostile to iLottery. What can we as an industry do to convince lawmakers to protect the revenue sources for the charitable causes instead of allowing multi billions of dollars of profits to be re-routed from the societal benefit over to private shareholders?

N. Railton: That's a huge holy-grail question, Paul, a massive political issue. Key, really, to the future of our industry. We need to do more as an industry to protect the monopoly positions of government-lotteries, and the rights of jurisdictions to decide what the best regulatory model is for them. This is a global issue. And the dynamics are quite similar all around the world. The evidence is clear that monopoly-lotteries can deliver far more economic benefit to society than commercial gaming operators. And in the most part people recognize that monopoly-lotteries are far more effective at managing the balance between maximizing revenues and minimizing social costs of problem gambling.

The problem is that government-lotteries are not typically tasked with the job of shaping regulatory policy. The community of commercial operators employ lobbyists to promote their interests in the political world and well-funded public relations initiatives to influence the general media and public opinion. The interests of Lottery and the Good Causes that it funds are being outflanked in the battle for mind-share of politicians and the general media.

I do not have a silver-bullet solution to this problem. But Camelot Global is working hard to educate the shapers of public policy so that they at least make informed decisions. We achieved some measure of success in Massachusetts and New York and are working to replicate that in

other states as well. Part of the solution is to frame the dialogue such that legislators are assessing the pros and cons of different regulatory models as they impact the welfare of their most important constituents, which are the citizens of their jurisdiction. We feel that when this is done in an objective and evidence-based manner, the benefits of the model which protects the interests of Good Causes become apparent.

Very well stated and good in theory.

N. Railton: It's an uphill battle. There is only so much that can be done to combat the sway of well-funded lobbyists and PR campaigns. But the facts are on our side and we, as an industry, need to at least make sure the facts are understood by the shapers of public policy and the general public. And we can do that. We are doing that.

One of the assets that Camelot Global brings to its clients is its experience in markets all around the world. But gaming cultures, history, political environments, etc. differ from one market to another. Insofar as the markets differ from jurisdiction to jurisdiction, what is the meaning of best practices that are derived from the experience in one jurisdiction being applied to another?

N. Railton: It's the 80/20 rule. 80% of the characteristics of the markets and consumer behavior do not vary from market to market. Then there's maybe 20% of the characteristics which do vary, which are unique to the individual jurisdiction. Effective application of "best practices" requires a clear understanding of which characteristics are universal and which are unique to the individual market. For instance, consumer adoption of Mobile as the digital connection of choice is universal. Building that Interactive connection with your player should be a top priority for all lotteries, everywhere across the

entire world. On the other hand, Instant-win games may be more popular in Massachusetts than in other markets. So the build-out of Interactive in Massachusetts may be weighted more heavily towards Instant-win games than it would be in other jurisdictions. Other jurisdictions, like California or New York or Germany, may be strong in the draw-games space and so should include that as a top priority.

To your point, of course it is vital that the characteristics of consumer behavior and market conditions that are unique to the individual jurisdiction be differentiated from those that are universal. It's also vital to recognize that lotteries all around the world benefit by diligent application of best practices in the 80% category that is universal. There is far more commonality to human behavior than there are differences. And the opportunity to improve results by applying best practices to all aspects of operations, retailing, execution, and more is huge.

The UK National Lottery has a strong draw-games player-ship.

N. Railton: Yes, but our instant scratch-cards have doubled sales in the last five years. So there is also a place for tapping into what may be a dormant demand for underdeveloped products. The goal is to nurture a balance on your channels and balance on your games. But as you point out, Camelot UK has always given special attention to the draw-games category. For one thing, draw-games deliver a higher return for Good Causes. The draw-games category is under a lot of pressure globally, and perhaps especially in the U.S. Creating the pathways to maintaining growth is a particularly strong skill-set of Camelot Global. It's a top priority and we are succeeding at doing that. ■

It Isn't a New "Thing" to Implement...

by Susan Golightly, CODEI
www.codeimarketing.com
sgolightly@codeimarketing.com



We began this series of articles in the January issue in response to Bloc Lotto sales trends and the discussions regarding how to reverse the negative sales trends and/or replace the lost revenue. Each article, instead of offering up game changes or different research or new marketing or sales strategies, sought to look beyond the symptoms

to the cause. While there are a number of tactics that will deliver short-term relief, they will fail to deliver the sustained revenue

growth and portfolio stability that the industry is looking for. That can be achieved only through recognizing and responding to what is really happening. That is, everything about the business is changing and existing systems, strategies, tactics and structures are simply not built to handle it.

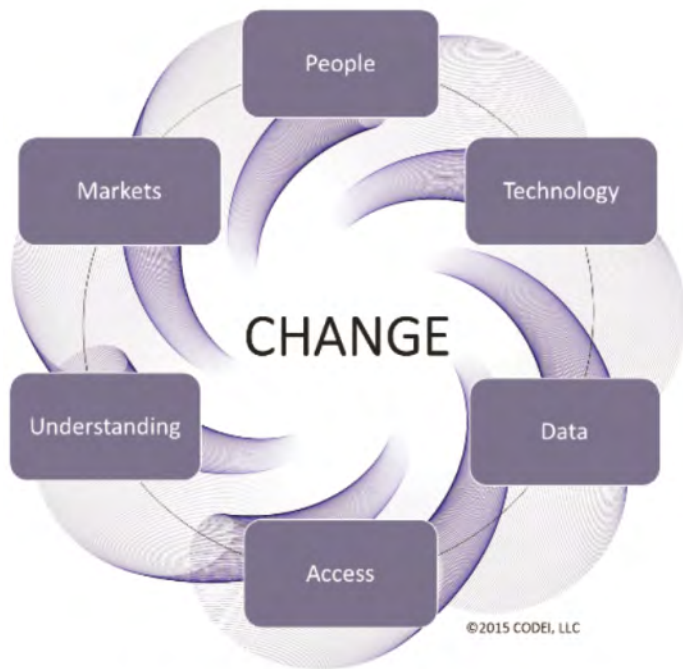
We can't scroll through our email alerts, read industry publications, or attend conferences without running into proclamations around words like data-driven, customer-first, digital transformation, agile, innovation as a strategy, customer experience, mobile first, omni-channel and more. While different words and phrases are being used, they are all referring to the same thing. That is how we think about, reach and connect with our market is dramatically and swiftly changing. That success tomorrow looks different than it did yesterday and to get there is more than new software, new tactics or any one new thing. We

**Data-driven! Customer-centric! Customer-first! Big data!
Digital transformation! Customer experience! Omni-channel
Mobile! Social! Agile! Innovation!**



©2015 CODEI, LLC

need to start fresh, think different and be open to re-imagining how the organization and the industry works.



Everything Is Changing

Everything Is Changing

We can all see it in our personal as well as our professional lives. The factors that influence supply and demand are all in the state of significant and ongoing change.

- People are in control and are changing what they want, how they consume and engage and what they expect from the companies with whom they do business (or work for or partner with.)
- The rapid advancement of technology is changing how we live our lives and at the same time overwhelming us with choice, options and piles of possibilities for all that we could be or should be doing.
- The exponential growth of data is nearly equaled by the growth of expectations, by all stakeholders, to securely and responsibly put that data to work to generate value for all.
- Anytime/anywhere access means new expectations for how we communicate, engage, shop, learn, work, conduct business and more.
- The blurring of lines between channels, products and markets and the democratization of just about everything means lotteries have a new and ever changing competitive framework to consider, an ever increasing demand for innovation and ongoing pressure on the lottery value proposition.
- Finally, we are discovering and uncovering all new under-

standings into how, why and when people are motivated and decide to do what they do and the impact of this is far more than adding new research, new games or new tactics.

A World of Change In A World Where Change Efforts Haven't Changed Much

We have no choice but to reimagine how we do what we do and that means substantial change across the organization. Substantial change in an environment where change efforts have thus far not been able to change much. According to McKinsey and Company in their report Changing Change Management, 70% of change programs fail to achieve their goals.

To be successful this time, what has to be different?

We know what it isn't. It isn't new marketing automation software or an installation of a business intelligence software or the deployment of customer relationship management software. It also isn't a new market research initiative based on new understandings of what motivates people and it isn't a big (or little) data initiative. It may be all of these and more, but it can't be any one of them.

Individual and disconnected initiatives can't accomplish the change we are looking for and bolting on or adding to existing strategies and tactics simply will not work. Everything about the way we do business is changing, therefore we have to be willing to change the way we do business.



A Change Effort That Is Different

We know what it isn't and we know what it must be.

A new way of doing

With executive sponsorship and senior leadership buy-in across the organization, this isn't an effort to deploy. It is instead a phased, managed, coordinated and prioritized effort to create new ways of doing. An effort that recognizes and addresses all components, factors and needs across the organization.

Inclusive and comprehensive, but consumable.

It is an ongoing effort with concurrent and separate but coordinated work organized around six practice areas:

- People
- Customer

- Data
- Organization
- Planning & Process
- Systems & Technology

People must be capable of all new things and encouraged to think, act and collaborate in new ways. Building around and being inspired by the customer is a multi-faceted challenge with implications across the organization. Being data-driven and getting the most out of data is far more than more reports, more people or more software. The silos, structures, roles/responsibilities and compensation strategies of today's organizations are not built to support, foster and reward the needs of tomorrow. Planning and processes must be reshaped to reflect building around the customer, leveraging data, cross organization collaboration and the right balance between rigor and agility necessary for rapid decision-making and ongoing innovation. Finally, the systems and technology that enabled yesterday's success cannot sustain tomorrow's growth. Tight alignment across practice areas is key, but to ensure measured progress, each practice area must have its own goals, plans, metrics and timelines.



People as the foundation.

Of the six practice areas, the foundation for all is People. Building new competencies, deploying new technologies and creating new ways to work can't happen unless the people are engaged and have the skills, capabilities and resources to collaborate, learn, think and innovate in all new ways (and are measured and rewarded to do so). People are being asked to move

from an environment that was built around silos and achieved growth by distribution, repetition and scaling what is already being done to an environment that is collaborative and requires risk-taking, rapid decision-making, agile development and consuming and reacting to new data sets and new technology, seemingly every day. People who largely either avoid or actively work against change are now being asked to change everything. New initiatives will either fail or at a minimum fail to achieve their potential if people across the organization aren't prepared.

Focused and prioritized.

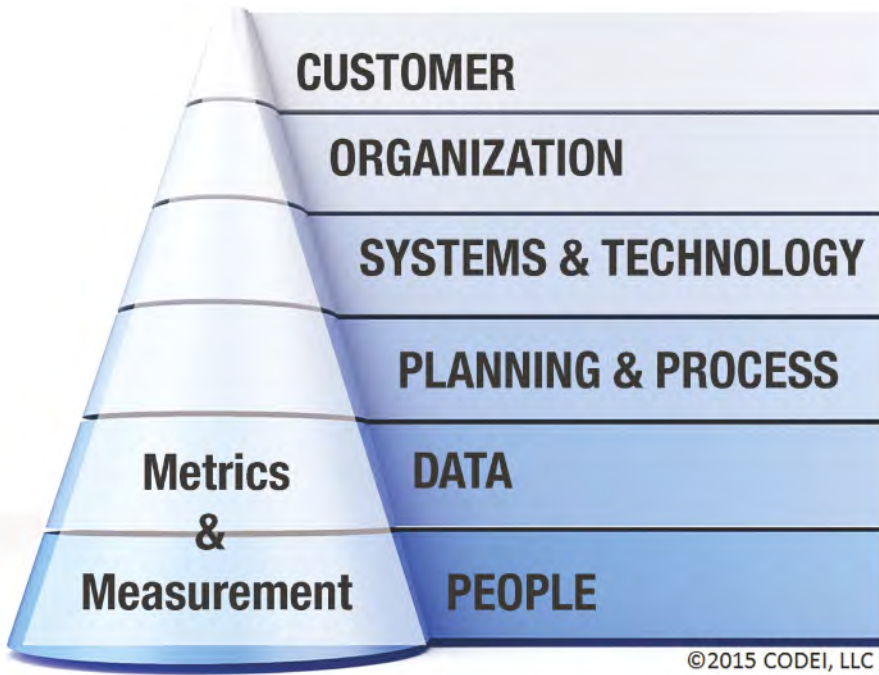
While the effort features work in each of the practice areas from the beginning, it is important that it build in its effect and is focused and prioritized. Therefore to concentrate work in a way that keeps the change aligned with capabilities, ordering the effort is key. Recognizing the importance of people to all practice areas, the effort starts with preparing them for the rest of the change coming their way and ensuring they are ready, involved, motivated and have the skills to actively participate. Once efforts around people are fully in-motion, focus turns towards data and insights, then to planning and process, then systems and technology, then to organization and finally to the customer.

Long term vision, short term metrics

While changing the way we work will take time, organizations and the people who work within them need a way to track and measure its progress along the way. For this reason, each practice area is broken into the measurable components that all must be moving forward to keep the entire effort on track. For example, for People we know that Engagement, Critical Thinking & Creativity, Collaboration & Communication and Data/Customer/Technology Skill Building are all components to envisioning and deploying an organization built for the future. And for Data measuring and tracking around Strategy, Access, Engagement, Integration, Governance & Management, Common Language & Single Version of the Truth, Dashboards and Reports and Iteration help the organization move all components of being data-driven forward. Plans for each practice area start with baselines and then track and share progress along the way.

Time and resources to envision new ways to do

There is easy access to an overwhelming amount of technology options (and more getting launched every day), employee education content and new approaches to sales, marketing and more. There are also more than enough qualified resources seeking to assist in helping to deploy them. But individually these cannot on their own effect the change necessary and risk merely getting added on top of what's already being done today. Fully engaged in just delivering the business of today, it's impossible for most to reimagine new work flows, create new relationships



a matter of bringing them all together and committing to the work to make it happen. While new resources and technologies will be necessary, it doesn't have to break the bank and with the right objectives, leadership, coordination, plans, resources and measurement, it can happen. And really, does anyone have a choice?

Getting Started

We know that doing it the way it's always been done can no longer even get us what we've always gotten. Some in the industry are already experiencing troubling sales declines while others are continuing to achieve sales growth but only through an increasingly smaller base of players. Most, if not all, are seeing the declining effect of traditional tactics and struggling to explore and fully leverage new technologies. All, even those who

actively seek to avoid change, can now see, feel and hear that something has to be different. Yes the solution is complex and yes it has a lot of components. Effecting change across all facets of how we do business can't be done with quick fixes, buzzwords or magic software solutions. Far more than any one new thing to implement; lotteries, their partners, their suppliers and the states they serve must be willing to create the new ways to plan, do, engage, measure and value. ■

and specify new education content based on how the work should be done (versus how it is done today). While it is the people within the organization that enable the change, ensuring that they have the vision, executive sponsorship, coordination across the organization as well as across vendors, resources, plans and support is key.

Gunky, clunky and fundamental

All must be willing to recognize and do the gunky, clunky and fundamental work of change. The work that many fail to do as they race towards the new. There isn't any way around it and there aren't any shortcuts. There is heavy lifting that at times may feel tedious, time consuming and without reward. That is, the building of relationships across departments, of skills and of trust. As well as the creation of a common languages around data, the work necessary to create shared goals, the willingness to have difficult conversations and the time investment for discovery and information gathering to find the hidden barriers and biases. While not necessarily hard, it is unheralded and takes time. It is here, especially in the early stages, that change efforts begin to take effect and it is also here where change efforts can get derailed.

Not Easy, But Also Not That Hard

No it isn't as easy or quick as many would like it to be. As much as all of us would like to believe otherwise, there isn't a quick easy solution and there isn't a secret shortcut. Changing the way we do business will require new thinking, a lot of work, time and patience. But it also isn't as hard or elusive as many might believe and the pieces and parts are all available. It's





Rebecca HARGROVE

President and Chief Executive Officer,
Tennessee Education Lottery Corporation

Paul Jason, PGRI: *Some of us feel like the political challenges could not possibly have been as difficult thirty years ago as they are today. Or twenty or even ten years ago.*

Rebecca Hargrove: Believe it or not, I actually think it's better now. When I started at the Illinois Lottery in 1985, there were almost as many states that did not even have a state lottery as had one. The political dialogue then wasn't about whether state lotteries should be allowed to sell online. It was about whether a state should even have a lottery. Or whether a lottery should be allowed to advertise at all. At that time, Lotteries were quite new, and the games-of-chance environment did not include hundreds of casinos spread across almost every state in the country. So the very idea of Lottery as a means of channeling economic benefit to Good Causes was not as well understood then as it is now.

Then as now, liaising with our political constituents and engendering support from the media and general public has always been a vital part of the Lottery director's job.

Similarly, some of us feel an extreme sense of urgency to address challenges that appear to threaten the position of Lottery in the market-place. Did you feel that same sense of urgency and crisis twenty five years ago?

R. Hargrove: Of course. There has always been a similar sense of urgency and pressing concern that we need to accelerate the pace of change and innovation to keep up with the consumer market-place. It's human nature to think that the challenges we face now are more difficult than they have been in the past. And

frankly, that's not a bad thing. It motivates us to work hard and take bold action to improve our businesses and ensure that they will continue to be positioned to support Good Causes.

For example we've known for decades that multi-state corporate accounts need us to simplify retail application and accounting processes to make it easier for them to do business with Lottery. It was back in the mid 90's that I chaired the Retail Relations Group to address this issue and put Tom Shaheen (who was my chief-of-staff at the Georgia Lottery at the time) on the task force because he was always so keen on overcoming the obstacles to developing corporate accounts. Now, Terry Presta, Gary Grief, Tom Delacenserie, Connie Laverty O'Connor, and many others deserve a lot of credit for creating those procedures that will make doing business with lotteries so much more efficient for these multi-state retailers. But the recognition of the problem has always been there, and thankfully solutions are coming to fruition.

In that sense, one might observe that Lottery has grown and prospered over the past three decades. Can we be confident that one way or another, problems do get solved and things always work out?

R. Hargrove: Absolutely not! I don't think you can ever assume that just because problems have been solved in the past, they'll be solved in the future. In fact, the opposite is true. We can assume that if we don't solve the problem, then nobody will. It's up to each and every one of us to own it, to take responsibility for making sure our industry continues to prosper and fulfill its mission to serve Good Causes. Let's not ever

take solace and say 'well, we solved it before so I'm sure we'll solve it again.' Nothing will ever happen if we think that way!

What thrills you the most about this industry and about your lifetime of service to this industry?

R. Hargrove: It's all about the Good Causes supported by Lottery. It's hard to describe how rewarding it is to confront that reality in a deeply personal way. I have often been stopped on the street by a mother who thanks us for enabling her child to go to college. Nothing changes someone's life as much as education does and to see and feel that first-hand is profoundly moving experience. I've been asked how many kids have benefited from education programs funded in the four states with lotteries that I have been privileged to serve over the past thirty years. It's somewhere between 12 and 15 million students. That's what thrills me most.

I also take great pleasure in seeing people succeed and build productive careers and lives. Serving Lottery for thirty years has given me the opportunity to help and nurture the growth of many people in this industry. Eight people who have worked for me have gone on to direct a state lottery themselves. And many others went on to build successful careers with the vendor community as well as state lotteries. Mentoring others is very personally rewarding for me. I think about people like Dave Bausch and Guy Simonis and others who mentored me over the many years. I am so thankful for their help and support, and take great pleasure in trying to give back to an industry that has done so much for so many people. ■

by former Illinois Governor James Thompson to lead the Illinois Lottery. Under her management, Illinois Lottery sales climbed to more than \$1.3 billion annually. In 1987, she moved to Florida to launch the Sunshine State's lottery where she set industry records for first-year sales. In 1993, Rebecca accepted a new assignment to launch the Georgia Lottery, where she continued to set industry records. During her 10 years in the Peach State, the Georgia Lottery generated more than \$6 billion for education and scholarship funds. That track record of success led to her current position as the first President and CEO of the Tennessee Education Lottery, where she is celebrating 12 years at the helm with a track record of raising more than \$3.3 billion for specific education programs.



Rebecca's accomplishments include a long list of lottery industry, business and civic accomplishments and honors, including serving as President of the North American Association of State and Provincial Lotteries, Senior Vice-President of the World Lottery Association, President of A.I.L.E. (the predecessor to the World Lottery Association), and Vice-Chairman of the Public Sector Gaming Study Commission. She is a recipient of Public Gaming Research Institute's Peter O'Connell Lifetime Achievement Award; was one of the first inductees to the Lottery Industry Hall of Fame; won the Robert Todd Duncan Alumni Achievement Award from her alma mater of Butler University; was named Entrepreneur of the Year by the Stanford Graduate School of Business Alumni Association; won the Corporate Leadership Award from the Georgia Association of Minority Entrepreneurs and was named one of The Tennessean newspaper's Tennesseans of the Year in 2005. Throughout her career, Rebecca has served on a variety of boards and continues to support many causes.

Rebecca holds a bachelor's degree and a master's degree in Education from Butler University, is a native of Indiana, and now calls Tennessee home with her husband Jere.

And now, Rebecca is pleased to report that the Tennessee Education Lottery Corporation has posted its 11th consecutive year

of record sales growth for Fiscal Year 2015. The Lottery reported \$1.475 Billion in total sales for the period from July 1, 2014, through June 30, 2015, an increase of \$58.7 Million, or 4.1%, over last year's previous sales record of \$1.417 Billion. This year's sales resulted in a contribution of \$347.7 Million for all education programs funded by the Lottery, also a record.

Once again, robust growth in instant ticket sales fueled the record year. Forty-six new instant ticket games were introduced during the year. Sales of these popular games reached an all-time high of \$1.2 Billion during FY 2015, amounting to 83 percent of all Lottery sales.

"We work hard developing fresh and innovative games that respond to the market demand and offer value and entertainment for our players," said Rebecca Hargrove. *"In so doing, we stay focused on the Corporation's mission to serve Tennessee students and their families by responsibly raising proceeds for the designated education programs funded by the Lottery. With first-rate support for our retailer channel and the use of best practices throughout the organization, I am proud to report that this approach has delivered record sales for the eleventh consecutive fiscal year."*

Since January 20, 2004, more than 900,000 scholarships, grants and dual-enrollment awards have been awarded to Tennessee students, including more than 100,000 during the past academic year alone. Lottery funds are also used to support other education-related activities, such as after-school programs, an ongoing project to make schools more energy efficient, and the new Tennessee Promise initiative.

Moreover, the Tennessee lottery also has provided a significant boost for the state's economy, both in individual winnings at more than \$8.4 billion and more than \$872 million in commissions for retailers selling lottery tickets since the program began in 2004. ■

For more information, please visit www.tnlottery.com and follow us on Facebook, Twitter and Instagram.



PROFILES OF THE LEADING COMMERCIAL SUPPLIERS TO THE LOTTERY INDUSTRY

It's the collaboration between operators and their commercial partners which makes this industry work. It's that relationship that drives innovation and progress. PGRI endeavors to support and nurture that relationship, confident that together we can all build successful businesses that meet the needs of our stakeholders and customers. The leaders of the commercial community play a vital role in our industry and we are thankful for their invaluable contributions to the exchange of ideas that happens at PGRI conferences, and all industry events and conferences. Their products and services are the result of a tremendous investment in R & D, and their insights and capabilities are informed by a deep experience in all aspects of the lottery business. Following is their story. Please also visit the conference website (www.PGRITalks.com) to see their presentations from PGRI conferences.

HUDSON ALLEY SOFTWARE, INC.

WWW.HUDSONALLEY.COM



Hudson Alley Software, Inc. is laser-focused on helping lotteries improve retail execution. Since entering the U.S. lottery market in 2004, Hudson Alley has remained the undisputed innovator and market leader in the lottery sales force automation market. Today, sales teams from 21 lotteries rely on its OnePlace™ and OrderPad™ products all-day, every-day, to help them do their jobs better.

InTouch™ is Hudson Alley's ground-breaking retailer-facing solution; there is nothing else like it available in the lottery industry. The goals of InTouch™ are simple; to increase sales by educating retailers and by providing merchandising guidance for scratch games—and to do so in a way that will keep retailers coming back to the platform. The content is delivered through retailer-centered smartphone apps and a retailer-centered website.

Nearly half of all U.S. lotteries use solutions by Hudson Alley. Its customers range from very large lotteries like New York, California, and Georgia to less populated jurisdictions like Idaho, Washington State, and Maine—and everything in between.

Please visit www.hudsonalley.com to learn more. ■

SCIENTIFIC GAMES

WWW.SCIENTIFICGAMES.COM



As a global leader in the gaming and lottery industries, Scientific Games' mission is to empower our customers by creating the world's best gaming and lottery experiences. Our games, systems, content, services, gaming machines, and interactive products are designed to reach players wherever they are, whenever they want to play, and in any channel they choose: retail, casino, or digital.

For more than 83 years through our acquired companies, Scientific Games has delivered what customers and players value most: trusted security, creative content, and innovative technology. Beginning with the world's first slot machine, the "Bally Baby" in 1936, to our development of the breakthrough technology that launched the world's very first secure instant lottery game in 1974, we have been a driving force behind the success of customers across the globe.

Headquartered in Las Vegas, Nevada with nearly 9,000 employees worldwide, we serve our customers from manufacturing and operational facilities on six continents. Scientific Games offers customers a fully integrated portfolio of technology, platforms, content, and services for the robust gaming and lottery industries.

Success is a reflection of talent, and Scientific Games's history of success has been driven by our highly experienced professionals. Our lottery and gaming products have been developed by some of the top game designers, mathematicians, marketing research analysts, and product managers in the world. We have been an industry leader in developing and using market research and analytics to gain a deep understanding of player demand and preferences. As a result, we continue to generate new ideas and innovative gaming solutions that provide players with exciting choices and experiences. We are also committed to working closely with our customers, governments, regulators, and industry associations to support player protection and responsible gaming. ■

Camelot Global is a leading technology and professional services provider to lotteries around the world. We are owned by the Ontario Teachers' Pension Plan (OTPP), Canada's largest single-profession pension plan with over \$130 billion (CAD) in net assets. OTPP is the owner of Camelot UK Lotteries Limited (the operator of the UK National Lottery) and majority shareholder in Premier Lotteries Ireland, the operator of the Irish National Lottery.

Our mission is to provide proven and pioneering solutions for responsible lottery growth. We do this through three distinct propositions:

1. Industry-leading lottery technology, content and managed service solutions

Camelot Global provides industry-leading solutions to lotteries. Our four products and services are:

- **Camelot iLottery Platform—A modern open robust platform**

Through the iLottery services of the Camelot Global Platform, Camelot Global enables lottery owners to access the same modern, open and flexible interactive lottery platform and engineering expertise that support the UK National Lottery, Europe's largest interactive lottery.

- **Interactive Instant Win Games Content**

Camelot Global offers a range of Interactive Instant Win Games which provide a rich and engaging experience for lottery players.

- **Fully-Managed Service**

Camelot Global also offers a fully-managed iLottery service to lotteries seeking to outsource their interactive operations. Camelot Global provides interactive marketing services including player acquisition, retention, activation and campaign management.

- **In-Lane Retail Solutions**

The Camelot Global Platform includes an in-lane module which enables retailers to offer full lottery services through their own Point of Sale equipment.

2. Strategic consulting and support

Camelot Global advises lotteries and lottery owners on the key issues facing their organisations. We have worked with the world's leading lotteries on critical decisions around game, channel and technology strategy. Camelot Global also supports large and complex technology programmes such as vendor transitions and mass retail roll-out.

As well as advising lotteries on a short-term basis, Camelot Global also partners with client lotteries on a long-term basis to support the delivery of their chosen strategies.

3. Strategic Investment

Camelot Global works in partnership with its shareholder, OTPP, to identify and support the management of strategic investments within the lottery sector.

As an example of this partnership, Camelot Global supported OTPP in acquiring its majority stake in Premier Lotteries Ireland ("PLI"), the operator of the Irish National Lottery. This transaction saw PLI acquire a 20-year licence to operate the Irish National Lottery for an upfront payment of €405m. ■

INTRALOT (INTRALOT, Inc., INTRALOT, S.A. and other subsidiaries) is the preeminent supplier of integrated gaming and transaction processing systems, innovative game content, sports betting management and interactive gaming services to state-licensed gaming organizations worldwide. INTRALOT has been offering customized and fully integrated solutions that are highly efficient and absolutely secure for over 20 years.

INTRALOT has become an influential leader in the lottery sector, with more than 5,500 employees and a presence in more than 65 countries on 6 continents. INTRALOT USA has 14 contracts in 12 jurisdictions in the United States and has launched the last 2 start-ups in the US (Arkansas and Wyoming).

INTRALOT is the first international vendor in the gaming sector that has been certified according to the World Lottery Association (WLA) Security Control Standard in 2008. Moreover, the Company has been certified with the ISO 27001:2013 for its Information Security Management System (ISMS), originally certified in 2007.

INTRALOT is also the first international vendor in the gaming sector to achieve ISO 20000 certification on Information Technology Service Management and the first international vendor to receive the Gaming Standards Association (GSA) Point to Point SOAP/HTTPS Transport and Security Specification as well as one of the two companies that have been certified internationally according to the GSA Game to System (G2S) Message Protocol standard, both of them for its VLT Monitoring system, iGEM.

All INTRALOT certifications are being governed by the COBIT 5 framework that the company introduced in order to ensure a holistic approach that covers its business processes end-to-end and in alignment with its business strategy. INTRALOT has also been certified according to ISO 9001 since 2002.

INTRALOT's games library includes more than 600 types of games and variations. INTRALOT's customers take advantage of the most robust, efficient and versatile Unified Gaming Platform in the industry that seamlessly combines retail, mobile and home users, connecting innovative gaming verticals and offering an unparalleled business support to the organization for optimal customer experience.

The company is a member of all major international gaming associations and plays an active role in the international gaming community; contributing decisively to the future development of the industry. ■

email: info@intralot.com



IGT is the global leader in gaming. We enable players to experience their favorite games across all channels and regulated segments, from Gaming Machines and Lotteries to Interactive and Social Gaming. Leveraging a wealth of premium content, substantial investment in innovation, in-depth customer intelligence, operational expertise and leading-edge technology, our gaming solutions anticipate the demands of consumers wherever they decide to play. We have a well-established local presence and relationships with governments and regulators in more than 100 countries around the world, and create value by adhering to the highest standards of service, integrity, and responsibility. IGT has more than 13,000 employees and \$6 billion in revenues. The Company is listed on the New York Stock Exchange under the ticker symbol "IGT."

Gaming—designs, manufactures, and distributes top-performing games, slot machines, central systems, video lottery terminals (VLTs), and associated software to gaming markets around the world. IGT offers a complete range of end-to-end gaming products for diverse gaming segments, including distributed government-sponsored markets, commercial casino markets, and Amusement With Prize (AWP) markets.

Lottery—designs, assembles, installs, operates, and maintains draw-based lottery systems, lottery terminals, and communications networks for governments and licensed operators worldwide. IGT is the industry's leading private lottery manager, with the most extensive and proven operator capabilities. The Company operates the world's largest lottery in Italy, and manages other operator contracts in the United States and Latin America/Caribbean. Additionally, IGT provides printed products and related services, self-service lottery product vending machines, game design/content, marketing services/best practices, field service for retailers, responsible gaming, and promotional and interactive lottery capabilities.

Interactive—offers comprehensive solutions for the interactive market, providing a full suite of award-winning products and services for Internet gaming/social gaming. IGT designs, manufactures, and distributes Internet poker, bingo, table games, slots, and Gaming Management Systems (GMSs). Additionally, IGT provides player services including marketing, portal, player acquisition, CRM, VIP, player support, payment solutions, fraud and collusion prevention, responsible gaming, game management, migration, and trading services.

Betting—offers solutions for the development of real-time operations and computerized systems for the sports betting market. IGT offers trading services, fully managed partnerships, or "software only" technical solutions, to create a .com. ■



Linq3's secure payments platform transforms existing unmanned POS devices into highly interactive access points for sale of lottery products. By leveraging existing hardware, securing transactional data and communications, lotteries have a unique opportunity to think outside the traditional sales terminals. The Linq3 solution works in partnership with existing lottery networks, allowing lotteries to efficiently reach a greater market, intersecting and interacting with players in a new way.

In collaboration with state lotteries, their operators, and the nation's leading fuel pump and payment kiosk manufacturers, ATM providers, and the payment card industry, Linq3 has developed the secure protocol for lottery transactions on fuel pumps, ATM's, taxis and other innovative unmanned points of sale. Linq3 enables lotteries to achieve sales growth at a low cost through new sales channels that reaches new players and occasional players. The Linq3 solution promotes a new level of interactivity for the player and lottery. A dedicated web interface, 24/7 call center support, auto redemption of low tier prizes, and detailed state reporting and security compliance and responsible play features are just some of the benefits to the Linq3 platform. Optimized performance is achieved through state of the art processing and data security. It's secure, it's scalable, and it's ready to change the distributional landscape for lottery products.

Linq3 recognizes that security and integrity is of utmost importance to lotteries. Linq3 utilizes a state of the art multi-tiered security protocol that ensures transaction data is not compromised. Included in the system is a check and balance that employs internal and external (third party) redundancy and verification.

Linq3's technology consists of three fundamental features security, reliability and availability, and performance and scalability. Linq3's data centers are housed in SSAE 16/SOC 1-compliant facilities, which provide a high level of physical security, including onsite guards, multiple forms of verification for access, and visual monitoring. All data center equipment is secured within locked cabinets under recorded video surveillance. Connectivity is provided over multiple carriers to ensure availability if one carrier should have an outage. The primary requirement for processing credit and debit transactions is PCI compliance. Linq3's PCI DSS (Payment Card Industry Data Security Standard) Tier 1 Status is the highest level attainable in the Payment Industry. Linq3 combines the key goals of the PCI Data Security Standard and its own internal standards to establishing physical security, network security, and system software security ensuring end-to-end integrity of lottery transactions. ■



DIAMOND GAME

WWW.DIAMONDGAME.COM

The LT-3 ITVM: There's so much more to earn!

Diamond Game's mission is to provide innovative solutions to lotteries seeking retailer and revenue growth. To deliver on that mission, the patented LT-3 suite of ITVMs was created with lottery needs at the forefront. The LT-3 allows lotteries to expand their retailer base into less traditional and age-regulated venues, such as bars, taverns, bingo halls, and social clubs. It is the only ITVM designed to cater to venues that encourage longer play sessions and higher sales volumes.

The LT-3 is a ticket dispenser that dispenses pre-printed instant tickets on each play and displays the result on a video monitor in an entertaining manner. The footprint of the machine is significantly smaller than a standard dispenser, thus allowing one or more to fit easily in even the smallest of venues. Additional features include secure ticket validation and fraud prevention and a sophisticated accounting and sales tracking system.

The LT-3 is customizable and can be deployed in a variety of configurations based on unique lottery needs, helping generate significant new instant ticket revenue.

Contact the Diamond Game sales team at Lottery@DiamondGame.com for additional information. ■

INCOMM

WWW.INCOMM.COM

Leveraging deep integrations into retailers' point-of-sale systems, InComm provides connectivity to a variety of service providers that allow consumers to conduct everyday business at more than 450,000 points of retail distribution worldwide. Whether those consumers are activating prepaid products, paying bills, enjoying real-time discounts through a membership card, purchasing digital goods in-store or adding funds to an online account, InComm is there to provide unique gift-gifting opportunities, cater to on-the-go shoppers, deliver added value through loyalty programs and serve cash-based consumers. With 186 global patents, InComm is headquartered in Atlanta with a presence in over 30 countries in North and South America, Europe and the Asia-Pacific region. ■

Learn more at www.incomm.com or connect with us on www.twitter.com/incomm, www.facebook.com/incomm, www.linkedin.com/company/incomm or www.incomm.com/blog.



SCHAFFER SYSTEMS

WWW.SCHAFFERSYSTEMSINC.COM

Schafer Systems is an innovative leading manufacturer of plastic products for the lottery industry. Servicing clients domestically and internationally, Schafer Systems has a solid reputation for quality and customer service; producing and manufacturing products for over 25 years!

We know that each lottery retail location is unique and we want to be the ones inspiring and partnering with you on new ideas, functionalities and looks within your needs. We recognize that you have ideas too, so don't hesitate to reach out to us as we have top-of-line designers and engineers putting many ideas from thought into reality and we can do that for you too. From Instant Ticket Dispensers, Ticket Menu Boards, Play Centers, Promotional items and Literature holders to so much more. We have what the lottery industry needs.

Our newest products are sure to make your lottery items stand out; integrating technology, lighting and so much more. If you haven't experienced the new products yet, now is the time. ■

Contact us today:

Teresa Immel: 641-740-0157

Shay Wahl: 573-415-5455

Teresa.immel@ownrev.com

Shay.wahl@ownrev.com



EQUILOTTERY

WWW.EQUILOTTERY.COM

Are you looking for new draw game options to increase the profits going to the good causes your lottery supports? Trying to expand your player base with exciting new games that appeal to all ages, especially the millennial generation that craves entertainment options through their mobile devices? Trying to find ways to encourage "stickiness" and positive word-of-mouth marketing?

If you answered yes to any of these questions, then it's time to take a look at EquiLottery, a new live action lottery game based on the results and excitement of live horse racing. Studies show that EquiLottery allows you to offer a new product category to your players that increases profitability and reduces cannibalization. This unique offering also attracts new players while creating greater investment from your core players. Additionally, delivering races through multiple platforms including mobile devices, EquiLottery meets people where they are by turning the excitement of a two-minute horse race into a highly relevant "YouTube video" experience. ■

For more information on EquiLottery, including results from recent quantitative and qualitative studies, please contact Brad Cummings at (502)644-1454 or brad@equilottery.com. You can also learn more by visiting www.EquiLottery.com and try out the demo version of our app at www.WatchEquiLottery.com/Demo.





NOVOMATIC

WWW.NOVOMATICLS.COM

NOVOMATIC Lottery Solutions (NLS) delivers end to end, 360° solutions for the world lottery market. Our customers benefit from fully agnostic retail solutions, web enabled transaction engines, state of the art player and retail management systems, together providing a never seen before level of integration with all available channels.

The core of the solution is a secure, open and flexible gaming platform which ensures easy integration with 3rd party vendors and allows building a complete and successful lottery presence within all sales channels, following a clear ‘best-of-breed’ strategy. This approach gives our customers a truly flexible way to manage and grow their business, enabling innovation with unequaled time to market performance.

Drawing on NOVOMATIC’s extensive experience and track record, NLS also delivers market leading VLT solutions, fully compliant with all regional regulatory requirements.

The NOVOMATIC Group, is one of the most important producers and operators of gaming technologies and one of the largest integrated gaming companies in the world.. Founded by entrepreneur Prof. Johann F. Graf, the group has locations in 45 countries and exports high-tech electronic gaming equipment to 80 countries. It operates over 232,000 gaming machines in more than 1,500 group operations such as casinos and electronic casinos. ■



POLLARD BANKNOTE LIMITED

WWW.POLLARDBANKNOTE.COM

Pollard Banknote Limited is a full-service instant game products and services supplier with over 50 lottery clients worldwide. For nearly 30 years we have built strong partnerships with clients with the mutual goal of driving lottery revenues to help maximize proceeds for good causes.

We offer strategies based on market research and industry best practices in game design, ticket graphics, prize structure design, licensed games, second chance draw programs, social media strategies, iLottery, mobile apps and retail development. We deliver high quality lottery games with unsurpassed security, flexibility and exceptional customer service.

A proven driver of product innovation, Pollard Banknote Limited has brought some of the most important innovations to the industry, including our translucent marking system, Scratch FX® and Fusion® products. This trend continues with interactive web-based and mobile elements that excite existing players and entice new ones, driving instant ticket revenues at retail and effectively bridging bricks-and-mortar products with the internet. Retail, mobile, internet, and the ‘space between’ intersect, enabling a lottery to cross-promote its core brand across all channels to attract and engage more players.

Working together with NeoGames, Pollard Banknote Limited offers iLottery services to help lotteries explore new online and mobile channels. iLottery gives our clients access to new and expanding market segments through digital channels, further strengthening a lottery’s omni-channel ecosystem. ■



PRO-LITE INC.

WWW.PRO-LITELOTTERY.COM

Pro-Lite Inc. of Costa Mesa, California introduced LED technology to the U.S. in 1981. A supplier to names such as Walmart and Costco, Pro-Lite delivers to more than 1,000,000 customers and end-users worldwide.

In 2000, Pro-Lite introduced updatable LED jackpot signage to the U.S. and holds the distinction of supplying New York Lottery, the largest lottery sign program. The LED product line now includes configurations for window, countertop and floor.

Over 100,000 LED signs have been made for more than 30 North American, Caribbean, Central American and European lotteries. In the last three years, Pro-Lite has manufactured signs for the following US lotteries: Connecticut, Delaware, Florida, Hoosier, Kansas, Kentucky, Massachusetts, Minnesota, Missouri, New Hampshire, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Tennessee, and Washington.

Abroad, Pro-Lite supplied British Columbia, Ontario and Honduras. The first European delivery (modular signs) was recently made under NDA.

RECENT INNOVATION

- **Day of Drawing Feature** indicates the day on which games are drawn—adopted by Minnesota Lottery in 2014.
- **Billion \$ Feature** accurately conveys jackpots in excess of a billion dollars—adopted by Florida Lottery in 2014.
- **ProGames**—At EL 2015, Pro-Lite introduced its LCD multiple jackpot sign technology. ■

*To learn more about Pro-Lite:
Linda Turner, Sales Manager, Lottery Division, (609) 538-0128,
Toll Free (USA)—1 855-568-8652,
linda.turner@pro-lite.com*

PUBLIC GAMING RESEARCH INSTITUTE LOTTERY EXPO 2015 PRELIMINARY PROGRAM

CONFERENCE SESSIONS

SEPTEMBER 10 & 11,
EDEN ROC MIAMI BEACH
RESORT, FLORIDA

VISIT WWW.PUBLICGAMING.ORG FOR
CONFERENCE UPDATES

RECEPTIONS FROM 5:00 PM TO
7:00 PM ON WEDNESDAY, THURSDAY,
AND FRIDAY

LUNCHEONS AND RECEPTIONS IN THE
OCEAN TOWER 1A BALLROOM

ALL CONFERENCE SESSIONS ARE IN
THE OCEAN TOWER 1 BALLROOM

WEDNESDAY, SEPTEMBER 9

5:00 to 7:00 pm: Opening Night Reception
Ocean Tower 1A Ballroom

THURSDAY, SEPTEMBER 10

7:30 to 8:30 am: Continental Breakfast
Ocean Tower 1A Ballroom

8:30 am: Conference Sessions Open
Paul Jason, Chief Executive, PGRI
Ocean Tower 1 Ballroom

PRESENTATION: Tom Delacenserie,
Interim Secretary, Florida Lottery

PRESENTATION: Gordon Medenica, Director,
Maryland Lottery

BETTING ON INTERACTIVE

PRESENTATION: Scott Bowen,
Commissioner, Michigan Lottery; Danny Bogus,
Director i-Gaming, Michigan Lottery

PANEL DISCUSSION: Richard Bateson, Senior
Vice President Sales & Marketing, Camelot Glob-
al; Andrew Crowe, Vice President of International
Payments, IGT; Mary Neubauer, Iowa Lottery

10:30 am: Coffee Break
Ocean Tower 1A Ballroom

10:45 am: MAJOR PETER J. O'CONNELL LOTTERY
INDUSTRY LIFETIME ACHIEVEMENT AWARD
Gardner Gurney, Executive Deputy Director of
the New York State Gaming Commission and its
Acting Director of the Division of the Lottery

PRESENTATION: Rebecca Hargrove, President
& Chief Executive Officer, Tennessee Education
Lottery Corp.

11:30 am:

PANEL DISCUSSION: Building out the multi-state
platform for Big-Box Corporate Account Retailers

MODERATOR: Tom Delacenserie, Deputy Secre-
tary of Sales and Marketing, Florida Lottery

PANELISTS: Gary Grief, Executive Director, Texas
Lottery; Gardner Gurney, Executive Deputy
Director of the New York State Gaming Com-
mission and its Acting Director of the Division
of the Lottery; Terry Presta, Executive Director,
Kansas Lottery; Drew Svitko, Executive Director,
Pennsylvania Lottery

12:30 pm: Luncheon
Ocean Tower 1A Ballroom

1:30 pm:

PGRI COLLABORATION AWARD, for overcoming
obstacles and differences to work together for
the benefit of the entire government-gaming
industry.

Chryssa Amanatidou, Head of Public Relations &
CSR, INTRALOT; Gayle Kennedy, Director, Trade-
shows and Special Events (Retired), Scientific
Games Corporation; Edith McCarthy, Director,
Benchmarks, Tradeshows, and Events, IGT

MULTI-STATE POWERBALL ADVERTISING

CAMPAIGN: READY TO LAUNCH

Terry Rich, President & Chief Executive Officer,
Iowa Lottery; President of NASPL

MAJOR PETER J. O'CONNELL LOTTERY

INDUSTRY LIFETIME ACHIEVEMENT AWARD

Larry Loss, Executive Vice President, Iowa Lottery

3:30 pm: Coffee Break
Ocean Tower 1A Ballroom

4:00 pm:

PANEL DISCUSSION: Breakthrough Marketing/
Promotional Ideas for Lottery's Corporate
Accounts Development

MODERATOR: Rob Wesley, Director of Sales,
Virginia Lottery

PANELISTS: Mark Hagen, Senior Product Man-
ager, Category Manager Lottery, 7-Eleven Inc.;
Nikki Orcutt, Deputy Director Marketing, West
Virginia Lottery; Pete Ramsey, Vice President
Sales, Kentucky Lottery Corp.; Adam Perlow,
Chief Executive Officer, Hudson Alley Software;
Jeff Sinacori, Vice President Development,
Scientific Games

5:00 pm to 7:00 pm: Reception

Ocean Tower 1A Ballroom

FRIDAY, SEPTEMBER 11

7:30 to 8:30 am: Continental Breakfast
Ocean Tower 1A Ballroom

8:30 am: Conference Sessions Open
Paul Jason, Chief Executive, PGRI
Ocean Tower 1 Ballroom

8:45 am:

PANEL DISCUSSION: Bricks & Clicks: The merg-
ing of Interactive and Land-Based Retail

MODERATOR: May Scheve Reardon, Executive
Director, Missouri Lottery

PANELISTS: David Barden, Executive Director,
New Mexico Lottery; Matt Beddow, Director
of New Media, Pennsylvania Lottery; Andrew
Kinneer, Senior Manager, Marketing Commu-
nications & Interactive Media, Ontario Lottery
& Gaming Corp; Michael Lightman, Senior Vice
President Lottery Interactive, Scientific Games
Duncan Malyon, Senior Vice president of North
America, Camelot Global; Tom Shaheen, Execu-
tive Vice President Business Development, Linq3
Rick Weil, Chief Executive Officer, INNOVA

10:30 am: Coffee Break
Ocean Tower 1A Ballroom

PRESENTATION: Wojciech Szpil, Chief Executive
Officer, Totalizator Sportowy (Poland Lottery);
Chair of the Innovation Committee for the Euro-
pean Lottery Association

11:45 am:

PANEL DISCUSSION: Behavioral Economics Ap-
plied to Lottery

MODERATOR: Gary Gonder, Chief Branding Of-
ficer, Missouri Lottery

PANELISTS:

Ulli Appelbaum, Brand Consultant & Founder,
First The Trousers Then The Shoes Inc.
Daniel Cage, Chief Executive Officer, Linq3
Susan Golightly, Principal, CODEI Marketing
Group; Larry Loss, Executive Vice President,
Iowa Lottery

12:30 pm: Luncheon
Ocean Tower 1A Ballroom

Afternoon & Reception: TBA

Thank you to PGRI Lottery Expo Sponsors

PLATINUM SPONSORS



SILVER SPONSORS



THANK YOU FLORIDA LOTTERY FOR CO-HOSTING LOTTERY EXPO

PGRI 2016 SMART-Tech Conference

April 4,5, and 6, 2016

Mid-Town Manhattan, New York City



CONFERENCE INFO & DETAILS: www.PublicGaming.org

NEWS WEBSITE: www.PublicGaming.com

VIEW VIDEO-RECORDED PRESENTATIONS: www.PGRItalks.com

E-MAIL: Pjason@PublicGaming.com

PGRI CONFERENCES are about pushing fearlessly into a future that is rich with opportunity. It's about struggling with the tough decisions. It's about keeping up with a consumer that expects more than ever, and with a competitive environment that is changing rapidly to meet those expectations. Team Lottery is already setting the highest standard for the entire games-of-chance industry and is bracing to raise the bar higher. It has all the tools to make it happen, and the courageous leadership to show us the way.

And now, more than ever, it's about Interactive. Lotteries are building out the infrastructure, game content, and strategies that connect the lottery operator to the consumer over Interactive channels.

Smart-Tech provides a unique forum for industry leaders to address the most challenging issues and intriguing opportunities that face our industry today. We hope to see you there! Hotel venue and further details to be announced in November. But mark your calendars now for April 4, 5, and 6 for fabulous Mid-Town Manhattan in New York City. And visit www.PublicGaming.org for updates and conference info.

