Lottery Today: To Transform Or Be Disrupted
Asia-Pacific Lottery Association (APLA) Chengdu, China

Player Registration = Effective Loyalty, Responsible Gaming, and CSR Programs
Åsne Havnelid, Norsk Tipping

Revitalization of the Hong Kong Jockey Club

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From the Publisher

What a pleasure and honour it is to be invited to participate in and cover the **Asia-Pacific Lottery Association (APLA) Lottery Today: To Transform or be Disrupted conference in Chengdu, China.** I so value the graciousness of our hosts, the quality of the program and speakers and entire conference experience, and the friendships I made. Chengdu is itself representative of the conference theme of Disruption and Transformation. The population of the city has doubled over the last sixteen years to over 14 million people. And it is now a magnificent city - clean, modern, well-organized, an overall delightful "consumer experience".

The China Welfare Lottery and the China Sports Lottery are the two biggest lotteries in the world. Each sold over $25 Billion USD in 2015. That's 25% more than the third biggest lottery in the world. And that is in spite of a per capita spend on Lottery of less than $2 per month. One of the least penetrated markets in the world has produced the two biggest lotteries in the world. With a population of 1.4 billion people, China is itself in quite the state of transformation.

The hallmark of the Asia-Pacific Lottery region is diversity. 160+ representatives from China, Australia, Malaysia, Singapore, Japan, Korea, Philippines, New Zealand, Taiwan, Thailand, Vietnam, Cambodia, Hong Kong participated in Lottery Today: To Transform or be Disrupted. Each is forging its own path, evolving its own uniquely 21st century business model. The commonality is that disruption is the order of the day, and transformation models are embraced with enthusiasm.

This issue features fabulous articles written by six of the presenters at Lottery Today: To Transform or be Disrupted. These articles provide insight into the issues they face and the smart resourceful approach they apply towards the business opportunities and challenges. Further, I promise you will find that those challenges, opportunities, and issues are in fact universal to our industry.

Visit **asiapacific-lotteries.com** for information about APLA, its member services, and future conferences and trade shows. And join me at APLA's annual conference (Creativity for Growth) to be held October 30 to November 3 in Auckland, New Zealand.

"Significant shifts in market share and fortunes occur not because companies try to play the game better than the competition… but because they change the rules of the game."
Costas Markides, Professor of Strategic Leadership at London Business School

The "rules of the game" are changing in all industries. And that is certainly true in the Lottery industry. In spite of the relentless breaking of the rules by illegal operators, and in spite of constraints on our own ability to "change the rules of the game", Lottery continues to grow its revenues year after year, and that growth comes on top of a revenue baseline that delivered over $76 billion in net funding to society in 2016. That is far more than any other gaming category pays back to society in the form of taxes or any other form.

Stéphane Pallez (CEO of Française des Jeux and Chair of the Public Affairs Coordination Committee for the European Lotteries) made reference to the above quote by Costas Markides in her presentation at the *Lottery Today: To Transform or be Disrupted* APLA conference in Chengdu, China. Rules, regulations and laws serve to protect the interests of true innovators who produce real value for their customers and society. Ms. Pallez explains "Effective regulation should actually *promote* innovation and allow adaptation to consumers' demands and needs."

Next up is the **European Lotteries Association (EL) Congress in Krakow.** This is a special event that is held only once every other year. Many of the issues that face Lottery operators all across the world have already been manifest in Europe for many years past. That is why the European industry serves as a looking glass into the future that the rest of the world will soon be facing.

Thank you to all of our editorial contributors for sharing your ideas and insights. Your articles make this a special issue of PGRI Magazine. I appreciate your efforts and know our readers will too.

Lastly, we hope to see you at PGRI's Lottery Expo Atlanta. PGRI is collaborating with the team at Georgia Lottery to produce a uniquely fabulous conference experience! So, mark your calendars for October 25 to 27 to join us for this special event. Visit PublicGaming.org for conference info, updates, and registration and room reservations.

Paul Jason, Publisher
Public Gaming International Magazine

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INSPIRED BASKETBALL

WOMEN'S INITIATIVE IN LOTTERY LEADERSHIP

On December 23, 2017, a group of Lottery industry female executives received a call to action: to become part of an initiative aimed at encouraging the development of women in leadership in the industry. The call came from Rebecca Paul Hargrove, a lifetime contributor to our industry. As many of us know, Rebecca is deeply vested in the global Lottery business, possessing a passion for advancing it and supporting strategic initiatives to sustain and modernize it. Separately, and as importantly, she is a strong supporter of other women in the industry, and has mentored many of us across the world coming into new, challenging Lottery leadership positions. Her track record, as Senior Vice president of the WLA and the President & CEO of the Tennessee Lottery (and prior to that was the CEO of

the talent, abilities, and passion of Lottery women professionals to realize their full potential." She goes on to say that WILL should be a mission that involves everyone. It's about giving a voice and influence to the highly-capable women who are helping to shape the future of the Lottery industry. The goal is to create a program designed to nurture the development of our many talented women colleagues.

McKinsey & Company's report, "*Diversity Matters,*" found that companies in the top quartile for gender diversity outperform those in the bottom quartile by 15 percent. A recent survey of Lottery CEOs globally yielded that, out of over 170 CEOs leading regulated lotteries, only 25 (that's less than 15%) are female.

"As women represent over half of the global

diversity, what always matters ultimately is leadership!" McKinsey & Co., *"Women Matter,"* 2009.

Rebecca proposed a small Organizing Committee meeting, which was held in conjunction with the EL/WLA Marketing Seminar in London on February 7, with a follow-on meeting held on March 21 in New York City, in conjunction with the PGRI SMART-Tech Conference.

Rebecca's initial vision was that the Women's Initiative in Lottery Leadership would serve as a platform to support mentorship, foster personal development, install an industry-wide WILL communication network, and build out the specific professional programs to help women acquire the broad range of skills necessary to attain the top leadership positions within their organizations. At both inaugural meetings, there was intense discussion over the **varied definition of diversity and inclusion** in various geographies and cultures. The group stressed the necessity for deeper discovery into the meaning of diversity and inclusion, with everyone agreeing that this group **should not be exclusionary** and that diverse/female leadership has been proven to represent a competitive edge for the future.

> ## The Peterson Institute for International Economics and EY analyzed results from 21,980 global, publicly traded companies, in 91 countries from various industries and sectors and showed that having at least 30% of women in leadership positions, or the "C-suite" adds 6% to net profit margin.

the Georgia, Florida, and Illinois Lotteries), and for sponsoring a very thoughtful and comprehensive "Emerging Leaders Program", has been exceptional, demonstrating her deep commitment to bringing along young people and developing talent through a multi-disciplined curriculum.

Her vision is for the PGRI Women's Initiative in Lottery Leadership (WILL) to be "a highly-inclusive, multi-faceted, and ambitious program that paves a path for

talent pool, it is clear to us that women should be at the forefront of the economic and social scene, **not just out of a sense of fairness, but to ensure that the very best minds, men's and women's alike, are brought together** to address the challenges that society faces. Achieving gender diversity in corporations, at all levels, is a long and demanding journey, which requires the involvement of the whole company and the strong commitment of top management.

Therefore, we believe that beyond gender

Following a lively discussion and thoughtfully considering diverse views, both within and outside of the room, the following Mission Statement was formally approved by the group:

> **To further drive high-performance business growth through supporting the advancement of women into top positions of lottery management leadership and responsibility.**

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Åsne
HAVNELID

Chief Executive Officer, Norsk Tipping

Player Registration = Effective Loyalty,
Responsible Gaming, and CSR Programs

PGRI Introduction:

Norsk Tipping's leadership role in Corporate Social Responsibility and Responsible Gaming has shown that CSR, RG, and a growth-oriented sustainable business plan can all work together to produce the best results for all stakeholders. As the first Lottery to require player registration, and then also the first to require players to assign a maximum loss limit as a condition for even playing, Norsk Tipping created the foundation for developing the kind of personal interactive relationship with the consumer that leads to the sustainable and socially responsible growth of the business. Norsk Tipping's pioneering role in integrating the highest standards of CSR and RG with the business of generating funds for good causes is showing the world how government-run lotteries can be the spiritual as well as business leader in the games-of-chance industry.

Shapers of Public Policy all over the world are debating the best way to regulate the games-of-chance industry. There is a pressing need for state-run lotteries to clarify the unique role they perform for society, and for that role to be communicated to all stakeholders - lawmakers, regulators, players, and the general public. As the epicenter of best-practices in so many ways, the Norsk Tipping story is uniquely important for others to understand, and hopefully forge their own path towards the socially responsible and market-driven model so successfully applied by Norsk Tipping.

Paul Jason:

Is there a trade-off between the objectives of maximizing funds for Norsk Tipping's beneficiaries and minimizing Problem Gambling?

Åsne Havnelid:

Yes, it's easy to think that it is. Intuitively there seems to be an inherent contradiction here; that strict RG regimes imply losing potential revenue by limiting players and potentially provoking frequent players and chasing them over to competitors with a "wider" RG framework (if any). But we don't see it that way. For us, a comprehensive RG framework is fundamental to the mission that we are given by our owner - the Norwegian state - and the trust to us as an operator that this mission is based on. That is how we see it if we approach this question from a strictly regulatory perspective. But we also sees this as a necessity - even an opportunity - when we see it from a market and customer perspective. We see RG as a competitive advantage towards our customers and against our competitors. Our rather comprehensive framework signals that we are to be trusted, that we also have the best interest of the player at heart. It signals that if you choose to play at Norsk Tipping, we will not mislead you in any way. We are sure – and also have research that confirms this – that our customers appreciate this framework that we have "wrapped around" our games. Let's compare it to cars – no one today would even consider buying a car

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without seat belts and air bags. And this is our approach – we are confident that in the long run a good RG framework will increase the trust we have as an operator, which again will have a positive effect on our customer base and our revenue.

To what degree does required registration reduce player-ship? Are there consumers who may choose to not play because they do not want to register?

Å. Havnelid:

I am not in any position to speak on behalf of all markets, but in Norway we are confident that the answer to this is "no". Norsk Tipping has - in various forms – encouraged our players to play with their full name since 1948 in order to be able to identify winners more easily and transfer prizes more efficiently and correctly. So our players have not seen this as forced upon them, but as a positive element that ensures them their prizes which means that they are not risking anything if they lose their coupons or receipts or if they forget to check them and claim their winnings. So when we made this system mandatory (note! With one exception, scratch tickets in retail) in 2009, this was actually a minor leap for us since we already had well over 90% of all games played, played registered. So, briefly speaking – registered games are not a negative thing for the players- it's actually a very attractive value proposition for the player. That said, there might of course be individual players that are reluctant to identify themselves, but we have no customer research that indicates that this is a problem.

We talked about required player registration. What are other initiatives that Norsk Tipping does to promote a positive and healthy approach towards playing games-of-chance?

Å. Havnelid:

Player registration is the cornerstone for an efficient RG framework since it is difficult to identify and limit unwanted or unhealthy customer behavior if you don't have good and reliable customer data. But we also have several other elements that we define as parts of our total RG approach. The most important elements:

- Offering all players tools that help them to reflect on their own player behavior. One, Playscan, is a technical system that can identify potentially unhealthy behavior and enter into dialogue with the customer. We also offer every player an overview of their player history so that they can see their actual spending in a given period.

- Relevant Information on relevant customer meeting points (eg. coupons, market material etc.)

- Market ethics guidelines that define what market messages we are not communicating and who we are not communicating with. We also have what we called a "no thanks"-list which defines what kind of market tools we will not use since we have strong indications from research that they might trigger unhealthy behavior. VIP and bonus programs are on this list, the same is providing "autoplay" functionality in games etc.

- Active dialogue with at-risk players. We have dedicated staff that contacts with risk behavior in order to make them more conscious of their spending and encourage them to reflect on their gaming habits.

- Research cooperation with leading institutions and scientists within the field in order to increase our own knowledge on what kind of measures work best in order to limit and prevent problem gambling.

How does Norsk Tipping motivate players to care about the fact that government lotteries serve the broader society and support good causes? Is the positive role that Norsk Tipping performs for society an important part of your brand messaging?

Å. Havnelid:

Yes, indeed it is. For us, the fact that we are not a "regular commercial operator in a regular marketplace" and the fact that all our revenue goes to good causes is a vital part of our corporate brand and our corporate communication. We acknowledge that this also is something that is not well enough known in the general public, so we use different market approaches to communicate this, not only traditional marketing and corporate information. We have a portfolio of sponsorship deals with this as motive -to build knowledge through cooperation that the revenue from Norsk Tipping is vital for a range of good causes across all local communities in Norway. We also have a

"Registered games are not a negative thing for the players - it's actually a very attractive value proposition for the player."

few dedicated market concepts that we have developed for the same purpose. The most important of this by far is the Grass Root Share, where every player is encouraged to define their own local "favorite cause", for instance a local sports club or humanitarian organization. When the player has done that, we give 5% of all the gaming revenue of this player to this cause. At present, over 1 million players have joined this concept and last year transferred 52MEUR to over 30.000 local organization across the country. And of course this reminds both the 1 million players and the 30.000 recipients that playing at Norsk Tipping also is about contributing to good causes.

What are some of Norsk Tipping's CSR initiatives? And how do you integrate the contributions to CSR into your brand messaging so that it translates into positive consumer perception?

Å. Havnelid:

Norsk Tipping's most important CSR initiative is of course the comprehensive RG framework. But since we also are a public owned company and a significant company in Norwegian society, we define our CSR to be more than RG. We therefore have defined a broader CSR approach with more perspectives. This means that we have identified topics like environment, match fixing, ethical market behavior etc. that we address in the company and report back to our owner on a regular basis. These perspectives are also

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PLAY AT THE PUMP

MANAGING PEOPLE AND OPERATIONS THROUGH AN ORGANISATIONAL TRANSFORMATION

By Evelyn Goh, Senior Director, People & Culture
Singapore Pools (Private) Limited
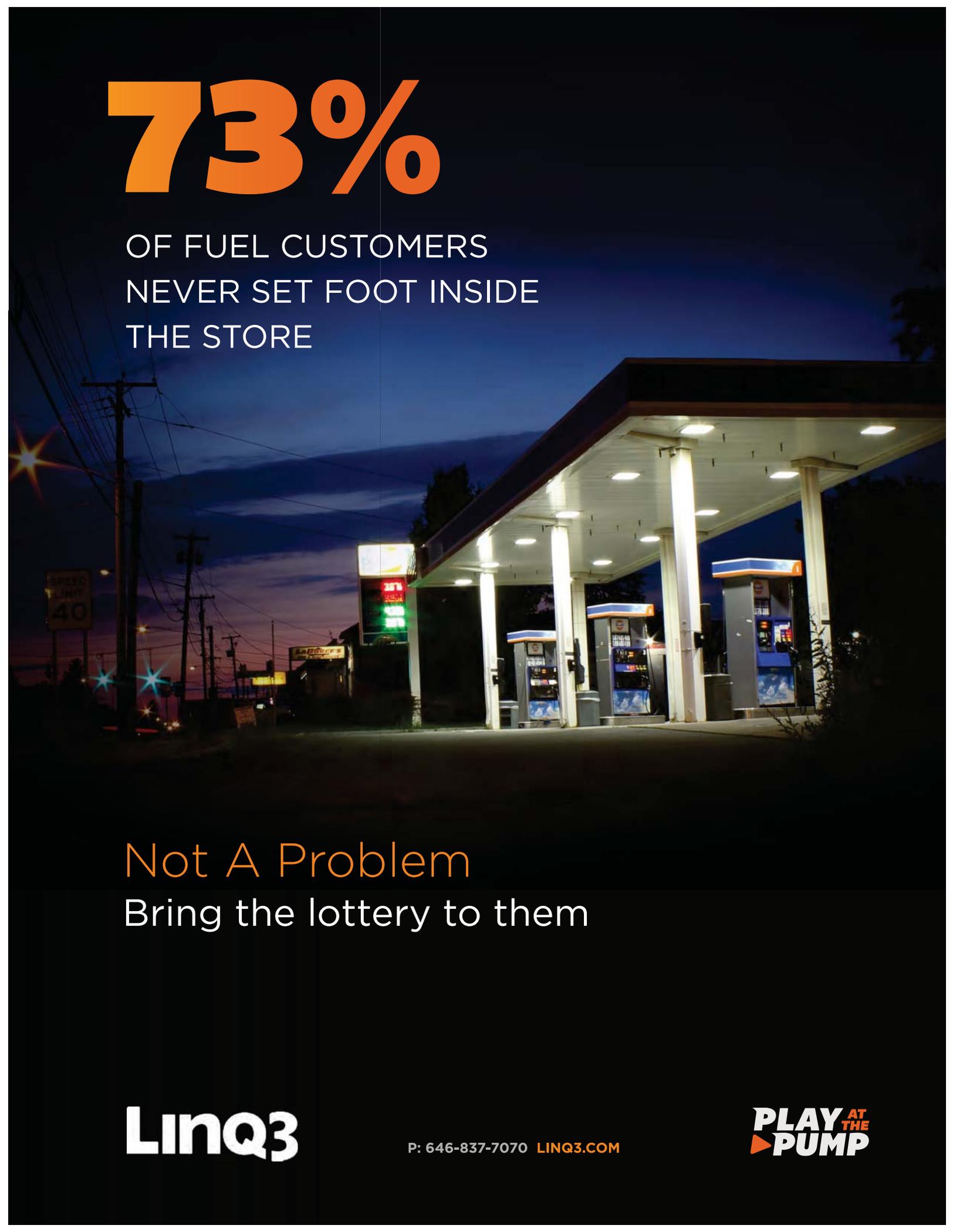
The rate of change in the business world is accelerating with every passing year. If a company wants sustained long-term success, it needs to be able to adapt and transform itself alongside the market. At the APLA/WLA seminar held on 26 April 2017, Evelyn shares Singapore Pools' journey of organisational transformation and examines the critical factors that ensure success in change management.

Embracing VUCA As The New Norm

We have entered the era of the Fourth Industrial Revolution (4IR), which heralds the disruption of entire systems of production, management, and governance. These are extraordinary changes not seen since the initial Industrial Revolution of the 18th century. Klaus Schwab has compared it to an unprecedented seismic shift that will impact almost all industries in every country. Volatility. Uncertainty. Complexity. Ambiguity – VUCA in short – will be the new world order. The business environment as we know it today is changing at an exponential pace. Generation-C customers are increasingly connected and demanding a seamless experience for their purchases. Their expectations for transactional experience excellence thus require continued channel innovation. At the same time, opportunities abound for us to leverage on technology to gain insights on customers' preferences and design our products around their needs, and improve our business protection capabilities to better meet regulatory requirements.

At Singapore Pools, we recognised the need to embrace this revolution and began to rethink our value propositions to our stakeholders. Do we have the capabilities as a company to leverage on advanced new technologies and the opportunities they bring? How will the Fourth Revolution impact our ability to overcome new challenges in the gaming industry and sustain our strong track record as a WLA-Responsible Gaming Level 4 certified operator? All the best of technology will not move the needle upwards in the progress curve if we do not have the right capabilities and shared commitment as an organisation to take us to where we want it to be.

Building The Picture Of Success

With this evolving landscape as the impetus for change, Singapore Pools embarked on a transformation journey two years ago. We started by involving our entire leadership team as Change Champions to rally the divisions in articulating the desired corporate vision in five years and beyond.

"Strategy shapes structure, while structure shapes behavior."

In our Picture of Success, we envision Singapore Pools as a Great Place To Work In, and a Safe and Trusted Operator that sets the pace as a Responsible Gaming Practice Lead. Not only is it Productive and Efficient as a Learning Organisation, it has highly-engaged employees who thrive through continuous learning and are committed to delivering Positive Customer Experiences. Besides making Sustained Contributions to Society, Singapore Pools is Valued By The Community for its commitment to create shared value for stakeholders' benefits. We call this shared vision, SP2020, and subsequently translated it into eight desired outcomes for our strategic roadmap.
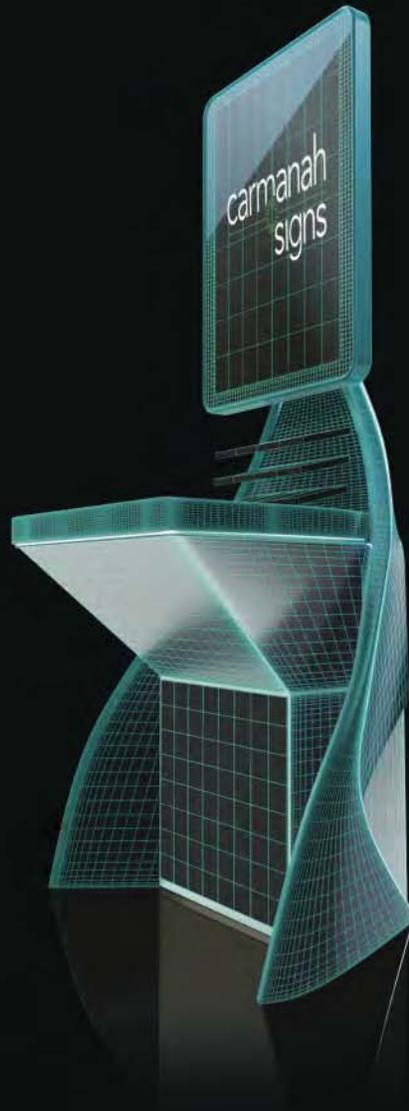
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Mission, Vision & Core Values

To ensure employees' beliefs and behavior support the Picture of Success, our leadership team refreshed the company's mission and vision statements and reviewed the core values of Singapore Pools.

Values are important as they serve as a compass for the type of attitudes and mindsets we want in our people. Aligned with SP2020, we introduced Innovation, Customer Care and Community as new Core Values, supplementing our existing ones which are Respect, Integrity, Innovation and One Organisation. These values set in place our common guiding principles across all levels in the organisation, and help to keep us on the right path while fulfilling our business goals.

Planning The Journey

The next step in materialising what we collectively envisioned is to use the desired outcomes of SP2020 as a foundation for all business initiatives and plans.

We mapped our organisational goals into five strategic themes designed to deliver the desired outcomes. The themes were then cascaded into divisional workplans. These targets and initiatives are translated into individual workplans and performance goals. This approach systematically creates a continuously reinforcing loop (see Diagram 1) that sets the stage for our people to purposefully row in the same direction towards the Picture of Success.

Structure That Syncs With Vision

Strategy shapes structure, while structure shapes behavior. Whether an organisation is structurally set up with systems and processes that complement its vision can have a direct effect on productivity and business performance.

We devised the organisational structure for Singapore Pools based on an operational model that provides us with agility to respond to shifts in customers' wants and business strategies as well as stability through strong operational support, domain expertise in products and market knowledge. Central to these is our leaders and our people, who pull all the parts together in the value chain (see Diagram 2).

In line with this operating model, we implemented organisational changes such as repositioning our Customer and Community functions to the forefront, and introducing a Transformation Program Office to track the company's progress towards SP2020.

In view that the term 'Human Resources' tends to be associated with transactional activities like payroll, we renamed our division to 'People & Culture' to reflect the company's focus on upskilling our employees' core and functional competencies and readying our workforce with skillsets for the digital age.

In tandem with Singapore Pools' foray into online betting in end 2016, we also established new divisions that are dedicated to the functions of Responsible Gaming, Regulatory Compliance and Risk Management. A Corporate Capability Development Process was introduced to deepen our analysis for decision-making, along with various leadership training and development programs to strengthen our core capabilities.

Shaping Mindsets and Capabilities

In almost every change management, it is the people factor that makes or breaks the transformation. Whilst the majority of employees were engaged and striving towards the corporate vision, there were naysayers we must persuade to be on board so that everyone moves in unison. Two-way communication through feedback and dialogue between the leadership team and staff is vital to success of the transformation journey.

We ensured the entire organisation not only understands but shares the Picture of Success, by conducting regular management forums, town hall sessions, workplan meetings, and skip-level dialogues between staff and the CEO. An employee engagement study was conducted in early 2017 to capture organization-wide sentiments and identify strengths and gaps for improvement in our change journey.

Other initiatives were also undertaken to shift people's paradigms and clarify
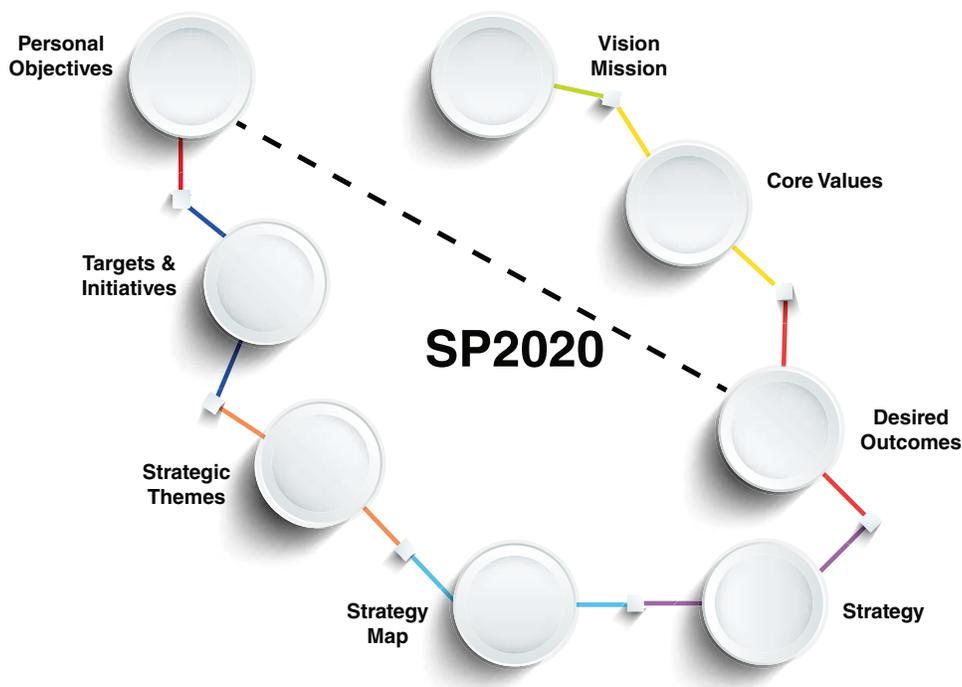
Positive Reinforcement Loop for Singapore Pool's Transformation Journey

Big data…
What's in it for us?

PROVING THE REAL BUSINESS VALUE OF BIG DATA, AND THE 7 ESSENTIALS TO ACHIEVE BIG DATA DRIVEN EXCELLENCE.

Following is an article based on a presentation made by Peter Zäll on April 24 in Chengdu, China, the site of the Asia-Pacific Lottery Association (APLA) conference Lottery Today: To Transform or be Disrupted.

Visit asiapacific-lotteries.com for information about APLA, its member services, and future conferences and trade shows.

Peter Zäll
Former VP Product, Marketing And Analytics at Svenska Spel, now independent consultant and change agent at z-inspired ab.

Everyone talks about big data, but different lotteries have different opinions on what it actually means, as well as how or whether big data can be applied to benefit their organization. Who has succeeded at applying big data to real-world challenges and derived real-world business value? What are the costs and time-lines to implement a big data strategy? Is it possible or practical for our company to attempt to implement a big-data-driven program?

The board at Svenska Spel asked me the same questions around big data, analytics and CRM. I used the PZAC model to break down the value, the capabilities needed, our status now and our projected status two in years from now.

The business value. Imagine that you can figure out how to most efficiently understand, interact, target and develop your customers by personalized, real-time communication in all channels? We estimate (so does Gartner) the incremental GGR to be between 3-20%. Even if you are on the low side, the ROI is obvious.

The PZAC model elaborates around seven essentials, key questions and capabilities to achieve big data driven excellence.

1. Do you have the basic (raw) data to work with?
Every lottery captures data for Online customers. What, when, where, and how often they play, how much they spend, etc. BUT, since 2014, at Svenska Spel we also capture all customer data in retail and in VLT's (through mandatory registration of all gambling). This gives us the ability to identify all customers in all channels in a 360 view, which is crucial for us to understand the full actual behaviour of our customers.

2. Do you have a good Analytics platform to sort out the data? And is it working?
A very common problem is that most companies store data in different systems which makes digging for data time consuming. Another problem is different terminology and definitions which generate multiple versions of the truth. At Svenska Spel we invested a couple of years ago in a new modern platform (Hadoop). It will still take us two more years to complete the upload and sorting of data to get the full use of the platform.

3. Do you have the people (analysts) and the environment and tools for them to work in?
You won't get any descent analysts if you can't deliver a vision, a strategy and an environment for them to work efficiently in.

4. Do you have BI- and self-service reports/tools for the organisation?
If you do, the organisation can quickly and correctly withdraw basic reports and analyses themselves which will improve data driven understanding and business decisions. If you

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NAVIGATING THROUGH THE NOISE OF DIGITAL TRANSFORMATION

By Markus Walter, PwC South East Asia Consulting
The following article based on Markus Walter's presentation at APLA Conference in Chengdu, China

Let's face it – "Digital" is here and we must adapt and become more comfortable with it – whether we like it or not – and this is true for the gaming and lottery business as well. In this article I will share some views on the concept of "Digital", and how to approach the new challenges and turn them in to opportunities in a disruptive, ever-changing world.

Analytics	Robotics	Cloud	Business Partnering	Cyber Security	Blockchain
Data analytics as a key enabler to increase business insights that a true business partner needs	Robotics process automation offers an alternative solution for the execution of processes	Using dynamic, scalable and virtualized IT resources enabling collaboration and location independent access to information	Business partnering approach is the combination of technical skills with business and interpersonal skills	It is the job to protect data as well as assessing impact of potential breaches	The Digital Ledger concept will have a dramatic impact on reliability and auditing

Defining "Digital"

In our daily consultancy life, we come across a variety of, more or less sophisticated definitions of "Digital". Some are quite confusing, others not on point. Most workable, and explainable (to us), is to phrase Digital as "Considering to bring new technologies and ways of working into your business".

"Digital" does not refer to one single domain - it consists of multiple components, which, in a mix, combine to make it truly "digital". The recommendation is to consider a mix of all these components when introducing digital into your business. There is no more option to focus on one single aspects only –"Digital" requires a holistic approach, as the components are intensively interlocked:

• Analytics and Big Data can identify behavior patterns of your existing and target customers. Gaining a better understanding of customers need is essential to move to customer-centricity

• Robotics, also known as Robotic Process Automation (RPA) may be applied in back office environments, as well as customer facing. Why not consider to deliver lottery wins to winners via drones?

• Think of cloud technology as "the illusion of infinite scalability". Economies of scale are massive. Microsoft's cloud service Azure is running about 4mio servers worldwide. How many servers do you operate in your organization?

• Establishing business partnerships is key to sustainable business development in the digital age. Terms like "Shared Economy" and global "Eco Systems" demonstrate the necessity to collaborate across industries. One as a "single" entity will hardly struggle to survive, those orchestrating the digital ingredients in a perfect balance will succeed. From a gaming and lottery perspective, think out of the box – look for "unexpected" partnerships and "surprise" your customers in new ways

• Security turns into a hygiene factor. Especially in an intensively regulated and publically exposed market like the gaming and lottery business, ensuring CyberSecurity is key. Take an integrative approach to embed security in every digital step you take

• And there is BlockChain. You may associate the Distributed Ledger concept with BitCoin, which has received quite a bad reputation. BlockChain is the supporting technology, which, I would even say, for the first time in human history, enables distributed trust in almost every area. We may think of no more faked lottery tickets, as the supply chain and distribution is fully transparent. This technology is only at its beginning and we are slowly starting to understand the power and potential of appliance of the technology. I suggest to have a close look and put it on your radar – before others do.

Digital Disruption Already Happened Some Years Ago

Well, Digital Disruption is not really "new"– it took place some years ago in the music industry. Remember vinyl records? These were good old analog technique, enabled by the record player with its physical pick-up

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7.1 Bn Euro	60.2 Mio Euro	15.8 Mio Euro	17.8 Mio Euro

arm and loudspeakers, connected with real copper cables.

Then the compact cassette entered the scene, and after that we moved into the compact disc era. We then moved away from physical media into downloads and streaming. If you have purchased music media from your favorite artist, you have definitely been a part of "digital" evolution in some special way… But the transition from analog to digital happened from vinyl to compact cassette. And make a guess, today, which media has got the highest rate of expansion after music

streaming services? Correct, vinyl. And lottery scratch tickets are still very popular in my home country Austria .

Demystifying Digital Transformation And Beyond

When considering the major trends in IT over the last decades, this could even be described as a "battle of terminology". The constant introduction and promotion of new concepts and technologies can be more difficult to keep up with than the technology itself – conferences are more attractive promoted with buzz-words, books sell better with new titles. To simplify things, all of these trends may be simply described as "Technology Innovation", and it is constantly ongoing.

My plea: do not get distracted by terms and buzz-words. Instead, develop an understanding on the trends that will impact your business and adjust your strategy accordingly. This is specifically true for Digital Ledger/BlockChain technology, which I believe will dramatically change the way we look the distribution of trust. Not only in financial services (note: please do not mix up

BitCoin with BlockChain – also see above), but most and foremost in supply chain - tons of things will change.

How To Make It Happen? Changing To Agile Project Management Goes Beyond Methods

The good news first: There are models and methods available to support the transition into a digital scenario. Think of Agile Development. This method provides a radically different approach on how to run and perform fast-tracked projects, meeting business requirements and

reducing the time-to-market of products.

But here is the somewhat "bad" news (or better – "challenging" – news): Who has responsibility in a traditional waterfall project management approach? Who is the one responsible for deviations on timeline, scope and budget? Perfectly right – the Project Manager.

Conversely, who is responsible for successful delivery in an agile environment? Unfortunately, it's not the ScrumMaster. He is not the "new" project manager. He is in charge of preparing the stage for project execution and takes care of adhering to the agile principles. It's the team deciding which features from the back-log are implemented

into the next sprint. So the responsibility sits with the team – or, if you will, with all of us. There is no longer a single individual held accountable.

An Agile approach often means a dramatic change in the mindset and DNA of traditional corporations and staff. And there is no exception for the gaming and lottery industry. This shift is essential to welcome and imbed "Digital" in your company culture.

Starting With The Man In The Mirror

There are plenty of external factors to be taken into consideration as you embark on the digital journey. But also keep in mind that we have to make a change. Management principles have to be reconsidered and adjusted, needs and demands of subsequent generation have to be addressed. The successful digital leader will provide new capabilities. The hunt for talent is on.

And also be open for new business relationships. Make up your mind, set your digital path for digital, do not get distracted by digital disruption and collaborate and always watch out for innovative business partners – specifically cross-industry.

Start reinventing and immersing yourself – and you will master and enjoy the digital journey! ∎

Markus Walter is a Senior Director at PwC South East Asia Consulting, leading the Digital CIO Advisory Services in South East Asia. He acts as "Digital Governance" evangelist, supporting and assisting clients across industries to turn digital challenges into digital opportunities. You may contact him and share your perspectives on digital at markus.walter@sg.pwc.com
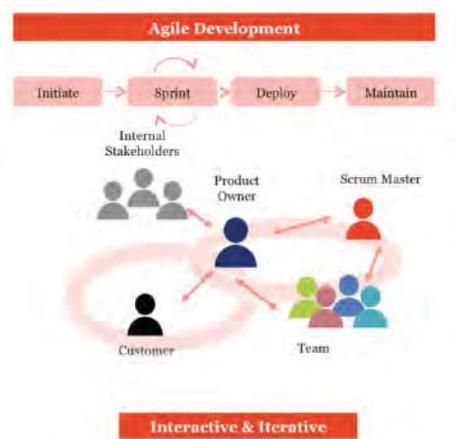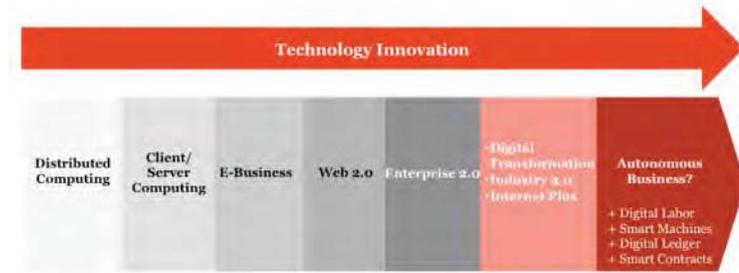
Causes of Disruption and Transformation in Lottery and Gaming Industry

KAMLESH VIJAY, GROUP CEO: SUGAL AND DAMANI GROUP

The following article is based on a presentation made by Kamelsh Vijay on April 24 in Chengdu, China, the site of the Asia-Pacific Lottery Association (APLA) conference Lottery Today: To Transform or be Disrupted.

Visit www.asiapacific-lotteries.com for information about APLA, its member services, and future conferences and trade shows.

To understand that an action is required, we first have to realize there is a problem. Given today's pace of evolution and economic environment, disruption is inevitable and so is transformation if you have to survive in the business. Transformation is a process which no longer belongs only to scientists and research scholars, however professionals and experts across industries have now accepted transformation as the necessary piece in their organizational block to keep up with the current and future demands of their Industry for sustenance as well as for growth.

The current age is an age of innovation and transformation and the organization which keeps innovation at its heart, is destined to

succeed and meet the dynamic demands of the industry. There is a lot of research gone behind disruptive innovation methodologies and rightly so, because of the frequent disruptions we encounter by changes in regulations, customer preferences and technology. The technology is a great enabler of disruption but it is not the greatest underline driver that despite the accepted wisdom of most people. Quite interestingly, changes in regulation lead the disruption, followed

Greatest Drivers of Disruption

1	Regulations	29.3%
2	Customer Preferences and Behavior	26.4%
3	Red Tape and Bureaucracy	21.8%
4	Technology	21.4%

Source: Economic Intelligence Unit Report (EnY). Based on survey of Executives.

by change in customer preferences (social indicators) and then the technological innovations in almost all the industries.

Lottery and Gaming industry is no different, especially in the context of regulatory changes being the primary driver for disruption. The classic transformation curve fits well for our industry, while analyzing the disruption and transformation in regulator's context. It starts with a "Status Quo" status where the regulators do not feel a need to change or act as if the players are accustomed to legacy, the operations are pretty stabilized and business is going as expected. With the initial and over some period of denial and resistance, the regulators realize

that there is a need of re-analysis, a need to look into the processes to see whether there is a scope to improve in order to contribute better to the industry. This phase gives rise to the increase in tolerance towards accepting change, giving way to transformation. Once agreed, the regulators become advocates of transformation. This validates the importance of "CHANGE" in order to

THIS IS MORE TRUE FOR REGULATORS
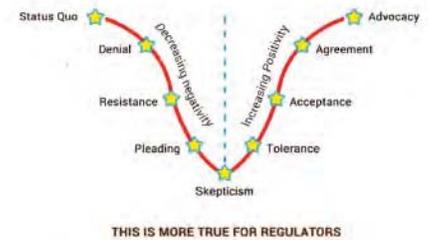
sustain and grow.

The Lottery and Gaming industry has changed colossally over the past decade and regulatory changes, technology evolution, changed customer preferences are the root causes for the same. Let's analyze the role of regulations in the context of Indian lottery:

There is a chain of events that caused Indian lottery to transform completely and operators who could keep up with the regulatory guidelines, have only survived. Sugal and Damani (SnD) was the pioneer in adapting to the transformation needs of the industry and hence enjoying the status of biggest stakeholder in Indian Lottery for a number of decades. The following table provides a gist of the major events that took place leading to multiple disruptions and transformations in the Indian lottery industry.

Sugal and Damani, as an organization,

Major Events of Disruption in Indian Lottery

Year	Event Brief	SnD's Approach
1994	After a debate on whether to ban or regulate the lottery, basic regulatory guidelines issued by h'ble Supreme Court	Quickly transformed to comply with the guidelines and adjusted the business focus accordingly.
1998	Regulatory Act introduced. Banned Instant Lottery.	Innovated the game offerings with small denominations of lottery tickets.
2003	Online Lottery introduced. Directives to shift completely to online lottery.	Transformed the business model completely and met the industry demands by converting paper lottery schemes.
2010	New regulations introduced. Lead to close down a few big state lotteries.	Online Lottery and innovative game offerings enabled SnD to increase the customer base despite less number of states.
2016	Demonetization drive by Gov't of India leads to 80% currency loss overnight. Impacted every business, every industry.	Already a pioneer in digital commercial services, SnD is leading the digital vision for GOI with its technology and business processes, designed to meet the required standards set for the industry.

The Revitalization of The Hong Kong Jockey Club

The Hong Kong Jockey Club (HKJC) is one of the oldest institutions in Hong Kong. Founded in 1884, The Hong Kong Jockey Club is a horse-racing operator and Hong Kong's largest community benefactor. The HKJC provides horse racing (800 plus races a year!), sporting and betting entertainment in Hong Kong and is licensed by the government to provide pari-mutuel betting on horse-racing, the Mark Six lottery, and fixed-odds betting on overseas football events. Additionally, the HKJC provides dining, social, sporting and recreation facilities to its approximately 15, 000 full members. Members also own and race the Club's horses. The HKJC is the largest taxpayer in Hong Kong while The Hong Kong Jockey Charities Trust donated a record $500 USD million in 2016 to support the different needs of society and contribute to the betterment of Hong Kong. Working with partner agencies, the Charities Trust funds and develops projects to address social issues in Hong Kong.

PGRI Introduction: Following the World Lottery Summit Singapore, Susan and Paul Jason visited Hong Kong to meet with Richard Cheung, Executive Director of Customer and Marketing, Hong Kong Jockey Club. Below is the article based on our discussions. And photos of the amazing Hong Kong Jockey Club in Happy Valley. It was a most memorable visit with most wonderful hosts!

The Hong Kong Jockey Club (HKJC) is one of the oldest institutions in Hong Kong. Founded in 1884, The Hong Kong Jockey Club is a horse-racing operator and Hong Kong's largest community benefactor. The HKJC provides horse racing (800 plus races a year!), sporting and betting entertainment in Hong Kong and is licensed by the government to provide pari-mutuel betting on horse-racing, the Mark Six lottery, and fixed-odds betting on overseas football events. Additionally, the HKJC provides dining, social, sporting and recreation facilities to its approximately 15, 000 full members. Members also own and race the Club's horses. The HKJC is the largest taxpayer in Hong Kong while The Hong Kong Jockey Charities Trust donated a record $500 USD million in 2016 to support the different needs of society and contribute to the betterment of Hong Kong. Working with partner agencies, the Charities Trust funds and develops projects to address social issues in Hong Kong.

The Miracle Turnaround

The global horse-racing industry has not been viewed as a high-growth category for many years. Thankfully, that has not deterred the leaders of the Hong Kong Jockey Club (HKJC) from pursuing an ambitious plan to revitalize racing. Horse-racing revenues declined from USD $10.6 billion in FY2001 to USD $7.8 billion in FY2006. The HKJC Revitalization Plan conceived in 2006 and executed over the next ten years began to reverse the decline immediately. Revenues climbed at an average annual rate of 6.6% for the next ten years, hitting USD $14 billion in its most recent fiscal year ending June 30, 2016. This in turn enabled the HKJC to increase its return to the community, quadrupling its charity donations and doubling its tax returns.

Horse Racing is perceived by most to be a mature product category, not the ideal platform for high growth, and certainly not sustainable at a 6.6% annual increase over the last ten years. Of course, executing a turnaround is not a miracle. It starts with an intelligent analysis of the facts, development of a focused action-plan, and decisive commitment to investment and execution.

Afact that would undermine sustainability that is not unfamiliar to operators of lottery and slots: the HKJC brand was losing its relevance. Even as recently as the 2010 racing season, 75% of horse racing patrons were over the age of 50. The HKJC strategy began with a thoughtful segmentation of their market into nine player profiles:

- Tourists
- Rookies
- Hardcore Players
- Emerging Premier Players
- Premier Public
- HKJC Members
- HKJC Owners
- The Racing Club

Abasic conundrum for product design and marketing executives is how to appeal to a cross-section of diverse consumer profiles. The HKJC's answer was to find ways to deliver a diversity of experiences to meet the needs of the different consumer segments. Different venues were created in the physical environment to appeal to different tastes. This included a variety of club experiences for the patrons to choose from: casual bistro-style, energetic nightclub style, loud boisterous sports-bar style, quieter dining and relaxation, and elegant luxurious. HKJC found a pathway for everyone's needs could not be met: young and trendy, upwardly mobile and past the high-octane exuberance of youth, sophisticated with expectations for luxury and exclusivity, etc. This plan all seems rather common-sensical. Executing a turnaround of this magnitude did not, however, rely on intuition. This customer segmentation model was then coupled with segment-specific levers that were activated to identify and connect with the needs of each customer segment/player profile:

1. Eventful Racecourse: Turn Races into sporting, social and entertainment experience. "Happy Wednesday" turned into a high-impact brand that elevated a mid-week night into a popular 'must-go' event - Whilst retaining the fundamental essence of the track for its established clientele, the Happy Wednesday Brand caters to the younger generation, melding live music attractions in a beer garden and bringing in popular Themed Nights, making racing as a social lifestyle entertainment.

2. Front-end Digital Experience: Mobile was transformed to enrich the entire experience, with user-friendly access and navigability. For instance, experienced players tuned into the Mobile channels to access the best, most detailed betting information. A second screen was added to enable viewing the action live on Mobile. A broadcast TV program was added. "O2O" (Off-Line to On-Line) connects offline physical promotional materials (like tags, flyers, brochures, etc.) with online digital content. QR (Quick Response) code betting was developed. Virtual Reality gear was adapted to help novice racing fans learn about the sport. These and many more changes enhanced the racing experience, with mobile wagering increasing from 14% of turnover in 2011-12 to 33% FY2016-17. The HKJC Mobile app Garnered the "Best Digital Entertainment Award of Hong Kong ICT 2014.

3. Customer Information and Wagering Innovation: Big-data innovation was applied across the board. Countless insights derived from studying the numbers yielded a fine-tuning approach to provide customers with more options and more insight. Big-data analyses enabled countless changes to move through the beta stage to the complete roll-out enhancement stage in record time.

4. Customer Relationship Management: Data-analytics applied to personalize the messaging, and to provide services that appeal to clearly defined customer segments. Racing as Popular Culture: The big-picture goal was to re-brand Horse-Racing as an exciting game that appeals to modern consumers and to transform it into the pop-culture recreation of choice. 40% of the marketing Communications spend was shifted non-racing media. Celebrity affiliations and sponsorships, 3rd party social media platforms, gift shops, co-branding collaborations, and more non-traditional strategies were integrated into the media mix.

The Revitalization Plan has set the foundation for many more years of service to its players, its beneficiaries, and all of its stakeholders. ∎

BLOCKCHAIN AND THE LOTTERY INDUSTRY

Alan Lee, Chief Executive Officer, Risksis Technology

Following article is based on a presentation made by Alan Lee on April 24 in Chengdu, China, the site of the Asia-Pacific Lottery Association (APLA) conference Lottery Today: To Transform or be Disrupted.

Background

In the past few years, there are many news articles, white papers, and seminars on distributed ledger technology, commonly known as Blockchain. While many may consider it a hype, a number of global enterprises have already put the technology in pilot and production use.

As a matter of fact, some of our clients have already placed real trades worth billions of dollars over our block-chain platform. While many people misunderstood the implications of blockchain, thinking it would only disrupt the banking industry, the impacts and disruptions have already rippled beyond financial world.

Innovation Vs Traditional Business

"Banking is more like a traditional business. Management is generally quite conservative in adopting new technology like blockchain. Thus, the industry is unlikely to get disrupted…" is what I heard from a banker in 2015.

Does it sound familiar in lottery industry? Likewise, some people thought that the lottery industry is unlikely to get disrupted, perhaps because it is a monopoly, or that it has endured for decades and longer, or because we just don't like to think we are vulnerable to disruptions.

Let's shed some lights from what happened in the last 2 years of FINTECH? (Financial technology now has its own acronym! FINTECH refers to the industry composed of companies that apply new technology and innovation in order to disrupt traditional financial institutions and intermediaries in the delivery of financial services.)

Most of top management from banking is not concerned about Blockchain or that its growth plans may be disrupted. Some even believe that all the blockchain buzz is only an innovative toy game that will go the way of online pet supply stores valued with multi-billion dollar market caps.

Interestingly in 2015, though, financial institutions put blockchain innovators under an active watch-list. In 2016, many of them even initiated an abrupt turn-around to acquire blockchain startups or form internal strategic workgroups. Today, you find worldwide technology innovation taking center stage in the agendas of those global financial institutions.

What happened? Who moved the cheese?

What is Blockchain

Technically speaking, blockchain can be viewed as a **distributed data storage (decentralized ledger technology).** It facilitates the **"Data Exchange"** while maintaining Sender Identity Authentication, Immutable record history, Security, and Confidentiality. It **resolves the "Untrusted Parties Data Exchange" Problem** by ensuring no one can cheat. By then, it enables the **End-to-end Digitization** dream.

Concept: Facilitation of New Eco-system – Blue Ocean Strategy in Trading?

One of the production examples in financial technology is TFX [1], a Hong Kong-based trade finance block-chain platform. In recent years, the business of international trade financing has been difficult for both banks and traders due to the rising compliance cost and fierce competitions among banks.

Instead of putting existing financial players out of business, TFX block-chain platform creates many new business opportunities for them by digitally inter-connecting untrusted parties across different industries.

By providing a new business value proposition to all stakeholders (banks, exporters, importers) under the new digital financial eco-system, a new set of job opportunities in the value chains is created.

They are now inviting more banks and traders around the world to join, connect and share the fruits of this new eco-system.

In 2015, traditional banking was susceptible to disruption by the blockchain concepts. In 2016, banks are actively adopting this approach themselves as it helps to save operational costs by digitization, as well as expanding their clientele across different regions of the world. They can now increase their profit margins after full digitization with big data analytic features.

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Their trading clients are now happy, as they are getting faster Letter of Credit and financing services. Regulators are also happy as the blockchain platform provides stronger transparency in trade settlement and cash flow auditability.

How might we replicate these digital alliance concepts in lottery industries? And make everybody happy? How might we create a blue ocean in digital lottery industries?

Another Blockchain Application: Bitcoin & Crypto-currency

Another disruption of blockchain technology is crypto-currency. Bitcoin can transmit property globally from peer to peer at extremely low or even no cost.

According to the World Bank's research, the worldwide average cost of remittance is about 8.85 percent of the $514 billion sent each year. In both the US and China, current fees to exchange from bitcoin to the local currency are about 1%.

And the cost of transferring bitcoin is effectively zero.

This new remittance trend has disrupted the global remittance market. It pushes down the costs of global money transfer significantly by dis-intermediating the banks and government.

One concern is that Virtual Currency is not backed by government guarantees. The regulation per each jurisdiction on cross-border cash settlement is still an open question.

There are many crypto-currencies circulating in the market including bitcoin, ethereum, litecoin, ripple and more. The total market capitalization is estimated to be larger than US$61 billion (Source: https://coinmarketcap.com/ as of 2017 May).

Another, less predictable disruption will be in the form of micropayments.

With the fees leverage by Paypal and the major credit card providers, you cannot charge much less than $3 for anything, unless you collect a larger sum like $10, and charge it down slowly. On the contrary you can send as little as 1x10^-8 BTC, a unit also know as Satoshi.

It allows you to charge as little as a penny to read a page or giving out tips. This is an emerging example of how micropayments are doing things not previously possible.

Another blockchain disruptor: Blockchain-based lottery service provider
Recently, a UK service provider (XOTTO) provided a blockchain-based lottery service that replicates the Hong Kong Mark Six Lottery system on Ethereum blockchain. The service provider claims to bring fairness, accountability, transparency and ease of use to the online lottery and gambling system by making use of the distributed ledger technology.

The lottery intends to solve the problem of money withdrawals, commonly faced by the online gambling community. As a blockchain application, all elements are trackable and can be fully automatized. The blockchain lottery allows players to purchase the ticket anonymously, without having to complete the registration process.

The use of blockchain and smart contracts system ensure the winnings are delivered automatically to the applicable digital wallets, thus eliminating the need for players to claim their rewards manually.

The blockchain lottery is powered by one of the crypto-currencies. People will be buying the blockchain lottery with the crypto-currency tokens. Based on the total number of tickets purchased, the resulting lottery jackpot will be paid to the winning ticket holder in the same crypto-currency. Winners will receive the prize directly in their crypto-currency e-wallet from which they had purchase the tickets.

Anyone can search for information on the blockchain about the drawn lottery numbers and transactions, making it completely transparent.

(Note: These disruptors may trigger concerns from the legal and regulation perspective.)

Another Application in Lottery: Cross-party Loyalty points

Blockchain technology can be utilized to issue loyalty points in lottery industry.

One can sell ticket or chip bundles to get more cash in advance to strengthen cash flow, and to operate a customer loyalty programme without high cost.

Since all loyalty points are in digital format, big data predictive analytics can be applied to the blockchain loyalty points to improve understanding of of customer behavior. This is one of the tactics for enriching customer retention and acquisition strategy in the Customer-Relationship-Management

(CRM) databases. Fraud can be detected easily by analyzing the blockchain data. Without blockchain, cross-party loyalty point scheme is impossible.

Another Application in Lottery: Single View of Operations

Blockchain technology can also applied internally to record a holistic 360 view of operations within the lottery company. True transformation means an organization-wide shift in perspective to a single vision that encompasses all lines of business: retailer-based lotteries, resorts, slots, casinos, VLTs, bingo operations … whatever game categories and distribution channels the lottery is engaged in. That vision must be instilled in everything from people and processes, information systems and marketing, to bring all of your internal players to the same table. It's an opportunity to eliminate redundancies, address significant gaps or risks and approach the organization as a single business with deeper insight into customers and markets.

Blockchain Application: P2P Pool in Lottery

Another disruption is the Peer-to-Peer Concept as it applies to the Insurance Industry. It allows a small group of people to form their own insurance pool.

These small groups of users will be rewarded with a cash-back bonus a the end of each year they remain claimless. In other words, each individual policy holder is a part-owner of the insurance pool. This peer-to-peer pool concept is disrupting the lottery industry as it implies no centralized lottery legal entity is needed to hold the events. Think about it.

As an old saying goes, the only thing that is constant is change. Our world keeps changing and our business gets disrupted with every new form of digital transformation. Another part of the business world, the financial industry, has already evolved and adapted to the challenge. How about us? ■

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Scenes from Conference
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Continued: Scenes from Asia-Pacific Lottery Association
(APLA) conference in Chengdu, China

Continued: Scenes from Asia-Pacific Lottery Association
(APLA) conference in Chengdu, China

The Wire Act Was Already Restored

The Trump administration doesn't need to restore the act, a 2011 legal opinion already did

In his April 24 op-ed (http://www.washingtonexaminer.com/restore-the-wire-act/article/2621030), lobbyist Jon Bruning presented several alternative facts about our nation's gambling laws and history. The most egregious error was his assertion that a 2011 opinion issued by the Office of Legal Counsel in the Department of Justice amounted to a reinterpretation of the 1961 Wire Act and that the Trump Administration — presumably newly minted Attorney General Jeff Sessions — must act to "restore" the Act to its original intent. The reality, however, is that the 2011 legal opinion already did that.

When Congress enacted the Wire Act, there was no doubt about its intent, as I detailed in an exhaustive 2014 University of Nevada, Las Vegas study (http://gaming.unlv.edu/papers/cgr_op29_minton.pdf). As then-Attorney General Robert F. Kennedy—who wrote the bill—testified multiple times, it was meant as a tool for the federal government to assist the states in the enforcement of their laws. The point was to target the mafia's sports gambling operations that, via the use of the telephone, operated across state lines and thus out of the reach of state law enforcement. It was not, as Bruning and others now want to believe, meant to create a new and broad prohibition on all Internet gambling.

Congress clearly understood the limited nature of the Wire Act when it enacted the bill. In Senate hearings, for example, Chairman Estes Kefauver asked Deputy Attorney General Herbert J. Miller if the Wire Act applied to lotteries conducted over the phone, to which Miller responded that it would not since the Wire Act was "limited to sporting events or contests."

But years later, the Department of Justice under President Bill Clinton decided that the Wire Act applied to Internet sports gambling, even though the Internet hadn't been invented when Congress enacted the law. Later still, under President George W. Bush, the DOJ also decided — without providing any rationale — the law also suddenly prohibited all forms of gambling, not just sports betting.

This confusion came to a head when two states asked the DOJ if it believed intrastate online lotteries would be a violation of the Wire Act. After two years of reviewing historical documents, case law, and the language of the law itself, the Office of Legal Counsel—the highest division within the DOJ — notified the states that so long as their gambling did not relate to sporting events, the Wire Act did not apply.

This clarification freed states to legalize and regulate Internet gambling, which three, Nevada, New Jersey, and Delaware, did. It also created a new form of competition for certain land-based casinos that did not wish to enter into the Internet gambling fray. And for the last four years, Bruning's client — casino owner Sheldon Adelson — has tried to convince Congress of the need to enact his bill, the Restoration of America's Wire Act, which would rewrite the 56-year-old law, creating a federal prohibition on Internet gambling that never existed.

Surprisingly, the greatest push-back on the bill came from Republicans who saw it as a violation of states' right to make decisions about whether or not to legalize certain forms of gambling within their borders, whether online or off. Many of them rightly viewed RAWA as a dangerous, precedent-setting measure that would make any form of online commerce vulnerable to federal interference and rejected it.

Failing to pass a bill, Bruning and his ilk now turn to the executive branch, demanding that Trump's DOJ do exactly what they've been criticizing the previous administration for: bypassing the uncooperative Congress and unilaterally reinterpreting the Wire Act to create the igambling prohibition they desire. Even for Washington, that's pretty low. ∎
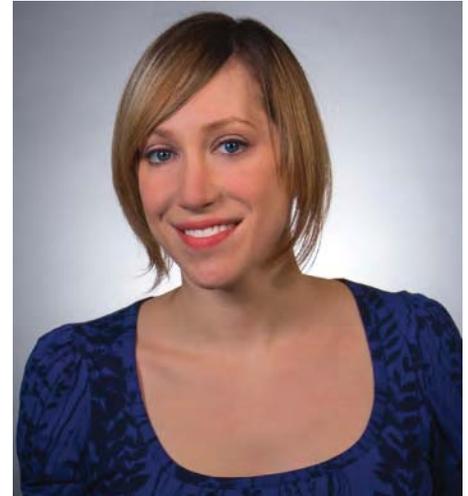
Michelle Minton

Fellow at the Competitive Enterprise Institute cei.org

COMPETITIVE ENTERPRISE INSTITUTE

Michelle Minton is the Competitive Enterprise Institute's fellow specializing in consumer policy, covering regulatory issues that include gambling, alcohol, and food.

Minton has coauthored numerous studies, including topics like the effectiveness and unintended consequences of sin taxes and history of gambling regulation. Her analyses have been published and cited by nationally respected news outlets such as the New York Times, the Wall Street Journal and USA Today as well as industry blogs and publications. She regularly appears on news media to discuss the effects regulation has on individual's health and economic well-being and to propose more effective means of achieving public health goals while protecting the rights of individuals. In addition to her work at CEI, Minton is also a visiting fellow at the Maryland Public Policy Institute.

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LOTO-QUÉBEC OFFERS PLAYERS BEST SHOT AT WINNING $1 MILLION (CAD) WITH THE $100 ULTIME GAME

What would your players do to become a millionaire? On the evening of March 30th, players in the Canadian province of Québec were glued to their television sets, holding their breath in hopes they'd be able to answer that million-dollar question. But first, they had to wait. Would their *$100 Ultime* ticket be one of the 20 winning numbers drawn to win $1 million (CAD) at a live special event hosted by a popular TV host at Loto-Québec's Casino du Lac-Leamy in Gatineau, Québec?

During an eight-week promotional period, Loto-Québec offered players the opportunity to win $1 million with the purchase of the new *$100 Ultime* instant game. Created on all-black holographic stock by Scientific Games, the game launched on February 6th and excitement over the possibility of becoming a millionaire spread like wildfire throughout Québec. In just the first two weeks, 250,000 – half of the 500,000 tickets produced – had already sold at $100 each.

"Players had a 1 in 25,000 chance at winning the million dollars, and everyone clearly liked those odds," explained Anne-Marie Voyer, Manager, Products and Development, Loto-Québec. "Six weeks into the promotion, the *$100 Ultime* game was nearly impossible to find!"

Promoting the game as "your best chance at becoming a millionaire," Loto-Québec encouraged players to buy a game for oneself, a spouse or even as a group. This was the first time in seven years Loto-Québec ran a draw promotion at such a premium price point.

THE LOOK OF A $1 MILLION GAME

The million-dollar payout was not the only feature of the *$100 Ultime* ticket promotion that held players' attention. The premium-priced game was designed with all the ultimate glitz and glamor of Hollywood. The double-sided black tickets were decorated with velvet varnish on one side and *$100 Ultime* ticket emblazoned on the top in holographic text.

"The *$100 Ultime* ticket truly looked like an invitation to win $1 million," said Voyer.

Scientific Games' packaging design for the game included a matching black *Zip Pouch* with velvet varnish and *$100 Ultime* hot-stamped on it. Players had to tear a perforated seal to uncover their ticket.

"We were very proud to have the opportunity to partner with Loto-Québec on the creative development and manufacturing of such an innovative game like *$100 Ultime*. This is the result of Scientific Games' ability to embrace advanced technology innovation for unique instant games and packaging, and deliver a beautiful product to our customer," added Sonia Verdy, Vice President, Canadian Manufacturing for Scientific Games Products Canada.

The company has previously produced *Zip Pouch* instant products for Loto Québec, as well as for lotteries in Sweden, Belgium and other several other countries.

PLAYING AGAINST THE ODDS

The *$100 Ultime* game featured a hybrid ticket with two parts, an instant portion and a draw portion.

The instant portion of the game offered players up to $11 million in prizes with a jackpot of $100,000. Players had a 1 in 4.7 chance of winning an instant prize.

"We were strategic in structuring the prize payout, including a large quantity of free games to win, in order to stimulate sales," continued Voyer.

THE BIG EVENT

Each *$100 Ultime* game had two six-digit draw numbers giving players two chances to win the grand prize. Players had a 1 in 25,000 chance at winning $1 million. At eight weeks, the promotion culminated in the March 30th drawing, when the 20 winning numbers were announced at the Casino du Lac-Leamy. Players whose numbers matched a portion of the first six-digit winning number won cash ranging from $100 to $10,000.

Due to the popularity of the promotion, Loto-Québec decided to broadcast the drawing on live television. Beginning at 7:30 p.m., live
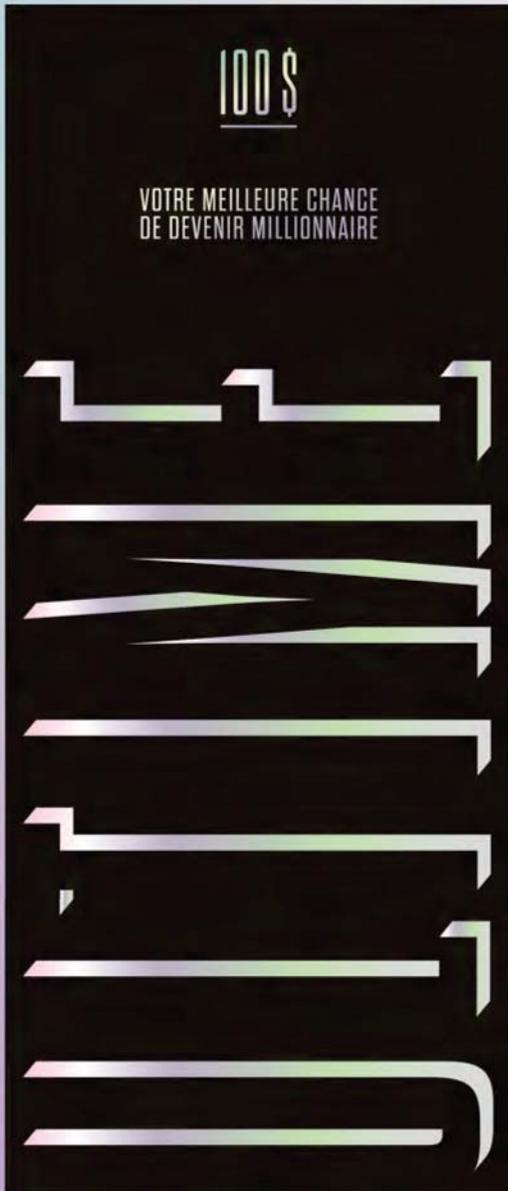
from the Casino du Lac-Leamy, Québec television host Anouk Meunier, along with Loto-Québec revealed the winning numbers drawn for the *$100 Ultime* game during six commercial breaks.

The 20 grand-prize winners were a great mix of individuals, couples and larger groups from different regions of the Province of Québec, including Outaouais, Montréal, Laval, Lanaudière, Laurentides, Montérégie, Mauricie, Capitale-Nationale and Saguenay-Lac-Saint-Jean, to name a few.

A SMASHING SUCCESS

More than 485,000 or 97 percent of the 500,000 *$100 Ultime* game tickets were purchased by players during the eight-week promotion, making it the most popular game in Loto-Québec history.

"We are very pleased with the level of player participation for *$100 Ultime*. The results were truly remarkable and will be long-remembered by those who played the game," said Voyer
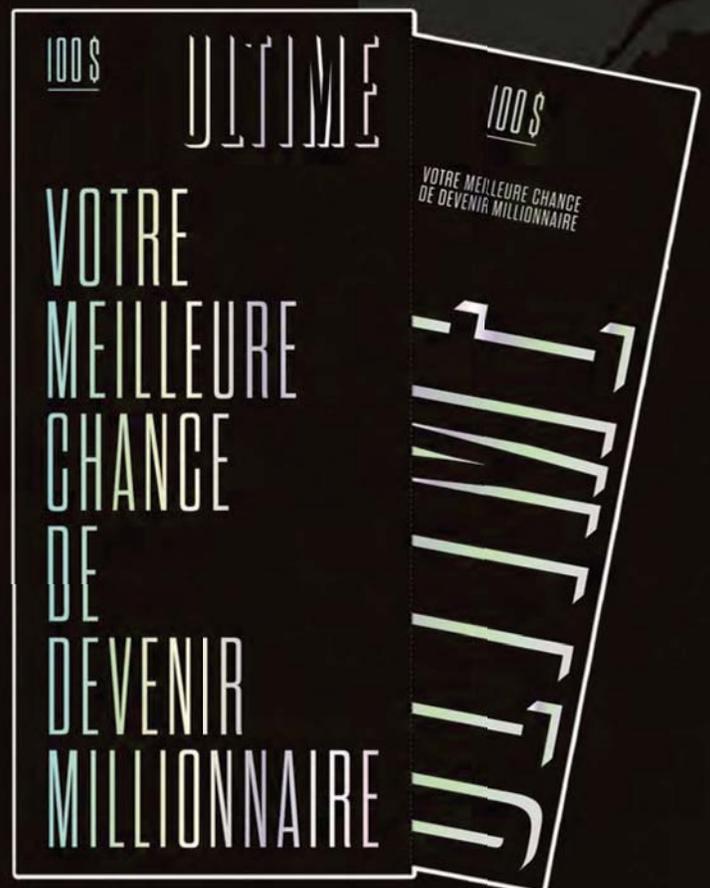
3
YEARS
IN A ROW

**Scientific Games has been internationally recognized as "Lottery Supplier of the Year"
for three consecutive years at ICE Totally Gaming (2015, 2016, and 2017)**

Recognition is always nice. Being recognized three years in row? That's downright humbling. We were honored to be named
"Lottery Supplier of the Year" for the third straight year at 2017 ICE Totally Gaming. The awards summary said it best: "No other company
rivals Scientific Games in the lottery supplier space. On the interactive side of things, it has put blue space between itself and the likes of
IGT and Intralot. For the third year in a row Scientific Games is the clear winner."

Exciting stuff. And further affirmation that the work we do on behalf of our customers – and the results we help them achieve – are real.

SG
SCIENTIFIC GAMES

Because Real Counts

Panel Discussion

Moderator:
Gordon Medenica
Executive Director,
Maryland Lottery

Panelists:

Mark Hichar
Partner and Head of
Gaming Law Practice
Hinckley Allen Law Firm

Bill Murray
Vice President &
General Counsel
Northstar New Jersey
Lottery Group

Lynne Roiter
Acting President and CEO
Corporate Secretary and
Vice President of Legal
Affairs at Loto Québec

Philippe Vlaemminck
Managing Partner and Head
of Gaming Law Practice
Pharumlegal Law Firm

ALTERNATIVE FACTS: ROUNDTABLE ON REGULATORY ISSUES

On March 20, the time of this discussion, exactly two months had passed since Inauguration Day. There was a lot to discuss as to the direction of federal actions as re internet gambling and states' rights to determine regulatory and taxation policy. And where the rubber-hits-the-road: How can government-gaming as an industry fight back against the countless Alternative Facts (e.g. DFS and skill-based gaming are not gambling, legalize and tax commercial operators is a good alternative to government-lottery for channeling economic benefit to society/good causes and protecting the consumer in the games-of-chance sector, iLottery cannibalizes land-based sales, etc.). How can Lottery combat special interests which are influencing the media and legislators at federal and state levels to shape the regulatory dialogue with Fake News?

There are few issues that unite all lotteries, in all countries, than the power of government regulation to determine the future of their business. Regulation is the cornerstone mission-critical issue for government-sponsored gaming. Lotteries need the freedom to operate like a business yet they are constrained to even lobby in the interests of their stakeholders by virtue of their role as government agencies. The growth of gaming on the internet has only complicated matters. As illegal operators are offering access to players through the internet,

individual lottery directors and leaders who reach out to legislators, and others are working tirelessly to protect the interests of lottery stakeholders. Every year in New York, PGRI hosts presentations and panel discussions with some of the key actors in these regulatory battles.

The regulatory panel was a reunion, of sorts, from a year ago and as the participants stated, much has changed in that year. Leading the way was the election of a new U.S. president and the naming of a new

> It is vital that traditional lotteries do whatever can be done to minimize attrition to online gaming categories. Once players migrate to higher prize payout online games, it is quite difficult to get them back.

from poker to Daily Fantasy Sports, lotteries now need to compete on an uneven playing field. The battles are many, on varying terrain, and are critical to the continued growth of lotteries' revenue streams.

Fortunately for the lottery industry, there are dozens of professionals monitoring the situation and fighting for the rights of states and their lotteries. Trade organizations like NASPL and WLA, state Attorneys General,

attorney general, both of whom appear to have strong opinions on gaming. President Trump, of course, has owned land-based casinos and his candidacy was supported by Sheldon Adelson, chairman and CEO of Las Vegas Sands, who wants to prohibit all online gambling, including the entry of lotteries into online gaming. Trump's attorney general, Jeff Sessions, has gone on record stating that

he will review the Department of Justice's 2011 opinion that clarified the Wire Act and determined that the Wire Act does not prohibit states from legalizing and regulating online gaming (except sports betting). U.S. Attorney General Sessions may or may not prioritize his agenda to revisit this USDoJ opinion. If he does, however, this could have dramatic impact on the rights of states to enable their own state lotteries to make their products available online.

A veteran of this fight is Bill Murray. Formerly general counsel of the NY Lottery, Bill was at the NY Lottery as it advanced from a mail-in only subscription program to allowing people to register online. At the time, he assumed that was step one towards making a variety of lottery products available for purchase online. But the U.S.

while newly appointed Attorney General Jeff Sessions, who said he was "shocked" by DOJ's 2011 opinion, has promised to give "careful study" to the possibility of a policy reversal even without new legislation, all with the support of casino billionaire Sheldon Adelson.

Mark Hichar is likewise concerned about the impact that actions of the current administration could have on US lotteries. "As the most prominent supporter of the RAWA bill, Sheldon Adelson has famously vowed to spend whatever it takes to get the U.S. Congress to impose a nation-wide ban on internet wagering. It's been reported that Adelson has donated $100 million to Republican causes, in part to influence legislation banning internet-gambling,"

appointee – without any debate in the U.S Congress."

Much of the recent discussion around internet gambling has been sped up by the meteoric rise in Fantasy Sports gaming, particularly Daily Fantasy Sports (DFS). DFS is different from Fantasy Sports in that it does not last a whole season. Rather, it lasts a day – you draft your players in the morning, and by the time the games are over in the afternoon or evening, you know who won. In other words, DFS is much more like "gambling" than Fantasy Sports. Another difference is that while regular Fantasy Sports typically focuses on playing year after year in a league with your best friends, Daily Fantasy Sports is usually played more online with random competitors you're matched against. But as Gordon pointed out, the discussions haven't been so much about DFS as about gambling online.

"We all thought that DFS was really just a way for people to legally engage in sports betting," Gordon said. "Recent research has shown that DFS has taken some share from the lottery industry. And the bigger point is that DFS has also pushed the major sports leagues to look more closely at the sports-bettor. The NBA, MLB and MLS have softened their positions on gambling, and seem prepared to accept it under effective regulation. The big gorilla – the National Football League – isn't there yet. But I think they'll come around."

> The best defense against those who might want to abrogate the rights of states to allow their lotteries to sell online is to already be there, to have your online presence be a fait accompli that your stakeholders, especially your own in–state legislators, will fight to preserve.

Department of Justice had other ideas and told the New York and Illinois Lotteries that "any intrastate transmission across state lines…is a violation of the Wire Act." Fast forward to 2009 and Bill and others were finally able to meet with the DOJ to state their case as to why U.S. lotteries had a right to sell products on the internet. Two years later, the DOJ released a revised opinion stating that the Wire Act only applied to betting and wagering on sporting events, not lotteries. All settled, right? Well, not exactly. Enter the Restoration of America's Wire Act (RAWA) and other bills that have been proposed in recent years. Senator Lindsay Graham of South Carolina and Representative Jason Chaffetz of Utah (who just announced he is leaving Congress) have urged passage of RAWA to force a return to the previous federal policy of prohibiting internet lottery sales,

Mark said. "Donald Trump voiced his support of internet gambling as recently as 2011, as did Ivanka Trump. One would think that would translate into support of each state's right to decide for itself whether to legalize and regulate internet gaming within its boundaries. But today the world has changed. While President Trump is now in a position where he can actually support states' rights regarding iGaming, he is also in a position where a whole raft of constituents – including Sheldon Adelson, who contributed $25 million to help the Trump presidential campaign – are likely pressuring President Trump to step away from his prior endorsement of iGaming and now support an iGaming ban." Mark cautions that "We need to be concerned about this because the 2011 ruling of the USDoJ could be rendered ineffective by the Attorney General – President Trump's

One of the largest barriers to legalized sports betting, and the barrier that separates the United States from the rest of the world, is the National Collegiate Athletic Association (NCAA). College sports, as overseen by the NCAA, are a ratings behemoth for television and a lucrative revenue source for legal and illegal land-based gambling. Due in large part to the fact that the games, for the most part, are played by 18-22 year-olds and are considered amateur athletes, the NCAA has long fought against legalized sports gambling.

Absent the anti-betting actions of a college athletics association like the NCAA, Europe has been able to grow sports-gambling, thanks in large part to lotteries. Philippe Vlaemminck has followed the progress as it has grown from basic pari-mutuel betting to the more-popular fixed

odds betting. Margins on sports gambling are much tighter than in traditional lottery games. Online gambling and sports-betting are an important part of the portfolio of products, but mainly to position Lottery as a full-service games-of-chance destination and to attract players from other game

your own in-state legislators, will fight to preserve. Retailers are a valuable stakeholder and powerful politically as well, so addressing their concerns and overcoming opposition from distribution partners is a rather important first step."

after all, an asset owned by the government of the people. Elected officials owe it to their constituents to at least consider the input of their own lottery directors in their quest to formulate the policies that serve the best interests of their constituents. Eliminating illegal gambling, channeling economic

> Eliminating illegal gambling, channeling economic benefit away from criminals and towards the support of good causes, is an agenda that should be supported by responsible legislators. Enabling their lotteries to stay connected to their customers in the online world is the way to do that.

categories over to higher margin traditional lottery games. "With payouts up to 95%, the payout in online gambling is substantially higher than lottery," Philippe said. "Players do respond to the higher prize payouts and the easy access of online gaming. That is why it is important for the lotteries in the United States to make their products available online. Traditional lottery products continue to hold tremendous consumer appeal. But if you combine the higher prize payout of other online gambling products with a lack of presence of traditional lottery in the online universe, traditional lottery is vulnerable to losing market share. *It is vital that traditional lotteries do whatever can be done to minimize attrition to online gaming categories.* Once players migrate to higher prize payout online games, it is quite difficult to get them back. Conversely, the digital market-place is a fabulous platform for traditional lottery operators to refresh their connection to the consumer and augment the overall value proposition of lotto and instant scratch-offs to their players."

The sentiment was echoed by Lynne Roiter. "Given the brand recognition of U.S. lotteries and the stability of the lottery monopoly model in the U.S, it is clear that right now is a crucial window of opportunity for state lotteries to establish their online presence and connection with the consumer. The best defense against those who might want to abrogate the rights of states to allow their lotteries to sell online is to already be there, to have your online presence be a fait accompli that your stakeholders, especially

Retailers are not only a vital stakeholder, they have power to interfere with lottery's ability to move online. Insofar as they believe lottery's initiatives to sell online compromise their own financial interests, they are inclined to oppose such initiatives. The impact of retailers was evidenced recently in Virginia where a bill to allow iLottery products has been delayed at least partly as a result of the vocal opposition of retailer groups.

"There is so much data from all around the world, from the Canadian lotteries as well as WLA members in Europe and Australia, that must be shared with American lotteries," Lynne said. "The data shows that online sales have not negatively impacted the sale of traditional lottery products at retail. That empirical fact applies not just to some lotteries and markets, but to almost all. The whole world can't be wrong! The American markets and the markets in other countries aren't that different. We sell in the same kind of stores, we pay about the same commissions. We offer similar products. I hope that this reality, the years and even decades of real-world data, can help the U.S. lotteries make the case for online gambling, or at least iLottery."

"It's no secret that the U.S. is the country with the strongest sports betting market on the internet, in spite of being illegal," she added. "I know it can be difficult for lotteries to exercise influence on the process of formulating regulatory policy. But their cause benefits society, their aim is true, and hopefully shapers of public policy appreciate the value of their concerns. The lottery is,

benefit away from criminals and towards the support of good causes, is an agenda that should be supported by responsible legislators. Enabling their lotteries to stay connected to their customers in the online world is the way to do that."

Gordon pointed out that it is not just sports betting that operates on very low margins. All online gambling, including Fantasy Sports and DFS, operates on very low margins. The issue is not so much about increasing sales and funds to lottery beneficiaries. It is about staying relevant to the existing base of players, making lottery available to the next generation of players who rely on digital commerce, positioning lottery with the tools to combat illegal gambling, and channeling economic benefit to society.

There is one important benefit to the delayed entry of U.S. lotteries into the online world. They now have the benefit of real-world data to support their argument that making their products available online augments retail sales and is mission-critical to the long-term sustainability of lottery. And they have the benefit of colleagues from around the world who can provide insight and guidance on how to make the case to our political stakeholders who determine public policy. These experts will be invaluable resources as lotteries decide which path they want to take towards ensuring that they are positioned to compete and win in a highly competitive games-of-chance market-place. ∎

The Damage to Brand Lottery Caused by Lottoland and Illegal "Secondary" Lotteries: A Call to Action

Before exploring the ways and means to displace illegal operators from the marketplace, we should begin by clarifying what it means to be an illegal operator, define the difference between legal and illegal lottery. That definition varies depending on the continent, the country, or even within the jurisdiction you are taking as a reference. Let's refer to the definition articulated by the Council of Europe Convention on the Manipulation of Sports Competitions. It addresses the issue of match-fixing in sports, but it is a definition that can apply to all forms of games-of-chance. It is the first time that an international institution has endeavored to clarify the boundaries that separate legal from illegal gambling. Article 35A of the Council of Europe Convention on the Manipulation of Sports Competitions establishes that any sports betting activity whose type or operator is not allowed under the applicable law of the jurisdiction where the consumer is located is illegal. By perfectly logical extension, this definition applies to lottery and other games-of-chance. Just substitute the word "lottery" for "sports betting". This is a sound, reasonable definition that respects the laws and authorities vested to each individual member state of the EU. In the U.S., that definition applies to Lottery but not to sports betting (which is prohibited by U.S. federal law in all but four states).

The key part of the sentence is "where the consumer is located" as opposed to where the operator is located. The members of the illegal gaming community are continually exploiting new developments in technology and legal loopholes to claim that a legal license in one jurisdiction entitles them to operate in all without regard to the legality in the jurisdiction where the consumer resides. This posture enables them to essentially hijack the revenues of legally licensed operators all around the world, depriving the good causes supported by licensed operators and channeling those profits over to private shareholders. The evidence of this is already having a big impact in Europe and Australia.

The business model of these "secondary lotteries" works like this: First, they technically are not operating a lottery. Instead, they are operating a betting shop which takes bets on the outcomes of legitimately licensed lotteries like Powerball, Euromillions, EuroJackpot, Mega Millions, and many other games. But, take a look at their website (for example, lottoland.com). The headline is "Play Lottery, Games and Scratchcards Online at Lottoland.com". The brand logos are not exact replicas of the actual brands, but they are very close and would appear to the consumer to be the same. In other words, the consumer is led to believe they are buying the branded lottery product from

a legal and licensed operator. In actuality, the consumer is placing a bet with an operator legally licensed in Gibraltar or Malta or some other haven of low taxes and minimal regulations and blatant disregard for the laws of other countries, but illegal and unlicensed in many of the jurisdictions where they operate. That is why they are called "secondary" lotteries. It is like selling a derivative of the lottery product.

There are reasons why it is very difficult to enforce national laws to prevent this kind of illegality. The European Union efforts to harmonize and liberalize trade among its member states serves to make all economic activities operate competitively, on an equal footing and even playing field. This is a commendable objective in the provision of most goods and services and is a founding principle upon which the EU is based. Gambling, though, was recognized even in the original treaties as having social costs and being of service for governments to channel economic benefit back to the service of society. It was excepted from the EU rules that require free and open cross-border competition. The market-driven mechanisms that drive down costs and drive up consumption maximizes efficiency and works well for almost all economic sectors. It does not work well for gambling because the goal in this sector has never been to maximize consumption or to maximize wealth for private shareholders. The European Union Commission hopefully recognizes these facts. Unfortunately, they are not taking action to provide the legal tools to eliminate illegality in the marketing and distribution of lottery games. This lack of decisive action creates legal ambiguities and loopholes through which these illegal operators are driving a well-funded attack on the businesses of legally licensed lottery operators, not just in Europe but all around the world.

The business model of the parasitic secondary lottery is simple. The private operator receives a remote gambling license from a low tax domicile such as Gibraltar or Malta in Europe. The operator offers fixed-odds betting on the outcomes of the state authorized lotteries. They sell online across jurisdictional boundaries. Since they

do not pay anything to support societal good causes in the jurisdiction where the consumer resides, they are generating huge profits. They pay taxes to their host jurisdiction, but that is typically less than 2% of net income, nowhere near the 20% to 25% of gross revenues contributed by authorized state lotteries.

How do they honor prize-payout to winners? The secondary operator takes out insurance. International insurance companies and others sell insurance that covers that liability up to a certain amount. When the jackpot size exceeds the cost of the ticket, the secondary operator may choose to outsource the risk back to the lottery by simply buying the tickets from the lottery. How do they make money if sell the ticket

> ## "We must clarify not only why secondary lotteries are harmful to government lotteries. We must clarify why they are harmful to society."

at the same price as they pay for the ticket? They don't. But they make so much money in the run-up to that threshold that it does not matter. In fact, the secondary lotteries typically offer bonus plays and incentives to register that authorized lotteries are not even allowed to offer. They sell online so their costs are minimal. They do not incur the product development and marketing costs to build the game brand because those costs have already been borne by the authorized lotteries. As can be seen on their websites, they misrepresent themselves to make it appear to the consumer that these are their products which in effect means they are stealing intellectual property and expropriating the advertising, brand-building, and good-will that authorized lotteries have invested in and created over many decades. Their hook (as advertised on Lottoland.com) is "The odds of winning the jackpot are more favorable than other major lotteries, such as

EuroMillions, Mega Millions, or Powerball".

And what happens if or when the secondary lottery fails to pay the winner of a big jackpot? Clearly, that will blow a big hole in the brand value of legitimate lotteries. Think about it. The consumer wins a big jackpot and perceives the secondary lottery as being legitimate. The licensed operator advises the player that the ticket they hold is not legitimate, that the licensed operator is not obligated to honor their winning bet because it is not actually a lottery ticket. Telling the player to sue the operator in the host country will not likely settle the matter! It is our product, our brand, the value of our licensed lottery business that will be damaged. The PR backlash and potential legal issues are frightening. We should be planning for the day when a player wins a $100 million or 100 EURO jackpot that is not honored by the betting shop misrepresenting itself as a legally licensed lottery.

Lottoland is not the only secondary lottery, but they are the biggest and the one who has most flagrantly and effectively exploited the loopholes that enable unlicensed operators to sell lottery products online across jurisdictional boundaries. Their marketing is creative, aggressive, and effective. Legally licensed in Gibraltar, Lottoland began operations in 2013 and exploded on the scene over the last three years. Now, they are also legally licensed by the UK Gambling Commission, the Republic of Ireland National Excise License Office, and the Northern Territories Racing Commission in Australia, and operate legally in Sweden, Hungary, and Poland. But, but they also offer their products anywhere else without license or authorization. Through its websites, Lottoland offers fixed odds betting on Powerball, Mega Millions, Euromillions, El Gordo in Spain, Euro Jackpot in Europe and more than twenty-five other games. And they are aggressively moving into other products like online Instant as well.

In Australia, Lottoland received its license from the Northern Territory government in December 2015. They began operation just in time for the record-breaking $1.56 billion Powerball last year in January. Within one

week of commencing operations in Australia it had attracted 250,000 clients drawn by the possibility of playing Powerball and winning the huge jackpot from Australia. By the end of 2016, Lottoland had a customer base of 400,000 and accounted for 8% of the online spend in the Australian market, or 1% of the overall market of 2 billion Australian dollars. Worldwide, Lottoland now has a customer base of 5 million people. They now have the marketing experience, the established customer and revenue base, and the legal and political know-how to continue this drive of exponential growth.

The U.S. has been successful at implementing enforcement mechanisms against illegal i-Poker operators. This is so important because it demonstrates that there are effective tools to prevent illegality in all gaming markets. Illegals, including secondary lotteries, can be stopped. But only when there is the political will to make it happen. Even in the U.S., the measures that were deployed to great effect against illegal i-Poker operators have not been deployed against illegal sports-betting operators. How can U.S. lotteries be confident that the illegal operators will not find a way to penetrate the U.S. market like they have everywhere else? Or that U.S. law enforcement mechanisms will be applied to stop them when they do? What will happen when the secondary lottery operator sells a winning Powerball jackpot ticket and fails to honor it? Or that with success after success at circumventing the laws all around the world, illegals like Lottoland isn't right now thinking about the ways to enter the U.S., the biggest market in the world? All of these things will happen eventually if we do not take action now to stop the global proliferation of illegal lotteries.

Lottoland's most recent initiative is to launch its own global lottery game called WorldMillions. The game metrics they use are derived from games the players are familiar with, like the German keno game, the ToiToiToi of the Austrian Lotteries. The jackpot on offer is 150 million Euros every week which is significantly higher than the traditional German Lotto. And the odds are better: the advertised chance of winning the WorldMillions jackpot is one in 100 million whereas the chance of winning the German

Lotto is one in 140 million. So, Lottoland leveraged the initial abuse of intellectual property and brands of licensed lotteries to establish this beach-head for developing its own portfolio of branded products. And they are applying to get licensed in markets

"The regulated gaming sector needs to act in concert to help our political constituents and regulators appreciate the urgency of the threat posed by secondary lotteries."

like Germany. They may not succeed in the short-term. But we have already seen how these situations evolve. They will capture more and more market-share so the jurisdictional authorities are pressured to collect taxes on this revenue. The only way to do that is to license and tax them. The morphing of illegal secondary lotteries into licensed operators is potentially catastrophic for state-owned operators.

So what can we do? First, understand the nature of this threat. Second, we must clarify not only why secondary lotteries are harmful to government lotteries. We must clarify why they are harmful to society. Commercializing the marketing and promotion of gambling and lottery as though it is no different than Consumer Packaged Goods poses many problems for society, which makes it terribly irresponsible public policy. Besides leaving the customer with little or no protection again excessive gambling behaviors, it channels economic benefit away from good causes that Lottery supports over to private shareholders. Secondary lotteries operate with no transparency, and no accountability for the security and integrity of their products in the jurisdictions where they are sold. They offer little protection for at-risk groups including minors and those with addiction problems. They pay little or no tax in the jurisdictions where they operate. Further, by legitimizing the actions of secondary lotteries to violate the intellectual property rights of regulated lotteries opens the door to the destruction of patent and copyright laws that protect all other businesses and owners of brands. What would prevent a start-up consumer electronics company from branding itself as Apple and selling knock-off i-phones?

Australia and others offer examples of effective action to at least defend trademarks.

Lottoland was successfully sued to prevent it from using the Tatts' Quick Pick trademark as a result. Similarly, the EuroMillions and EuroJackpot communities have initiated proceedings to protect their intellectual property rights. We all need to take more aggressive legal and political action.

The regulated gaming sector needs to act in concert to help our political constituents and regulators appreciate the urgency of the threat posed by secondary lotteries. The capability and technologies do exist to prohibit illegal online operators from entering a market. The laws do exist that make it illegal to operate the w ay secondary lotteries operate. They just need to be enforced. At the same time, we should also explore market-driven responses, how to effectively compete with better products, promotions, retailer relations, and all the tools we have available to us. This is something that should be discussed in meetings such as PGRI, European Lotteries, NASPL, World Lottery Association, and other association and industry events.

This is a fight that we can win. Governments around the world depend on their lotteries to generate funds to support good causes. They depend on lotteries to establish the highest standards of transparency, security, integrity, responsible gaming, and protection of the consumer. The brand value that took decades to build is owned by the government of the people and they want to protect that value for future generations. There is no lack of incentive and compelling reasons for our political constituents to protect the value of their lottery. We just need to find a way to mobilize the political will for the defenders of the people to enforce existing laws and regulatory policy. That is no small task. It will take the work of of the professional associations of NASPL, European Lotteries, World Lottery Association, Cibelae, APLA, and Africa Lotteries to defend the rights of lottery stakeholders. It will ultimately depend on the full engagement of all of us who are dedicated to the preservation of the lottery model and the stakeholders it serves. It's up to us. ∎

Lottoland Launches Worldmillions, The World's First Global Lottery

PGRI Note: Lottoland is a private betting company which sells bets on the outcome of branded lottery products. Check out its website at lottoland.com. Read the adjacent article by Jean-Luc Moner-Banet. And think about the implications that this business model has for state-operated lotteries.

The world's first global lottery has been launched by rogue "secondary" lottery operator LottoLand. Lottoland claims that "WorldMillions" will offer the largest guaranteed prize in the world, and frequently will represent the largest jackpot in the world on a week to week basis. The new product will be available exclusively through Lottoland and will take place every Thursday and Sunday. The Sunday draw will offer a guaranteed prize of £100m; the Thursday jackpot will be fixed at £50m.

Lottoland also claims that the odds of winning the jackpot are more favorable than other major lotteries, such as EuroMillions, MegaMillions, or PowerBall. To play, customers will choose an eight-digit number between 00,000,000 and 99,999,999. Each number will be sold just once, so the winner will always receive the full jackpot. As an added feature, customers can reserve their favorite numbers. Tickets are available for £10 on Sunday (and £5 on Thursday). Players also may purchase 1/10 shares from just 50 pence. By purchasing a 1/10 share of numerous lines, players can increase their chances of winning.

Lottoland claims that WorldMillions and its other games are backed by insurance which protects the business against large pay-outs. To date, Lottoland claims to have paid out more than £400m, with the largest individual lottery prize of £19 million paid last year.

Regarding the launch of WorldMillions, Lottoland CEO, Nigel Birrell, said, "We're delighted to be able to announce the launch of our first bespoke and exclusive lottery betting product, World Millions at the time the Gambling Commission is calling for innovation within the industry.

"Innovation is what drives everything we do at Lottoland. We are not afraid of experimenting, however we never lose sight of what our customers want. WorldMillions will be the first of several major innovations that will be introduced in 2017 and that will see us further establish our business as a truly world leading operator in the lottery sector."

Lottoland has recently called upon the UK government to open a far-reaching review into allowing consumers to bet on non-UK EuroMillions draws after claiming that a recent consultation found no evidence that its product has impacted ticket sales in the UK. Based on that, the operator is calling for a review period lasting for a minimum of two years before any final regulatory or legislative changes to lottery betting are made.

SMARTPLAY, THE NEXT CHAPTER: DELIVERING CUSTOMER-CENTRIC SOLUTIONS TO THE LOTTERY INDUSTRY

Tom Markert, President, Smartplay

Tom Markert, President

SMARTPLAY INTERNATIONAL, INC.

Lottery is in one of the most exciting stages of its long illustrious life. Reimagining how to meet the needs of a consumer market that is changing so quickly is never easy. But it is exciting to think about the possibilities for Lottery, with its brand awareness, reputation for integrity, network of retailers, and massive player base - assets that have been built over many decades. Smartplay is reinventing the next generation of strategies and products to turn the Draw itself into one of Lottery's most powerful marketing tools. And we are excited about the opportunity to be a part of the next chapter of Lottery growth.

Our traditional focus has always been on the technology and security of the Draw implementation. Security and integrity will always be the singularly mission-critical feature of Smartplay's drawing systems. That's the way it has always been and always will be. But we have been reimagining the way that the Draw can contribute to a broader range of Lottery objectives. Thinking of the Draw as content that can be used to drive consumer engagement has led us to reinvent the role of the Draw as a powerful marketing asset.

The draw event is iconic. Part of our focus moving forward is creating more excitement and visibility around the draw to generate player engagement and drive more sales for our clients. For many years, the televised draw was a marketing event that attracted viewership and served to connect the consumer with the thrill of the main event, the drawing of winning numbers.

Now that media has exploded to include countless channels of communication, television is no longer the dominant force that it once was. That's not necessarily a bad thing since the TV broadcast time was always too expensive anyway! New digital media now provide a whole new landscape that may be a little more complicated, but is far more effective at reaching the intended audience. The innovation that Smartplay is now delivering in the form of the Origin Portal is turning the magical moment of the Draw back into a marketing player-engagement event.

The Draw is, after all, the climax of the game that millions of consumers play on a daily basis. That is the moment when it is revealed whose lives will be forever changed for the better. Our goal is to connect the players to this main event, to integrate the thrill of that moment, the reveal of who the winners are, right into the playing experience.

The Smartplay Origin Portal integrates the content (i.e. the outcome of the Draw but also any other Draw information that you want to distribute) with the communications tools to disseminate the information in real time across online media. The Origin Portal digital transmission of Draw information to the media works just as well with both mechanical or electronic-based system. The fact that it involves minimal labor/oversight is certainly a benefit. But the more critical advantage of integrating the automated broadcast right into the system is that it eliminates the multiple iterations and the inevitable mistakes that happen when people are re-keying or relaying information for media broadcast.

I believe there will always be a demand for mechanical drawing systems. The mechanical draw system provides the visual that many still use for effective event-marketing. And some gaming cultures will always be more confident in the integrity of the mechanical draw systems. Of course, that is just a consumer perception. Like mechanical systems, the digital draw system is 100% reliable. There is zero tolerance for anything other than 100% integrity of the Draw! But we also want to be responsive to consumer perception and deliver the player experience the players value most.

Smartplay is applying its resources to enable us to contribute to Lottery's big-picture mission of connecting with consumers, attracting new players, and optimizing performance for the benefit of good causes. The Draw as marketing content and promotional tool is an under-utilized asset and that translates into opportunity for Lottery. Building the platforms that enable us to communicate with tens of millions of players is so key to achieving that potential. Smartplay's dedication to that goal has already resulted in great products that launch the Lottery Draw into the new world of digital media. We are just scratching the surface of potential for digital marketing strategies to transform the industry. There is only upside for Lottery to build out the most robust digital marketing presence it can. ■

SMARTPLAY INTERNATIONAL ANNOUNCES SIGNIFICANT CHANGES IN LEADERSHIP

Smartplay International, Inc., a global lottery drawing technology and equipment company, recently announced several new positions to manage company growth and new business development initiatives.

Current President and company founder David Michaud steps down as president, assuming a client support and operations role. Michaud founded Smartplay in 1993, growing the company to 35 employees and working with over 200 lottery organizations in 85 countries.

Executive Vice President Tom Markert assumed the role of president as of May 1, 2017. Tom, also a founding partner, was the first employee of Smartplay in April of 1993. He entered the lottery industry in 1988 as an engineer at Beitel Lottery Products. Over the years, Tom's role has expanded from overseeing manufacturing to sales and client services.

Smartplay has tapped Darrell Smith, former creative director at SCA Gaming and principal of Game Creative, to lead their sales and marketing efforts. Darrell Smith assumed the title of Vice President, Sales and Marketing on May 1. He will focus on expanding the company's digital product line globally as well as spearheading expansion into the gaming space. Smith has served the gaming industry for the last 13 years, eight years as creative director at SCA Gaming and then as principal of Game Creative -- a game development and marketing company.

Lottery veteran, Sales and Marketing Associate, Mariana Mokritski will concentrate her efforts on servicing existing clients with current and future projects.

"These changes will give us the foundation to manage our future growth and innovation. We've had great success with our new digital systems and are focused on sharing this story globally," said Tom Markert. "Darrell brings the experience in marketing, digital development and gaming to assist in our growth as we see the gaming and lottery industries continue to converge."

Markert notes that the company is experiencing no slowdown in the manufacturing of traditional lottery systems. "What we're seeing is an increased interest in the security that traditional mechanical machines provide. Our growth is coming from innovative lottery organizations that are combining both digital and mechanical systems."

Smartplay International designs, manufactures and supports lottery drawing equipment, digital drawing systems, custom game show equipment, and related products. Over the last 24 years, the company has served over 200 of the world's most prestigious lottery organizations in over 85 countries. Smartplay is ISO 9001-2008 certified and adheres to a strict manufacturing and quality control process. ∎

Darrell Smith, Vice President, Sales and Marketing

Driving Revenues Across the Multi-entity Lottery Ecosystem

intralot

George Theofilopoulos

Director of CRM
in the Product and Services
Division of INTRALOT

From the traditional retail environment over to the online ecosystem, Lottery organizations have always been trying to manage and drive each stakeholder independently. By using different, unconnected tools they have strained to maximize the performance of retailers, chain heads, sales representatives, account managers, employees, anonymous players or registered customers. Inspired by Aristotle's famous quote that "The whole is greater than the sum of its parts", INTRALOT gives Lotteries the opportunity to tackle the gaming ecosystem in its entirety, rather than individual units. By exploiting INTRALOT's portfolio of supreme products, operators can enhance their retail network, boost sales through all channels and eventually increase their players' lifecycle value.

Our product solution includes two distinct, yet interconnected CRM products: the newest INTRALOT Retailer Pulse for reshaping the retail universe by empowering retailers, leveraging technology and streamlining operations, and INTRALOT Player Pulse for acquiring, converting, engaging and retaining players, and in general managing their activity across both retail and online channels.

INTRALOT Retailer Pulse - The Retailer at the center

INTRALOT's tried and tested Retailer Management System has evolved into an end-to-end solution that consolidates the company's multiyear experience in retail operations around the world. Retailer Pulse is a CRM platform that touches all of the retail network's entity levels, from sales reps and field support technicians all the way up to the operator, and aims to become the technological heartbeat behind today's corporate sustainability and growth.
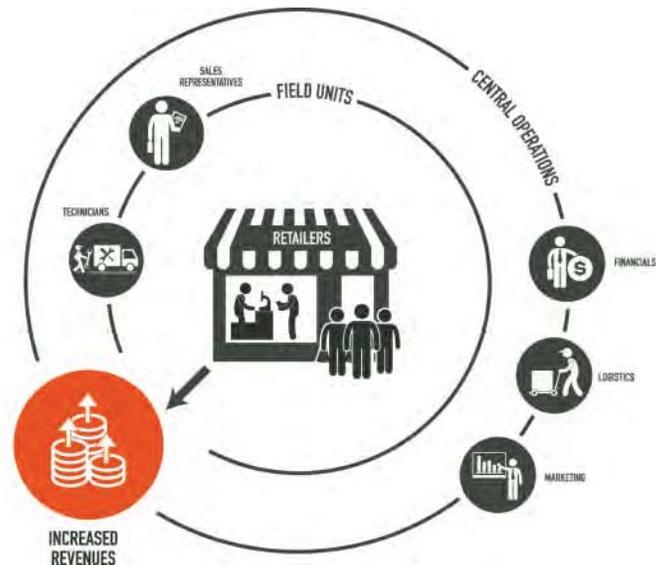
The platform consists of three functional pillars that can be managed through a single intuitive user interface. Network Management and Financials is the core functionality, facilitating the organizational structure and accounting of retailers. Here,

back office users easily handle retailer life-cycles including all involved network entities.

The Engagement Engine on the other hand, redefines incentives in order to create profound retail experiences for players and thus increase revenues. It provides a holistic campaign mechanism that synchronously motivates retailers, sales reps, employees and in-store players - registered or anonymous.

For example, by making use of the campaign tool Lottery operators can create incentives for retailers and store employees that reward Happy Hour sales of specific games. By binding these stimuli with in-store player promotions that reward involvement with those games at the same time of day, retailers are empowered to upsell products.

To be relevant however, and see where, when and to whom the Happy Hour promotion should be offered, segmenting is deemed as mandatory prior to incentivizing. Retailer Pulse offers that. Under the "Define once, use everywhere" principle, the platform's real time segmentation tool consists of a multiplicity of rules from retailers' properties to periodic sales per game, profiling and status levels. Targeted groups may be used for promotions and achievements, communication to multiple touchpoints, performance monitoring and reporting. Localized profiling algorithms, a blend of qualitative and quantitative data, offer Lotteries the chance to strategically group retailers and present them with the most suitable offering mix.

Furthermore, Retailers' Club schemes act as the long-term retention stronghold where retailers earn redeemable points based on their sales, and are then rewarded through player referral schemes based on full or partial player registrations at their POS, as well as revenues generated by those eponymous players.

The third functional pillar of Retailer Pulse concerns Logistics. The module here caters the Lottery's warehousing and logistic needs ensuring that network operations remain uninterrupted. Back office users get a mission control view of all lottery hardware in the shop, from terminals and printers to various screens, while real time alerts offer an instant indication of possible device

malfunctions. Moreover, a customizable suggestive ordering mechanism simplifies consumables management from scratch tickets paper to game coupons. Additionally, the Request and Ticket Management module involves ticket opening, assignment, routing and escalation, offering Lotteries a cross-platform tool to efficiently pinpoint operational needs and assign appropriate staff to fulfill those requirements.

To wrap up, Retailer Pulse also aims at helping lotteries make the right decisions based on unrivaled insights. The platform offers preconfigured and ad-hoc reporting

capabilities distributed across all functional pillars, with consideration to each business user's specific needs. At the same time, portals and native mobile apps make information available across all entities.

INTRALOT Player Pulse - The Player at the center

Player Pulse is the evolution of an award-winning gaming CRM product for players. Either as stand-alone or in full cooperation with Retailer Pulse, the platform represents our innovative, highly-performing solution that meets the growing demands of the gaming industry, enabling the expansion of sales across all retail and online sales channels. It is a product with unrivaled cross-channel experience management capabilities.

With this solution Player Account Management is redefined to support Click

and Mortar journeys under the concept of a single account and a universal wallet. Plus, by committing to WLA and international principles and standards for responsible gaming, INTRALOT has integrated all responsible gaming practices and technologies into its CRM system. For example, multiple generic and personalized limits are available to the operator and the players for regulating their game.

At the same time, Player Pulse tackles fraud by incorporating numerous parametrical rules that assign fraud points per player segment. The total points accumulated per player are used to classify the individual and define login, deposit, withdrawal and wagering restrictions.

On the marketing side, Player Pulse offers all functions required to convert and manage players and their attributes, maximize their lifetime value and reduce churn in the most effective, simple and user-friendly way. Through advanced segmentation, loyalty, bonus and promotion functionalities, centralized management and real-time reports, Lottery operators get to deeply understand players and exceed their expectations with personalized land-based and online offerings that generate concrete, long-lasting bonds with their brands.

To sum up, and considering each lottery's needs and potential, we are offering made-to-measure solutions, designed to ensure growth by increasing profitability while simplifying and optimizing daily operations. And as the line separating the retail and online worlds is blurring, we have produced unmatched software that guarantee the imperative of digital transformation of both the retailer and player worlds. ∎

George Theofilopoulos is the Director of CRM in the Product and Services division of INTRALOT. With an extensive working experience of more than 15 years in product management and business development, he has undertaken various roles in multinational companies of the Gaming and Information Technology sector.

Joni
HOVI

Executive Director, State Lottery Business, KAMBI

State Lotteries' pathway to success in a world of operator consolidation and global scale

Kambi

Paul Jason, PGRI: The i-gaming world in general, and the sport betting world in particular, is consolidating through mergers and acquisitions. If scale and global reach confer a competitive advantage, where does that leave the jurisdictional operator, like state lotteries?

It is true that global online operators are scaling up through mergers, acquisitions, and access to the global base of potential customers. Scale begets two decisive competitive advantages. One is operational. Efficiencies derived by scale basically reduce costs as a percentage of revenues. That translates into bigger margins. Bigger margins translate into better value to the player (mostly in the form of higher payout percentage but also in terms of the quality of the product itself, the digital player experience and platform functionality), and higher profits to the shareholders. The second driver of consolidation is customer-facing, market-driven. More players mean more liquidity which translates into more variety of betting options and a more interesting player experience.

This consolidation poses a challenge for jurisdictional operators like state Lotteries. The jurisdictional operator will never have the scalability options that the global operator has. And that is where Kambi comes in. Kambi provides the state lottery operator with all the operational tools they need

to compete with the global operators in the sports-betting space. Kambi provides one of the most advanced back-office operations in the industry and a customer-facing sport-betting experience that is second to none. Our technological infrastructure, access to the most comprehensive and timely data

and skill-sets at managing large networks of land-based POS provides it with a decisive competitive advantage. The trend, however, is towards online. The players are migrating to the online channel in sport betting as in everything else. That is especially true of the younger players and the players who are

> ## "State lotteries do have a window of opportunity to leverage their land-based connection with the consumer to build out their integrated omni-channel model in sport betting just as they are doing with their traditional games."

sources, and operational skill-sets enable the small operator to provide a player-interface that has all the tools, functionality, and user-benefits that the modern consumer expects.

Kambi does not just provide our operators with a proven, market-leading Sportsbook that delivers an unrivalled player experience. We empower them through our unique culture of co-creation which works hand-in-hand with operators as partners, addressing their unique needs by providing them with the flexibility to mold our service to fit their individual strategy and brand. That is our value proposition to the state lottery operator: Partner with us to create a world-class Sportsbook.

There are two other positive angles to this story. First, fully 68% of the GGR in sport betting continues to be at land-based retail. Lottery's retail footprint is already the envy of the entire games-of-chance industry. Lottery's operational infrastructure

new to sport betting. The key take-away of this is that state lotteries do have a window of opportunity to leverage their land-based connection with the consumer to build out their integrated omni-channel model in sport betting just as they are doing with their traditional games.

There is another competitive advantage that Lottery has. Everyone loves lottery. It is easy to play, has no learning curve like sport betting, takes little time, and still offers the thrill of the game, the wager, the creating a chance to win. In past generations, the consumer tended to migrate to Lottery when they grew into their thirties and forties and had less time to play video games, go to the casino, or bet on sports. I think we can expect that will continue to be true, but only if the consumer is effectively presented with the opportunity to play the lottery. That means being the games-of-chance operator

for the games they like to play, which will always include sport betting. Absolutely vital to any long-term sustainability strategy for Lottery is to position itself as the games-of-chance destination. The success of any customer-acquisition strategy depends on having a highly visible profile with the consumer. The target market for Lottery includes sport betting players as well as other gamers. Lottery needs to be visible to these players and that means having a portfolio of gaming products that includes the fastest growing category in gaming - sport betting.

And thankfully, this is a strategy that aligns with some other interesting observations of player behavior. The proliferation of gaming, the increasing ease of access to all varieties of games, has caused an increase in the migration of players between game categories. In the short-term, this fracturing of market share is not favorable to Lottery. There is a silver lining, though. Lottery has the most enduring appeal of any game-of-chance in history. The life-cycle of all other games is limited. I-Poker, for instance, was thought to be on an unstoppable trend towards dominance until it flattened out a couple years ago. In fact, life-cycles are getting shorter and shorter. But not for Lottery. Sport betting is where the players enjoy an immersive gaming experience based on arguably the most popular spectator/entertainment sector in the world. The appeal and high-growth trajectory of sport betting will clearly continue for many years. That is why sport betting needs to be in the portfolio of Lottery. The silver lining is that sport bettors are more likely to play Lottery than lottery players are to migrate to sport betting. The key is for Lottery to make its products readily available to sport bettors.

In the competitive games-of-chance industry, Lottery operators hold all the cards. The assets of brand awareness, reputation for integrity and security, the sheer massive size of its player base, its network of land-based retailers … these have been built up over decades and are impossible for commercial operators to replicate in a timely manner. The only way Lottery can lose this competition is to allow themselves to be marginalized out of the fast-paced race for new customer acquisition. Lotteries do not need scale and global reach. Lotteries do need the robust portfolio of games that leverages its powerful assets, that provide additional revenue streams for the benefit of the societal good causes that Lottery support, and provides the platform for new customer acquisition for traditional lottery games.

Kambi can be Lottery's collaborative partner - building out the world-class sports betting platform that positions Lottery for sustainable long-term growth with the next generation of consumers. ∎
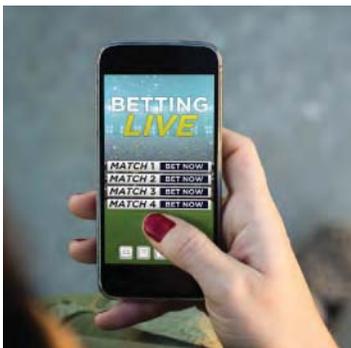
About Kambi: Kambi Group plc is a leading B2B provider of premium sports betting services to licensed gaming operators. Its services provide an end-to-end turn-key solution for operators wanting to launch a standalone Sportsbook or bolster their existing offering with an innovative sports betting product. Front-end user interface to customer intelligence, risk management and odds compiling, and in-house developed software platform deliver the ultimate service and solution to our partners. Kambi's vision is to create the world's leading sports betting experience, together with our partners. Our co-creation model drives financial performance and builds and strengthens partnerships. We currently provide our services to 13 operators in regulated markets all over the world. Together with over 500 passionate and highly skilled people dedicated to sports betting, Kambi has the strength of resource required to lead the market, proven by a number of highly successful market first initiatives and a healthy year-on-year revenue growth. The company's current coverage includes more than 165,000 live betting events and 300,000 pre-match events per year covering 65 different sports from all over the world. Kambi utilises a best of breed security approach, with guiding principles from ISO 27001. Kambi is eCOGRA certified. Publically listed, associate member of the World Lottery and the European Lottery Associations, fully compliant in regulated markets and with offices in Malta, Bucharest, London, Manila, Stockholm and Sydney, Kambi is the choice for operators looking to compete with a premium sports betting product.

Åsne Havnelid

an important part of our annual reporting, where CSR is an important part of the topics we focus on.

Does Norsk Tipping's proactive leadership role translate into positive support from stakeholders like lawmakers, shapers of public and regulatory policy, the general media, and others whose support is important to our success? What do you do to promote to those stakeholders the positive role that Norsk Tipping performs for society?

Å. Havnelid:

On a general note, I have to say that, yes of course it does. We have extensive stakeholder dialogue and cooperation where both RG and money for good causes are key topics. And this week (May 2nd), the Norwegian Parliament confirmed Norsk Tipping's role and mission as the key operator in the Norwegian gaming market through renewed monopoly licenses in all key sectors of this market (except horses, bingo and some minor humanitarian lotteries). There is no doubt that this is based on knowledge and trust in both our RG work and our substantial contributions to society.

But I also have to admit that this is messaging that is rather complex to communicate and that needs to be repeated and renewed. It's not easy for the "person in the street" to know if our RG measures are better than others or to acknowledge that the new football pitch down the street partially is funded by Norsk Tipping funds. These funds - as money generally – do not come with a stamp. So we have to tell these stories again and again, and in new and creative ways

Å. Havnelid:

The recent government proposal, that was confirmed on May 2nd by the Parliament, has acknowledged that the proposed model relies on the ability to prevent illegal operators from entering the market more effectively than is being done today. So the Norwegian Gaming Authority will be given "better tools" and a wider mandate to battle this in the coming years. The approach that is being discussed is to prevent commercials on commercial broadcasters and prevent money transactions

Analytics&Research

Convergence at IGT's Spring Research Exchange
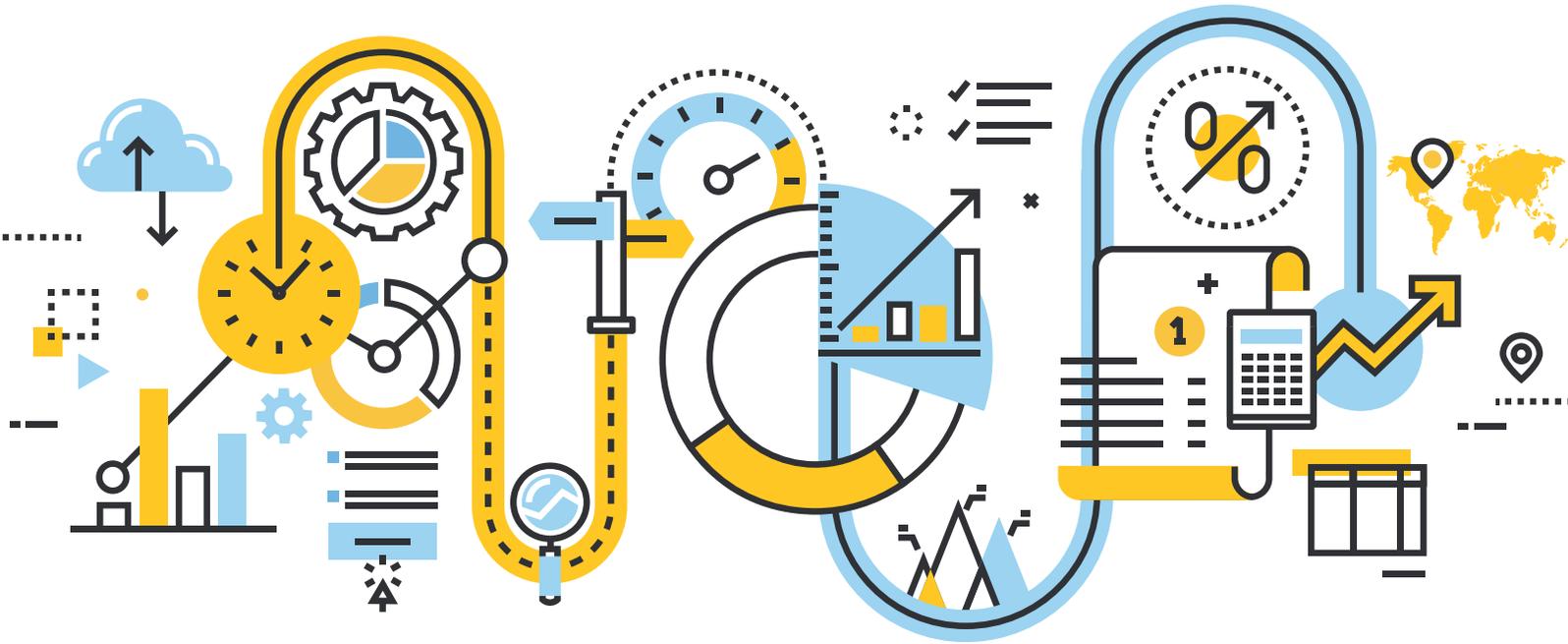
In late April, 27 researchers from 14 lotteries and IGT gathered in Lakeland, Florida, at IGT's Spring Research Exchange to discuss emerging trends and ongoing challenges facing market researchers. The meeting brought together more than 297 years of lottery research experience from lotteries as far afield as Belgium to the state of Washington.

The Research Exchange meetings allow lottery research professionals from around the globe to meet and share ideas. Gerard Caro, Senior Director of Insights360, IGT's research division and organizer of the event, shared that, "The walls come down. We share information in a friendly, collaborative, non-competitive environment." According to Caro, the goals for the meetings haven't changed since the first Research Exchange in 2009:

1. Offer lottery researchers a worldwide venue to meet and expand their professional and personal networks.

2. Share and discuss research programs, methodologies, successes, and challenges.

3. Leave with new insights on how to improve market research efforts (including confidence levels, methods, and costs).

4. Get exposure to new methodologies presented by third parties.

These meetings are a key component of Insights360's services to its lottery customers. According to Caro, "Foresight into consumer behavior and retailer needs can accelerate lottery growth. Insights360 helps lottery customers harness actionable consumer and retail insights across all aspects of their businesses, enabling more efficient decision-making." The group and its partners uncover emerging trends that guide technology and game product development with the goal of keeping lottery games and the transaction experience relevant and engaging.

Each participant is asked to provide a presentation that will be of interest to their research colleagues as well as participate in multiple roundtable discussions. This year, three major themes surfaced.

The Convergence in Research and Analytics

As lotteries focus on increasing revenues in addition to growing sales, researchers are exploring new ways of analyzing sales data as well as consumer-based research. "Now more than ever, researchers have

to harness all of the resources at their disposal. That means utilizing performance intelligence tools to understand daily sales data in addition to research studies to track the opinions of players. The convergence of this information can be quite powerful," said Caro.

Specifically, participants are combining instant sales data with market research to optimize mid-tier prize levels. Zach Hyde and Steve Schelb from the Wisconsin Lottery spoke about their $5 Prizing Study, which found that very little growth in churn occurs between $70 and $100 prize levels, recommending moving prize funds between $80 and $100 down to the $70 level. Mike Elwood and Jill Marshall of the Nebraska Lottery presented Prizing Study data showing that free tickets as prizes and odd prize amounts help to keep players in the game.

Attracting New Players

Attendees were also focused on understanding the expectations and motivations of younger demographics in order to attract new players. "It was clear that lotteries aren't taking a 'just wait' strategy to avoid the risk of losing this demographic 'for life' when it comes to Millennials and Generation Y," explained Caro. Don Feeney and Ross Carter from the Minnesota and Missouri lotteries, respectively, conducted a roundtable on "Success Stories on Researching Millennials." Marthe Gruloos of Loterie Nationale Belgium presented on "Generation Y and Gaming," which found young people aged 18-24 associate success in life with a "demonstration" of their expertise and their superiority over others, and not with chance. In terms of games, they will seek out strategy or brain games that enable them to compete (online) with their peers.

New Research Methodologies/ Data Visualization

As leaders in the field, the group discussed the need to test new research methodologies or "research on research" as described by Ontario Lottery & Gaming's Leeann Wallenius. Although risky at times, the group agreed that innovative methodologies such as biometrics, eye tracking, community panels, and mobile

Map Highlighting Spring Research Exchange Attendees

2017 Market Research Exchange Lakeland, Florida attendees.

ethnographies must be tried. Among others, Laura Sofro and Paul Westerman, from the Oregon Lottery, discussed data visualization tools, such as Microsoft Power View, which make it easier for researchers to effectively communicate findings to their teams.

The Spring Research Exchange featured one keynote address. Jim Kraus of KS&R spoke about a new approach to ethnographic research,which allows research participants to respond to questions using their mobile devices by taking pictures and video, making the overall research program dramatically more honest and reflective of an individual's unique perspective. The case study using this approach directly led to the development of an advertising campaign for the New York Lottery, translating to increased sales for Cash for Life.

Gerard Caro and Audrey Pate, Senior Manager of the Insights360 team, presented topline results of "For the Win: A Global Study of Player Motivations," which was fielded in 10 countries with more than 8,000 adult players and non-players. Results of the study will help lottery marketers and product managers gain a deeper understanding of the primary emotions and needs states that drive non-lottery and lottery gaming.

IGT's Research Exchange meetings have become regular events hosted in various locations. "Although we've hosted seven Exchanges in Rhode Island since 2009, it became challenging for lotteries from outside the U.S. to attend because of travel costs," said Caro. The answer was to have the Research Exchange go to them, with IGT hosting the first International Market Research Exchange outside of London in October 2016.

For information on how to attend the upcoming European Research Exchange in fall 2017 or the next North American Research Exchange in 2018, please contact Gerard Caro at gerard.caro@IGT.com.

HIGHLIGHTS OF SPEECH BY SARAH HARRISON

CHIEF EXECUTIVE, UK GAMBLING COMMISSION TO THE SOCIETY LOTTERIES COUNCIL ANNUAL CONFERENCE

HTTPS://WWW.LOTTERIESCOUNCIL.ORG.UK/EVENTS/ANNUAL-CONFERENCE

What is a "Society Lottery"?

In most jurisdictions, the state lottery operates as a monopoly. Many jurisdictions, however, allow exceptions to that. The original intention for the exceptions may have been to allow local charitable organizations to operate a lottery on a small scale to raise funds. Whatever the original intention may have been, it is no longer a local small business enterprise. In the UK, it has become a very big business indeed. One of the biggest organizers of the nationalization of these local charities is The Health Lottery. According to the its website (www.healthlottery.co.uk), "The Health Lottery is not a national lottery. It is 51 local society lotteries each one representing one or more local authority areas across Great Britain. Each society lottery is licensed by the Gambling Commission and will raise money for health related good causes within their respective areas." Society lotteries are the collection of small local lotteries which band together to form a single large lottery that markets on a national scale. See the website of their association: www.lotteriescouncil.org.uk. They are legally authorized to operate lotteries in the Uk and are applying sophisticated all the marketing and distributional tools that reflect their ambition to maximize their lottery revenues.

The below speech would appear to be a testament to the reality that "society lotteries" have achieved the stamp of approval and legal legitimacy and are here to stay.

It's really important for those across both the lotteries sector and wider gaming industry to take stock of how customers are participating so we can identify emerging issues and tackle risks. Here, our regular surveys continue to provide useful insights into key trends:

• Whilst almost half the British population had gambled in the past month (12% playing society lotteries) participation rates have, overall, declined - driven primarily by the continued drop in National Lottery draw participation.

• We are also continuing to see changes in how people gamble, notably through the growth of mobile and tablet. For example, mobile play amongst society lottery consumers rose from 13% to 18% between 2015 and 2016. Research also showed that online play has increased beyond the early adoption by 18-34 year olds, and is now as prevalent amongst 35-54 year olds.

• Social media has facilitated the take up of gambling style games, with their appeal to younger audiences. Our latest analysis of gambling trends with young people aged 11-15 years, show 9% of children have played gambling style games at some point - the majority of which were via mobile apps, closely followed by Facebook and other social media sites.

• It will come as no surprise to this audience that the use of TV advertising and advertising on social media has grown. There is an increased focus on professional marketing in the lottery sector with some operators now using large scale television advertising to attract players.

• Our survey indicates almost half of those that have gambled online across the gambling sectors were prompted to do so by TV advertising, and 21% were influenced by social media.

• The increase in advertising brings some specific challenges for ourselves and advertising regulators. But it also brings wider challenges. Shaping public attitudes towards gambling and the normalisation of gambling – it is no surprise therefore that advertising was one aspect of the previous Government's gambling review.

• The Commission licenses nearly 500 society lotteries, 38 ELMs and 10 local authorities. The sector has seen significant growth with our latest industry statistics showing that, in the year ending March 2016, your sector sold lottery tickets valuing over £480 million. This is a 10% increase on 2015 and well over 100%

increase on the last five years. We also know that on average, 43% of the money collected via those ticket sales contributes directly to the core aims of the relevant societies.

• This remains a highly diverse sector in terms of scale, cause supported, and product, and this trend is increasing. To give examples of this diversity we know of one lottery operator which has successfully teamed up with a well-known high street bookmaker to sell scratchcards, and we know of one ELM who is considering introducing a fast draw lottery.

• Trends in channel shift apply here too with some society lottery operators migrating from face to face and postal sales to online, DRTV and other channels. The Commission currently licenses 178 remote lottery operators, and just under 200 ancillary operators. This shift is also reflected in participation trends with those participating in remote lotteries more than doubling over the last five years - increasing from 15.5% in 2013 to 38.4% in 2016, and at the same time participation in non-remote lotteries is falling, for example 88.1% in 2013 to 63.3% in 2016.

• These changes bring scope for growth but also bring issues. This is why we want to work effectively with the society lotteries sector to ensure consumer confidence in getting a fair deal from providers, including in relation to contributions to good causes.

• This is important also at a time when we are seeing a worrying decline in confidence in the gambling sector, with public trust in fairness almost halving between 2008 and 2016 from 61% to 38%.

Our priorities at the Commission

Our regulatory approach puts consumers right at the heart of everything that we do. While this has been a focus for the Commission since it was created, consistent with the statutory duties and licensing objectives, it is one we are building on for the future.

We want to see a market in society lotteries, commercial gaming and the National Lottery where consumers:

• easily understand the product and are clear on the terms, such as the contribution to good causes

• are confident in knowing their rights and having access to information to help inform decisions

• appreciate the risks as well as the possible rewards

• have access to tools to help keep play safe and reduce risk of harm

> **The Commission licenses nearly 500 society lotteries, 38 ELMs and 10 local authorities. The sector has seen significant growth with our latest industry statistics showing that, in the year ending March 2016, your sector sold lottery tickets valuing over £480 million. This is a 10% increase on 2015 and well over 100% increase on the last five years.**

• know where to go, for example with complaints, if things go wrong.

Consumers who are confident and empowered will help contribute to the long term health of the market sector.

These themes and others are being developed now in the Commission's plans for a new corporate strategy. The process to develop this is underway and we have an open invitation to all operators, and other stakeholders, to help us shape this.

Nearer term, the Commission has just published its business plan for 2017-2018 which reflects our consumer priorities and direction of travel. I will give some examples of work underway, and planned, to illustrate this:

• Tackling misleading advertising

and unfair T&Cs is a key theme. The Commission has joined forces with the Competition and Markets Authority and in the year we expect the CMA to complete its investigations into online gaming which will help set a new benchmark standard for transparency and fairness in terms and conditions.

• This summer we will publish final plans for reform of our enforcement policy. We want to promote a culture among operators which puts consumers first, which reinforces learning and best practice, and which raises standards. Our proposals will see tougher sanctions for persistent or systemic failures. We also propose discounts on sanctions for operators who recognise failures quickly and take effective action to put things right for consumers.

• Over the year we will complete our work on complaints handling and redress which includes consideration of the role of IBAS, the society lotteries sector ADR provider. This is against a background of consumer complaints and contacts to the Gambling Commission increasing by 300% over the last two years. We will also continue work to promote the Annual Assurance Statement – a requirement on large operators, which in the society lotteries sector captures the Health Lottery and Peoples Postcode Lottery. The AAS requires operators to review annually the actions taken to meet their licence We

'Tis the Season!

Secret Santa Interactive Promotion Sets U.S. Industry Record with 15.8 Million Entries

Pennsylvanians really got in the spirit last holiday season. A whopping 15.8 million tickets were entered into the Pennsylvania Lottery's *Secret Santa Second-Chance Drawings* created by Scientific Games, setting an industry record for the most entries into a promotion offered by a U.S. Lottery.

This popular holiday-themed interactive promotion offered players the perfect combination of elements to drive intrigue, excitement and avid participation across multiple methods of entry.

Third Time's a Charm

For the third consecutive year, the Pennsylvania Lottery worked with Scientific Games to administer a second-chance holiday promotion. The 2016 *Secret Santa Second-Chance Drawings* promotion featured an interactive game, which offered players the opportunity to enter non-winning tickets from six holiday-themed instant games, as well as winning and non-winning draw-based games (except Raffle). The promotion awarded players more than 101 million second-chance drawing entries.

"This promotion drove consistent engagement with the Lottery and our games during the holidays, ultimately helping us in our overall mission to raise monies to benefit older Pennsylvanians," remarked Drew Svitko, Executive Director, Pennsylvania Lottery.

Similar to promotions launched the previous two years, the 2016 holiday promotion featured an interactive game, developed by Scientific Games, and second-chance prize drawings. This was the first time the Lottery included draw-based games as eligible for entry.

"The Pennsylvania Lottery added a fun twist this year. Players could choose from two second-chance drawings, either a 'Secret Santa' drawing, which featured unknown prizes or a 'Not So Secret Santa' drawing, which featured prizes from $10,000 to $100,000," explained Amy Hill, Vice President, Digital Content Studio for Scientific Games.

The promotion's interactive game was played more than two million times during the 10-week promotion period, averaging more than 28,000 plays per day.

"Most chose to enter the 'Secret Santa' drawing over the 'Not So Secret Santa' drawing, proving they love to be surprised during the holidays, no matter what age," continued Hill. "This promotion, combined with the opportunity to play an exciting interactive game with features similar to popular casual games, ensures we are creating more reasons for players to engage with lottery products, both at retail and online."

Players were required to be a VIP Club member to participate in the *Secret Santa Second-Chance Drawings* promotion. The VIP Club grew by nearly 13 percent, or 76,000 new registrations, which is 28 percent higher than the VIP growth experienced during the 2015 holiday promotion.

By the Numbers:
2016 Secret Santa Second-Chance Drawings

- 15.8 million entries
- 13% increase in Pennsylvania Lottery's VIP Club registrations
- $40 million in tracked sales
- 63% of entries submitted via the Pennsylvania Lottery's mobile app
- 28,000 average number of daily plays
- 487,000 mobile app installments (since August 2014 launch)

PENNSYLVANIA LOTTERY
Benefits Older Pennsylvanians

The majority of entries were submitted via the mobile app with most of these tickets scanned for entry. Nearly 43,000 new app installs were recorded during the 10-week period, averaging more than 3,880 installs per week.

"Our 2016 promotion really engaged our players on multiple levels," said Svitko.

Secret Santa Interactive Game Play

The Pennsylvania Lottery offered the *Secret Santa* mobile-compatible interactive promotional game. This Skill-With-Reveal (SWR) game took players to a quaint Christmas village, where they had only 60 seconds to find six hidden objects listed on the bottom of their screen. Finding items quickly awarded bonus points.

The interactive game gave players a dozen game play locations with new spots unlocked by entering additional tickets. Players could login through their social media accounts to share their scores. By viewing the daily and all-time leaderboards, players could compare their score with other players and friends after each game.

Behind the Technology

Scientific Games' SWR category of interactive games are designed to enhance player engagement by incorporating exciting features, such as leaderboards, power-ups, social login and social sharing options. The SWR games feature a genuine skill component, such as finding hidden objects, while providing a reveal of the pre-determined outcome. Game-specific leaderboards are tied to players' social identity and network.

These games are supported by Scientific Games' *Social Awards Gaming Engine (SAGE)*, which enables extensive social media integration, including social login, social sharing and leaderboards. *SAGE* is platform-independent and supports all types of games including native applications, games developed in Flash, HTML5 and Unity. *SAGE* supports more than 30 social channels and game achievements, and encourages innovation through a developer-friendly application programming interface (API). Lotteries may designate the social channel(s) players can connect to in *SAGE*-enabled games.

The Scientific Games Digital Content Studio developed a responsive promotional microsite and integrated ticket entry portal for the promotion. The team also designed and developed the *Secret Santa* interactive game and the Lottery's official mobile application.

"This promotion was a win-win all around," said Hill. "Pennsylvania players really got into the holiday spirit and clearly enjoyed the 'surprise' element of the promotion, as well as playing the interactive game. The Pennsylvania Lottery grew its VIP Club membership and downloads of its official mobile app. And of course, the promotion positively impacted retail sales of lottery games during the promotional period – ultimately helping drive Lottery revenues and net proceeds to benefit elderly Pennsylvanians."

PREVENTING
"DEATH BY A THOUSAND CUTS"

After two days of insightful panel discussions and direct input from leading lottery leaders provided during the 2017 SMART-TECH Conference in March, one thing is quite clear. Internal industry experts have 'eyes wide open' when it comes to the sustainability of lottery. We need only to act on what our internal industry experts already know.

"If we don't take advantage of these new technologies, it becomes like death by a thousand cuts. Every time a new technology comes along, we are missing out on some-

thing and we start to bleed. Eventually … it doesn't end well." --- Tom Delacenserie, Secretary, Florida Lottery at SMART-TECH 2017

BAMM! stops the bleeding. Since bringing the first state lottery in the world online in 1996, NOVOMATIC Lottery Solutions (NLS) has put all energies toward anticipating consumer demand, embracing and incorporating innovative technologies, and questioning how to surpass the expected to ultimately deliver long-term industry resilience and success, or BAMM!. This NLS mantra is now clearly known throughout the lottery world, and the proof has been demonstrated in NLS products and service deliveries including:

• Ticket by ticket activation of instant tickets in Catalonia, resolving the long-standing business challenge that existed in retail instant ticket account settlement. This functionality has been in operation for over a year.

• In 2017 alone, NLS's high quality,

NOVOMATIC LOTTERY SOLUTIONS

flexible software solution was most recently selected by the Greek national lottery (OPAP), the Norwegian National Lottery (Norsk Tipping), and the Estonian National Lottery (Eesti Loto).

• NLS's retailer management system has demonstrated its flexibility by supporting both traditional post billing of retailers in Catalonia and pre-paid retailers in Lagos, Nigeria. These methods could be combined

to allow a lottery to operate a traditional retail network and to support risk free low volume retailer based expansion of the retail network.

• NLS thin terminal client approach has been demonstrated with three retail deployments with two different hardware providers. An additional three retail network deployments are now in progress with three

different hardware providers. By the end of 2018 the NLS thin terminal client will be running in the field on hardware made by five different hardware providers.

The NLS operating model, branded BAMM!, asks "Why not?" at every opportunity to leverage change. Our Service Oriented Architecture decouples services to make our system flexible and quickly adaptable to new services and products. This approach departs from traditional central system models and allows seamless integration with any 3rd party service, network or game provider. NLS's well defined Application Program Interfaces (APIs) balance the indisputable need for integrity and security with responsiveness and flexibility. This type of responsive adaptability is exactly what lottery leaders called for during the SMART-TECH conference.

The Florida Lottery's recent partnership with Wal-Mart provides us with an excellent example of the progress that can be made when Lottery strives to be the best business partner for the retailer. After six years of discussion, Wal-Mart finally opened its doors to lottery in Florida not merely because its customers are lottery players, but because the lottery organization was finally able to bring the giant retailer something of value to their business model--- data! Specifically, consumer behavior data from lottery purchases. Data that Wal-Mart routinely uses to drive sales. Having the flexibility to

Players Said	Emerging or Current Retail Technology Provides
They would prefer a shortened or simplified purchase experience	Cashless purchasing like Amazon GO would most certainly simplify and quicken player purchasing
The unavailability of games frustrated some players	Digital games and new, innovative game delivery methods bring total game access
Players said games are often confusing	YouTube videos, for one, could easily provide game instructions, accessible on mobile phones or instore tablets
Cashing prizes takes too long	Omni channel player access may provide new methods for prize processing

Modernizing Retail: Closing The Consumer Data Gap

Written By: Danny Bogus

Today's world is dominated by organizations that collect and utilize an ocean of consumer data. Companies like Netflix, Amazon, and Google have grown with unprecedented speed and scale by leveraging a data-driven strategy. Even supermarkets and gas stations have evolved away from once-anonymous transactions, and into loyalty card transactions that drive sophisticated promotions and retention programs.

The first step in a data-driven strategy is always the same regardless of the company; capture consumer data with accuracy and abundance. With the big data revolution underway, lotteries must implement data-capture initiatives in order to remain competitive and relevant in the new age of commerce.

Lottery transactions on the retail system remain anonymous in nearly all jurisdictions today. As a result, insufficient information is available to determine basic insights such as an average shopping cart value. Even a small data point like this can become a huge driver of future innovation.

For example, player shopping cart values offer vital information in determining the economics of key retail modernization initiatives such as cashless payment acceptance. Cashless processing costs carry both fixed and variable costs, and small shopping cart values can result in exorbitant fees to lotteries and retailers.

Additionally, part of the business rationale to justify cashless acceptance is that existing consumers will increase spending. But without a pre-existing basis being measured, there is little way to prove that an existing player switching to cashless results in more revenue.

As another example, advertising efficiency can improve with the direct measurement of player activities at retail. Over time, purchase patterns will formulate for players and any deviations (intentionally driven by advertising) can be better observed. Player-identified transactional data can go a step further by identifying if advertising campaigns resulted in new players or increased spend from existing players.

Many lotteries have installed second chance and loyalty programs that can collect some individual purchase data downstream. This represents an important step forward in understanding players better. However, ticket-entry data has drawbacks that must be considered when drawing conclusions from analysis activities.

For example, if a loyal customer doesn't have time to manually submit tickets each day or week, then the data will falsely indicate that the player has less activity and value. The collection of tickets over time before submission also distorts insights related to actual purchase frequency at retail. Moreover, with a ticket entry program, there is always a risk that those entering tickets are not always the original purchasers.
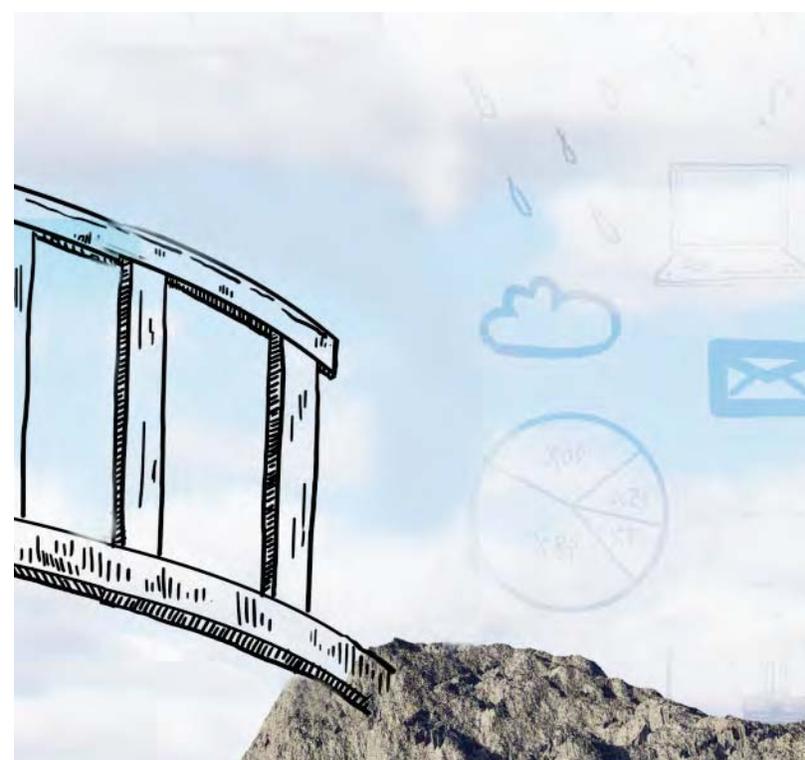
So how can the industry embrace a data-driven strategy, given some of the current challenges and gaps in data collection? First, lotteries must examine their current programs, systems, and opportunities in order to identify quick wins for expanded data capture.

As one possibility, some states currently require players to scan identification for age verification on self-service machines prior to the purchase of tickets. It may be possible to simply log a unique player data element into the transaction logs. Over time, this player-tagged data could generate a picture of player shopping cart values, frequency of visits, and monetary spend.

As an additional possibility, some states offer a ticket checking system on their website or mobile app.

Players can scan a ticket to find out if it is a winner. If this feature was placed behind a player registration and login, then the scan data could be compiled per player. Over time, this data can be analyzed to determine purchase patterns and game preferences.

A few states have experimented with a player loyalty card that activates at retail terminals. Programs of a similar nature have found success in Europe and Australia in the past, however state lotteries have not yet discovered a model that results in widespread adoption. This approach can lead to tremendous insights for the industry but requires long-term planning, execution, and resourcing.

It should be recognized that most consumer-packaged good companies do not have the ability to track consumer data within retail. This is because the retailer's system is handling the transactions and logging any player-identifiable elements via shopper's card and loyalty programs. Perhaps it is possible for lotteries to structure a partnership with retailers in order to share data in cases where lottery is being logged through the retailer's point-of-sale equipment.

As seen in other industries, the ability to leverage data in order to drive growth and innovation is proven. However, lotteries must first close the gap that exists in data collection today. There are many opportunities available but more experimentation is required to discover the best way forward.

MOBILE EVOLVED: PLANNING FOR WHAT COMES NEXT
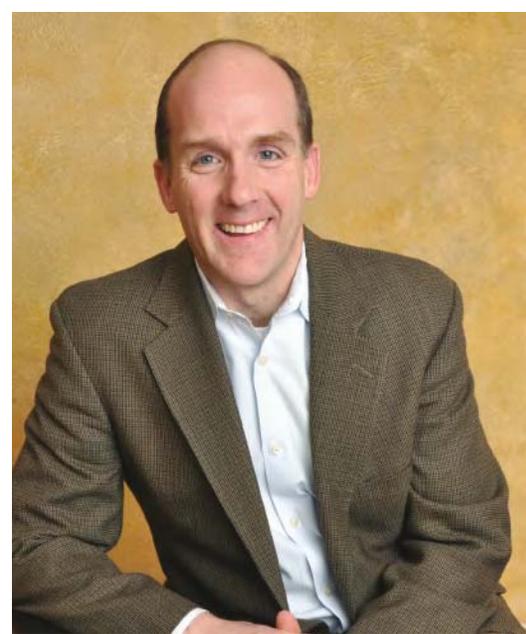
By Jim Acton
Lottery Industry Consultant

In Part One of this three-part series, we looked at how the internet has impacted the business world, with a special emphasis on lotteries. In Part Two, we turn our emphasis to mobile. For years, we've been hearing that lotteries must take a "mobile first" approach to their technology development. Well, ask some experts and they will see, "Mobile first, yes, and mobile always." The mobile phone has become that ubiquitous. What does this mean to lotteries? In the following article, we unpack what it means to have a mobile-centered approach to technology and where it might take lotteries in the future.

I was at the local mall recently and walking past the food court, I noticed a few groups at the tables. At one table were some 20-somethings in deep trances staring at their mobile phones. At another table, two young mothers, babies in tow, comparing eCoupons for mall stores. At a third table was a senior couple talking into their phone. As I walked past their table, I saw they were face-timing with a young girl. Their grandchild perhaps?

My field observations of just how many different people are using smartphones are borne out by scientific research. According to a 2016 study by Pew Market Research, the penetration of smartphones in the United States is 72%, up for 60% in 2015. So if are still using a flip phone to "fat finger" your texts, consider yourself a dinosaur.

What does this mean for lotteries? For one, "Mobile First" is no longer just a cool catchphrase. When the Mobile First approach was first introduced, it referred to Responsive Design, that developers needed to design web sites with a small mobile phone screen in mind and then add features for larger screens. Woe is the organization, company, Lottery that doesn't provide their content not only for mobile but for different mobile devices and operating systems. WebDAM, a digital asset management software developer, reports that 57% of mobile users think poorly of businesses that don't have mobile-friendly websites.

Most lotteries have taken Mobile First to heart, offering mobile-friendly web sites to their players and offering apps which, at the least, provide winning numbers, jackpot information, and game updates. But with the easier job done, it's time to look to the future and what your players are expecting from your mobile offerings.

For a mobile roadmap, let's look to the king of Internet and mobile data – Google. The Internet search leader released a report last year stating that 72% of consumers with mobile devices prefer mobile-friendly websites. Google also reported that consumers spend 86% of their time on mobile devices in applications, and 45% of all mobile marketing campaigns in the U.S. offer apps for users to download.

So for Lotteries which might have restrictions on what interactive services they can offer, how to engage players – of all ages and online abilities – can be challenging. But there are some ideas to keep in mind:

  - Make sure your site is mobile friendly. Most lotteries have done this but given the statistics noted earlier, your players are expecting an easy-to-use, responsive site. Particularly younger players, who's entire lives have been defined by technology advancements, won't stick around for a site to load or put up with clunky navigation. Not sure if your site fits the bill? Visit a college campus and ask anyone hanging out at the Student Center.

  - Can't sell? Fake it. While today's consumers are used to buying just about anything they want online, only a handful

of lotteries can actually sell product via the Internet. Until the day arrives that ALL Lotteries are able to sell online, we must keep players interested by offering as many features as possible. If your players can only purchase your products at retail, point them towards retail. Retail locators, game information, top prize updates – all important features that can keep your players engaged and drive sales.

- Market that app! You've spent the time and money to build an app that everyone likes. Now let it shine! Don't assume that players will simply visit the Apple or Android Stores and download your app. Make sure it's identified in everything you do:
o Web site
o Facebook page
o Press releases
o Advertising
o Telephone hold message

If you're a Lottery with a lot to say, or at least a lot to offer you players, you might want to consider a multi-pronged mobile attack. What have you done so far?
- Mobile web site. CHECK
- Responsive Design. CHECK
- App. CHECK

What's next? If you have a lot to tell your players, consider offering multiple apps. Call it the "ESPN model." Search "ESPN" in the Apple Store and you will find nine different apps – ESPN, ESPN Fantasy Football, ESPN Radio, ESPN Watch Now. Just a few of the offerings.

Transfer that to the Lottery world. We know that players want winning numbers and jackpot amounts. Those can be handled in the Lottery's basic app. Is Keno available in your state? Then consider a Keno app which offers real-time draws. A player's

Maryland Lottery Apps (left to right): Lottery base app, My Lottery Rewards, Keno

club or rewards program? Consider an app where players can log into their accounts, enter tickets, check on drawings, etc. The Maryland Lottery has successfully offered an array of apps for several years and players have responded by downloading and, most importantly, using the apps to enhance their Lottery experiences.

No matter the path you take, a mobile presence is a must. Today's players – whether they are 20-somethings trying Lottery for the first time or septuagenarians who have been customers from the start – expect a mobile experience like that of Amazon, Zappos or ESPN. The bar is high but Lotteries have been competing against the

best of class in retail for decades. Summiting the mobile mountain is easy compared to other obstacles Lotteries have faced. ∎

A 15-year Lottery industry veteran, Jim Acton has worked on both the Lottery and vendor sides of the business. He started his Lottery career as Chief of Staff at the Massachusetts Lottery, worked at Hasbro as Director of Licensing for Lottery & Gaming, and most recently served as a Vice President at Scientific Games

Social Media ROI: The Elusive Measurement

Lee Stuart, Management Consultant and editorial contributor for PGRI

"What gets measured gets done." This axiom of business management drives the impetus to quantify, objectify, and measure the results of all actions. The combination of metrics constitutes the business intelligence that informs the process of planning and continual improvement. The inability to measure results can be reason enough to reject a proposal. Even if the proposal clearly has merit, prudent decision-making process requires that we have at least some measure of cause and effect, action and outcome. That can pose a challenge for social media marketing initiatives.

The burgeoning field of data analytics is predicated on this need to know. Measurements for nearly every type of business activity – from good old-fashioned sales reporting to internet shopping cart abandonment rate – have been established and perfected through years of experimentation and application.

But when it comes to accurately measuring the return on investment – the hallowed ROI – of social media marketing, businesses are still casting about for the best approaches.

Following is are some of the most promising tools for calculating social media ROI, concluding with a few thoughts about how ROI might be paired with ROR – Return on Relationship – to provide a holistic view of customer engagement with your business.

The Conundrum of Social ROI

Marketing professionals frequently confront a conundrum in attempting to analyze the worth of a campaign. They might say to their colleagues:

"We want to employ marketing tactics that we can accurately measure, but since we can't do that with social media, we'll just dump that expense into our 'brand building' budget bin and forego any effort to calculate our ROI."

We know this is not the responsible way to manage a budget. The tools to measure the ROI of social media marketing are in the developmental stage. But even now, organizations with a digital marketing or sales channel can reach, engage with, and track customer behavior with a high degree of accuracy. And the 800-pound gorilla in the social arena – Facebook – has paved the way for other marketers to create custom audiences, employ targeting data, and monitor a customer's interaction with a product, service, or brand.

It Begins with Goals

Before selecting the optimal tools for crunching your ROI, we must:

1. Clarify Objectives: What exactly are we trying to achieve through the use of social media.

2. Strategies: What are the best actions to achieve our goal?

3. Budget: What is the availability of capital and human resources?

4. ROI: How can overall outcomes be measured relative to overall investment, and how can the performance of each component of the social media initiative be measured against the costs?

The revenue and expense formulas applied to traditional media spend do not neatly apply to social media. For instance, on the revenue side, there is no direct line between Facebook "likes" or Twitter re-tweets, or LinkedIn "shares" and customer purchases. On the expense side, the initial financial investment in social media can be higher than a single traditional media ad buy, but the residual impact typically should last longer. Further, the fact that it is difficult to measure the long-term ROI of a player engaging with Lottery on digital media, or the fact that social media campaigns have produced unanticipated results that significantly exceeded expectations, should not cause us to disregard or under-value these attributes of social media. Our devotion to measuring outcomes can sometimes have a perverse result: We might value predictive analysis so highly that we would prefer predictable results that are mediocre to superior outcomes that defied our projections.

To gather the necessary data, there are several social media actions that can be measured and quantified. Analyzing these metrics provides valuable business intelligence and insight into customer interest and engagement:

- New followers
- Online purchases
- Completed contact forms
- Newsletter requests
- Downloads of PDFs
- Time spent on webpages

Most of these actions can be monitored through Google Analytics and/or by using Buffer, the social media management service. Gathering objective, quantitative data on these activities can assist in the estimation of the following metrics:

Customer Lifetime Value (CLV): This metric represents a prediction of the net profit that may be generated by the entire future relationship with a customer. It may be viewed as the dollar value of a customer relationship based on the present value of the estimated future cash that may flow from that relationship.

CLV x Conversion Rate: This measure looks at how much each potential social media "visit" or interaction may be worth.

Individual Average Transaction (IAT): What is the dollar value of the average purchase through your website or other commercial platform?

Price Per Clicks (PPC) Costs: How much would you spend if you were to buy ads to achieve the same social media actions? This calculation compares the amount you would invest in advertising to acquire a new follower, to generate a click, or to make an impression. Then it extrapolates earnings from organic (unpaid) social media sharing.

For example, if it were to cost 50 cents to attract a new follower to your Facebook page, the organic gain of 50 followers would cost $25. The worth of those followers should, in time, be much higher than their acquisition cost.

Tracking Key Expenses: Time, Tools, Ad Spend

Even though many aspects of social media are free to use, your organization's **time** is not free. To account for the investment of time, you may wish to multiply labor costs per hour by the number of hours you have dedicated to social media management during a defined period (a week, a month, for the duration of a campaign, etc.). The median hourly wage for a social media marketing manager was $52 in 2016, with a range of $40-$56, according to Salary.com.

The social media **tools** your organization is using have weekly or monthly expenses associated with their deployment. Calculate your spend in a way that aligns with your time formula.

Track **advertising spend** on social media platforms, including resources used to boost Facebook posts, promote tweets, or display ads in digital formats.

Time, tools, and advertising costs added together represent your social media investment.

Cool Tools to Help Calculate ROI

There are several tools available to assist marketers with social media analytics. Among them:

Kissmetrics is an analytics platform that enables marketers to track individuals, groups of like individuals, and other users throughout a visit to website.

Visitors are tracked from their first visit through multiple visits and conversions, even after they have been inactive for a time and then returned. This platform enables the identification of groups of people who took certain actions and evaluates their behavior

on your site.

The capacity to identify visitors coming from Facebook, LinkedIn, Twitter, or other websites, and attribute the conversion credit to the correct social media channel allows you to track your entire customer life-cycle with greater precision. This provides data that informs the analysis of ROI, and helps you determine which paid advertising sources are the most effective.

Cyfe is a tool that provides information about how your content is shared across social media and the impact that it is making on your overall ROI. Widgets, which are small applications with limited functionality that can be installed within a web page by

> **"ROR is the value (both perceived and real) that will accrue over time through connection, trust, loyalty, recommendations and sharing."**

the end user, may be used to create multiple customized dashboards where you can see the reporting on Facebook ads, Twitter engagement, or Google Analytics. Widgets include those for advertising, blogging, email tracking, and social media.

Cyfe has numerous social tracking features. For example, the Twitter Mentions widget can track the number of Twitter mentions on a designated keyword or hashtag. For example, if you run a contest, you can track the associated hashtag to see how far the reach extended and how many people participated.

Google Analytics allows you to see where your traffic is coming from and how visitors interact with your site, including those coming from social media.

You can track the response to different campaigns and see which are more successful at moving users to and through the different elements of your website.

The major social media sites provide on-platform analytics that tell you how many users are clicking to your site or how many conversions your paid ads are generating. However, you still may benefit from tracking social media activity with Google Analytics. For a more complete and accurate

view of social ROI, the Social Analytics section cane be set up goals to measure the value of the social referrals that come to your site. You can set up goals that measure certain types of actions, like how long a page was viewed or whether a video was played.

Google Analytics lets you track conversions by taking the whole buying cycle into consideration, so you can see which pages helped trigger conversions or which campaigns are driving results.

Google Analytics provides insights into which social media channels (and ad platforms) send you the most (and most relevant) traffic. Plus it's free and easy to set up.

ROI + ROR = Customer Engagement

Ted Rubin, a noted social marketing strategist, and Evert Gummesson, Professor of Management and Marketing at Stockholm University in Sweden, describe a construct known as ROR or Return on Relationship. As Rubin says, "ROR, simply put, is the value that is accrued by a person or brand due to nurturing a relationship. ROI is simple dollars and cents. ROR is the value (both perceived and real) that will accrue over time through connection, trust, loyalty, recommendations and sharing."

ROR can be computed by using such metrics as Facebook likes, Facebook clicks, promoted tweets, LinkedIn clicks, and re-Tweets. ROR can assist an organization in determining whether it should act at the zero relationship end of the scale, which represents the occasional transaction based solely on a price and customer convenience, or ladder up the scale toward more enduring relationships.

Relationship marketing requires a paradigm shift in management: a recognition that ROR does translate into ROI even though the measure of the ROI is impr ecise. The value of the long-term customer relationships will constitute a new standard, while the long-term ROI of the isolated anonymous transaction will decline.

Big Data Can Turn into Big Measures

Businesses collect data from numerous sources. Compiled, these data become "big," but they also can become messy or problematic to organize and assess. Email, social media platforms, website clicks, and all the other streams of data can be woven together into a single, comprehensible framework to turn the "mess" into "measures." Using the

ORGANISATIONAL TRANSFORMATION

Continued from p 20

their sense of purpose in Singapore Pools. The crux of these efforts lies in 3 key areas:

• **Capable Leadership -** Leaders must be role models who live out the values and desired behaviors the organisation wants to reinforce. Leaders also need to be strategic thinkers who make decisions based on

We believe that high-performance leaders enable a high-performing culture that unleashes people's capability to deliver high-performing results.

Our journey towards SP2020 is a continuous learning process, dotted with peaks and valleys along the way. We could face resistance internally, obstacles externally or even make mistakes but we have to overcome them and stay on course. Indeed, without the valleys, the peaks would not have been as significant. Equally important is to celebrate

Balancing the Need for Agility and Stability in Singapore Pools' operating model

a holistic view of systems, facts and data. They are connected throughout the organisation without reference to hierarchies.

• **People Development -** Our middle managers are important; we invest in their success, and pay special attention to their progression. We focus on grooming talents into T-shaped professionals, each an expert in their functional domain who collaborates across divisions. We create career value for our people through clarity of career pathways and ensure promotions are linked to competencies and job size.

• **Performance Management -** We use scorecards and metrics to drive organisational outcomes and individual success.

the milestones for they are the signposts that prove we are moving forward in the right direction.

In the same way that Singapore Pools has embraced and captured value by transforming itself into a future-ready enterprise, companies can battle the disruptive forces in today's operating environment by adopting the principles of leadership, engagement, structure, metrics and people development, to make their deliberate, focused change a reality. ∎

Understanding Attention in a Shifting Landscape

Shaan Coelho, Vice President, VaynerMedia, London

VAYNERMEDIA

Attention is fluid, a commodity in constant fluctuation, and today it's at a premium. The battle for our attention is waged daily by brands and businesses, by every puppy picture, engagement photo, and news update that flood our feeds and fill our lives. We are being pounded with messages everywhere we turn, while simultaneously inventing new, immersive ways to tune in to what we love, and smarter, more efficient ways to tune out what we don't. Time is precious and people today are increasingly protective of theirs. So before we tell them how they can't win if they don't play, first we have to get their attention.

This challenge, ironically enough, starts with listening. It's through listening, observing, paying attention to your customers that we really start to understand what resonates with our audience. Understanding behaviours and consumption habits and recognising patterns all provide you with the tools you need to create messages that can connect with groups in meaningful ways. Messages are given power through consumption, and consumption occurs with appropriate context within the environment in which people are receiving information. Today that environment, that "attention battleground," is the mobile device.

What used to work, won't. What we used to do, we can't do anymore (or at least shouldn't). Because people aren't acting like they used to. The consumer landscape is transforming, no longer constrained to the four key mediums of print, billboard, radio and TV to connect our brand with customers. Innovation has given way to more powerful processors, faster bandwidths and has led to the growth of social media networks. And it's not just teens, or millennials, or today's youth. Every single social media platform is aging up, with over half of Facebook's, Instagram's, and Twitter's audiences all over 35 years old. The consumer landscape today looks a lot more like people with their heads craned towards their phones, immersed in social apps and messaging platforms, whether in the queue or on the couch.

There are around 7.5 billion humans on this planet, with an increasing number of them getting connected and plugged into the Internet each year. From this year to last, Internet users are up 10%, and social media users have increased 21%. What that really means is that now there are more people, spending more time, on their mobile devices and in the social media space, than ever before. What we're living through is a massive shift in consumer behaviour, and more importantly, in attention. Similar to the disruption that happened in the 1950's when TV unseated radio as the primary storytelling platform, mobile is now infringing on a space long dominated by TV.

All of this really just means one thing; it's time to stop acting like it's 1999. It's time to step into today and start planning for tomorrow. The data is clear and when we take off our "marketers" hats and start evaluating our behaviours as humans, the reality should be clear. As marketers, we've created a series of systems to measure, rationalise, and support the decisions we make. We've developed measurement methodologies, KPIs, unique metrics, and integrated models. But we've also surrendered ourselves to these systems, become victims to data points, without considering the reality of our experiences or the context of the direction they point us in. The opportunity is apparent, and the downside even more so. Find a test scenario, identify the right project, bring on a partner that challenges your conventional ways of communicating and marketing. Figure out how you can take the steps towards incremental progress within your organisations, steps that reflect the times we're living in and the transformation we're a part of.

Our audiences expect to be engaged, to be entertained, and to be delivered messages relevant to their experiences. To reach them and to truly connect requires that our messages be served up in the places where they're spending their time, energy, and attention. If not, our audiences are ready to tune you out and turn you off. Where you were yesterday doesn't matter, it's where you're going next. And the next is dynamic, inventive, a reflection of the things that make us unique and of our shared experiences. The next is paying attention. Are you? ∎

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Artificial Intelligence: A Smarter Future for Gaming

Lee Stuart, Management Consultant and editorial contributor for PGRI

Their names are as exotic as their reason for "being." Xiado, Libratus, Alexa, Watson, Sophia. These personifications of Artificial Intelligence (AI) have defeated some of the world's best poker players, have won on the classic TV game show Jeopardy, and have gone "toe-to-toe" with Charlie Rose, the noted interviewer.

Whatever its human name or its most recent achievement, Artificial Intelligence is becoming ubiquitous, and its rapidly evolving capabilities are being deployed in ways that were unimaginable even a few years ago. For example:

• IBM's Watson, which represented a leap forward by defeating world chess champion Garry Kasparov

• AI development with its win on Jeopardy, is now involved in diagnosing cancer cases, helping with income tax preparation, and managing retail store inventories.

• Brainchip is being used in major airports to detect security risks and in Las Vegas to monitor errors made by dealers in casinos.

• Consumer applications of AI, including Amazon's Echo (human name: Alexa) can answer questions, order pizza, play music, turn on lights, and integrate with fitness technologies.

As these examples illustrate, most industries, including the gaming business, will be significantly affected by the expansion and refinement of AI.

In this article, we will examine how:

• AI will continue to influence game design and the player experience

• AI and the field of prediction science will transform marketing and customer relationship management

• AI will drive new uses of Big Data as gaming operators seek to make continuous learning connections between player behavior and new product and service offerings

AI: What, Exactly, Is It?

AI is a two-sphere science: Making intelligent machines and using computers to understand human intelligence. In the AI world, intelligence is defined as the computational element of one's ability to achieve goals.

AI researchers incorporate what is known as deep learning in their machine teaching methodologies. In this process, data are input into a network's nodes, which modify it and translate it to other nodes, which do the same thing ad infinitum. The values warehoused in the network's output nodes are correlated with a classification category that the network is trying to learn. Millions of iterations yield smarter and smarter networks. Information is processed in layers and the connections between those layers deepen through experience. In human development, children learn to recognize such objects as toys, animals, and their parents through repeated observation and reinforcement. In the same fashion, AI learns to recognize a dog, for example, by examining thousands of images of dogs.

AI: A Quick History Lesson in Gaming

AI has been used in gaming applications for nearly 40 years. What is rudimentary now was, of course, ground-breaking in its day. Space Invaders, which debuted in 1978, featured stored movement patterns that looked, to the novice human player, like strategic, unpredictable reactions by the game's formidably intelligent alien invaders.

Pac-Man, in 1980, used AI to disrupt the human player (who was in control of the chomping yellow Pac-Man) with four ghosts - colorful characters that exhibited different personalities.

At the dawn of the new millennium in 2000, the revolutionary Sims game placed human players in the role of an all-powerful being in control of the destinies of fictional game families. Using need-based formulas, different objects affected the characters' behaviors and relationships. Characteristics defined by the human player at the beginning of game play influenced the Sims characters' choices.

Combat games have used AI to create realistic opponents for humans to battle. Finite State Machines (FSMs) are used to direct action in games like Tekken and Mortal Kombat. The FSM can be used to direct enemy action, to either heal from wounds or to resume the attack.

AI also is used in pathfinding algorithms, which help an in-game character determine how to get from Point A to Point B. This area has developed significantly in recent years, with characters better able to detect different movements. Another common use of AI in games is that of behavior trees. When a minor character goes from being angry to attacking to dying, there are distinctly defined states of transition. These characters

are not learning what's happening in the game or performing any kind of adaptation; they don't need to because players only interact with them for a short time.

The game No Man's Sky, released in 2014, used a "procedural generation" algorithm to produce a universe with a seemingly infinite number of virtual planets, including the flora and fauna that can evolve over time in the game. This represented a historical feat in the gaming world.

Recent developments in AI in gaming involve social or emotionally intelligent character interaction. This technology dates to 1985 with the game Little Computer People. It has evolved in sometimes surprising forms in the past 30 years, like in the text-based adventure game Versu. In this select-your-own-adventure game, characters are programed with beliefs and abilities, but learn and react to the human player's behavior as the narrative unfolds.

Experimentation with smart non-player characters (NPCs) is entering mainstream games, establishing a basis for more complex character-based adventures. Companies and university-based labs are building deeper, more engaging and intelligent characters for games using natural language understanding and other abstract systems.

When examining the future of gaming, one must account for developments in augmented reality. The success of PokémonGo in 2016, which attracted more than 30 million users in a month following its release, could signify what is to come in marrying AR, AI, and gaming.

AI: Emerging Applications

Many people invited AI into their homes during this most recent holiday season. Amazon's Echo and Google Home were popular gifts. Alexa can answer questions, play music, place an order for pizza delivery, buy Amazon products, and tell jokes. Google Home reads and writes emails, manages calendars, and keeps track of notes. In the near future, these devices will be integrated with health and fitness devices to assist with exercise regimens and reminding people to take prescription medicines. They also will be able to control the dishwasher and the microwave, inventory the contents of the refrigerator, and call for an ambulance when an emergency warrants.

Watson, the $15 billion cloud-based AI developed by IBM, has been used in numerous business and consumer applications. Watson has been used for smart voice journaling. You talk about your day, Watson analyzes your emotions, archives them, and produces a graphical representation of your feelings over time. You can improve your mental health through such monitoring. During this tax season, Watson will be visually presenting tax information to clients at H&R Block's 12,000 offices. In medical applications, Watson can diagnose mystery illnesses because he recognizes patterns in oceans of medical data. In retail, he has an encyclopedic knowledge of a store's inventory and a timely understanding of what's hot. As an up-and-coming film editor, Watson is offering a different perspective on what makes a frightening movie trailer.

Xiado, developed by Baidu of China, has participated in game shows that demand sophistication in facial and speech recognition technology. Libratus, a poker-paying bot developed by researchers from Carnegie Mellon University, dominated a Heads-Up, No-Limit Texas Hold 'Em poker tournament, which was previously thought to be beyond the capacity of AI because it features bluffing, incomplete information, and hidden cards. Sophia is the world's most beautiful AI-powered bot, designed by Hanson Robotics of Hong Kong. David Hanson, who is both a scientist and artist, believes it is important that some bots look human-like so real humans will learn to comfortably relate to and interact with them.

AI: An Economic Perspective

In assessing a rising technology's likely impact on business, an economic perspective can be instructive. Economists consider AI a prediction technology at its core. Think of it this way: the advent of semiconductors helped humans do mathematical calculations on a previously unattainable scale. Similarly, AI will help humans do predictions. Driverless vehicles use prediction algorithms to foresee probable traffic conditions and react to projected scenarios. AI and prediction science will transform the ways in which marketers connect consumer decision making to such business dynamics as messaging, product availability (ubiquitous inventory), and trend cycles.

As the cost of prediction decreases, not only will historically prediction-dependent activities (like inventory management and demand forecasting) become less expensive, but prediction science will be applied to other problems.

As prediction science matures, what will become the most important human value? Judgment, according to economists. In the lexicon of economics, judgment is a complementary value to prediction, and demand for it will increase as prediction becomes commoditized. Over time, the market will invest in more judgment-related assets and capabilities. Both prediction science and the increase in demand for judgment may impact Responsible Gaming. Prediction applications will be able to identify particularly vulnerable players, while judgment protocols may be used to automatically suggest prudence to at-risk players.

AI: The Not-Too-Distant Future

Big Data is delivering rich insights into how and when we game. The tracking of data-points is allowing game developers to tailor experiences to individuals while increasing revenue by leveraging trends in their spending habits. By incorporating such methods into gaming, more enhanced player experiences will be possible in the future.

Data-mining has assisted game developers in the automation of player difficulty levels to create more challenging worlds. One application of AI adapts the video game to the player's behavior to match their ability. The AI increases as the gamer plays more, stoking the system with more data.

AI will continue to push the concept of convenience to higher levels, which affects retail, but it may be more than that … an entirely new concept of on-demand access may emerge as player behaviors teach intelligent machines to serve Player A with a social game at 7 p.m. every Friday and a casino-style game at 9 p.m. every Saturday.

AI: The Biggest Thing Ever?

Steven Hawking called AI "the biggest event in human history." If his assessment of AI is true, then businesses, institutions, and individuals for the next several years will be learning how to live, work, buy, and play with the help of shockingly intelligent machines. ∎

WOMEN'S INITIATIVE IN LOTTERY LEADERSHIP
Continued from p 12

WILL Group Structure

The group structure will include a Board of Directors, comprised primarily of all the female CEOs of lotteries worldwide and top-ranking women from the vendor partner community, as well as male CEOs with a strong track record of mentoring and supporting women in leadership positions.

Lynne Roiter, CEO, Loto-Quebec and Secretary General, World Lottery Association, offered the following insight into WILL: The creation of WILL Is proof that the lottery industry has come a long way in the past 10 years. Creating the environment that celebrates diversity and mentors talented professional women in Lottery will not only enable them to reach their full leadership potential but also benefits the industry and all its stakeholders.

Stephane Pallez, President & CEO, La Française des Jeux, believes that expanding networking and mentorship opportunities for young professional women is a good way to increase opportunities for emerging female leaders.


Diversity's Dividend
What's the likelihood that companies in the top quartile for diversity financially outperform those in the bottom quartile?

National Industry Median — Industry Median

Gender-Diverse Companies — **15% More Likely to Outperform**

Ethnically-Diverse Companies — **35% More Likely to Outperform**

Results show likelihood of financial performance above the national industry median. Analysis is based on composite data for all countries in the data set. Results vary by individual country.
Source: McKinsey Analysis   Why Diversity Matters, Jan 2015

Sue van der Merwe, COO of Tatts Group Lotteries, sees WILL as a vehicle to help women acquire the skills and insights to forge their own unique journey towards career development and fulfillment.

May Scheve Reardon, Executive Director of the Missouri Lottery stated, diversity should be seen as a core value of any business, and vital tool for a multi-billion dollar industry that provides millions to beneficiaries around the world.

Debbie Alford, President & CEO, Georgia Lottery Corporation, envisions WILL as providing an opportunity for women to gain insight into different aspects of the lottery business in order to broaden their perspective and provide greater understanding of what it takes to run a lottery.

PGRI has agreed to administrate this exciting initiative, using its global media platform to promote WILL, and harness the industry-wide resources to support the professional development of women. The Women's Initiative in Lottery is about all of us working together to do something wonderful by helping our colleagues to succeed and making sure the door is wide open for women to move into positions of responsibility and influence. ∎

Big data   *Continued from p 22*

don't … they will slow down everything and ask analysts for information that should be automated.

5. Do you work with predictive analytics?
Imagine you could predict which customers that are most likely to act on whatever you think is important. At Svenska Spel we are just starting to work on this now in 2017. We estimate that we have developed our predictive analytics skill to 60% of our target by the end of 2018.

6. Are you a Customer-centric governed organisation?
Everyone says they are customer focused, but the truth is that most organisations are still product and/or channel focused. Does top management discuss sales and movements from a customer view? Or do they still only discuss it from a product and channel perspective? Does your organisation set objectives, strategies and development plans from a customer segment point of view? Do you have KPI's on customer segment level?

7. Are you working with advanced CRM?
If you want to be relevant with your customers, always, in real-time, in all channels … First, you need to work with all steps mentioned above. Second, you need a modern CRM platform. We (the lottery industry) do have an advantage over several other industries (telecom, travel, fashion etc.). The advantage is that our customers visit us more frequently online. Many customers visit us every week, to play or to check their results. This means that our own online channel is super important as a CRM channel. Imagine recognising every customer when they visit with a relevant message just for them, in combination with other CRM channels; email, postal, SMS, notifications, social media etc., this turns into a huge opportunity, to always be relevant depending on how you want to develop your customers.

So, what's in it for us? There is clearly business value in the end, but you need to know where you are right now. You need a credible vision and strategy to get there. It will take time and it will take top management commitment to succeed and it is my firm belief that if you don't invest here, you will be left behind. Good luck with your data!

Ps. In regards of the PZAC MODEL… don't google it. To keep my boards, and your, attention… PZAC stands for: Peter Zall's (own Analytics and CRM model … ;)   ∎

PORTLAND, OREGON…

YOU MAY HAVE HEARD ABOUT IT.
If you're lucky and adventurous, you might have visited this Pacific Northwest beauty before and you know…**IT'S ALL TRUE.**

The laid-back metropolis that works with an appealingly off-kilter vibe, an almost unfair abundance of natural splendor, eclectic nightlife, tax-free shopping, famous food carts, fine micro-breweries, and of course a pioneer spirit that stays with you.

NASPL AND THE OREGON LOTTERY WELCOME YOU TO A CITY THAT WELCOMES ALL.
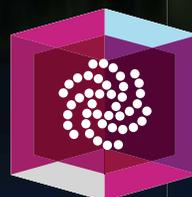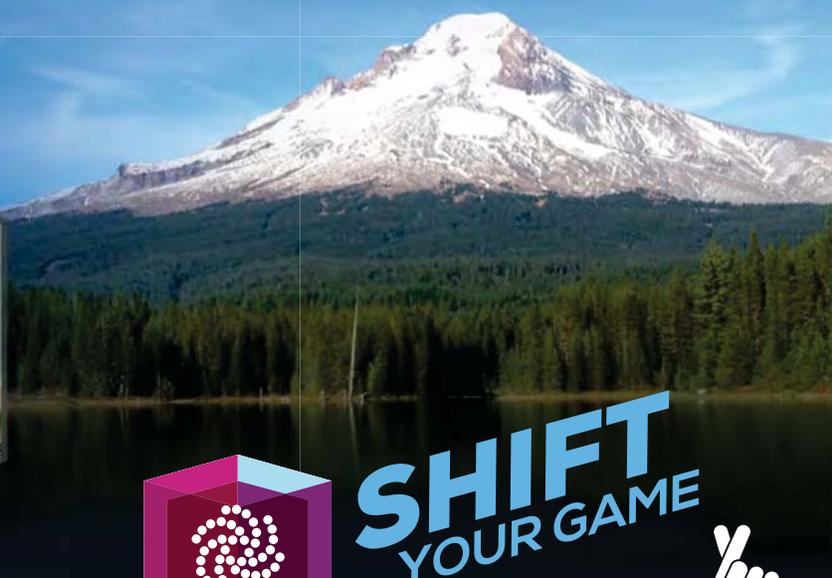
SHIFT YOUR GAME

HOSTED BY THE OREGON LOTTERY

Technology	Brief Definition	Lottery Application
9. COUNTERPARTY	Smart contracts in the Bit Coin Block chain	Danger to lottery here in that use of counterparty could lead to unregulated betting services
10. INTERNET OF THINGS (IOT)	Things connected to the inernet	When reulation allows, lottery play can be available on your refrigerator or home smart speaker device.
11. AI-Artificial intelligence	Mimics human intelligence, exhibited by machines, but not yet C3PO	Greater, more personal interaction with players at the point-of-purchase
12 MACHINE LEARNING	-AI achieved through analysis and learning from data	Enhanced use of player activity data to offer personalized future play suggestions i.e. Netflix profiling
13. NEURAL NETWORKS	A computer system modeled on the human brain and nervous system	Can be used to find insights into player behavior and preferences
14. AMBIENT INTELLIGENCE	AI that responds intelligently to human presence	Another chance to connect people to lottery, right in their homes
15. SPEECH RECOGNITION	Hello Siri!	Potental to facilitate personal connection to lottery play, anytime, anywhere

Preventing "Death by a Thousand Cuts" *Continued from p 61*

"15 Modern Technologies Demystified," Agnieska and Pall profiled 15 powerful technologies that have relevance to the growth and security of lottery solutions.

There is power in numbers! NLS brought the "Demystify" presentation to SMART-TECH attendees to help establish a unified baseline of understanding among all lottery stakeholders so that we may collectively move forward toward the solutions that will most significantly empower lottery. As Secretary Delacenserie said, "the key is to figure out what the commonality is" among lotteries and between lottery and retail "and focus on that commonality. The recent unified lottery agreement to offer a standardized 21-day settlement was key" to easing the lottery burden at retail. That is the type of unity and collaboration that will open doors of opportunity for lottery.

The current work of the NASPL Retailer Relations committee provides another excellent example of the type of collaboration and application of available technologies that will further move our industry forward. Iowa Lottery Chief Executive Officer Terry Rich echoed the call for leveraging growth opportunities through standardization by his endorsement of the Retailer Relations Committee's work to offer a common API for Powerball and Mega Million games. "This is something every lottery can do now, with no extra legislation needed" Mr. Rich said. "We have the power to proceed with this kind of innovation," he added.

Toward the end of the SMART-TECH panel discussion, "Overcoming Obstacles to Modernization," CEO Rich referred to the multistate game API effort and welcomed input from both his counterparts in Europe and other stakeholders to "help us keep this momentum up and make it happen!" To all of the lottery operators looking for innovation, flexibility, vendor responsiveness, change-agent technologies, experienced Agile project management, increased player and retailer participation, and optimum time to market, NLS is passionate about keeping the momentum, and the enlightenment, UP! ∎

Causes of Disruption

was always prepared to respond to every disruption and challenges posed by the regulations and legislations, completely in sync with transformation needs of the industry. It adjusted the business models to comply with regulatory frameworks and took advantage of its in-house technology to modify and upgrade its product offerings, not only matching the benchmarks and standards set by regulators but also capturing the mindset of players dynamically. The transformation strategy that Sugal and Damani laid at each stage was evolutionary in its own way as all the disruptions were of different kind and adapting to them required counter as well as preventive mode of planning.

There is a vicious cycle of transformation and disruption which applies to every industry, which begins with an Idea followed by Innovation and then with Regulation and
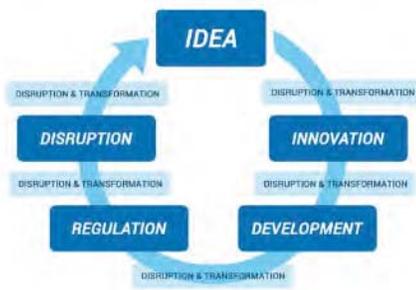
finally ends with a Disruption. Within each stage, there are disruptions of different forms which the industry need to counter, giving rise to the transformation needs and it's a cycle which never ends as we can see in the picture here.

Agile and culturally aligned organizations see opportunity in disruption rather than a threat. They have their purpose defined and they have the ability to communicate their vision clearly, which helps them in countering and reacting to possible disruptions. One of the most important factor to foster a culture of disruptive innovation, is to articulate the purpose of the organization with time. The partnerships and other alliance strategies also plays a very important role in today's era of "Converging Mindset".

Going in to the future, Sugal and Damani is ready for the expected and unexpected challenges that might surface with time. We understand that factors like Technology,

Competitors, user-preferences will always be at the helm of things and we have our mechanism to sense the disruptors and act against them. We have necessary tools and processes to manage the transformation needs and act as an Innovator.

Regulators have a big role to play in the lottery industry and they can help to improve technology and processes; assisting them to create a better environment for social benefits. The Public welfare campaigns, the employment scenario and overall economy of the nation can be given a boost by simply assisting the tool called "TRANSFORMATION". ∎

Highlights of Speech

agree with this. We want operators to raise standards and to do more to make clear the scale of contributions to good causes. We will be considering whether further regulatory requirements are necessary here.

Further, in relation to branded and umbrella schemes, it is vital that ELMs and society lottery operators ensure sufficient information to make it clear to consumers which society lottery they are being invited to participate in. While specific requirements are set out in Gambling Commission advice (Promoting multiple society lotteries) again, we are considering making these regulatory requirements.

Any proposals in these areas will of course be subject to consultation including with the Lotteries Council. The gambling participation survey published earlier this year shows that participation in lotteries, other than the National Lottery, remains one of the highest for any gambling activity.

The lotteries sector, like every other part of the gambling industry, is evolving quickly, with more diverse channels and products, and many of you now successfully promoting instants-style products. This creates more convergence of products in the society lotteries sector, the National Lottery portfolio and the commercial gambling sector. It also changes the hierarchy of harm as society lottery products move away from play that is lower risk (in relation to the

licence objectives) towards more mainstream gambling products.

The Gambling Commission will look at the implications of market convergence as part of our planned future work in preparation for the next National Lottery licence. We also look to society lottery operators now to consider carefully the implications of product and channel development for compliance with the licence requirements which are designed to keep play safe. While the prevalence of problem gambling in this sector may be relatively low you have a real opportunity – and a responsibility - to promote responsible participation as your market changes and grows.

We understand that you are operating in a different environment with different objectives to other gambling sectors. Where we can, we specifically recognise this by making sure regulation is proportionate and properly targeted. For example, that is why we have decided to adjust our requirements in relation to remote technical standards (RTS) to reflect a different profile of risk in your sector, and it is why we intend to relax automated self-exclusion requirements. The details of these decisions can be shared by my colleagues.

It is clear that lotteries are a vital and growing part of the fundraising sector, last year returning over £200 million to charities and other good causes.

But, at the same time, our interests, to protect consumers and to keep gambling fair and safe, need to be high on your agenda. As principles, they underpin the licencing objectives with which you must comply and more widely, they are crucial to the development of a healthy market sector over the long term.

I look forward to working with you on this shared agenda. I invite you to engage with us as we shape our new strategy for the future. I am lucky to work with some very experienced colleagues who understand your sector and are here today to help and to answer your questions. ∎

Pulse of the Industry

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

World News

POLAND BLACKLISTS UNLICENSED GAMBLING DOMAINS

Poland's Ministry of Finance has updated a list of online gambling domains it intends to block beginning this summer because they do not possess required licenses. Under the amended Polish Gambling Act enacted last year, all online operators not holding a Polish license were to exit the market by April 1. Many operators complied, fearing that their continued presence in Poland could create problems with regulators in more lucrative European markets.

Starting July 1, the Ministry will begin requiring that local internet service providers block access to blacklisted web domains. While some operators have indicated their intention to apply for a Polish license, many seemingly are waiting until Poland fulfills its promise to amend its 12% tax on sports betting turnover.

E-SPORTS TO BE REGULATED IN FRANCE

E-sports is coming closer to becoming a widely accepted sport all over the world. What started in Asia more than 15 years ago has now arrived to Europe in the form of players contracts being legally protected by law. The new rules are part of France's new plans regarding esports. The United States, on the other hand, has no established governmental protections or regulations set for e-sports players.

EUROPEAN PARLIAMENT CULTURE COMMITTEE VOTED ON AUDIO-VISUAL MEDIA SERVICES

Directive: Gambling advertising should continue to be excluded from the Directive

EL welcomes this clarification. As EL Secretary General Arjan van 't Veer comments: "EL welcomes the fact that CULT Committee has recognised specificity of the gambling sector where the competence lies at national level. The step taken by the European Parliament today is again one in an ongoing direction."

Commercial communications for gambling products should continue to be excluded from the scope of the revised Audiovisual Media Service Directive (AMSD). That is the outcome of today's vote in the European Parliament's Culture and Education Committee.

Currently, gambling operations are excluded from the scope of the Directive. Commercial communications for gambling products are not. As a consequence, the country-of-origin principle enshrined in the Audiovisual Media Services Directive is used as a legal basis by some gambling operators based in one Member State to broadcast, by satellite, their gambling products' ads to consumers based in other Member States where those products are illegal. Such malevolent operators do not comply with the legislation in the Member State of these consumers in the field of consumer protection or taxation and thus undermine the efficiency of the regulatory system set up by that Member State. This is a misleading practice towards consumers who are led to presume that publicly advertised services surely are legal.

The file will soon proceed to Trialogue discussion between the three institutions European Parliament, Council and European Commission. EL hopes that the Council will follow the lead of the European Parliament and go even further by clearly excluding gambling from the full scope of the Directive.

AUSTRALIA ENHANCES GAMBLING PROTECTIONS

Australian lawmakers have approved measures to enhance consumer protection in its licensed online gambling market. The measures call for the establishment of a national self-exclusion register and a voluntary scheme that would allow players to pre-set their own spending limits.

Betting companies will be prohibited from offering lines of credit, and operators will be required to send statements to their customers to help them track their spending. Online gambling companies will not be permitted to have relationships with payday loan companies.

The measure is known as the National Consumer Protection Framework; state and federal governments have invested $3 million in it to date. Much of that funding

will help establish a national gambling research model to understand the social impacts of gambling and how it can be more effectively regulated.

HUNGARIAN GAMBLING LAWS UNDER FIRE

An advocate general of the Court of Justice of the European Union (CJEU) has challenged online gambling laws in Hungary, arguing the laws could be in violation of the EU tenet of freedom to provide services.

In a legal opinion requested by the Budapest Administrative and Labor Court in the case of Unibet International Ltd. vs. Hungary's National Tax and Customs Administration (NAV), Maciej Szpunar questioned the Hungarian laws. To be permitted to provide online gaming services in Hungary, a company must register with NAV.

Unibet argues that the distribution of licenses does not take place lawfully, and it has questioned the transparency of the licensing process. Unibet says local rules on licensing violate the principle of freedom to provide services as per the Treaty on the Functioning of the European Union (TFEU).

The Supreme Court in India will be examining whether gambling and betting in sports should be legalized and regulated.

Additional information can be found at www.inseinc.com.

North American News

INTRALOT GROUP APPOINTS JOHN DONAHUE NEW CEO OF INTRALOT USA

The INTRALOT Group announces the appointment of John R. Donahue as CEO of its USA venture INTRALOT Inc. Mr. Donahue has 30 years of lottery and gaming experience in the global market. His strengths combine strategic vision with product development, technology delivery, as well as operational and sales execution.

Before coming to INTRALOT he worked for 10 years as Managing Director of the International Systems Division at Scientific Games and previously as International Sales Director and Northern Europe Sales and Operations Vice President for IGT (GTECH Dreamport) and CEO of SIRIUS Gaming LLC.

INTRALOT Group CEO Antonios I. Kerastaris said: "I am thrilled to welcome John as CEO of INTRALOT Inc. His proven record of achievement and the breadth of his strategic horizon and thinking will be an amazing addition and asset for INTRALOT's presence and business growth in North America which currently presents enormous opportunities for modernizing lotteries in a digital world. I look forward working with him. "

John Donahue said: "I am very excited to join a very innovative company like INTRALOT and I am very impressed by their accomplishments in the US market. INTRALOT has a fantastic customer portfolio and I look forward to building upon these relationships and expanding the business throughout the region."

INTRALOT, a public listed company established in 1992, is a leading gaming solutions supplier and operator active in 55 regulated jurisdictions around the globe.

IN MEMORIAM: LYNN BECKER

It is with great sorrow that the Intralot family announces the passing of our dear colleague Lynn A. Becker, on Saturday May 6, 2017, after a short illness. He is survived by his father, his sister, his fiancé and 3 step sons. Lynn served the lottery industry for more than 30 years. He started his lottery career at Scientific Games where he took on different responsibilities and roles. By 1997, he was the Senior Director of Information Systems overseeing a team of 50 IT developers.

Then in 2002, he took a huge leap of faith and followed his boss and friend, Tom Little, to become one the first 3 employees of Intralot's new business venture in the US. In his role of VP of Business Development, Lynn was responsible for new business procurements while overseeing both technical requirement preparation as well as government compliance. Lynn was instrumental in the growth of Intralot's US business.

Intralot has lost a visionary and hardworking colleague, and the world has lost a wonderful, caring human being. Those of us who have been fortunate enough to know and work with Lynn have lost a dear friend and an inspiring mentor.

GOV. SCOTT ANNOUNCES RESIGNATION OF FLORIDA LOTTERY SECRETARY TOM DELACENSERIE

On May 19, Governor Rick Scott announced Secretary Tom Delacenserie's resignation from the Florida Lottery, which will be effective on June 2, 2017. He has served in this role since 2015. Further announcements on agency leadership will be made at a later date.

Governor Scott said, "For 17 years, Tom Delacenserie has served our state at the Florida Lottery. Tom has done a great job and under his leadership, the Lottery has seen record sales and made historic contributions to Florida's education system. Tom has been a valued member of my team since the start of my administration and I am proud of the great work he has done for Florida's students. I wish Tom and his family the very best in their future endeavors."

Prior to his appointment as Secretary, Tom Delacenserie served as the Interim Secretary for the Florida Lottery. Beginning his career at the Florida Lottery in 2000 as District Manager in Fort Myers, Delacenserie was promoted in 2005 to Lottery's Director of Sales. In 2013, Delacenserie transitioned to Lottery's Deputy Secretary of Sales and Marketing.

The performance of the Florida Lottery under the leadership of Mr. Delacenserie has been exemplary, with April posting yet another record month in sales. "I am extremely proud of our Florida Lottery team and retailers as we continue to shatter previous records," Delacenserie said in the release on May 11. "In addition to their winning experiences, our players should take pride in knowing that with the purchase of every Lottery ticket, they are making a difference in the lives of Florida's students."

NEW JERSEY CONFERS WITH FEDERAL OFFICIALS ON SPORTS BETTING CASE

Representatives of the state of New Jersey conferred with the U.S. Solicitor General's office on the long-running legal quagmire relating to the state's interest in offering sports betting.

In January, the U.S. Supreme Court sought advice from the Solicitor General's office on whether the case merits review. It was the only one of more than 130 cases that received such a request on that docket of case reviews.

New Jersey's thoroughbred horsemen, state senate president, and Assembly Speaker joined the case on the side of Governor Chris Christie and the state Attorney General's office. The state's position is opposed by the professional and intercollegiate sports entities: NFL, NCAA, NBA, NHL, and MLB.

The Third Circuit Court of Appeals has rejected New Jersey's case twice.

The NBA and MLB – in addition to Major League Soccer - have indicated that some form of legalized sports betting outside of Nevada might be acceptable to them. However, they have not supported the latest New Jersey proposal, which would leave the horse racing tracks and Atlantic City casinos to do their own regulation. Some of the sports leagues, franchises, and owners have embraced daily fantasy sports, which many parties contend is a form of sports betting.

The Supreme Court's request for the solicitor general's opinion may suggest that the court is willing to hear the case and that it wants to know if the new Trump administration's position changes any previous thinking on the subject.

New Jersey hopes the court might rule that PASPA, the 1992 federal bill that prohibits sports betting, is unconstitutional because it interferes with states' rights to make their own laws on gambling.

AGA (AMERICAN GAMING ASSOCIATION) SURVEY OF FOOTBALL FANS

reveals support for legalizing and regulating sports betting

A recent survey of nearly a thousand fans of the Detroit Lions of the National Football League revealed support for legalizing sports betting in Michigan.

The survey found that 55 percent of Lions fans think that regulating and taxing sports betting would generate revenue for state education and public safety programs. 49 percent said they would be more likely to watch the Lions play if they had a bet on the game; 19 percent of Lions fans said they oppose the legalization of sports betting.

The sponsor of the research, the American Gaming Association (AGA), said there was an increase in betting for this year's Super Bowl totaling $4.7 billion. Most of that action was illegal.

Advocates of legalizing sports betting may have a significant new ally: Major League Baseball Commissioner Rob Manfred said recently he wants his league to discuss the future of regulated sports betting. He said that MLB was reexamining its stance on sports betting, that MLB has conducted research on the topic, and that Las Vegas may be the site of a new or re-located MLB franchise.

In the other major professional sports leagues:

A new study from the American Gaming Association finds that says that over 60 Percent Of Americans Don't Realize Sports Betting Is Illegal in almost every state.

GOVERNORS ASSOCIATION (NGA) SENDS LETTER TO U.S. ATTORNEY GENERAL ON ON-LINE GAMING

Concerned that actions by the Trump Administration or the new Congress may lead to a ban on internet gaming and internet lottery sales, the National Governors Association (NGA) Economic Development & Commerce Committee sent a letter to the U.S. Attorney General asserting that decisions affecting gaming should be left to the states. Virginia Gov. Terry McAuliffe (a Democrat and the chair of the NGA) and Nevada Gov. Brian Sandoval (a Republican and the vice-chair of the NGA) signed the letter. The letter described the regulations and consumer protections that states with legal online gambling or lottery have enacted.

NGA has been a longtime opponent of federal online gambling prohibitions.

The new concerns arose over proposed legislation introduced in Congress that would ban online internet gaming and internet lottery sales because it challenges the federal-state relationship.

The NGA is joined in its opposition to the proposed legislation by the Fraternal Order of Police, the Democratic Governors Association, the National Conference of State Legislators, and the North American Association of State & Provincial Lotteries, among other organizations.

Frank Farricker, the Connecticut Lottery Corp. chairman and interim CEO, resigns. Chelsea Turner, the chief of strategy and government and operational affairs, was appointed to replace Farricker in the interim job until the board hires a permanent CEO.

OKLAHOMA LOTTERY ALLOWED TO INCREASE LOTTERY PRIZES AND PAYOUTS

Gov. Mary Fallin signed a measure designed to raise lottery prizes in hopes of increasing sales and funding for education. Current law requires the lottery to give 35 percent of its profits to education. House Bill 1837 removes that profit requirement.

"We're thrilled for our education partners who are going to receive substantially more proceeds going forward to benefit their important missions," said Jay Finks, Oklahoma Lottery director of marketing and administration. "The support of the education community and strong leadership from Rep. Leslie Osborn and Sen. Kim David was critical to making a positive change we've needed and wanted to make for 10 years for the benefit of our schools. Players can expect exciting changes this summer that we look forward to announcing in the coming months."

David Williams, the President of the Taxpayers Protection Alliance(TPA), called Sheldon Adelson's Restoration of America's Wire Act (RAWA) "a deeply flawed, dishonest piece of legislation."

MICHIGAN LEGISLATORS CONSIDER ON-LINE GAMBLING

Michigan has become the sixth state this year to consider legalizing on-line gambling.

The proposed new legislation is essentially a continuance of measures that Michigan lawmakers debated in 2016. The proposal calls for state regulators to draft rules governing licensing and the operation of online gambling sites within one year of the bill becoming law.

Additionally:

Only licensed Michigan casinos will be eligible for an online gambling license. In a departure from the 2016 bill, there does not appear to be a limit on the number of licenses that can be issued.

All players must be at least 21 and located inside Michigan's state borders.

Michigan would be free to enter into interstate compacts with other jurisdictions.

In addition to the operating costs of regulating the industry, the only specified appropriation of online gambling revenue would be an annual $5 million payment to the First Responder Presumed Coverage Fund.

One provision of the bill states: "The types of internet games to be offered, which must include, but need not be limited to, poker."

This seems to indicate that all online gambling operators in Michigan would be required to offer online poker, which is not mandated other states.

Online licenses would be segmented into three tiers:

Operators will receive five-year licenses at a cost of $200,000 for the first year and $100,000 in subsequent years.

Platform provider licenses are good for five years and come at a cost of $100,000 when the license is issued. Licenses cost $50,000 each year thereafter.

Vendor licenses require an up-front payment of $5,000 and $2,500 in subsequent years. Vendor licenses are valid for five years.

Proposed licensing fees are far higher in other states.

New York is asking for $10 million up-front

Pennsylvania is asking for $8 million per online gambling license

California would charge online poker operators $12.5 million

Michigan also would impose a comparatively low tax rate on operators; the bill calls for just 10 percent of gross gaming revenue to go to the state.

Proponents of the plan say Michigan could net millions of dollars in new tax revenue. Today, companies that run gambling websites are unlicensed, unregulated in Michigan and pay no taxes. If the legislation is adopted, Michigan would be the fourth state to legalize some form of internet gambling, after New Jersey, Nevada and Delaware. Unlike those states, which allow people to play online games from their homes, Michigan would be the only state to require players to visit a casino. That could be a way to circumvent a state constitutional amendment adopted in 2004 that requires a majority of the state's voters to approve any expansion of gambling in Michigan — unless it is to be offered at Detroit's three casinos or at casinos run by Native American tribes.

IN A WORLD OF DIGITIZATION, PEOPLE STILL PROVIDE THE KEY VALUE

As the unprecedented transformation in digitization across industries and national boundaries has globalized the world's economy and social structures, the people dimension of these changes has emerged as the key to creating value and ensuring the sustainability of this new world order.

Leadership development and talent acquisition require innovative approaches in the new digital business landscape; as a consequence, organizations need to move quickly to ensure that workers have the opportunity to participate fully in the digital economy.

As organizations in the new digital marketplace become more horizontal, collaborative, and eschew hierarchy, employees must adapt to new team structures and accountabilities. Leaders must understand that empowering their teams to work in new ways to provide solutions for customers is the key to achieving lasting digital transformation, the kind that powers sustainable growth.

LOTTOLAND LAUNCHES THE WORLD'S FIRST GLOBAL LOTTERY

Lottoland is a private betting company that sells bets on the outcome of branded lottery products. Check out its website at lottoland.com. Think about the implications that this business model has for state-operated lotteries. And now it is launching the world's first world lottery game, called WorldMillions.

According to Eilers & Krejcik Gaming , first quarter social casino gambling revenues grew 13.4 percent over last year to $1.06 billion.

TOM DELACENSERIE APPOINTED PRESIDENT & CEO OF THE KENTUCKY LOTTERY CORPORATION

As of June 5, the Kentucky Lottery Corporation has a new CEO. Tom Delacenserie resigned last week as secretary and CEO of the Florida Lottery, where he had started in 2000 and was appointed Secretary in November of 2015. Sales records were broken in nine of the 12 years he was in management at the Florida Lottery, which posted sales of $6 billion in last FY2016.

"We're so excited to have secured such a proven leader and successful CEO for the lottery," said KLC Board Chair Mark F. Sommer. "Governor Bevin's selection of Tom to lead this great organization is most appreciated. The board as a search committee, along with Lt. Governor Hampton, have worked deliberately and diligently over these past many months to identify the best possible candidate for this highly sought after position – we have found that in Tom. We look forward to him leading the lottery past the $1 billion sales mark and well beyond."

"I'm very much looking forward to joining one of the premier lotteries in the country," said Delacenserie. "I am dedicated to continuing the Kentucky Lottery's emphasis on increasing both sales and proceeds to the Commonwealth."

Mr. Delacenserie becomes the fifth president and CEO of the Kentucky Lottery. He replaces Arch Gleason, who died last year after serving in the role for 23 of the Kentucky Lottery's 28 years in existence.

INSPIRED ENTERTAINMENT: VIRTUAL SPORTS FOR LOTTERY

Inspired Entertainment Announces Virtual Sports Deal With Finnish Lottery And Sports Betting Provider, Veikkaus

Owned by the Finnish government, Veikkaus is the Finnish National Betting Agency and has an exclusive legal betting license on lotteries and sports betting in Finland. Inspired has been selected to supply Virtual Sports products to Veikkaus Sports Betting locations and on the Veikkaus Sports Betting website.

"We are pleased to have been chosen as the Virtual Sports supplier to Veikkaus," said Luke Alvarez, President and CEO, Inspired. "Following the recent announcement of Inspired's deal with Michigan and our rollout with the Greek lottery, OPAP, this deal adds to our growing portfolio of international lottery partners."

Inspired's Virtual Sports Go Live In Polish Retail Venues With Fortuna

Inspired's award-winning Virtual Sports products are now live in Polish retail venues, with online soon to follow. In an agreement which extends to 2019, products from Inspired, including Virtual Football, Virtual Horses, Virtual Greyhounds, Virtual Speedway and Virtual Motor Racing are now available to Fortuna customers in Poland. Fortuna also supplies Inspired's Virtual Horse Racing, Virtual Greyhounds and Virtual Motor Racing, amongst others, both in retail and online to other Central European jurisdictions.

Michal Hanák, Group Chief Sportsbook Officer, Fortuna Game, added, 'Fortuna is excited to be the first to deploy Inspired's market-leading Virtual Sports products to its Polish customers, and we're confident that they'll receive the same positive reception that we've witnessed in other Central European jurisdictions. Virtual Sports are proving ever more popular with Fortuna's customers, and this announcement is testament to our commitment to responding to market demand.'

Inspired Hails Success Of Its Virtual Grand National Predictor Race

Inspired Entertainment, Inc. celebrates the success of its Virtual Grand National, which saw the predicted winner, Cause Of Causes, finish in second place in the live event at Aintree on Saturday. Following an exclusive long term partnership with Carm Productions and The Jockey Club, Inspired's Virtual Grand National 2017 was broadcast for the first time on national television in the UK the evening ahead of the live event on the afternoon of April 8.

The virtual race, which was uniquely developed to feature the 40 declared runners and riders from the 2017 Grand National field, used complex data algorithms to eventually predict Cause Of Causes as the winner of the 2017 Grand National. In a nail-biting climax, One For Arthur took the title, with the virtually predicted winner finishing a close second.

'Trying to predict the result of what can often be one of the most unpredictable races in the sporting calendar was always going to pose a risk and a challenge,' said Steve Rogers, CCO Digital Games, Inspired, 'but I'm delighted that the strength of the algorithms which we used to devise the product have proven their sophistication.' Rogers added, 'We have seen an amazing response to this project, both online and in the racing community, and it is as success story which we will certainly look to replicate in the future. Such is the quality of the animation and graphics which we're now able to produce, the line between the virtual and reality is ever tightening; it's an extremely exciting arena to be working in right now.'

Following the Virtual Grand National's debut, Aintree will now become the first racecourse in the UK to be featured daily in Virtual Horse Races provided exclusively by Inspired. Events will be streamed to online and mobile players and broadcast into retail betting and gaming locations worldwide through Inspired's network of digital and land-based platforms.

Steve Rogers, Chief Commercial Officer, Inspired, commented, 'This project has been both a challenging and hugely rewarding one to work on with our partners. The end result is one of our most realistic and sophisticated Virtual Sports products to date, and I have no doubt that punters and viewers will be impressed by the quality and realism of the animation of the race. Inspired is committed to delivering Entertainment with an Edge to its customers, and this Grand National product is the very embodiment of that.'

About Inspired Entertainment, Inc.

Inspired is a global games technology company, supplying Virtual Sports, Mobile Gaming and Server Based gaming systems with associated terminals and digital content to regulated lottery, betting and gaming operators around the world. Inspired currently operates more than 25,000 digital gaming terminals and supplies its Virtual Sports products in more than 35,000 venues and on over 100 websites in 30 countries. Inspired employs over 800 employees in the UK and elsewhere, developing and operating digital games and networks.

Social Media ROI   *Continued from p 67*

social media tools available illuminates the ROI of social media investment, albeit with less precision and more inference than we want. New media combined with rapidly changing consumer behavior and the digitization of commerce requires new models for interpreting the data. The end-result, though, is not only an accurate measure of social media investment ROI, it is a business that is positioned to meet the needs of its customers for the right message at the right time for the right product. The digital marketplace may be perplexing in the short-term, but the ability to nurture a more intimately connected relationship with our customer will pay huge dividends in the long-term. ∎

The Impact Of The General Data Protection Regulation

(ii) Second, the GDPR obliges data controllers, in casu the lottery operators, to provide comprehensive and clear information to the players to ensure transparency of the data processing. Such information must be provided through separate, concise and easily accessible privacy notices on websites and data collection forms.

The GDPR also contains several provisions limiting the collection, use and storage of personal data. The principle of data minimization obliges the data controller to limit the data collection to data that are relevant for the purposes of the processing. For example, in the framework of a lotteries' online registration obligation, the gender of the players is irrelevant and should not be asked. In addition, the principle of purpose limitation limits the use of the collected data to the purpose for which they have been collected. For example, data collected in the framework of an online registration obligation may not be used for direct marketing purposes without obtaining additional consent. Finally, the principle of storage limitation requires data to be stored only for as long as necessary for the purposes of the processing. Eternal storage of data without any legal obligation to do so is thus excluded.

Under the GDPR, the players also have the right to address specific requests to the lottery operators, for example to gain access to or to rectify or erase the personal data relating to them. These requests must in principle be answered within 1 month after receipt, free of any charge towards the players. The elaboration of procedures to be able to timely handle such requests shall thus become a necessity.

Another core principle of the GDPR is the principle of accountability, by virtue of which all lottery operators must be able to demonstrate compliance with the GDPR. This includes the obligation to have a Privacy Policy in place, to keep comprehensive records on all processing activities; to conduct Privacy Impact Assessments before starting 'high risk' processing activities; to conclude Data Processing Agreements with data processors which contain a clear division of responsibilities; to implement adequate IT security measures; and potentially also to appoint an internal or external Data Protection Officer.

In case of an incident or breach involving personal data, lottery operators shall be required to perform a risk assessment to determine whether the breach entails a risk for the rights and freedoms of the players. For example, think about risks of identity theft or fraud that may be related to a data leakage. If a risk is identified, the lottery operator must notify the national data protection authority of such breach without undue delay and, in principle, within 72 hours following becoming aware of such breach.

Finally, the GDPR restricts the possibility to transfer personal data outside the European Union, even if the data are merely transferred between intra-group companies located on different continents. Such international data transfers must always be combined with appropriate safeguards to ensure that the receiving country or company respects similar data protection principles as those enshrined in the GDPR. An example of such an appropriate safeguard is to ensure that the receiving company has adhered to the principles of the EU/US Privacy Shield.

Enforcement

The application of the GDPR will be monitored by the national data protection authorities, who will be competent to receive and investigate complaints from data subjects, conduct on-site inspections and impose significant administrative fines. For processing activities carried out in different Member States, a one-stop-shop principle has been established, meaning that one authority shall take the lead. The European Data Protection Board, which shall replace the former so-called Article 29 Working Party, shall see to the consistent application of the GDPR throughout the European Union.

From compliance to governance : Using Big data

It is very clear that data protection will become a strategic argument, that may work both to the detriment and to the benefit of a data controlling organization. Lotteries are driven by the respect of values as integrity and responsibility. Compliance is therefore simply essential, but it is certainly not enough.

On the one hand, there is no denying that the GDPR imposes a set of stringent obligations on all lottery operators in relation to their processing activities. Timely implementation of the GDPR will most likely be a real challenge as it requires a multi-disciplinary approach involving support from different angles within the organization, including legal, IT, HR, marketing, customer relations, sales and risk management.

The biggest mistake is to think it is simply a matter of security and IT. While security and IT are important tools to guarantee the compliance, the matter of GDPR governance goes far beyond such approach and is in essence a strategic and management issue. It requires the designing of a future-oriented approach on the strategic usage of big data to enhance the lottery activity into new channels with appropriate legal solutions going beyond simple compliance.

Well-structured data governance may effectively present real business opportunities that lottery operators may even not know they had. ∎

Åsne Havnelid

between banks and these operators. But it remains to be seen what kind of new measures the Norwegian Gaming Authority will focus on in the next 1-2 years.

What are some forward-looking RG and CSR initiatives that Norsk Tipping is planning for the coming months and 2018?

Å. Havnelid:

We are about to enter a new and exciting research collaboration with Nottingham Trent University that I am confident will give us new and potentially pioneering insight into the problem gaming behavior and that will mean that we will be even better at performing this fundamental aspect of our mission – to minimize problem gambling within the mandate we have as operators. ∎

THE IMPACT OF THE GENERAL DATA PROTECTION REGULATION ON LOTTERIES IN EUROPE: FROM COMPLIANCE TO GOVERNANCE

BY PHILIPPE VLAEMMINCK,
MANAGING PARTNER AND
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Since the adoption of the new General Data Protection Regulation, data protection has become an especially hot topic in Europe. Although the data protection rules encompassed in this Regulation are not at all new, the Regulation is expected to bring about substantial changes to the way in which companies must handle personal data of all data subjects located in the European Union. Among the changes is the introduction effective mechanisms to enforce the regulations.

But what is all the fuss actually about?

Let's start with the beginning. European data protection rules used to be encompassed in a European Directive (Directive n° 95/46/EC), which had to be transposed into national laws by the different Member States. This meant that data protection rules in the different Member States were interpreted, enforced, and implemented in a different way in every Member State, which of course did not at all enhance harmonization. In addition, the rise of new technologies, such as the internet and social media, and the fast developments of companies as Google and Facebook brought about new challenges to the protection of the privacy of individuals. Therefore, the European Commission decided that it was time to update the current data protection rules, enact enforcement mechanisms, and to move towards further harmonization.

In May 2016, this resulted in the adoption of the so-called General Data Protection Regulation (Regulation n° 2016/679, abbreviated the 'GDPR'). As Regulations have direct effect within the whole of the European Union, there is no more need for any transposition of the GDPR into national law. On 25 May 2018, the GDPR will therefore become fully applicable in all Member States of the European Union. As from that date, all companies based in or having a branch or subsidiary in the European Union that process personal data, as well as companies not established in the European Union that target data subjects located in the European Union with their data processing activities, must be fully compliant with the principles set out in the GDPR.

Non-compliance with the GDPR may give rise to the imposition of substantial administrative fines, ranging up to the highest amount between 4% of the total worldwide turnover of the preceding financial year or 20 mil EUR. In addition, data subjects who have incurred damages as a result of processing activities may claim damages from non-compliant companies.

Basic principles of data processing

Personal data are defined as any information relating to an identified or identifiable natural person, whether directly or indirectly in combination with other information, and irrespective of the way in which the data are collected. Examples of personal data include name, address, contact details, identification number, location data and IP addresses. Specifically in relation to gaming activities, personal data will mainly include all player data collected and held by Lotteries.

As Lotteries determine the means and the purposes for which these player data are collected, they act as data controller in relation to such data and therefore shall have specific obligations under the GDPR. The role of data controller should be distinguished from the role of data processor, being the legal or natural person who processes personal data on behalf of the data controller. Data processors generally have fewer obligations than data controllers under the GDPR.

Main obligations under the GDPR

One of the main obligations imposed on data controllers under the GDPR is to ensure that personal data are processed in a lawful, fair and transparent manner. This essentially encompasses two things:

(i) First, the data controller may only process personal data if it has a legitimate legal basis to do so. Such legal basis can be the consent of the individual concerned, but may, amongst others, also be found in a legal obligation that obliges the controller to process certain personal data.

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