

FEATURE INTERVIEWS



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FEATURED ARTICLES...

New Jersey Lottery and Northstar NJ Lottery Group Combine to Drive Retail Expansion with Customized Solutions

GTECH and Probability Team Up to Reinvent Gaming for the Mobile Era

Lottery Hall of Fame Honors **Bernadette Lobjois** and **Jean-Luc Moner-Banet**

Kambi Sport Solutions: Bringing the Online Pace to the Retail Space

Philippe Vlaemminck Assesses Regulatory Landscape of EU



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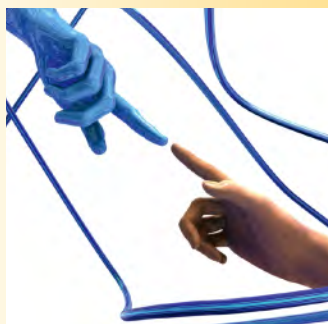
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PGR Institute is much more than a news aggregator. We follow-up on the news to deliver the perspective and genuine insight you need to understand the gaming industry and how it is likely to evolve. Any questions or comments, e-mail Paul Jason at pjason@PublicGaming.com or call U.S. + 425.449.3000.

Thank you!

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From the Publisher

By Paul Jason, Publisher, Public Gaming International Magazine

“Be Practical – Demand the Impossible.” And, political scientist George Friedman admonishes, if you’re not demanding

the impossible from yourself, then you’d better *expect* the impossible from someone else. There is no stopping historical trend-lines and the leaders on the front-lines of innovation. The best we can do is make sure that we, and our businesses, carve out a contributing role in the march towards a future filled with opportunity as well as vexing challenges.

The features in this issue reflect the confident embrace of this reality, the fact that there is no longer a safe, risk-averse, conservative path to preserve the position we hold. The future is being reinvented by the leaders who demand the impossible, leaving no quarter for those whose strategy is to defend the present. It’s not just about technological change, the intensity of the competition, the introduction of more and more consumer options, etc. The one protective barrier that dominant market share-holders could always rely on was incomplete information – the fact that the consumer does not possess perfect information upon which to base buying decisions. But imagine if everything were priced the way airline fares are right now. We are rapidly moving to a system of pretty complete (albeit it not “perfect”) information and pricing models that dynamically adjust to reflect real-time supply and demand equilibrium. The market-place will be further subdivided to make room for more consumer options, and operators to supply those options. But there will be no room for anything other than the very best product/service/value proposition. The future will not comfortably abide a middle ground between mediocrity that slumps into irrelevance, and bold action that reshapes the world to channel all the business to “best-in-class.”

Part of this story is to get clear on the nature of change, and the inexorable consequences of change. **Friedrich Stickler** gives us an overview of the regulatory situation in Europe, surely a situation that should give all of us pause to think about how we are going to carve out a prosperous future for Lottery and its beneficiaries. **Jannie Haek** covers some similar ground, and discusses some of the things the Belgium National Lottery is doing to succeed in this rapidly changing regulatory and market environment in Europe. **Wojciech Szpil** is aggressively tackling the challenge to revitalize the traditional games for the modern consumer. **Jean-Luc Moner-Banet** focuses on next generation marketing that connects emotionally with the next-generation consumer. And **Philippe Vlaeminck** assesses the current status, and implications for Lottery, of EU Commission regulatory policy-making.

Another Friedman maxim is that the most profound impacts of bold actions are more often unintended, unplanned. The underlying big-picture forces at work that actually determine the outcomes include factors that are not only beyond our control, but beyond our ability to foresee. Therefore, by definition, uncertainty cannot be eliminated. Decisions must therefore be made, and action taken, in spite of incomplete information. Fortunately, application of intelligent risk-assessment tools make Friedman’s maxim just as likely,

or even more likely, work in our favor. That will surely be the case when it comes to the changes made over the past few years by U.S. lotteries. First there was “cross-sell” in 2010; then raising the price of Powerball to \$2 a ticket in 2012. Now, all U.S. lotteries sell both Mega Millions and Powerball. These were both huge changes. Not all of the outcomes were 100% positive, or anticipated – a result that is itself to be anticipated. But the net direct effects are 100% positive. More important, perhaps, is that these changes created the foundation for progress that will yield incredible benefits to U.S. lotteries. Without the collaboration infrastructure built by those initiatives, it is extremely unlikely that the newest initiative, the biggest “game-changer” since the introduction of the Lotto*America back in 1988, would have been possible. The Multi-State Lottery Association (MUSL) announced during the 2014 Smart-Tech Conference in New York City that member lottery officials are moving forward with their plan to launch the highly anticipated new national premium game later this year, followed by the launch of a national TV game show in early 2015. Read about this in **“Pulse of the Industry”** news (it’s the first story), and also in the **Steve Saffrin** interview. **Gary Grief** delivered a profound keynote speech at Smart-Tech, emphasizing the most vital component to further progress for U.S. lotteries – collaboration. Included in this issue is the transcript and some of the PP graphics from Gary’s presentation. To be sure, **Wojciech Szpil**, **Friedrich Stickler**, and **Jannie Haek** also discuss how and why multi-state collaboration is mission-critical for the ongoing success of lotteries everywhere.

The **New Jersey Lottery** and the **Northstar NJ Lottery Group** are forging their own brand of collaboration, breaking down the barriers that inhibit deployment of lottery products in national chain store operations.

We talk about being “customer-centric,” but the rubber hits the road where technological change struggles to get woven into the fabric of everyday commerce. **George Zenzefilis** tackles this issue head-on. As does **Erik Lögdberg**, focusing on the integration of online technology and consumer behaviour into the off-line world of Retail.

Congratulations to **Bernadette Lobjois** and **Jean-Luc Moner-Banet** for their election into the Lottery Industry Hall of Fame! The government-lottery business would not be where it is today without the dedication and talent of this community of lottery industry leaders.

Lottery Expo will be held at the Eden Roc Resort on Miami’s South Beach. September 10 to 12. Visit our conference website www.PublicGaming.org for further details, registration information, and program updates. I hope you can come!

Thank you to all of our editorial contributors and interviewees! Your willingness to share your insights and experience helps all of us to understand this industry and hopefully apply that to improving the performance of our businesses. And thank you, reader, for your support. I welcome your feedback, comments, or criticisms. Please feel free to e-mail me at pjason@publicgaming.com. ♦

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KEYNOTE SPEECH AT PGRI SMART-TECH

New York City, April 1, 2014



Friedrich Stickler

Managing Director, Austrian Lotteries
President,
European Lottery Association (EL)

Good morning. Thank you for this opportunity to talk about the regulatory situation in Europe and the ways that it is similar to that in the U.S. We share so many of the same challenges and opportunities. In his opening speech, Gary Grief (Executive Director of the Texas Lottery and president of NASPL) said that U.S. lotteries need to find ways to act together, to stand united in their efforts to defend the interests of government-gaming and the Good Causes that depend on funding from lotteries. The issues you face in the U.S. are not so different from those we face in Europe. In fact, most of these issues are faced by all lotteries everywhere in the world. That is why I would propose that we explore opportunities to enhance the position of our individual jurisdictional lotteries by acting as one and forging a global community of government-gaming operators. The need is pressing. Changes in technology, in consumer behavior, in distribution channels are changing the market-place. Today, though, I will be discussing the impact that regulatory change has on the future of lotteries. My focus is on Europe, but you will see that the drivers of change will affect you in the U.S. as well. As the debate unfolds over the role of the U.S. federal government in the regulation of internet gaming, the European experience should serve as an example for how regulatory change can so dramatically impact this industry, even threaten the very existence of lotteries.

When it comes to determining the laws that relate to interstate trade and commerce and how markets should, or should not, be regulated, the European Union Commission functions much like the U.S. federal government. And the need for U.S. states to protect the right to decide their own regulatory and taxation policy on a jurisdictional level is really quite the same as the need for EU member states to determine policy. I would submit that it would be helpful to our U.S. colleagues to analyze the impacts that regulatory change has had on the European industry. The intercession of the EU Commission has impacted lotteries in Europe in ways that could foreshadow the impacts that intercession by the U.S. federal government would have on lotteries in the U.S.

Competition between private commercial interests and the needs of government-gaming operators lie at the heart of the debate in the U.S. as it does in Europe. The only way for us to protect the interests of lottery operators and our constituents is to carve out a role for lottery in the political process that determines regulatory and taxation policy. And the key to that is, like Gary said, to stand together, to act with one voice. We have worked to do that in Europe over the last twenty years. But that is not good enough. The commercial operators in this industry now operate on a global scale. We need to develop a global com-

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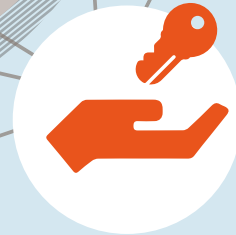
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munity of lottery operators to speak with one voice – not on everything we do, but on the key issues that we can all agree on and that affect everyone. Smart-Tech has become a hub for this Trans-Atlantic Dialogue. Let’s work together to create an international network of Lottery operators which takes the initiative to ensure that policy evolves in a prudent and thoughtful manner, and that the methods to enforce the law are implemented on an international scale.



Fifteen years ago, European Lotteries had a monopoly. Everyone understood why this was good for society and assumed that this model would endure. Now, the gaming market is becoming extremely diverse. This expansion of the market has created an unstable regulatory environment that seriously undermines the Lottery model that has channeled hundreds of billions of euro to Good Causes. Commercial interests enter the markets, sometimes legally and sometimes illegally. This has “sectorized” our business, causing Lotteries to have to fight to compete in markets being flooded with new types of games, media, and distribution channels. This is problematic because, as markets mature, consumers want a one-stop-shop where they can have access to all the different gaming options. The internet operators provide that one-stop-shop, offering all the different games. Even if lotteries

Type of games	Finland	Belgium	France	Denmark	Italy
Lottery online and offline	Monopoly	Monopoly	Monopoly	Monopoly	2 concessions
Casino Landbased (gaming machines and casino)	Monopoly	Limited Licenses	Unlimited Licenses	Unlimited Licenses	Licenses (only 4 so far)

Type of games	Finland	Belgium	France	Denmark	Italy
Online Casino games	Monopoly	License + system (only for landbased operators)	Unlimited Licenses (server on french territory)	Unlimited Licenses	Unlimited Licenses
Remarks	Strict rules on advertising etc.	Strict controls against illegal gambling	Strict controls against illegal gambling	Strict controls against illegal gambling	

offer an expanded portfolio of games, lotteries are bound to comply with a regulatory standard that others are not, putting us at a competitive disadvantage.

Differing regulatory frameworks are being implemented in all the different national markets. Regulatory frameworks are evolving to adapt to new games, media, and distribution channels. This process is complicated by the need on the part of law-abiding operators like government-lotteries to comply with the expectations and views of the EU Commission, many of which have not been fully clarified. Some countries, like Germany, have very restricted markets. Some, like France, are partly restricted in what is sometimes called a “controlled opening” of the market. Others, like Italy, are almost totally opened through a system of concessions and license permits. The development in Europe is quite diverse but there is a trend towards opening markets to multiple operators, especially in the internet gaming market. Government legislators are being told that huge tax revenues will be generated by opening the markets up to multiple operators. This is absolutely not the case. Online gambling is taxed at a rate that is so low that it generates a fraction of the economic benefit to society that Lottery produces.

There is a dispute in the European Union between the EU

...continued on page 54

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TOTALIZATOR SPORTOWY

Wojciech Szpil
Chief Executive Officer
Totalizator Sportowy,
the National Lottery of Poland

PGRI Introduction: The first Wojciech Szpil presentation I heard was at the ICE Gaming Conference in London. What was striking was the focus on positioning the traditional games for success through traditional land-based retail stores, and his vision for innovating in that space. The future being to focus on Instants and lotto. I asked Mr. Szpil to present at PGRI Smart-Tech in New York (April 1, 2014, see the video-recorded presentation at www.PGRItalks.com). The audience was introduced to a most unique accomplishment. The Czech Republic, Hungary, Slovakia, and Poland are four different countries, with four different languages, four different currencies, four different prize-payout structures, and four different gaming cultures. They do have some things in common. One of those is that the Instant Scratch-offs are growing at a phenomenal rate in all four markets (each with over 30% annual growth over the past two years!). So they decided to leverage their individual strengths in this category by collaborating to create a family of Instant games that would be sold in all four countries. What an amazing inspiration for lotteries everywhere to overcome their differences to work together and accomplish amazing things for their efforts!

Wojciech Szpil joined Totalizator Sportowy in September 2009 to December 2012 as the Company's Management Board Member in charge of Sales and Marketing. He graduated from the Industrial Design Faculty of Warsaw Academy of Fine Arts. Since the beginning of his professional career he has been associated with the advertising sector and marketing. He gained his managerial experience at international advertising agencies and corporations. Between 1997 until 2005, he was a co-owner and CEO of limited liability company Upstairs Sp. z o.o. – one of the first advertising agencies in Poland. Since 1999 until 2005, he was associated with the world's largest and in Poland Group of Young & Rubicam Brands Agencies, where he was also the Management Board President. In 2008, he was the Strategy and Communications Director at international corporation Instalexport. Before his appointment to the Totalizator Sportowy's Management Board, he worked as the Management Board Advisor for Development and Strategy Art NEW Media SA, the listed company targeting to effectively combine business and culture.

Mr. Szpil is also the chair of the Innovation Committee for the European Lottery Association.

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GTECH

Paul Jason, Public Gaming: *You have instituted quite dramatic changes at Totalizator Sportowy over the past five years. How has your background in consumer marketing and advertising informed your strategic leadership and approach to innovation?*

Wojciek Szpil: I came to Totalizator Sportowy (TS) at a crucial time. Changes were being made in the product and brand portfolio and prices to the basic product Lotto product were being changed. These changes caused very serious problems – a decline in turnover and an outflow of a constant base of players, particularly to our flag Lotto game. Some of the consumers were no longer associating the new LOTTO brand with the state-owned lottery and the integrity of the prize-winning structure. So I was facing a real problem from the very beginning. My experience in managing advertising agencies proved to be extremely important in that very moment. We decided that in the initial phase we should show that the new brand and the games behind it are something that Poles know very well. They are familiar with the games and comfortable with the brands and the games, and we did not want to lose that. We wanted to update and modernize everything but in a friendly form, and emphasize that the price change is intended to provide even greater winnings, which the players had expected. We focused on the positive and friendly marketing campaign, thus emphasizing the element of good fun and entertainment. For that purpose, we used images of our sample Players and their motivations to play, which we knew from research studies. Promoting the positive and consumer-friendly image of Totalizator Sportowy and focusing on education of sales-forces helped us reverse the declining revenues. In 2012, we were the fastest growing lottery in Europe.

How do you stay aligned with political constituents and their public policy agenda and integrate that into your strategic planning?

W. Szpil: The TS strategy definitely combines in itself the public interests, as well as the typical market ones. Because we are a company 100%-owned by the State Treasury, we are committed to implementing our mission which is in service to the State. This is one of the reasons

why part of proceeds from the purchase of our products is transferred in the form of subsidies for special target funds to support sports, culture and health. However, we cannot forget about the market needs, mostly the consumer needs that keep changing very dynamically. It is important to observe customer behaviors, anticipate their needs well in advance. That consumer focus in turn implies the need to constantly seek new solutions and be innovative in order to maximize the value of the products to customers and simultaneously ensure a stable cash flow for the state budget. We take this all into account when designing new products.

How quickly did the economic culture embrace capitalism and consumerism. From the election of Lech Walesa in 1990, there must have been changes in the consumer markets for Poland to become the economic success story that it is today. Would you say that at this point, the consumer market for lottery is similar to those of other markets of Western Europe, that the consumer attitude towards the games, and therefore the ways you market games, is not so very different from Germany, France, Spain, Italy, etc.?

W. Szpil: In comparison with western countries, Poland's market economy is very young. However, change came very dynamically and very quickly to Poland. We managed to catch up for lost time over the last twenty years! So now, the Polish market and consumer expectations are very similar to those as in other countries. Polish Players first of all care about entertainment, emotions, and large winning prizes. It is the case that wages in Poland are still below the level of the European average.

In contrast, the gaming and lotteries market in Poland is in some aspects different from other markets of the Western Europe. For instance, we have a lower number of retail points of sale per inhabitant than more mature markets. In Poland, there is one retailer per more than 3,000 residents, and the European average is a single point of sale per 1500 inhabitants. This is the reason why for the past two years we have been actively developing the sales network and introducing our products to new sales channels, such as sales via cashier lines at shopping malls. Another important feature which distinguishes the Polish mar-

ket from the European markets is a lower level of solvency of our products which we are able to offer to our customers due to the statutory burdens that are imposed on gaming and lotteries. This constraint gives us the opportunity to apply marketing, promotion, and communication activities even more important – and allows me to apply some of the knowledge acquired in past marketing and advertising positions. We are still also waiting for changes in legislation that will allow us to sell our products through another distribution channel, i.e. the internet, and will enable us to join the game. All this means that the coming years will give us excellent growth prospects and that innovation with respect to products and marketing communication shall be the key here.

How is the channel mix likely to change over the next three years? For instance, will self-serve at retail be big?

W. Szpil: In Poland, alternative forms of selling number games, bets, and lotteries will certainly be developing very dynamically. Introduced in 2013, the self-service terminals for selling Scratchcards and Raffle Game (LVM's, Lottery Vending Machines) met with a very positive response from customers, who can buy the product without waiting in queues or wish to remain anonymous. We are currently in the process of upgrading and changing the image of our points of sale. We want to convert many of them into modern sales showrooms. Each of them will have a so-called multimedia zone where devices with an application will be available to use online websites related to all TS products and the activities performed by the Company. In this way, we will combine the Internet with the classic retail points of sale.

Two years ago we also approached customers by augmenting the POS of the traditional lottery retailer with a place that allows us to increase the availability of our products, i.e. the cashier lines of large shopping malls. Since then, our players can purchase games and lotteries when paying bills in supermarkets without having to go to a retailer. Increasing consumer convenience and ease of purchasing the products is a top priority.

Does Totalizator Sportowy manage the different games and brands as individual consumer products, or do you try to apply



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a category management approach in which you manage for optimal overall results instead of maximizing the performance of individual games/products?

W. Szpil: We sell all our number games and lotteries under the umbrella brand of LOTTO. That makes our products positively associated and linked to entertainment. The LOTTO logotype expresses the core values, consistent throughout all of our products offered; values such as joy, happiness, fun, dreams and winning prizes.

At the same time, our games are targeted to different types of Players. Therefore, we market them differently. For example, Lotto is a game that is played by every other adult Pole expecting the highest winning prizes. Therefore, our latest advertising campaign is focused on showing the amount of accumulations and giving them literally a 'human dimension' (people act in costumed numbers). Multi Multi (the second most popular number game in Poland, which in turn is the game for all who like to have a choice and want to make their own decisions about their luck. In this game, you can choose both the size and the rate at which the game is played, and the number of betting numbers. For this game, we have launched a campaign this year called 'Happiness dances as you play.' The LOTTO portfolio also includes a five-minute display screen game Keno, the number game Mini Lotto for players who expect a high probability of the average wins at a low price, and terminal lottery Cascade in which you win the most often.

Cash lotteries are another category, and they are offered in the form of scratch-cards. It is currently the fastest growing category in our portfolio – a rise by more than 30 % year-on-year (2013 compared to 2012). Players like that they have a large selection of different scratchcards every time they appear at our point of sale. We meet such expectations by introducing approximately 30 different scratchcards to our sales portfolio.

Thanks to the diversity of products, we are able to reach out to diverse groups of customers. Therefore, diversifying the products to appeal to a diverse set of player motivations is now the key element of our strategy.

Describe your channel mix and how it is likely to evolve over the next two

years. How do you engage their support for a multi-channel model? What is the future of self-serve?

W. Szpil: Currently, the LOTTO products are available in over 13,500 points of sale of which more than 800 are retail outlets owned by Totalizator Sportowy, and the remaining venues are partner outlets, including inter alia: gasoline stations BP, PKN Orlen, Statoil and Lukoil, hypermarket chains Carrefour and Real, and press lounges Kolporter and Ruch.

We are now in the process of modernizing our outlets with a design and interior layout that will support a multi-channel sales model. There will be self-service zones and a media zone in the retail points of sale so that players will be able to buy both scratch-cards at self-service terminals (LVM – Lottery Vending Machine) and use the websites dedicated to our products.

The self-service terminals are facing very, very good prospects. As I have previously mentioned, in Poland in 2013 we introduced the devices to sell cash lotteries, including the extremely popular scratchcards. According to our research, they are positively assessed by Players who can buy the product without waiting in line. The development of the scratch-cards vending machines will be largely affected by a further growth in this segment. Some kind of complication, however, may be that the self-service device we can only place in our traditional outlets – that is due to legal restrictions requiring that the device be under the supervision of the sales person.

Currently, we have been developing a network of our own points of sale and model outlets at which our customers can take advantage of the full range of gaming and lotteries in the friendly atmosphere for this type of entertainment that we create ourselves.

Do you see a migration of revenue from retail over to online?

W. Szpil: In Poland, the law prohibits the sale of lottery products via the Internet. Currently, there are ongoing efforts to change it and we hope that in 2014, Poland's players will have the opportunity to purchase gaming bets and lotteries online via the Internet.

We project that the opening of this sales channel will increase our revenues by approximately 5-7%, which means

an amount of ca. PLN 150-200 million (about EUR 36-48 million). At the same time, our research shows that if the Internet sales channel is launched there should no effect of cannibalization of traditional retail outlets.

How can retail modernize the consumer experience? Can retail enhance entertainment and fun of the shopping experience? And, how might Lottery carve out the best role for itself in the modernized retail store?

W. Szpil: To keep their customers, the LOTTO outlets should be transformed into modern sales showrooms. In addition to the already mentioned model showrooms and outlets, we are just in the process of upgrading the network of our own sales outlets. We change them in that aforementioned direction. In the coming years, we plan to dynamically develop this part of our network.

Special zones have been created for clients at the new retail points of sale, including Sales Zone, Displaz, Games Zone, or Blanks Filling Zone. Thanks to the above, customer flow management will be optimized at the retail outlet, so that the customer service will become more efficient. In addition, the new outlets will provide an opportunity to use the media table presenting the gaming results, the coffee corner, or just sit back and fill out the form to the game. At the retail outlets, there are also self-service zones in which the Players via LVM terminals will be able to choose on their own and buy scratch cards and check on terminals-scanners the amount of their winnings. In the Sales Zone, besides buying number games and scratch-cards, and cashing the winning prize, the Players are also able to take advantage of additional services, such as payment of their bills.

The new retail outlets are very well rated by the Players. The survey, carried out in those facilities, indicated that 82% of respondents said that the new outlet really suits them, and another 14% responded that it rather suits them. This gives a great total score of 96% positive feedback.

What are some of the most innovative initiatives that Totalizator Sportowy will be implementing over the next 18 months?

W. Szpil: On March 28th, 2014, we introduced to our sales the result of over two

...continued on page 56

CELEBRATING 20 INNOVATIVE YEARS



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

In our 20th year, we celebrate innovation: innovative products, innovative employees, and, above all, our innovative partners who have embraced our efforts to develop the most modern, secure, and entertaining ITVM in the market—the LT-3. The LT-3 is an award winning, ADA-compliant ITVM designed to increase instant ticket play by adding entertainment value. Pre-printed instant tickets are dispensed as the outcome of each is displayed on a video screen in an entertaining fashion. It's the perfect combination of the traditional instant ticket experience and an interactive play experience, resulting in a product ideal for stay-and-play environments.



Jannie Haek
Chief Executive Officer,
Belgium National Lottery

PGRI Introduction: One of the tasks of the European Commission (EC) is to promote the objective of creating a free-market-driven pan-European economy, with free cross-border trade and unobstructed competition. That typically means eliminating barriers to inter-state trade and commerce, eliminating monopolies and government interference in the free-market movement of goods and services, supporting freedom for the consumer to choose, and creating a pan-European free-market economic system, etc. The authority of the EC is off-set by the principle of “subsidiarity” which confers certain governmental rights and authority to the member states. The regulation and taxation of gambling and lottery has become a flash-point where these two governing principles collide. At issue is the most fundamental and essential element of the Lottery Model, which is that it depends upon monopoly protection.

Most market-driven economies have similar rules that enforce adherence to free and open competition and cross-border trade. But in the U.S., Canada, and most other parts of the world, the governments and the societies they represent have no problem or issue with making an exception of lottery and gambling, and allowing government to control these industries for a variety of sound reasons, one of which is to channel economic benefit back to society. The fact that gambling is unique is recognized by governments everywhere. The need to balance public policy considerations (social costs, protecting the consumer, etc.) over against the drive to increase sales is something that most governments recognize as not being fully compatible with the profit-motive that lays at the heart of free-market capitalism. The main thing, though, is that governments everywhere else in the world outside of the EU do not see a problem with excepting the gambling industry from the rules of capitalism for the explicit purpose of channelling the economic benefits back to society (i.e. “good causes”). Why is this such a problem for the EU Commission?

Paul Jason, Public Gaming: *Why is the EC so committed to an ideological objective that, unlike their counter-parts all over the world, they are unable to apply common-sense and readily except gambling and lottery from rules that apply to other industries?*

Jannie Haek: You rightly mention that Europe was originally conceived as a common custom union and a common market with the objective to eliminate all the economic barriers impeding the free flow of services between the different member

states. The European Commission is under pressure from private operators mostly operating from tax havens with globalised back offices. These private operators launch on a regularly basis complaints about the gambling policies of the member states because they consider the restrictions imposed by member states to protect consumers and fight against criminal activities as purely administrative burden. Their business model is based on operating in as much countries as possible for they need this scale advantage to survive in a

highly competitive online gambling market without making always a distinction between legal or illegal operations. The online environment even gives them the opportunity to offer their services without bothering too much about having the required licences. Their model is as clear and simple: making profit as much as possible for their private shareholders who in some cases even impose to their management to ignore member states restrictions. This strategy has already been applied in other industries and therefore it sounds fa-

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30 lucky winners of the Minnesota State Lottery's \$30 \$1,000,000 Caesars Jackpot second chance promotion were awarded an all-expenses-paid VIP trip to Las Vegas, where they and their guests attended the Lottery's **\$1,000,000 Caesars Jackpot** Party at the iconic and spectacular Caesars Palace in April. All winners went home with additional cash prizes, and one lucky player won an additional \$100,000!

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miliar and acceptable for the EC officials. It is what they know and understand. In other industries, EC officials do consider that competition and their economy of scales will bring better gambling services. What they do not understand is that gambling is an activity of a special nature as the European Court of Justice acknowledged and that restrictions are necessary to protect consumers. The question is: what is a better gambling service? Is it a service with a higher pay-out which at the same time might create higher addiction risks? Next to those private operators, there are state lotteries and private operators having an exclusive licence to operate in member states with a completely different business model strictly controlled by national government - a model that cares for the consumer in a sustainable way; a model that creates many jobs in the member states, not only in their own companies, but also by vendors who are economically depending on these revenues. A model where billions of euros are going to good causes and for which we are proud to do so.

The EC has launched all these infringement procedures against member states and it is difficult to understand why they consider that state lotteries would even have a competitive advantage compared to these private operators who are paying no taxes, creating little or no jobs in Europe. One cannot expect a fair competition with private operators when State Lotteries have the duty to finance good causes. This is why we need a political solution to recognise the special nature of State Lotteries.

Can you venture an opinion as to how the current discussions at the EU Commission level will impact the government-lottery model? Will the EU Commission allow individual member-states to determine their own regulatory and taxation framework?

J. Haek: The EC launched its online gambling action plan after the Council conclusions adopted under the Belgian EU presidency in 2010 where member states asked unanimously for the European Commission to take an initiative to assist them in their efforts to create an effective law enforcement model against illegal online operators undermining their national gambling legislations, and to take into account the special role played by state lotteries

due to their massive financial contribution to good causes.

We can only regret that in reaction to these Council conclusions the EC decided to launch infringement proceedings on a large scale against member states and disregarded the special position of state lotteries. Belgium has always been very active in defending before the European Court of Justice the right of member states to develop their own gambling policy. I hope that more member states will also intervene in those procedures to defend our common 'EU ordre public'. I mean that although there are differences between the national gambling regulations, there is a wide consensus on the special nature of games of chance and lotteries. The European Court of Justice never supported the argument that lotteries' contribution to society justifies restrictive gambling policies in the member states, though there is a strong EU wide tradition that links the proceeds from lotteries with the support for societally and ethically desirable objectives. This EU ordre public is the emanation of the different national constitutional traditions, but it is up to the Member States within this EU legal framework to set up the details of their gambling policies e.g. to settle the level of consumer protection, to define the link that can be made between games of chance, their proceeds and their goals, in line with their cultural, ethical and religious, national public orders.

At the same time, the EC is to adopt two recommendations related to online gambling: one in the field of consumer protection and one on responsible advertising. One could question the necessity of these recommendations as in all the member states there are rules in place protecting consumers. The EC never let know that it received complaints from players regarding the lack of protection in one players' country and the member states never asked the EC to take such an initiative. While it is not very clear what will be the content of these recommendations, I hope that they are not a hidden attempt to undermine the competences of the member states to regulate their national gambling markets according to the subsidiarity principle. If these recommendations will be considered by the European Court of Justice as a kind of maximum harmonisation, they could have at the end of the day the opposite effect. They would then not protect the

consumer because it would become more difficult for member states to restrict the gambling offer on their territories, while at the same time player protection is also about limiting the gambling opportunities and limiting heavy marketing campaigns. For example when the online sports betting market was opened in Belgium in 2011, the total marketing budget for sports betting amounted to 120.000 euro while in 2013 it increased to 17 million euro.

What is the strategy of the Belgium National Lottery to position itself for optimal success in the market-place while avoiding conflicts with the EU Commission/EUCJ?

J. Haek: Let me point out two important evolutions. First, 50% of the gambling spending's by young adults is going to competition. Second, the number of traditional newspaper shops (our traditional network) continues to decline. Therefore we should continue to reinvent ourselves and our products to stay attractive for this group of consumers. We should put our focus on the extension of our network to new types of point of sales like convenience stores or super markets and to new distribution methods like the Internet and mobile.

Looking at the success of social gaming we are strongly focusing on how we can add more fun and social elements to our lottery games. That's why we are now developing products that can be played in group. However we should never lose sight of the traditional lottery player who has been loyal to us for many years. Furthermore we should continue to develop new products in conformity with responsible gaming principles. State Lotteries are good examples of corporate social responsibility and this is very much appreciated by our players. It's the reason why we should continue to inform our players about our contribution to Society and the financing of good causes and that can only be secured if there is a monopoly granted to lotteries justifying higher margins to allow their sustainable financing.

You started selling lottery products online in 2010? What percentage of the sales of your traditional lottery products come from the online channel now? How do you expect that to change over the next three years?

...continued on page 57

Our
Knowledge



Your
Leadership

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A FRESH LOOK AT “CONTENT MARKETING”

Based on a presentation by Jean-Luc Moner-Banet, General Director, Société de la Loterie de la Suisse Romande and President of the World Lottery Association

By Paul Jason, Publisher of Public Gaming International Magazine

I have never been satisfied with the definitions of “content marketing,” at least not until I heard Jean-Luc Moner-Banet’s presentation at the EL Marketing seminar in London (first week of February, held every year).

“Concept Marketing” arose from the feeling that traditional advertising and marketing is no longer producing the desired results. Marketers and advertisers are stretching to figure out how to break through the advertising clutter and connect with consumers. The conventional descriptions of “concept marketing” are useful because they give us an idea for what it “involves,” but they tend to be vague and talk more about what it is not rather than what it is. “Content marketing is any marketing format that involves the creation and sharing of media and publishing content in order to acquire customers. This information can be presented in a variety of formats, including news, video, white papers, e-books, infographics, case studies, how-to guides, question and answer articles, photos, etc.” Most blogging then attempts to define “content marketing” by differentiating it from traditional marketing and advertising. Infomercials and advertorials could be considered examples of “content marketing.” Missing from most of the blogging is a clearly-defined plan for how and why content marketing produces increased sales.

Jean-Luc brought the concept of “content marketing” to life in ways that tell a truly compelling story. He got me to look up from my i-pad, pay attention, listen, want to understand more, and want to explore how it could apply to concrete business objectives like increasing sales. I wish I could replicate the presentation in this magazine format; because it was itself a great example of story-telling that is at the heart of content marketing. In spite of the fact that much of the message will be lost in translation from lively presentation to printed word, and in fact does not even contain many of the slides and content that drilled down in ways that I could not do justice to, I still thought the main points just had to be shared with our readers.

THE NEW SOCIAL CONTRACT

What if brands stepped away from trying to be “part of the conversation” and created consumer experiences worthy of being talked about? Price and quality are still primary drivers: Are you offering something valuable? But it’s also about something more. The modern consumer resides near the top of Maslow’s Hierarchy of Needs, and the brands they associate with are expected to reinforce their quest for self-esteem, respect from their peers, and ‘self-actualization’. So, are you merely selling games ... or are you facilitating and endorsing their lifestyle goals?

The consumer is living a story, their story. Their shopping

experience, their buying experience, their game-playing experience, is all a part of their story. Everything they experience must fit into their story, their own personal vision of who they are and who they want to become. We need to turn the games we sell into an actual experience that appeals to this broader set of consumer expectations. As we create this experience that meets this full range of player needs, the intangible values of the player experience we provide will elevate the meaning and value of the game itself and the brand experience. And this new generation of consumer relishes the opportunity to share with their friends what they do, where they go, and what they like because this is what defines who they are.

THE MINDSET OF THE 20 TO 30 YEAR-OLDS

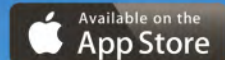
The new generation is expert at deciphering the ad and marketing messages, and the underlying subtext and commercial agenda to those messages. To adapt to this new level of sophistication on the part of the consumer, brands have to be honest and deliver a consistent message. If your game doesn’t deliver what it promises, you may as well close the books. Consumers can find information anywhere, and they are asking feedback from peers all the time.



And on top of being honest, addressing a compelling need, and being informative, the consumers of today also expect the brands they buy to build an emotional link. We need to make them care. And when we succeed at making them care, the viral impact of the engaged and loyal and socially networked consumer far exceeds anything that traditional advertising could accomplish.

Lottery HUB

The Official Mobile App of
Powerball and Mega Millions



Shoutz is dedicated to making lotteries more convenient, engaging and rewarding. Shoutz is mobilizing the multi-billion dollar lottery industry with its state-of-the-art mobile engagement and monetization platform, including the award-winning mobile app, LotteryHUB. LotteryHUB is the official mobile app of Powerball® and Mega Millions® which provides players the freedom to pursue their dreams and engage with Powerball and Mega Millions from just about anywhere. Players can easily follow the jackpots, check and track numbers, watch live drawings and get the latest news and tips — all while earning rewards and benefits.

The Shoutz platform not only provides Powerball and Mega Millions a means of engaging and monetizing their large, national player bases but it also provides them a means of communicating with and distributing news and information to their players. Shoutz will continue to provide the latest features and benefits to lottery players via LotteryHUB while also providing lotteries with an advertising driven revenue model as well as analytics regarding player behavior, trends and demographics.

Lotteries and advertisers can contact Shoutz via email at info@shoutz.com or visit www.shoutz.com to learn more about LotteryHUB and the benefits of the Shoutz mobile engagement and monetization platform.



LotteryHUB



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BUT...

«If you do everything you promise me I'll stay with you and share my thoughts (offline and online).»
(Until you no longer surprise me...)

«If you do everything you promise me with you my thoughts (and online).»
(I you no longer surprise me...)

Public Gaming International

PULL RATHER THAN PUSH STRATEGY

Your website is the hub for a network of integrated consumer touch-points. That is where all your content resides. But it is also the hub for a constellation of social channels that reference the content, proliferate the content, and engage your target audience. As the epicenter of a social network, the website generates fresh content, provides chat rooms to engage the consumer, launches contests, sends e-newsletters and text alerts, coordinates cross-promoting social sites, and otherwise creates a gestalt experience that includes games for the consumer. All the while, consumer information is being captured (pull) so that our efforts to deliver (push) the best experience are being continually enhanced and fine-tuned.

CONTENT MARKETING IS A
...than a **push** strategy

61%
of consumers feel better about & are more likely to buy from a company that delivers custom content.

Custom Content Council

Public Gaming International

CONTENT MARKETING AS THE NEXT-GEN DRIVER OF MARKETING COMMUNICATIONS

Some companies are looking toward traditional journalism to fill the gaping content maw, hiring those trained in J-school tactics like reporting and storytelling as in-house “brand journalists.”

A brand journalist or corporate reporter works inside the company, writing and producing videos, blog posts, photos, webinars, charts, graphs, e-books, podcasts, and other information that delivers value to your marketplace.

LOOKING FOR BRAND
Or corporate reporter...

Public Gaming International

BUT IT IS MORE THAN AN ADD-ON TO YOUR MARKETING STAFF

The bigger your brand becomes, the more difficult it can be to manage your own social content.

For most brands, posting just once a day doesn't produce the results they're looking for, but brand and content marketers might not have the time to do more than that. Outsourcing social content creation can be a great option for brands in that situation.

OUTSOURCING...
or In-House solution...

62% of companies today outsource their marketing content

Mashable

Public Gaming International

BRAND AWARENESS IS KING

Increased brand visibility: One of the most common content marketing goals is to increase the awareness people have of your brand.

Increased brand loyalty: You are more credible, and ultimately easier to like. This will make your previous customers more likely to become repeat customers.

Engaged customers: It is also more likely to keep your company on the mind of your customers.

The new generation will represent 75% of the buying power in 2025. The sensibilities, behavior, values, consumer needs, are different than the current generation of baby-boomers that form the core of our business. Content marketing provides the

template for reshaping the way we engage and appeal to this new generation of consumers.



and feelings and social networks of our customers. As a media company, we use all formats (text, video, edition, social media, ...) to offer the audience pertinent, new and interesting editorial content. That is the way we become one with our audience. That is what will forge the kind of relationship with the consumer that attracts them to our games, and creates the foundation for sustainable sales growth. ♦



CONTENT MARKETING STRATEGY: COMMUNICATING, NOT SELLING

We should no longer see ourselves as a business that provides games, or even a gaming experience. Instead, we should operate as a media company that tells stories and shares in the thoughts



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

KEYNOTE SPEECH AT PGRI SMART-TECH

New York City, April 1, 2014



Gary Grief

Executive Director, Texas Lottery
President, North American Association of
State and Provincial Lotteries (NASPL)

Good morning and welcome to Smart-Tech. I want to start this morning by sharing with you three lottery short stories.

The first story I want to share with you involves my good friend and colleague, Rebecca Hargrove, president and CEO of the Tennessee Lottery. Rebecca and the Tennessee Lottery just celebrated their tenth anniversary last January. And the press release that was dedicated to that event had some very interesting information in it. The Tennessee lottery enjoyed a record setting nine years of consecutive sales growth since its inception, unprecedented in the industry. They were first among U.S. lotteries for compounded growth over the last six years. Through fiscal year 2013, the Tennessee Lottery achieved an average of 6.3% increases in sales annually since 2005. That compares to the rest of the industry at about 3.6%. As a result of that great work, more than 103,000 scholarships were awarded just in the last academic year alone, bringing the total amount of scholarships awarded in Tennessee as a direct result of the lottery to over 800,000. That is an incredible accomplishment worthy of gratitude and praise from the state of Tennessee for a job well done. So shortly after these results came out in the press release, a bill was filed in the Tennessee senate. One would think it might be a bill filed to honor the Tennessee Lottery, but it wasn't quite that. It was a bill filed to place a label on all advertising for the Tennessee Lottery.

WARNING! YOU WILL PROBABLY LOSE MONEY PLAYING THE LOTTERY

The bill's sponsor said his goal was to make consumers more aware of their chances of winning. But it occurs to me this actually makes consumers more aware of their chances of losing. He said that this warning was going to be required on all of their print and ad and print and media advertising as well as at the end of every broadcast of their drawings or television advertisements. And the failure to place this language on every advertisement would be a violation of the Consumer Protection Act. That is quite a unique way to express one's gratitude for a job well done. Fortunately, cooler heads prevailed and just within the last two or three weeks this bill died in committee in the Tennessee senate.

My second short story involves my good friend and colleague Rollo Redburn from the Oklahoma Lottery, the executive director. Rollo recently gave an outstanding interview to the Tulsa World newspaper with the subject being the many challenges that he faces in Oklahoma to try to generate money for education in that state. In the interview he talked about all the barriers that are in place to prevent their success. And you can see a listing of those many barriers on this slide.

BARRIERS TO GREATER SUCCESS AT THE OKLAHOMA LOTTERY

- Advertising Restrictions

NASPL 2014



Your Boardwalk to the Future

September 30 - October 3 • Atlantic City, NJ

- Game Type Restrictions
- Debit/Credit Card Restrictions
- Retailer Location Restrictions
- Internet Restrictions for Second Chance Drawings
- More than 100 Tribal Casinos
- Required 35% Return to State

That’s a tough list - one of the toughest in our industry. But the killer is that last slide. The 35% mandated return to state -by far the biggest obstacle in the way of Rollo and the Oklahoma Lottery generating more money for education. Rollo went on to say in this article that the proof of this is in simple business logic, which is supported by case studies from several other jurisdictions around the country including the state of Texas. “The logic is this,” said Rollo, “provide lottery products that your customers like to play that support a popular beneficiary cause and that provide a reasonable pay out and you’ll be successful. It’s difficult to imagine what would happen in Oklahoma if that profit requirement were removed,” said Rollo very diplomatically. “There is reason to believe,” he said, “that Oklahoma would see more actual dollars to education. The profit may not be 35% but it would be a smaller percentage of a larger amount of sales.” If the powers that be in Oklahoma were really interested in seeing additional revenue go to education from the sale of lottery tickets, they could simply look at the record of what happens in all the states that have the flexibility to deliver more value to the consumer. Prize payout increases, margins decrease, and net revenue always goes up.

And my last short story I want to share with you is very close to home. It involves Texas and the Texas “sunset process.” All state agencies in Texas, including the lottery, must go through what we call a sunset review process at least every 12 years. And that’s not unlike some reviews that take place in other states as well. In a nutshell, the sunset process involves an extensive analysis and review over several months, the purpose of which is to determine any improvements that can be made. But most importantly, the “sunset review” staff determines if there’s a need for the lottery to continue to even exist. Like many lotteries around the world, the Texas Lottery has enjoyed record sales and revenue for the past few years. So I felt pretty good about our chances going into this particular review. At the end of the sunset process the sunset commission released their initial report. And these are some of the highlights from that report. “The Texas Lottery commission walks a tightrope in balances the many contradictions in the state’s attitudes about gaming. The agency is charged with operating the lottery to generate money for the state through gaming. But must remain mindful of gaming’s many vocal opponents. The current sunset reviews found that despite all these challenges the commission successfully balances the various demands placed on it.” And you can’t imagine how much mileage I’ve gotten out of that one sentence. Further illustrating the Lottery’s precarious position in its history with sunset reviews, the Lottery underwent review in both 2002 and 2004. The sunset bills failed in the past, due to the perceived controversial nature of the lottery, which caused legislators to fail to reach agreement on a bill. The Lottery was continued only through special legislation.

Explanations for those past bills’ failure vary, but it’s clear that the controversial nature of the agency’s business presents more challenges than most state agencies have. That said, revenue from the Lottery of more than \$21 billion since 1992 continues to be important to the state. And most importantly, without the revenue generated by the Lottery, the state would be forced to find other funding sources for these purposes. So at last, in our third try in ten years, sunset legislation for the Texas Lottery was actually passed by the Texas legislature in 2013 continuing the lottery for 12 more years. But there was a very disturbing condition attached to that passage of legislation. Here are some highlights from the sunset’s final report. “The 83rd legislature in 2013 passed the first lottery commission sunset bill since the agency’s inception but the path was anything but smooth. The controversial nature of the agency’s business contributed to the failure of past sunset bills and while those bill failures did not threaten the operation of the agency, the 2013 sunset bill almost led to its outright abolishment. After initially voting down the agency’s sunset bill effectively abolishing the Texas Lottery, the Texas house reconsidered within just a few hours, passed the bill but required a legislative study to be conducted regarding the elimination of the lottery and the budgetarial impact of doing so. These dramatic pendulum swings again demonstrate—and pay attention to these words, please—these dramatic pendulum swings again demonstrate the agency—the tightrope the agency walks in balancing legislators disdain for the lottery with a desire for the money that it generates.” I’ll just add to this that on the day that our sunset legislation passed in Texas there was some very hurtful and some very ugly debate that took place on the floor of the Texas house. So much so that I felt compelled to go back to my staff and try to talk to them and comfort them and explain to them that there was nothing personal in these attacks on the Lottery and that no one in the legislature really thought that we were bad people. They just believe that lotteries in general were bad public policy. And in fact there happened to be a photographer who was there in the Texas house on the day our bill passed. He’s a friend of mine. And he was kind enough to send me a photo that he actually took of me leaving the



ALL ROADS LEAD TO ROME IN 2014



WORLD LOTTERY SUMMIT

NOVEMBER 2 – 5, 2014

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Rome is rightfully considered the historical capital of the western world. This year, Rome will also become the capital of the lottery world as lottery professionals from around the globe converge on The Eternal City for the World Lottery Summit 2014 (WLS2014).

The WLA and host Lottomatica have put together a business and social program for WLS2014 that will reflect all the qualities that make Rome not only a city with a magnificent past, but also one that is prepared for a glorious future.

Preparations are well under way for this once-in-a-lifetime experience. Come join us in Rome, Italy, from November 2 – 5, 2014 at the Cavalieri Convention Hotel, one of the most prestigious addresses in the city!

www.wls2014.com

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house at the end of that day.

All around the world, there are interest groups which know how to organize and speak out against lotteries. Even those lotteries that are successful by any measure are criticized for something. Our critics are united in their opposition. In many cases, they're also united down to the reasons why they oppose lotteries. And when their attempts to abolish lotteries do not succeed, they resort to just delivering us a crippling blow like cutting our advertising or cutting our prize payout and leave us to die a slow agonizing death under the sheer weight of those kinds of restrictions. Those critics know how to generate grassroots campaigns to spread their message. And they certainly know how to bring pressure to bear on our organizations. Like making contractual parameters or public scrutiny so difficult that sometimes I think it's a wonder that we have such committed vendors who are even willing to do business with some of us.

I have some questions that I'd like you all to think about this week and beyond. Why can't we be as strong a voice on the positive aspect of lotteries as those who are so negative towards our industry? What's missing from our toolbox that keeps us from achieving even greater success than we're already realizing? Do we have a truly deep connection to the fabric of our communities such that if you go out in your community you elicit a response from someone like, the lottery is for people like me. Do we really have an emotional investment in the lottery on the part of our customers? That is, do we have that on a national scale similar to that type of emotional investment in great brands like Apple, UPS, Ford. It's been proven time and time again for a product to continue to grow and prosper you must have that type of investment emotionally from your consumers. And, yes, you must have that type of investment even to keep your product relevant in the marketplace. I wouldn't say this if I didn't believe it and believe that we can do better as an industry.

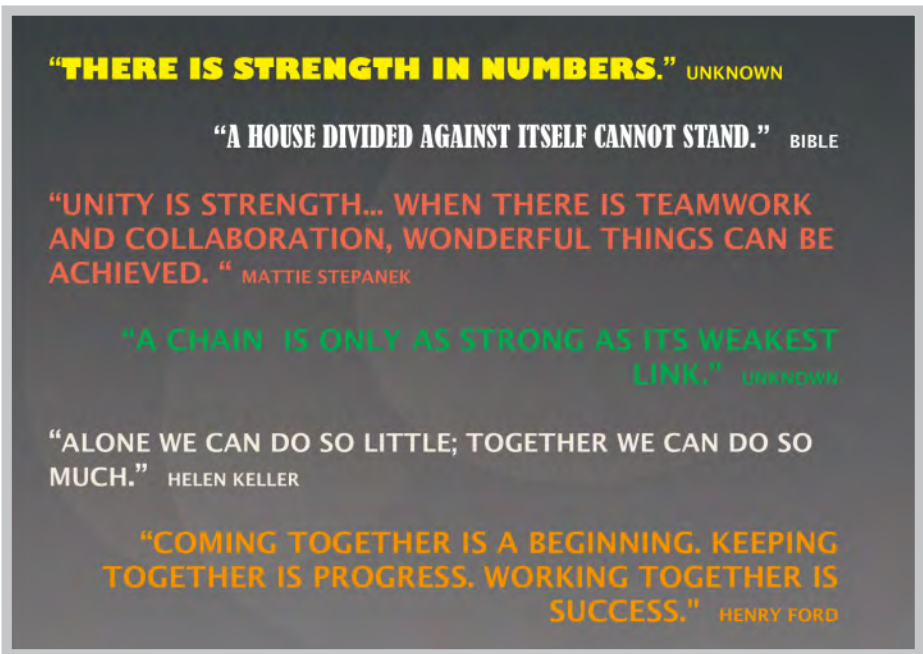
We will during the course of this week have an opportunity to hear from the very best in our industry. Each of them critical to our success on a wide range of issues and, yes, even critical to the relevancy of our industry. We'll be discussing where we go with multistate games; how we might take a fresh look at responsible gambling initiatives; and examining that still tricky next step that we have to take in order to make it easier for our valuable retailer partner to do business with us. You've all heard retailers in presentations and panel discussions at our past conferences tell us what we need to do to make it easier for them to sell lottery products. And of course we're going to continue to discuss the ever changing landscape of internet gaming and how we might better manage that. We're even going to have our friend Geoff Freeman, president of the American Gaming Association, scheduled to speak this afternoon. Geoff is going to talk about the goals he has for that organization and how we might find some common ground with them on the sub-

ject of internet gaming. I think looking back just a year ago most of us couldn't have imagined that discussion even taking place.

So those are just some of the topics that we'll be covering this week. What's interesting for me about the process of creating a program like this is how Paul Jason challenges us to talk about the proverbial "elephant in the room," deal with the difficult issues like how lotteries and vendors must work together to accomplish more; or how can we leverage our strengths, our successes, our brand recognition, on a truly national scale? And I couldn't agree with you more, Paul. We must place emphasis on teamwork and the possibilities for our industry to truly move forward as one in order to maximize our potential.

You've all heard or read most of these sayings. They all relate to the simple truth that working together is the key to greater success.

And the list goes on. These are just old sayings and aren't new to any of us. But my absolute favorite is the simplest one of all. And possibly the oldest. It was over 2,500 years ago that Greek philosopher Aesop proclaimed ...

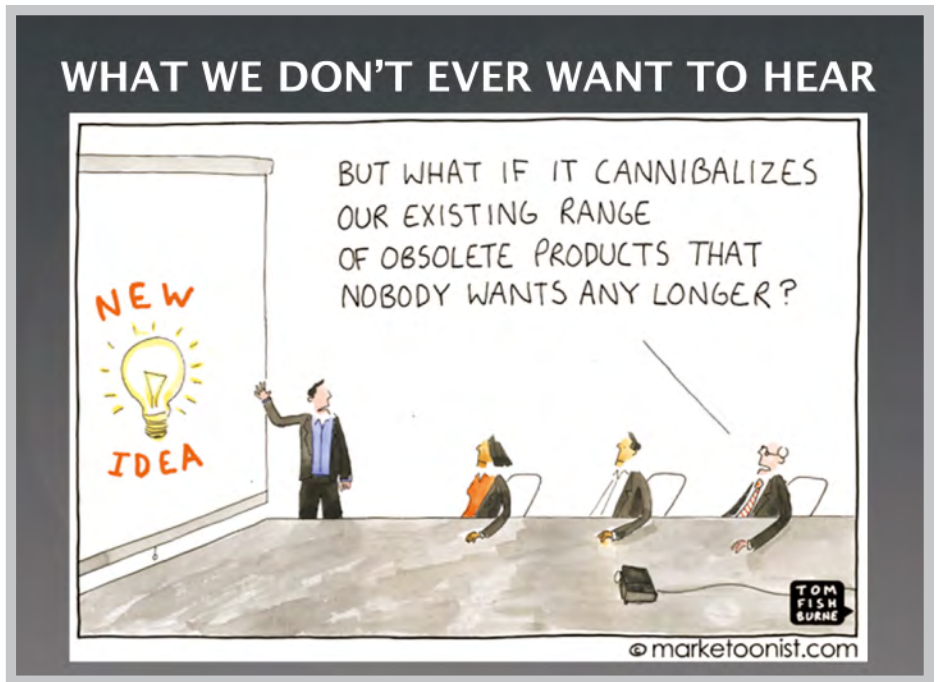


United We Stand, divided we fall.

We have a great opportunity this week to continue the momentum of change and innovation in our industry. Years ago lotteries, were basically little islands that didn't depend on each other and had very little to do with each other. But times have changed. Issues are pending that require us to stand together to defend the interests of our constituents and beneficiaries. And the tremendous opportunities that are right in front of us will become a reality only if we work together to make them happen. We desperately need each other to stand united.

Think about all that we need to do that can only be accomplished by working as a team – overcoming the difficulty of our growing dependence on big jackpot games to keep reaching our revenue numbers; achieving the potential of a fully developed national premium game; building that consistent national branding so vital to

the success of our multi-state initiatives; the common need we all have to somehow manage internet gaming, or at least the evolution of regulatory policy that relates to internet gaming and i-lottery. And there is the ongoing need we have to continue to educate and keep our staff on the cutting edge of all gaming opportunities. We need every state and every vendor hitting on all cylinders, developing and marketing innovative products that will keep us reaching those ever increasing revenue targets that we have to reach as state lotteries. As Terry Rich just said, today's accomplishments are only tomorrow's mountains to climb. And any failure on our part to reach those goals gives fodder and ammunition to those unified groups who would like to bring us down. For the U.S. lottery directors who are here today, I want to encourage you to use this week to think about where we are as an industry. There are two pressing subjects, the national premium game and the governance of the MUSL and Mega Millions organizations. I'm excited about the national premium game as it's being discussed and brought to fruition by MUSL. But frankly, I can't keep track of all the so-called national premium games that are being bantered about in our industry. We need a system to intelligently manage and vet and calendar and develop these ideas. And we need to be as inclusive as possible with all U.S. lotteries as these ideas come to fruition. Furthermore, and I go back to that "united we stand divided we fall" saying, there has got to be a better way than to have MUSL over here and Mega Millions over here. Just last week the MUSL board met to consider key aspects of the proposed national premium game and TV game show. But because we have



two separate and distinct organizations, eleven of the top twenty TV media markets were not even in the room for those discussions. Many of those are absolutely critical to the viability of a national TV game show.

I'll get off my soapbox now! I am so gratified to be working with all of you who are so interested in generating money for all the good causes that lotteries support all around the world. There's no group smarter or more talented than the one sitting in front of me today. And no group that's better positioned to take us to a place where all U.S. lottery jurisdictions are truly working together in a spirit of mutual respect towards a business model that brings unity to all of our national lottery game endeavors. I invite you all to join me in

that vision and help us move in that direction over the course of this week and in the weeks and months to come. Let's use our valuable time together this week wisely. Let's not be a step behind those united groups out there who don't appreciate the good works that our industry does or the billions of dollars that we raise for good causes.

I'll leave you with two thoughts. First, here is what will not work for us.

The second thought I'll leave you with - this is what we don't ever want to hear.

Some of us lottery directors can chuckle about some of these lines because we've lived through it. Instead, let's get out in front. Let's lead. Let's get out of our comfort zone and take some bold steps. Let's work together to carve out a role for lottery that it deserves - the most progressive leader in business practices as well as the leader in service to society and the Good Causes that lottery supports. ♦





EVENT NAMES [14:30]
Outcome Ids [1,]
Outcome LABELS [HAST]
EachWayTerms [1-3]
nr Bets [3]

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MIKE

A whiteboard with a clock, sticky notes, and a magnifying glass.

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best is seven.

Call him at

+44 7720 4972 15.

Ian Freeman is Chief Commercial Officer at Kambi. He is a poor footballer, but he can provide you with a turnkey sportsbook with 90,000 live events per year. So give him a call or send an email to ian.freeman@kambi.com. It will be well worthwhile.

Kambi provides you with a fully managed, first class sportsbook within six weeks. Some current clients are 888, Paf, Unibet and Mediaset España.



KAMBI SPORTS SOLUTIONS

Well worth knowing

BRINGING THE ONLINE PACE



The devices consumers use for betting are changing, online as well as in retail. New technology enables more functionality, more options and a better and richer playing experience. This leads to changing play-styles that in turn are changing the entire betting industry. Here we take a look at what this could mean for the retail Sportsbook operator.

Going from the top left in the picture, we see the betting style we all are familiar with, the classical over the counter betting, where the players use a printed coupon or talk directly to the clerk to place their bet. This is how it has been done for decades, this is what players are familiar with, and this is often the foundation of any retail betting operation.

In the nineties online operators introduced to the market a, to say the least, substantial increase in the variety of options for how and what to place bets on and players have by now gotten accustomed to be able to bet on pretty much anything. The over the counter and printed coupon set-up translates rather poorly to this new consumer expectation of access to the full multitude of bets and events, as the browsing of betting opportunities and selection of bets is limited by the physical bet slips and the shop clerk's time.

There are two new devices on the market that can address the issues of the limited retail offering and decrease the clerk bottleneck. This new technology also makes it easier for the players, reducing the wide array of different types of printed coupons that can pose an entry barrier as they can be fairly complex. These devices are the "Bet Selection Terminal," and the users

own device, as illustrated in the top right.

- The Bet Selection Terminal: a low cost, small footprint terminal that enables players to browse the full offering, build their coupons in an intuitive way, and print their selection to a slip that is then validated and paid for at the clerk window just as any other coupon with the existing technical solution. The hardware is slimmed down to a touchscreen and printer, minimizing maintenance and cost. The screen offers great opportunities for customer communication as it offers the operator the possibility to enforce their brand and other communication in a much more personalized way.

- Users Own Device: With the mobile trend and the growth of smartphone penetration in virtually any country, a massive, and growing amount of retail players always carry a device fully capable of navigating and selecting betting opportunities they like. The operator could provide a branded app that is similar to the existing online betting apps, but with the possibility to generate barcodes on the screen that can be scanned by the clerk in order to place the bet. The users own device can fully substitute the printed betting coupons and offers the advantages of richer content, bigger offering and enhanced in-app communication possibilities for the operator. And of course, the users own device means no additional hardware costs for the operator.

Moving on, when observing the in-play betting trend we see in the online world, one realizes that this is something that is not presently supported by many retail points-of-sales. Over the past few years, in-play betting has become the majority of the turnover for the online Sportsbook. In retail however, betting has historically been focused on pre-match and the products and technology has been designed and built for this purpose.

This is now about to be challenged. New technology and decreasing prizes in hardware will enable forward looking operators to bring a new betting experience to their player base. Two

TO THE RETAIL SPACE

Erik Lögberg, Chief Business Development Officer
and Deputy CEO, Kambi Sports Solutions

www.kambi.com // Erik.Logdberg@kambi.com



additional devices are starting to gain more and more foothold in the retail gaming environment.

- The Self Service Betting Terminal – Self-serve is a macro-trend affecting all retailing product categories. This trend has already produced a massive increase in self-service betting terminals, in all varieties of retail venues such as retail shops, sports arenas, press shops and restaurants. The self-service terminals offer more direct play and is much better suited for in-play, since the betting opportunities change throughout the progress of the event and the prices are volatile.
- The Tablet – Tablet gaming is already used on a bigger scale in bingo environments where players can lend tablets from the operator. The low cost of this device enables players to have their own personal device throughout their gaming session, and the flexibility of the tablet format enables the operator to drive innovation and quickly release new features or content. The possibility for players to lend a tablet for retail sports betting is one of the big trends that is still in its inception. This is the optimal device for the in-play betting experience, where players can watch sports at the operator's premises and have a betting device with all the bells and whistles that the online operators have been able to offer their player base for years.

These new devices are becoming increasingly more popular in retail betting environments because they offer operators the ability to be innovative, have real time personalized customer communication, and be able to build loyalty by offering the players a unique experience.

So...The future of retail sports-betting is about to be changed. Products and technology developed for the bleeding-edge online market will transition to the retail channel, given the new affordable technology at hand, to meet the demands of players. With this comes an opportunity for retail operators to make up for lost time as well as a threat for the less progressive ones to for good lose the grip of the end-users and it all comes down to User Experience and Convergence.

Player facing activities are all converging, with the same user experience delivered across all channels, enabling the operator to effectively enforce their brand and create loyalty, on the high

street as well as on the sofa. For instance a player card connected to the online account strengthens the loyalty as well as the opportunities to adapt the proposition to each and every end-user, no matter where they are physically located. Also, it enables operator to offer far better protect for problem gamblers online and offline. Furthermore, the convenience, trust and safety of being able to deposit money in the store, or to withdraw online winnings in cash, is deemed to be a key differentiator against those companies without a retail presence.

In fact, we see this whole macro-trend of convergence as the number one remedy that lotteries now have to make up for lost time online where the private sector has gained a very strong foothold due to superior products. Lotteries can outsource the sportsbook to leading B2B suppliers, such as Kambi, but those private companies without a retail presence will have a very hard time, if at all possible, to move into the retail space and can therefore not achieve this multi-channel convergence. This represents a critical competitive advantage for lotteries who now ought to act to take advantage of the opportunity.

Switching costs for players are minimal in online, as alternatives are just one click away. This pushes the focus on every aspect of the user experience and makes it the new battlefield for online operators. The leading online sports-betting products are today light years ahead of those in the retail space in every aspect from width, depth and entertainment value of the offering to design and UX elements. Now that online technologies also will be setting the pace in the retail space, it will be these products that offer the best convergence. Classic retail services for Sportsbook will not be so relevant anymore. Lotteries can effectively leap-frog an entire generation of sportsbook business process and move right into the most current player-friendly sports-betting technology.

Erik Lögberg started working for Kambi (formerly Unibet sportsbook) in 2005, straight after he had finished his degree in Electrical Engineering at the Royal Institute of Technology in Stockholm. His main responsibility before becoming Chief of Business Development at Kambi was as Head of Livebetting from an operational as well as a product development perspective. ♦

George Zenzefilis

Group Chief, Products & Services Officer, INTRALOT

PGRI Introduction: INTRALOT's booth is buzzing with activity at the ICE Totally Gaming show in London. George Zenzefilis just completed a panel discussion at the ICE Conference on Accelerating the adoption of new technology. It's hard for a panel discussion to get past the surface and deep into the real issues. So I asked George if we might have a discussion to drill down. What emerged is a comprehensive perspective that helps me to better understand how so many moving parts relate to, and interact with, each other. As a business driven technologist whose mission is to focus his team on the player experience, George has a gift for simplifying otherwise complex issues.

intralot

DECONSTRUCTING THE PARTS, SYNTHESIZING INTO THE WHOLE: Rethinking the Gaming Experience

Paul Jason, Public Gaming: *Technological advances that promise to modernize the player experience are often slow to be adopted by operators and the market-place. It was four years ago that you introduced the industry to the concept of "Universal Gaming Experience." Are you satisfied with the speed at which the industry is adopting the new technologies that enable that kind of vision to come to fruition?*

George Zenzefilis: There is always a gap between the introduction of new technology and its implementation in the market-place. An interesting phenomenon was

described by Geoffrey Moore in Crossing the Chasm, his analysis of how technological change impacts society. He points out how we tend to over-estimate the short-term impact of new technology, and we almost always under-estimate the long-term impact. That is true for all industries, and regulatory constraints make it even more true for lottery. The media spotlight is constantly on our industry, and government-gaming operators hold themselves to the highest standards of integrity and security, so it is prudent for them to be cautious as they implement new technologies, business processes, and expand the channel mix and the portfolio of the games themselves.

But hasn't the consumer already demonstrated a readiness to embrace new ideas, new games distributed through new media channels? INTRALOT has the advanced technology to modernize the entire player experience, so you must be anxious to accelerate the speed at which it is being adopted in the market-place.

G. Zenzefilis: Certainly the consumer is now more than ever the driving force. His readiness is manifested in other industries, with e-commerce models becoming dominant practices, for example. Our industry is now widely adapting the term "Convergence," which we believe to be a practical



indication of accelerated introduction of these innovations.

Our technologies, products and services are designed to embrace both the new opportunities ahead but also respect the migration process to new models. Therefore you will see product designs that combine traditional practices with new technologies and ultimately new models of operations. The Universal Gaming Experience, is our umbrella framework, that proposes to bring the consumer at the center of attention and therefore shift the focus towards maximizing his entertainment value when interacting with the Lotteries. A number of components of this strategy are already in the field and we are very positive of the adoption rate of new concepts as they come along. An example of this is the latest release of the Mobile Lottery suite, which goes beyond the transactional approach of interaction, and defines a new model of experience. We are extending the reach of the Lotteries into younger demographics through an exciting way that elevates a centuries old traditional lottery product into a modern consumer product. Further we are innovating in the Retail space, and introducing designs with examples being the latest DreamTouch suite of terminals that combine interactive experience with the retail user touch points. It effectively changes the consumer experience from buying a lottery ticket as if it were a simple

consumer product into an entertaining playing experience. It is a significant leap forward from the traditional lottery vending machine. Gaming Content is an important area and we strongly believe that with all the new devices that are in place, the Lotteries will more than ever seek interesting and consumer appealing games and complementary content. We are happy in this respect that our Universal GameStream product brings video content to the retail shops in a unique and convergent way. We have received very positive feedback on new game designs specifically geared to our industry, and in particular in the area of Instant Mobile Games, that provide a combination of appealing graphics, game mechanics and multichannel adaptations.

Overall we are optimistic that strategic product positioning, solid migrations plans, and convincing argumentation will further accelerate the introduction of all these new exciting developments to the benefit of our industry.

Which brings us back to the “Universal Gaming Experience.”

G. Zenzefilis: At the core of this simple phrase is the conviction that our customers need to have games which reflect the desires of the player. That’s where it all starts, the play styles and preferences of the player. But the player experience involves a whole host of factors, not just the game itself. And we need to think about how we can leverage the entire palette of user experience to create that emotional connection, that positive feeling that will cause the player to come back to the game.

In our last conversation, you referred to that as the “ecosphere” of the consumer experience.

G. Zenzefilis: Exactly. The ecosystem of the consumer experience is simply all the elements that surround the game itself. Tapping into those elements is the way to create the Universal Gaming Experience. It involves so much more than the act of playing a game. It is an overall experience that may begin when you see a “like” pop up on your friend’s Facebook page because they just won a small lottery prize. Or you see a billboard, or the person in front of you at the retail store buys a lottery ticket and piques your curiosity. What exactly happens then – how can we better leverage those countless “zero moments of truth” to reinforce the positive experience of playing the lottery? What can we as an industry do to turn

even the smallest consumer touch-point into an event that leads to something else, like noticing a jackpot sign in a store or a headline about a Euromillions or EuroJackpot or Powerball winner, then buying a ticket, then telling a friend about it, then coming back a few days later to buy another ticket? Lottery creates thousands upon thousands of winners every week. Why aren’t we capitalizing on the good feelings that winning the lottery produces? And as for “zero moment of truth” events, there are literally millions of those and we want to make them all part of the Universal Gaming Experience.

And social media exploded the number of those “zero moment of truth” events.

G. Zenzefilis: Connect the dots. People love to share information with their friends and relatives, and everyone else too, it seems! They are willing to tell others about themselves on social media like Facebook. I would submit that it isn’t just about being social and interacting with friends. It’s much more than that. People choose to share because this is an intrinsic human value that identifies ourselves, defines and expands our social graph. The power of this social phenomenon can’t be overlooked. Now, think about what they like to share. We notice people sharing innocuous details about what they are doing. But this could be an indication of people also sharing more exciting things? They want and need more interesting things to talk about, to share, to use as material for more interaction. So, let’s give it to them.

Let’s make lottery be that something, the new thing that people want to talk about with their hundreds of closest friends. Everyone wants to be the hero of their own story, and Lottery is creating heroes every day. We need to look at the entire ecosystem of gaming to see the story, to tap into people’s desire to have a story and to be the hero of that story. Think about how you feel when you win something. You feel good, right? And wouldn’t you want to share that good feeling with others? This is just one part of the picture.

That is why I refer to it as an ecosystem of gaming. The game itself is just one part of the whole experience. We need to create a Universal Gaming Experience that gives attention to all the elements that surround the game, that lead up to the actual playing, and that stay with the player long after they finish playing. We could significantly enhance the overall value proposition that drives buyer decisions by appealing to this huge multiplicity of touch-points and reinforcing the

positive feelings that cause people to want to play, and to come back and play again.

Play-styles and preferences of the consumer evolve. The consumer drives product changes, and changes in game content. But won’t technology in some ways change the nature of the game? For instance, won’t games implemented over digital media be fundamentally different from paper scratch-tickets sold in retail stores. And doesn’t digital media open up new ways to enhance the entertainment value of those games?

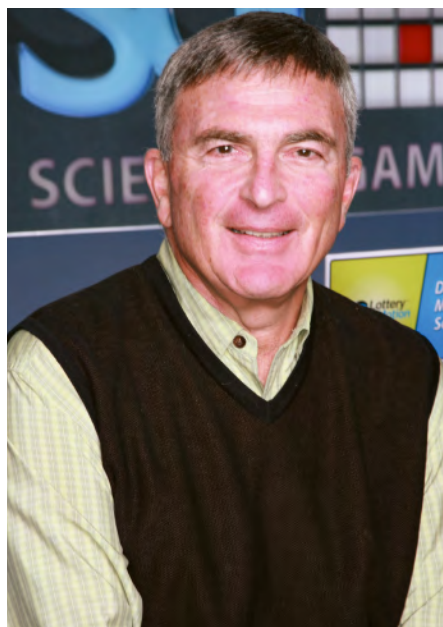
G. Zenzefilis: Absolutely. The design and implementation of the game content is being shaped by the technology that enables and delivers it. Consider the device that has become the primary communication tool and media channel. The smart-phone has transformed the way that humans interact with each other, with informational resources, and with merchants and vendors. The Mobile has altered the foundational infrastructure that forms the basis for exchanging information and executing instructions, for buying products and services, and for playing games of chance. That is a radical notion but it’s true, and I think that at this point, everyone recognizes the transformational impact that the Mobile has on society, on commerce, on everything we do. It is also a marvelous accomplishment, a wonderful marriage of advancing technology and consumer needs. There is practically nothing that can’t be done on a smart-phone.

Changes in consumer tastes do drive changes in game content and the technological changes necessary to meet those needs. But the reverse is also true. Think about how game content is evolving to adapt to the medium that delivers it. Games played on gaming machines like a slot machine are different than games played on a home computer with keyboard and large screen, and games played on a home computer are different from those played on an X-box or augmented reality device. The gaming experience of all of those is quite different than purchasing a product, like a lotto or Instant ticket, over the counter at a retail store. And the design attributes of a game played on the Mobile is different from games played on all those other media.

It would seem like the iPhone is the iconic example for that phenomenon – for how technology can create a totally different user-experience, and how that technology-

...continued on page 58

SCIENTIFIC GAMES CREATED MONOPOLY™ MILLIONAIRES CLUB GAME, RECENTLY SELECTED BY THE MULTI-STATE LOTTERY ASSOCIATION (MUSL) AS THE HIGHLY ANTICIPATED NEW NATIONAL PREMIUM GAME FOR U.S. THE \$5 GAME WILL LAUNCH LATER THIS YEAR WITH THE PLAN TO FOLLOW WITH A NATIONAL TV GAME SHOW IN 2015.



Steve Saferin

President,
Properties Group
and Chief
Creative Officer

PGRI Introduction: With its acquisition of WMS, Scientific Games is now better positioned to meet the needs of its customers around the globe than ever before. The union of the two companies creates a gaming industry collaboration that offers a larger, more diverse portfolio of products, innovative content, cutting-edge technology, and the expertise of some of the world's top gaming, interactive and lottery professionals. Among those professionals is Steve Saferin, President of SG's Properties Group and Chief Creative Officer, and the pioneer of licensed games in the lottery industry.

Saferin, founder of MDI Entertainment, began pairing consumer brands with Lottery in the late 1980s. The strategy took hold, and the huge potential for this concept to drive sales became apparent in the 1990s when MDI licensed major brands including Wheel of Fortune® and Harley-Davidson® for lottery games. MDI was acquired by Scientific Games in 2003, and Saferin was retained to lead the company's licensing efforts.

Now that Scientific Games, WMS Gaming and Williams Interactive have joined forces, there has been significant opportunity to leverage Saferin's licensing knowledge, marketing creativity and global contacts for use across all of the company's channels. We sat down with this industry leader just after the Multi-State Lottery Association (MUSL) announced that the MONOPOLY Millionaires' Club game by Scientific Games was selected as the new national premium lottery game that MUSL is planning to launch later this year, with a national TV game show planned for 2015. We wanted to find out more about this exciting development and discuss what lies ahead for Scientific Games as it puts the power of brands to work in lottery, social gaming, slot machines and real-money internet wagering.

An Exciting New Frontier in Licensed Gaming

Paul Jason, Public Gaming: *Congratulations for the selection of the MONOPOLY Millionaires' Club game by Scientific Games as the new National Premium Lottery Game being planned by MUSL. One of the concepts of this new game is that it will create lots of million-dollar prizes instead of one \$100+ million-dollar prize. Is this the antidote to jackpot-fatigue syndrome?*

Steve Saferin: We think it may be a

counterweight to jackpot fatigue. We understand the current habits of players who have become so accustomed to mammoth jackpots; they now wait for jackpots to get higher and higher before they play. But whatever those jackpots are, they're most likely only going to one or two winners. Research has shown that what players really want is for lotteries to "spread the wealth."

We are planning for MONOPOLY Mil-

lionaires' Club to offer tens to hundreds of individual million-dollar prizes in conjunction with a life-changing jackpot. We anticipate that players will be excited to play MONOPOLY Millionaires' Club and the possibility of winning as the number of million-dollar prizes increases.

Our belief is that as players realize all of the money isn't going to just one player, they'll be more likely to increase their play at lower million-dollar prize levels. The phenomenal success of Lotto Max in Canada – a game similar in concept – gives us confidence that we're on the right track.

Part of the promotional strategy for this game would be to focus on the odds of winning – emphasizing that the odds of winning a million in the National Premium Game are so much better than the odds of winning the giant jackpot in Powerball or Mega Millions, correct?

S. Saferin: That would be part of it. The million-dollar prizes won't be awarded until someone wins the jackpot. The odds of that are about 72 million to 1. The odds of winning a million-dollar prize will be strictly dependent on the number of tickets sold in that particular draw period. We anticipate that the number of tickets sold will increase as both the jackpot and the number of million-dollar prizes grow.

In addition to promoting the odds, there's a 2nd Chance opportunity, which will award trips to Las Vegas, with each trip winner having a chance to appear on the prime-time game show and win up to \$1 million.

What else can you tell us about the MONOPOLY Millionaires' Club and why the consumer will love it?

S. Saferin: The branding of the Millionaires' Club with the MONOPOLY brand stamps this project with one of the most successful brands in the worldwide gaming industry. MONOPOLY is the top licensed brand in the lottery industry, we feel it is one of the top brand in sweepstakes with its annual McDonald's® promotion and it is one of the top slot machine brands of all time. The combination of the iconic MONOPOLY brand with a proven game concept and a planned one-hour prime-time game show/marketing platform gives us the opportunity to create a true national "lottery" brand and gaming proposition that can reshape our industry.

Brand licensing plays a big role in the

slot machine business as well as Lottery's instant game business. These are completely different products – paper-based tickets versus animated, digital content on an electronic gaming machine. Does this difference impact the kinds of brands and the way they are applied to engage consumer attention? What works best for each? What are the synergies or overlaps, and what are the differences?

S. Saferin: I think when you look at this at a macro level, there are not that many differences. Popular third-party brands help to attract the attention of slot machine, lottery, online and social casino players in what has become an increasingly cluttered environment. There are a variety of reasons as to why some brands may work better or be more appropriate for one channel or another, but generally speaking, the goals of licensing in the gaming space are quite similar among slots, lottery and interactive.

In terms of regulations, I would say there is more freedom in the slot channel than lottery. Land-based machines are in aged-controlled environments, so there is less concern about a brand appealing to underage players. There is generally a three-year difference in what is considered underage among the categories, too. You have to be 21 to be allowed on a casino floor in the U.S., but in most jurisdictions the minimum age to play the lottery is 18. While there has been "slots for tots" regulation in multiple jurisdictions, it seems that focus has decreased recently. Lotteries, though, are still very careful – and appropriately so – about avoiding brands that might have a younger appeal.

Licensing in the land-based and interactive channels is much more reliant on video and sound than the lottery channel. While the iconography of the brand is the same, the execution in land-based and interactive games is more elaborate – utilizing sights, sounds and music to give the player a multi-sensory experience relevant to the brand. In the final analysis, it's about the appeal and stickiness of the game. The brand may initially attract players. But no matter how much they relate to the brand, if they don't like the game, it will be tough to keep them involved.

Lottery licensing is much more about the iconography of the brand, and prize structure is critical. It's rare when a licensed lottery game has a new play style (Deal Or No



Deal™ was an exception), so play mechanics are less important.

Slots rely on nostalgic brands to capture consumer interest more than Lottery. Is this because implementing the brand license in the slots category is more complicated and takes a longer time to get to market than it does for the lottery category? Are you seeing ways that you can shorten the time-to-market so that you can get the current hot, popular brands into the slots category?

S. Saferin: The lead-time to develop a licensed slot machine is significantly longer than the time it takes to develop a lottery game featuring the same license. The game development and regulatory approval for a slot machine can easily take 18-24 months. This makes it hard to, for example, take advantage of a new, popular theatrical release.

The WMS team at Scientific Games is committed to designing games that remain true to the brand and its assets, so we take the time needed in the game development stage to do this right. Some companies might do this by taking an existing game design and repurposing it for a new brand. It might get to market more rapidly, but the end result probably won't be as true to the brand – or as popular with players – as one developed the way we do it, with a more tailor-made approach.

Nostalgic brands have always had their place in the lottery channel, and I think they always will. But in working to make lottery games more attractive to young adults, we believe more contemporary brands are important. Fortunately, the lack of a long lead-

...continued on page 59

THE NEW JERSEY LOTTERY AND WAWA – PERFECT TOGETHER

THE NEED FOR CUSTOMIZED SOLUTIONS TO ATTRACT NEW PLAYERS AND GROW SALES IN A MATURE MARKET



Retail expansion is a key lever to develop sales and revenues responsibly: With more retailers, especially retailers with a large and loyal customer base, lotteries are able both to achieve sales across a larger demographic and to increase the engagement of lapsed and light players. Expanding a lottery's reach is also critical to making lottery products more accessible to all players, delivering "street level" convenience of playing lottery games, and improving the awareness of universal acceptance of the lottery as part of the social and business fabric of the community. The prospect of selling lottery tickets is not always met with enthusiasm, however, especially by established chains with very focused business models. Improvement in this area often means creating customized solutions and flexible business models to match a retailer's very specific requirements.



Such was the case with the partnership created recently between the New Jersey Lottery/Northstar New Jersey Lottery Group/GTECH and the Wawa chain of convenience retail stores. To implement a full, seamless rollout of Wawa's 232 New Jersey stores in just over three months took experience, flexibility, detailed

software planning, requirements gathering, technological acuity, and, most significantly, a deep understanding of Wawa's needs. The partnership hinged on a commitment from all parties to work jointly toward mutual success.

THE WAWA PROJECT COMPRISED FOUR KEY GOALS:

1. Provide Wawa with data elements to manage all of its retail locations from a central location.
2. Implement best practices from prior installations.
3. Validate the solution prior to implementation.
4. Keep the New Jersey Lottery's current financial model intact.

To accommodate Wawa's needs, the Lottery installed at each location both a Gemini® instant and draw game vending machine and a retailer-operated Altura® lottery terminal.

"WAWA HAS SET THE BAR VERY HIGH REGARDING THE DATA WE REQUIRE TO MOST EFFECTIVELY AND EFFICIENTLY MANAGE OUR LOTTERY OFFER. FROM THE VERY START, GTECH AND THE NEW JERSEY LOTTERY WERE EAGER TO DELIVER THESE REQUIREMENTS. BECAUSE OF THIS, WE ARE ABLE TO FOCUS ON WHAT IS REALLY IMPORTANT – THE CUSTOMER."

– Anne L. Kerstetter, Store Operations, Payment & Reconciliation Manager, Wawa

The level of customized solutions and granularity of the data provided to the chain surpassed both GTECH's and Wawa's previous technology implementations. Wawa's data transfer requirements in particular necessitated the creation of new and flexible business solutions. Wawa wanted to maintain a database of transactional information including sales, pack inventory, device events, cash management, and transactional level reporting, allowing Wawa to analyze operations from its headquarters. Following best practices used in other

GTECH installations, at the completion of each player session, transactional activity from the Gemini machines is transmitted to the Central Gaming System, providing insight into consumer buying behavior. As delivered by GTECH, nightly files provide Wawa with sales data down to the transaction level; instant pack inventory figures; details of all Gemini device events, such as each time the door is opened and closed; and complete player transaction data from the moment the money is inserted through the completion of purchase. The financial model established by the New Jersey Lottery is kept intact; no special financial reports were created, and Wawa is accountable in the same weekly invoicing manner as all other New Jersey Lottery retail locations.

“WE ARE PROUD OF OUR NEW WAWA PARTNERSHIP. IT WAS AN OUTSTANDING TEAM EFFORT AND, IMPORTANTLY, A COLLECTION OF TECHNOLOGY FIRSTS FROM OUR DEDICATED GTECH TECHNOLOGY PARTNERS.”
 – Russ Knapp, Vice President and General Manager, Northstar New Jersey

In Wawa’s other lottery-selling states (Virginia and Pennsylvania), data element testing occurred after the first Wawa vending machine was in production. In order to ensure a full rollout in New Jersey without any disruption to Wawa’s store operations, GTECH and Northstar New Jersey conducted a six-week live beta-test at Wawa’s corporate headquarters before the go-live date. A secure tunnel linked the system located at GTECH’s Trenton, NJ, facility with the Altura and Gemini devices located at Wawa’s Idea Center in Wawa, PA. The beta testing contributed significantly to the quick and seamless rollout and increased Wawa’s comfort level appreciably.

According to Anne L. Kerstetter, the retail chain’s Store Operations, Payment & Reconciliation Manager, although the schedule in New Jersey was considerably more aggressive than for Wawa’s previous lottery implementations, “with the support and dedication we received from GTECH, Northstar New Jersey, the New Jersey Lottery and Wawa’s internal teams, we were able to successfully meet our goals. The project team we worked with from GTECH and Northstar New Jersey are top notch. We were continuously impressed throughout the planning and implementation phases of this project. From how prepared the team was to deliver Wawa-specific requirements to how quickly issues were addressed, we were delighted to work with this team every step of the way.” Suzanne Keenan, Wawa’s Sr. VP of Information Technology and Process Solutions, concurs: “Working with Northstar New Jersey and the New Jersey Lottery was a complete pleasure. They were well organized, knowledgeable, and responsive, making the rollout smooth and successful.”

To ensure ease of operation through the rollout and beyond, more than 100 GTECH and Northstar New Jersey personnel helped with the implementation, traveling to each Wawa location to train store personnel on equipment and marketing. Northstar New Jersey also conducted ambassador programs at each Wawa location, giving away Lottery-branded merchandise and otherwise bringing attention to the fact that Wawa is now selling lottery products. The Lottery ambassador team will continue to



From left, Jim Shortall and Suzanne Keenan of Wawa and Carole Hedinger of the NJ Lottery at a Wawa store grand opening

promote lottery at store grand openings as Wawa expands in the state.

Early results are impressive. Wawa stores generated more than \$900,000 in weekly sales for the New Jersey Lottery just a few weeks after rollout, without benefit of a large multistate jackpot – ahead of plan and well ahead of a new retailer’s typical per-store sales – pleasing both the Lottery and Wawa: “Sales are strong and continue to grow,” reports Kerstetter. “The Gemini terminal is attractive and intuitive for customers to use and the offer is exciting. That coupled with the support we receive from the New Jersey Lottery sales representatives and GTECH technicians who service our stores will help us drive the success of a self-serve Lottery platform. Our customers are tech savvy and crave convenience and a compelling offer and we believe having lottery now available in every New Jersey Wawa store is just another way we can fulfill lives, every day.”

“THE INNOVATIVE BUSINESS MODEL THAT WE BUILT WITH WAWA IS A PERFECT EXAMPLE OF NEW JERSEY LOTTERY’S COMMITMENT TO RETAIL PARTNERSHIPS. IT IS THE RESULT OF RICH COLLABORATION BETWEEN THE NEW JERSEY LOTTERY, NORTHSTAR, GTECH, AND WAWA. ULTIMATELY IT ALLOWS US TO EXPAND OUR BRAND FOOTPRINT, ATTRACT NEW PLAYERS AND INCREASE REVENUES TO SUPPORT EDUCATION AND INSTITUTIONS IN NEW JERSEY. WE ARE DELIGHTED TO WELCOME WAWA TO OUR RETAILER NETWORK.”

– Carole Hedinger, Executive Director, New Jersey Lottery

Wawa’s customers are also passionate about the chain, which has inspired an “I Love Wawa” apparel line, songs, tattoos, 36,000 Twitter followers, and nearly 1.2 million likes on its Facebook page, and many will not shop at any other convenience store. Therefore, by creating customized solutions and flexible business models to match Wawa’s specific requirements, the New Jersey Lottery/Northstar New Jersey/GTECH were able to bring lottery not only to one of the premier convenience store chains in the state but also to new players with new demographics.





Betware

NOVOMATIC GROUP

Playbook for launching an i-Lottery website

Pall Palsson, Executive Product Manager, Betware; www.Betware.com

Second Article in 5-part series: In the last installment of this series we covered the Player Account. The Player Account is the foundation and the heart of your i-Lottery solution but on its own it will not generate sales. The content (i.e. games) you offer is what will generate sales, but there's quite a lot we need to cover before we can start talking about content. Two critical pieces of technology we are going to cover in this article are the "wallet," which will allow players to pay for games and receive winnings, and something called the "Single Sign-On." These two are usually sold as part of a Player Account but we will cover them separately here as they are quite important.

Single Sign-On (SSO): Let's get one thing straight: players do not care about technology. Players care about user experience, games, entertainment, winnings and many, many other things - but they do not care how that is all done behind the scenes. Players may like the WOW! factor they get from having experienced a new tech feature, but it's not the technology they are reacting to. A side effect of this is that players have no tolerance for bad usability even when there's a great technical reason for it. To be honest, there are rarely good technical reasons for bad usability. "It was too much effort to make that quirk go away" hardly qualifies as a reason, but even if there was a good reason players wouldn't care. Single Sign-On is a prime example of this. When Lotteries started to offer online content from more than one vendor, the norm was that the players would have to sign onto each site separately, and usually with a different username and password. No one liked that, and thankfully you do not see that much now. It is still important, though, to ensure you do not end up with this "feature" as part of your new iLottery site. If you intend to pursue a multi-sourcing strategy (which is defined as offering content from many different providers), and most gaming operators do, you have to make sure that your players only ever have to register and login on your site. What's more, you only want the player to have to log in once to access your site. They should not be required to log into Instant Games which are provided by content provider A and again to log into Lotto which is provided by content provider B and so on. The importance of this cannot be over-stated. SSO is what allows your players to login once, even if the content they are playing is provided by entirely different companies and even run on separate IT systems. SSO is magic that happens in the background that players don't know (or care about), but it helps deliver a smooth gaming experience.

Wallet: The wallet is the piece of software that keeps track of the player's electronic funds and allows money to transfer in and out of your site. Like with Single Sign-On, it is important that you offer your players a single wallet. It is not a good user experience to have to constantly shift funds between sub-wallets to migrate between different games. Also, there is no valid technical or player experience reason to have

multiple wallets. The real issue is that much of the software out there was not originally built with a single shared wallet in mind. It is simply easier on the supplier to leave the software as it is and have players deal with multiple wallets; but it goes without saying that it's not easier for the players. Our players deserve better, they really deserve a single wallet. Apart from the single wallet issue are three other things that you need to know about the wallet:

Supported Payment Methods: You need to enable players to move money into your iLottery site so that they can play. Fortunately, there are many possible payment methods available. Ask your suppliers about this but don't spend too much time on it. There are many easy-to-integrate payment solutions available and it's unlikely this will be an issue with any supplier. A side-note on this is that more payment methods do not necessarily mean more revenue.

Support for withdrawing funds: Payment methods are not necessarily deposit (in) and withdraw (out). It's important to know this because your players may, at some point, wish to withdraw money from your site and you need to have at least one way for them to do that. Generally gaming sites offer far more ways to deposit money than to withdraw money. Partially this is due to pragmatism on the lottery's side since the operator is eager to get player funds deposited into the site but not quite as excited about funds being withdrawn, yet there are other reasons too. Many popular payment methods are built to only allow players to deposit money. Money laundering and many kinds of fraud rely on fund withdrawal and protecting against them gets much harder with increased withdrawal complexity. There are more reasons which all add up to making multiple withdrawal options less attractive and more complicated to achieve when compared to the value they bring the player. The recommendation here is to have fewer but better withdrawing options for the player. For example, many of Betware's customers have only one withdrawal method and we have never had a complaint about that.

Methods for preventing Money Laundering and Fraud: In all regulated markets you must ensure that your system cannot be used to launder money and the more in and out payment methods you have the more difficult this becomes to manage. Ask about this to ensure your supplier takes this seriously, as this is an important and complicated issue.

That is Single-Sign on and Single-Wallet in a nutshell. What was covered in this installment plus the player account that was covered in the last installment of this article series goes a long way to providing a good foundation for an i-Lottery website. There are still more things to cover such as the back office, regulatory compliance, marketing, games and more and we will look at some of those issues in the next installment of this article series. ♦

2013 Lottery Industry Hall of Fame Inductees

BERNADETTE LOBJOIS

Secretary General, European Lotteries Association (EL)

Joining the EL Association in 1990, Bernadette Lobjois has enjoyed a unique career in Lottery. For all of her accomplishments, Bernadette is quick to give credit to her EL team, and especially to all the members of the Association whose support and engagement are what make the EL Association the great organization that it has become over the past 25 years.

The European Lotteries have grown a lot since 1990 when it comprised 28 Regular Lottery Members, compared to 81 Regular Members today representing 46 countries. Bernadette started organising the first educational seminars in 1993 and has since developed the programme extensively – adding workshops, working groups, and top-level industry conferences. The EL Association now produces the Marketing, Internet & New Media, Security & Public Order, Responsible Gaming, Sports Betting and Legal seminars on a yearly basis. Some of the seminars are carried out jointly with the WLA. However, the organisation of all these events is done by the EL team in Lausanne. In 1998 the ELU (European Lottery University) was launched. This intensive 5-day education and training programme has been very successful and always attracts a high number of participants. Since its introduction, more than 800 participants have joined the ELU in different venues throughout Europe. Bernadette also organised the yearly European Lottery draw which was broadcast on Eurovision for a number of years until 2003.

In 2013, Bernadette launched the “Sport Immersion,” a brand-new educational programme designed for newcomers and development-oriented professionals of the sports betting industry. In 1997 she put in place the Legal Working Group by recruiting an expert lawyer based in Brussels, followed in 2007 by the set-up of an EU Representation in the capital of the European Institutions. The General Secretariat in Lausanne is also in charge of all administrative matters of the Brussels office.

Bernadette launched the EL magazine in 1992, which is translated into the 4 languages of the Association. The European Lotteries first website was put in place in 1997. It was recently revamped and updated, now offering Members a more attractive and interactive platform. She played an active part in the development of the Association and the commissioning of several studies relevant to the European Lotteries. The first economical study was realised in 2006. The “European Lotteries Information Sharing Extended” (ELISE) is a survey and data resource that is circulated to all EL Members. First published in 2007, the ELISE data effectively represents the views and positions of the Association and is published once a year.

The European Lotteries Association organises a Congress biannually, and in the years in between, the Industry Days conference is held. Bernadette is assisted in all organisational aspects to produce these events by a small and efficient team.

Before joining the European Lotteries, Bernadette was employed by different Swiss and international companies based in Switzerland for which she also set up networks and points of sales in the Middle East and Europe. She has a degree in Public Relations and obtained a Master in Business Administration in 1999. ◆

JEAN-LUC MONER-BANET

General Director, Société de la Loterie de la Suisse Romande, Switzerland; President of the World Lottery Association

Jean-Luc Moner-Banet was appointed to lead Loterie Romande in 2007. Loterie Romande is a privately-owned association whose members are the Swiss cantons. The company operates all games of chance (apart from casinos) within Suisse Romande. Jean-Luc is a member of the board of Loterie Romande. Prior to his appointment as General Director, Jean-Luc was the Deputy Chief Executive, from 1998 to 2006.

Over the course of the following years, Jean-Luc served on numerous committees for the European Lottery Association and also the World Lottery Association. Jean-Luc was appointed to the WLA's Executive Committee in March 2008. Then, in September of 2012, he was unanimously elected as President of the World Lottery Association (WLA). Jean-Luc's great wealth of experience in the realm of lotteries and his dynamic vision of the key issues at stake on the international stage, particularly in the arena of sports betting, persuaded the assembled members to appoint him to the WLA's highest office for a term of two years. Jean-Luc is a member of the executive committee of the Euro Millions multi-jurisdictional game, was a member of the executive committee of the European Lotteries Association from 2009 to 2012 (www.european-lotteries.org), head of the sport committee, and member of the executive committee of the World Lottery Association since 2008 (www.world-lotteries.org).

The WLA is a member-based organization advancing the interests of 146 state-authorized lotteries and 57 lottery suppliers internationally. Services provided to the WLA membership include certification in the areas of responsible gaming and information security, educational services in the form of seminars and conferences, and the collection of lottery relevant data. The WLA promotes the highest standards of social responsibility and seeks to improve public understanding of the beneficial role that state lotteries play in society.

Jean-Luc is committed to preserving the tremendous value that government-lotteries everywhere provide to society. In an era when private companies active on the Internet, often operating illegally, are challenging the operating business model of State lotteries worldwide, the community of lotteries needs an active and informed voice in this global debate over regulation of the industry. Jean-Luc's mission to forge a professional network at the very highest level and engage in the all-important debate on the fundamental issue of industry regulation will serve the membership of the WLA well. This cooperation is likely to prove particularly fruitful as it will allow the integration of an international perspective and global regulatory best practices into the current drafting of the new law. The future of lotteries is so dependent upon the support of political stakeholders. The leadership of our industry associations is vital to the efforts to communicate the role that government lotteries perform for the benefit of society. To that end, Jean-Luc Moner-Banet has been active in advocating for prudent regulatory frameworks, and the means to enforce those regulations, on both the national stage in Switzerland and also the world stage as president of the WLA. ◆

Bernadette Lobjois

Secretariat General, European Lotteries Association (EL)



2014 LOTTERY INDUSTRY HALL OF FAME INDUCTEES

The Lottery Industry Hall of Fame was founded in 2005 to honour those who have done so much to make the world lottery industry the great success that it is today. Bernadette Lobjois and Jean-Luc Moner-Banet were elected for this recognition by the current membership

Paul Jason, Public Gaming: *You have been serving the Members of the EL Association for over twenty years now. How has the role of the EL Association changed over that period?*

Bernadette Lobjois: The role of our Association has not changed per se. Since its creation, EL strives to contribute to the success of our Members Lotteries by offering them the best forums, the best education, the best information and the best support at every level. All of us are committed to protect the European Lotteries' image and values. What has changed is the scope of EL involvement: due to the increased competition from legal and illegal gaming operators and the changes in EU legislation, our Association has had to react to protect our Members' interests. This has resulted in increased involvement at the EU level, advocating the good causes supported by Lotteries; the funding by Lotteries' revenues of State projects; the role of State Lotteries in public order issues including anti-money laundering activities, and convincing Members of the European Parliament of the many points that are crucial to a sustainable gambling approach in the European Union. In addition, the Association has been very active in supporting sports monitoring services to alert the relevant authorities of any indications of match fixing activities.

How has the role of the Secretariat General changed over that period?

B. Lobjois: Again, we should not talk about a change in the Secretariat General's role. In that aspect, EL Secretariat General remains the centre for all administrative and personnel issues and accounting tasks, events coordination and organisation, preparation and supervision of all Working Groups' meetings, and ensures efficient management of all seminars and congresses. What has changed is the scope of the work: we have to move with our times and in order to maintain excellence in all our services we had to widen the scope of our involvement. With tech-

nology changing rapidly, we had to prepare more educational meetings to help our Members cope with the avalanche of technical novelties and remain competitive in an online and mobile world becoming crowded with new gaming operators. We had to adapt to the implications of the many decisions made by the EU Institutions by encouraging EL Members to fight for our sector and the protection of its monopoly, which of course required us to create more collaborative efforts to respond to the latest regulatory and political issues. Also with a larger membership, EL Secretariat now has to organise more educational and informational seminars, designed specifically to help new Members and even export our knowledge to non-Members throughout Europe.

All this work is of course supported by a redesigned website and a more focussed and targeted magazine. Members are asked to provide support and regular information to keep our website updated. The EL NEWS magazine is the compendium of that collaborative work with our Regular and Premium Partners Members. Regular communication is essential to ensure the Secretariat's work is done efficiently and addresses all current and urgent topics. While the presentation of ELU University, Sport Immersion, Working Groups' meetings, seminars and other specific workshops are necessary steps in keeping our Members well informed and in addressing all urgent issues, the apotheosis of our collaborative work with our Members is represented during our bi-annual Congress, attended by senior representatives from all of our Members and Partner/supplier organisations. This is our largest and most important forum.

Simply, the Secretariat General has to be there listening, helping our Members and offering the best service possible.

I notice too that you stretch to stay ahead of the curve, introducing your constituents to the newest ideas that will shape the future of this industry.

B. Lobjois: Our Association must remain ahead of the curve in order to provide the most accurate and timely information and services. All our Working Groups meetings, latest workshops and seminars (London Marketing Seminar, Industry Days, etc.) have been re-formulated to each target a specific topic that is of utmost urgency. The London Marketing seminar for example is all about marketing and distribution channels, including the newest tactics for Lotteries to use social media and mobile devices. The Industry Days Forum has been focusing more on innovative game design and how the latest technology be incorporated to create an edge over the competition. Each of our seminars is created to address and evaluate a specific issue, either suggested by the new legal environment or required by Members facing a new problem.

For all of our educational, seminar and workshop events we have the possibility to select the best-in-class from among all of the 81 EL Member lotteries in Europe, as well as the leading game and channel development experts from our Partner/Suppliers, while adding in the best international thinking and speakers from relevant and related sectors world-wide. What richness of material!

No doubt it is a lot of work, but we have serious advantages: our team at the Secretariat General might be small but they are the most knowledgeable employees; we have the best relationship with our President and our Executive Committee's Members for a seamless cooperation and we have an unconditional commitment to help from everyone – our Members, our Working Groups, our legal advisors. This level of commitment helps me in my work and duty in our Association.

Without all of this support and commitment we would simply not be able to deliver the excellent service which our members demand and deserve. ♦

Jean-Luc Moner-Banet

General Director, Société de la Loterie de la Suisse Romande, Switzerland; President of the World Lottery Association

of the Lottery Hall of Fame. PGRI, the members of the Hall, and all of our friends and colleagues in the industry extend our heart-felt congratulations and thanks to Ms. Bernadette Lobjois and Mr. Jean-Luc Moner-Banet for their service and leadership to the mission of Government-Lotteries.

www.LotteryIndustryHallofFame.com



Paul Jason, Public Gaming: *You have been serving as president of the World Lottery Association for almost two years now, visiting lotteries all around the world. How has this experience affected or informed your vision for the future of the WLA?*

Jean-Luc Moner-Banet: During my two-year mandate, I have been able to convince myself of the important development our sector knows all over the world, in particular in the regions where the economic activity is increasing drastically, such as Asia or South America.

At the same time, the continents on which the activity of lottery and sports bets is the oldest, are facing important challenges in terms of political regulation and economic development, in particular through the interactive channels and social media.

Our sector is fast-changing and the WLA works to accompany those major changes, in particular by developing standards applicable to our sector and by setting up a scholarship programme. As regards to standards, the two existing ones relative to Responsible Gaming and Security will be developed and constantly updated taking into account the developments, needs and technology. At the same time, the Executive Committee thinks about the implementation of standards relative to other domains, such as the protection of the integrity of sports bets. Thanks to the launch of the scholarship programme, the WLA contributes to the financing of speakers and participants to our workshops and training seminars for the members and future members who, without this programme, would not have the means to participate. This programme is very important to me as it shows and materializes the essential solidar-

ity between the members of the WLA.

What are some of the most interesting commonalities of lotteries around the world?

JL Moner-Banet: From my point of view, the biggest challenge the lotteries are facing today worldwide is to reconcile modernity, innovation, profitability with sustainable development, in particular regarding Responsible Gaming. This balance is indeed difficult to find, is peculiar to each country, to each region, takes into account its political, social and economic realities but we have to work to find this balance everywhere.

From the point of view of opportunities, the globalized society offers us the challenge to sell our products, from the most traditional to the most innovative ones, mainly via the traditional channel of retail, but more and more by using the interactive media.

In my opinion, it is important to continue to develop the traditional lottery points of sales in a modern, interactive, hence socially responsible way. Indeed, the retail still represents the most important part of our sales and touches the core of our games.

Why is it important for lottery leaders to interact with their colleagues from other lotteries?

JL Moner-Banet: Our sector benefits from a unique situation of strong regulation that allows us, in the respect of the territory of operation of one another, to develop strong collaboration with the aim of operating games in common or developing systems of standards and certification peculiar to our sector.

The WLA plays an important role as vector of exchanges of experiences in all the domains and also and above all in the development of norms and standards, today in the

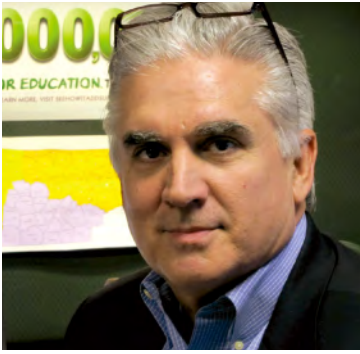
domain of security and Responsible Gaming but tomorrow, maybe in other sectors such as the operation of sports bets, integrity in sports, sustainable development, etc.

We are all looking forward to the World Lottery Summit (Rome! November 2 to 5). This is the biggest event our industry produces and is held only once every other year. What will be some of the high-lights of the Summit this year?

JL Moner-Banet: As it is the case every two years, the WLS will be the most important meeting place of all the lotteries in the world during 4 days. Organized together with Lottomatica, the WLS2014 will essentially be dedicated to propose keynote speakers of international stature in the domains of marketing, brand management, Ferrari living together for example with Bertrand Piccard, the famous adventurer, pilot of the Solar Impulse plane.

The parallel sessions will address all major themes that currently occupy us, notably in the domains of social media and the convergence of sales networks and technologies.

But beyond the interest of the keynotes and parallel sessions, let's not neglect the importance for our sector to meet on a global level every two years, among colleagues from all over the world in order to better know each other and exchange on the present and the future of our sector. The development of a personal relation network on the five continents has, in my own experience, drastically contributed to the construction of my knowledge and my culture of the lottery and sport bets domain. I think that each one of us has to work on developing such a network in order to better evolve in our industry. There won't be a better place or time to do this as during the WLS in November 2014 in Rome. ♦



The cultural and historical case for why Lottery is a State Industry

Tom Jurkovich,
Vice President for Corporate Affairs,
Tennessee Education Lottery

The Lottery is arguably the most popular game of chance in the history of the world. Certainly in America, where this year our modern lottery industry is celebrating its 50th anniversary, the state lottery has grown into a respected institution comfortably woven into the fabric of our social landscape, providing a widely enjoyed source of entertainment for millions, while delivering plentiful and needed funds for cash-strapped state budgets and good causes across the nation.

That lotteries are now highly popular and wildly successful can hardly be denied. Forty-four states and District of Columbia now operate lotteries. Polling indicates that more than 70% of Americans have a favorable view of lotteries, and some 60% of American adults play the lottery at some time in the course of a year, a group that includes all regions, income levels, and ages. In fact, the number of Americans who play their local lottery vastly exceeds the total number of players in all other forms of gaming combined – casinos, sports betting – you name it. Put simply, the lottery is the people’s game, and always has been.

This widespread support for state lotteries has produced a remarkable infusion of dollars into government coffers to fund or subsidize important programs and priorities, education most notably, but also including all manner of other good causes such as conservation efforts, seniors and veterans programs, economic development initiatives, and health and public wellness activities among many others. In fiscal year 2013 alone, American lotteries raised more than \$20 billion for these good causes. Since the New Hampshire Sweepstakes sold its first ticket fifty years ago, state lotteries have raised an astounding \$375 billion for such purposes across the country.

Success in this industry has been accomplished in many varying forms. Not surprisingly, our lotteries are as diverse as the states from which they arise. Indeed, this is the strength of the modern American lottery: each state is free to create and operate its lottery

in the manner that best suits the context of its own environment. In this fashion local policy makers, lottery officials, and other stakeholders can tailor the lottery and its offerings to meet the demands and expectations of the particular jurisdiction in which it operates. Thus we see some lotteries established as commissions or state agencies, others as corporations. Games and styles differ, payouts vary, distribution channels are mixed, advertising expresses regional appeal, and the governing regulatory framework changes from one state to the next.

While some lottery business models may work better than others, the diversity of our system is clearly necessary – certainly it is inevitable. And it works well. “Viva la difference” one might say. American lotteries would not exist, much less flourish, without the ability of the states to guide their own destiny in this regard. And such deference to our multitude of states will produce a multitude of different outcomes. In these differences are found the source of the long-term sustainability of the lottery industry. Put another way: states have adopted and sustained lotteries because they could satisfy player demand and raise needed money on terms that were suited to the social and cultural norms of that location. Nothing was imposed from on high. Rather, these are decisions residing in the states through the U.S. system of federalism.

Ours is a mixture of central (federal) and local (state) government. Through both tradition and constitutional principles, states have long exercised sovereign authority – known as the “police power” – to adopt and enforce laws to protect the health, welfare, safety, and morals of its citizens. And for a variety of practical and historic reasons, the regulation of gaming enterprises has long been considered to reside at the very heart of the state’s police power. It’s a local matter, pure and simple, which explains the variations of lotteries and other forms of gambling (e.g., casinos, horse racing) encountered from state-to-state. Each state has adopted gambling laws that embody the policies – determined locally – that best suit their individual circumstances.

Under this framework, the lottery industry has grown steadily more popular and successful. Which is why the current efforts in Congress to federalize internet gaming are so alarming. To go down that road is utterly contrary to our successful national experi-

ence, undermines state sovereignty, and poses a threat to the future success of many state lotteries.

What gave rise to the current state of affairs, this effort to seek a solution to a non-existent problem? First, let's make clear that despite the inherent police powers vested in the states, there seems to be general agreement that the federal government has the authority to regulate internet gaming under the Commerce Clause of the Constitution if it chose to do so. But the power to act doesn't imply the need to act or the wisdom in doing so.

Until recently, a federal law known as the "Interstate Wire Act of 1961" was believed by some to prohibit internet gaming, the provisions of the law banning all forms of gambling transacted using "interstate transmissions of wire communications." In 2011, however, the U.S. Department of Justice, in response to a request for an advisory opinion, clarified that the Wire Act applied only to sports-related gambling activities. As a result, with the federal prohibition lifted, it became instantly clear that state lotteries were now free to conduct lottery games through the internet (on an in-state basis only) if authorized to do so under their respective state laws.

In fairly short order, several states – including Nevada, New Jersey, Illinois, Georgia and Minnesota – began offering legalized intrastate online gambling of different types, including lottery games. A host of other states are either considering legislation to permit online lottery gaming, or studying the prospect of doing so with an intention of taking action in one form or another. And, as you would expect given the diversity of views among our fifty states, some states have taken actions to expressly prohibit online gaming. But that's really the relevant point: When it comes to regulating the distribution of gambling and lottery, there is no over-riding rationale to impose a single nation-wide policy on all individual jurisdictions. It remains the case that the interests of each state are best served by the legislators who serve in the state government. That is why, on the subject of gaming, the individual states have always been free to arrive at different conclusions pursuant to their inherent sovereignty and police power. Policy makers at the state level can and will reach different conclusions as to the desirability of internet lottery sales, and their authority to protect the interests of their citizens should not be undermined.

Powerful forces, however, now seek to alter this traditional distribution of responsibilities. As the likelihood of internet gaming in the U.S. became a reality, the casino industry has quickly and energetically worked to pressure Congress to intervene. Why? Because the casino industry worries that online gaming will negatively impact the revenues derived from their brick-and-mortar sites. Their response, then, has been to lobby for federal pre-emption on terms that will serve casino interests, but at the cost of prohibiting internet lottery sales, reducing consumer choice, and contravening fundamental principles of state sovereignty in the process. While such pursuit of naked self-interest is hardly unusual in the halls of

Congress, in this case the proposed solution is neither necessary nor desirable and threatens to adversely affect state budgets and do harm to long-accepted notions of federalism.

Obviously, the internet has become enormously impactful on daily life, and at some point all businesses must confront the implications of the internet on their traditional methods of selling their products. Lotteries are no different, and most observers see significant potential for state lotteries to sell their games through online channels. (Moreover, evidence increasingly indicates that brick-and-mortar retail sites will likewise benefit, despite concerns to the contrary.) Lottery gains are likely to be incremental, but the business case for going forward would seem to be strong given the increasing ascendance of the internet in all things, including commerce.

Not surprisingly, the development of online gaming has raised certain regulatory concerns. Such issues as insuring player qualifications (e.g., age, location) and the specter of increased problem gaming are frequently cited, particularly by opponents of internet gaming, as a justification to ban or limit the use of the internet. As we say in Tennessee, however, "that dog won't hunt." The truth is that technology has advanced to alleviate these concerns. Indeed, it is likely the case that the technology tools existing today allow for a safer, more secure, more responsible gaming experience than that which currently exists in the physical environment of the traditional gaming experience.

Still, the how, whether, why, and under what safeguards a lottery may choose to sell on the internet are legitimate subjects to analyze and debate. But the proper venue for that discussion is on the local level, where policy makers, and the state lotteries they authorize, have a long and successful track record of regulating and operating gaming activities deemed best suited for their own citizens. There is nothing presented by the internet that requires Congress now to tread where it has long remained absent.

For any number of reasons – cultural, financial, historic – internet sales is a direction that may not suit every state lottery. But the push to federalize this decision would, in the apt words of a NASPL resolution, "impair the ability of states to represent the sensibility of their citizens, which states are uniquely qualified to do and which they accomplish, by regulating gaming within their borders to, among other reasons, raise revenue for worthy causes." There are many issues that require a national response from the federal government. This is not one of them.

To federal policy makers we must make clear that our traditional approach continues to work. Whether on principled grounds of state sovereignty or on practical grounds of lost revenue for state governments, the case for imposing a federal internet regime is lacking. Policy makers on the state level are perfectly capable of handling this issue. "Chill," they might say. "We've got this covered." ♦

REINVENTING GAMING FOR THE MOBILE ERA

GTECH AND PROBABILITY TEAM UP TO BETTER ADDRESS WLA CUSTOMERS' NEEDS



Probability

GTECH's acquisition of Probability plc, the UK-based mobile solutions provider, means it can provide customers with faster turnaround times and an increased flow of fresh content tailored to the mobile environment. These two trusted, experienced gaming providers together bring enhanced gaming options tailored to players' unique mobile behavior.

While mobile is still in its infancy as an interactive channel, it is already taking a significant share of interactive business. Industry experts have estimated the global mobile gaming market to be worth over US\$8 billion in 2013, or 23% of the total interactive gaming market, and to generate approximately US\$26 billion revenue worldwide, or approximately 40% of the total Interactive gaming market by the end of 2018¹. Mobile is an unstoppable force and clearly represents the future of interactive gaming, yet few gaming suppliers are currently offering mobile solutions.

Why? There are many barriers to creating a successful mobile channel. It's not as simple as porting land-based or interactive web-based content to a cell phone format. Reasons that make the mobile landscape complex include:

› **CONSUMER BEHAVIOR.** Mobile is changing players' behavior and expectations. "Mobile has created a completely new dynamic in gaming, by enabling players to choose an experience appropriate for what they want right now. Smartphones present opportunities for a quick 'snack,' while tablets and laptops are where you turn to for a more in-depth, longer lasting experience," says Charles Cohen, Probability co-founder and GTECH's Vice President, Mobile. Not only does that affect game design and functionality, but the game math needs to be adapted to this behavior.

- › **PLAYER DEMOGRAPHICS.** Mobile reaches a broader demographic, with players split almost evenly between males and females. The average age of a Probability mobile player is just under 30.
- › **VAST VARIETY OF MOBILE HARDWARE.** Web-based games need to adapt to only a limited number of browsers—three or four represent 95% of the market. However, mobile is much more complicated due to "device fragmentation." While a few mobile operating systems dominate the market, there are literally thousands of different phone models with varying hardware configurations. Mobile games must be able to adapt to each of these many different configurations.
- › **REGULATORY CONSTRAINTS.** Requirements like geo-location, restricting wagering to users within a jurisdiction, can be even more challenging, since mobile users, by definition, move around.
- › **PRODUCT LIFE CYCLE.** The life cycle of mobile products is much faster than on desktop. Content is consumed much more quickly. Marketers and developers must constantly innovate, develop new features, provide new content, and create engagement with the users so they remain loyal to the app.

Since 2004, Probability has focused entirely on bringing casual,

“GTECH’S ACQUISITION OF PROBABILITY,
ONE OF THE BEST-IN-CLASS MOBILE
DEVELOPERS IN THE INTERACTIVE
GAMING INDUSTRY, ENABLES US TO
LEAPFROG OUR COMPETITION.”

- Matteo Monteverdi, *GTECH SVP Product
Marketing International*

real money gaming into the mobile era. Cohen and co-founder, John Scaife, both experienced technology entrepreneurs, chose to focus on the development of Casino games not being provided by other gaming suppliers. GTECH first encountered Probability through Lottomatica, the company’s operator of the Italian lottery, and an early adopter of mobile. Probability developed customized game content for Lottomatica based on popular card games unique to the Italian market. Within short order, a growing portion of Lottomatica’s interactive revenues were coming through mobile, and Probability was a key contributor to achieving that goal.

The timing was ideal – GTECH recognized its global customers’ increasing demand for strong mobile content, and was gearing up to expand its mobile team when the opportunity arose to purchase Probability. “The acquisition exponentially increases our know-how, skills, and capabilities and improves delivery, as well as development, of our product,” says Matteo Monteverdi, GTECH’s Senior Vice President for iGaming and Interactive - Americas. With Probability’s team of 45-plus experienced and mobile-focused employees, as well as its proprietary game development and management platform, GTECH expects the acquisition to be a natural and organic fit.

Probability is uniquely poised to help GTECH’s customers in a number of ways. First, its exclusive game development platform, which was developed to address increased device fragmentation, enables Probability to create more games, on more devices, in more regulated jurisdictions--making it among the quickest in the market. This unique technology automates the complex processes and regression testing involved in porting applications between different device types, while reducing the time-to-launch a new game to market from months to days. Last year, Probability supported 3,500 unique mobile device types/versions. Second, through its Lottomatica experience, Probability’s gaming platform has proven that it can seamlessly integrate within GTECH’s interactive framework. Third, having worked exclusively in regulated markets, Probability understands the complexity of

dealing with responsible gaming, player identification, geo-location and other lottery-specific needs.

Most critically, GTECH’s strategic focus on and experience with World Lottery Association customers will dovetail neatly with Probability’s capabilities. While the mobile gaming industry is still nascent in the lottery space, and the regulatory landscape continues to shift, demand is growing in the lottery industry for three key elements:

1. **MOBILE DRAW-BASED GAMES.** Mobile provides a strong distribution channel for these games because of its ease-of-use in this portable format.
2. **MOBILE E-INSTANTS.** These games provide a high entertainment, real time and immersive experience. Players enjoy the rich graphics and quick pacing. In Norway, 70% of Norsk Tipping’s e-instant activity is generated through mobile.
3. **CONVENIENCE APPS** that don’t directly enable wagering but offer a powerful tool in a lottery’s marketing arsenal, such as a store locator feature or a winning ticket scanner.

Probability’s impact on GTECH’s abilities will be almost immediate. GTECH will increase the portfolio of games and solutions available to its lottery customers. Probability experts are already working on adapting a wide range of successful

“THIS IS GOING TO BE A FANTASTIC PARTNERSHIP
AND WE WILL DO MAGICAL THINGS FOR
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NEW MOBILE ERA.”

Charles Cohen, *Probability co-founder and
GTECH’s Vice President, Mobile*

titles from GTECH’s land-based and VLT games to the mobile platform, integrated into the GTECH Player Account Management Platform. The Probability games will also be available through GTECH’s revolutionary Lottery Developer Network.

There’s no turning back from the proliferation of mobile. With the acquisition of Probability, GTECH can help its customers make the most of this new mobile era, enabling them to sustain and grow their gaming programs by providing players with the entertainment and features they increasingly expect on their smartphones and tablets.

App Marketing: e-Science of Loyalty

Matt Isaacs is the Editorial Manager for Shoutz, Inc. He writes lottery news, technology news, and about marketing on the Internet.



In five short years the mobile application has become a dominant medium for everything from news and weather to the infamous and clichéd cat videos.

While consumers continue to add pages of apps to their smartphones, the business of developing mobile apps has grown increasingly robust. Mobile applications are not just extensions of brand image – an appeal to younger demographics – anymore.

Instead, mobile apps are the products of concerted technical and marketing efforts that center on the science of creating loyalty; each mobile app faces stiff competition for the ever-shortening attention span of mobile users who are both strapped for time and fiercely loyal to those apps that work, and work well.

As lotteries increasingly “go mobile,” the importance of App Store Optimization, commonly called ASO, cannot be underestimated. With hundreds of thousands of apps competing for space on any given user’s device, it should come as no surprise that there are already apps out there offering a variety of the tools or information the average lottery player is looking for. Lotteries may think that simply releasing an “official” app is enough to corner the app market, but official endorsement doesn’t secure a higher ranking right away. The unofficial endorsement of continued user engagement is what helps an app secure a higher app store ranking.

Right now, searching the app stores for “lottery” will return somewhere near 2,000 results. The competition is well established, and the top developers in the field already have strategies in place to maximize their visibility in the app store.

For new apps – officially endorsed or not – there is an urgent need to develop a strategy to encourage user engagement. Encouraging engagement is ASO, and building loyalty is a never-

ending process of listening and developing; the inflatable are doomed to fail.

BUILDING THE RIGHT BASE

“Content is King” has been a mantra of Internet marketing professionals for years. For brand visibility, credibility and the ever-important search ranking, providing great content is step one in search engine optimization, the more familiar cousin of ASO. Why is content so important? Because it drives engagement around a brand.

Functionality is to apps what content is to websites and blogs. Mobile apps are primarily tools, and for that reason, providing users with either the best tools or a variety of functions is key for developers looking to crack the top of the app store lists.

In an article for the National Business Research Institute, Dr. Terrie Nolinske quotes a research analyst from an unnamed firm on the importance of functional engagement within a mobile app:

“Customer loyalty is no longer just about points, discounts, miles and rewards; it is about the way processes, technologies, ideas, and interactions engage individuals with the brand. The only way to achieve loyalty is through deeper engagement,” said Mark Johnson.

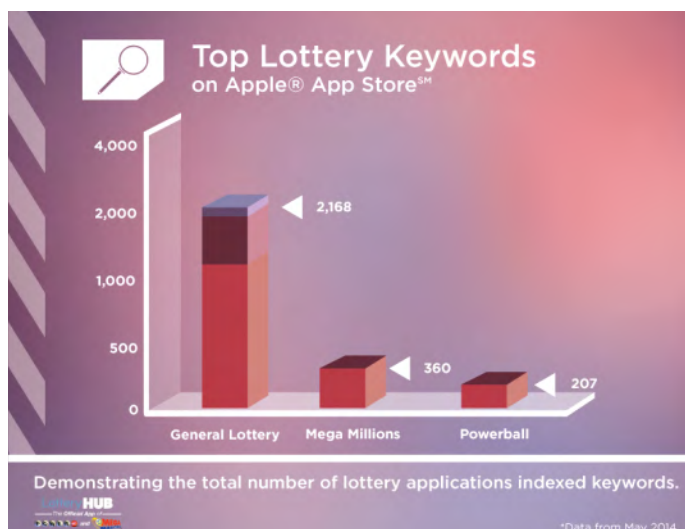
However, before anyone can fall in love with a company’s mobile app, they need to find it, and for the most part, they’re not looking for your app, they just want one that will do the job.

According to Alex Klein of MobileDevHQ, a leading provider of app store optimization tools ... “users are searching for more than just a specific app; they are searching for generic phrases to find an app that can help answer a question, complete a task or solve a problem.”

It would follow that the more solutions a mobile app provides, the more users will recognize its usefulness, become engaged, and the higher the app will rank in the app store. But, while the total number of downloads an app receives is important for ranking in the app store, the complex algorithms behind ranking take many other factors into account.

“Engagement” is the umbrella under which many of those factors fit. The time users spend on an app, ratings and reviews, uninstalls, social media; app store algorithms are not at all simple, but the strategies that developers and marketing professionals can employ to bump their app store rankings are pretty straightforward.

It is important to remember, however, that increasing rankings is not an overnight endeavor. Hundreds of thousands of apps compete for space in the app store around the clock, and while a solid ASO strategy can help improve rankings, apps are still at the mercy of the market. That’s why functionality - the right base - is the



first step in optimizing an app for both users and app store cruisers.

RESEARCH, REFINE, REPEAT

Any brand looking to use a mobile app as a successful marketing effort must understand that, as MobileDevHQ put it in a “State of ASO in 2014” year-end review “success in an increasingly crowded app store with more sophisticated marketers requires constant attention, refinement and measurement.”

A smoothly-functioning app can, and often will, inspire word-of-mouth referrals from happy users. But, while referrals are a great indicator of a mobile app that works well, mobile apps are more likely to be downloaded by someone searching or browsing in one of the app stores. These are the targets of the measurement and refinement process; about 63 percent of app downloads start with the user using the app store search.

Understanding the base you’ve built - the basic functionality of your app - can help you better target your users. Good ASO starts with placing keywords in your app title and description. As mentioned above, when a user searches “lottery,” they’ll get thousands of results. So how can keywords help?

The goal of ASO, of course, is to maximize the number of times your app is being downloaded, so to start, make sure you’ve got the right keywords to get your digital foot in the door as a search result. If more than 60 percent of downloads come from searches, and users are searching for specific phrases, app titles should reflect their functionality and include the simplest or core keywords.

In the same way that titles employ core keywords, descriptions should try to pinpoint several key functions that users will be searching for, and good screenshots (the visual side of a description) make a big difference. Use quality screenshot images and take screenshots of all of your app’s main functions.

The official app of Powerball and Mega Millions, LotteryHUB, used this optimization strategy long before gaining “official app” status to secure top spots in search results for “Powerball,” “Mega Millions,” and even among the enormous list of apps with “lottery” as a keyword.

As I said before, “official” status is nothing without the unofficial endorsement of engaged users to back it up. Since October 2013, LotteryHUB has ranked among the top five “Powerball” apps, not because that keyword was shoe-horned into the app page, but because the app was optimized to find real estate among search results, and delivered a quality, engaging experience that users were searching for.

Before becoming Mega Millions’ official app, LotteryHUB offered numbers and news for the game, but not live drawings or ticket tracking. Once those functions were added to the app, and the app store titles and descriptions were updated to reflect the changes, LotteryHUB jumped from the twenty-third ranked app to the third-ranked app under “Mega Millions,” and continues to climb along with user engagement.

Simple changes can have a big impact, too. Just accounting for spelling errors in your core keywords can have a cumulative effect on your app’s overall rankings. In LotteryHUB’s case, including “Power Ball” and “Megamillions,” two common spelling errors, in the app’s description means that misspelled searches turn into hits rather than misses, and the base of engaged users grows. And, as we know, it’s all about engagement. The more

users and the more engaged they are, the better your app will measure up to the competition.

OPTIMIZATION DOESN’T STOP IN THE APP STORE

So, once you’ve optimized your title and description to include the keywords most relevant to your app’s functionality, just wait for the downloads to start coming, right? Unfortunately, it isn’t that simple.

You’ve researched your competition, refined your keywords, and hopefully your app is being found more easily and downloaded more times. But again, this is a process that requires “constant attention, refinement and measurement.” Moving forward from your first push at ASO, consider different avenues to find downloads.

The more downloads, the higher your app will rank, after all, and while the wallet can come out to give you a boost, remember that paid campaigns still won’t secure a higher spot. Paid campaigns may seem like an obvious answer or even a tempting cure-all for slow downloads, but they’re growing gradually more expensive, and you can’t buy engagement. There are plenty of ways to gain positive exposure for your app, but like ASO, finding the right channels requires some research and precious time.

Consider taking the time to pitch your app to reviewers with the right audience – app reviewers hold a lot of sway in a community of other influential app users, and getting a review in the right place, often called “earned media,” can generate plenty of organic downloads.

That’s where you’re headed. ASO is all about encouraging engagement, and while every developer hopes that their mobile app will be an instant organic hit, a titan of mobile engagement, the fact is that it takes constant attention and effort to maintain engagement across several channels – in your app, on the app store, and in the broader ecosystem of app marketing. Remember, your app is always in competition, but with a great product and a dedicated marketing effort, the top spot in the app store can be yours. ♦

About LotteryHUB, powered by Shoutz: Shoutz is dedicated to making lotteries more convenient, engaging and rewarding. Shoutz is mobilizing the multi-billion dollar lottery industry with its state-of-the-art mobile engagement and monetization platform, including the award-winning mobile app, LotteryHUB. LotteryHUB is the official mobile app of Powerball® and Mega Millions® which provides players the freedom to pursue their dreams and engage with Powerball and Mega Millions from just about anywhere. Players can easily follow jackpots, check and track numbers, watch live drawings and get the latest news and tips – all while earning rewards and benefits. The Shoutz platform not only provides Powerball and Mega Millions a means of engaging and monetizing their large, national player bases but it also provides them a means of communicating with and distributing news and information to their players. Shoutz will continue to provide the latest features and benefits to lottery players via LotteryHUB while also providing lotteries with an advertising driven revenue model as well as analytics regarding player behavior, trends and demographics.

Lotteries and advertisers can contact Shoutz via email at info@shoutz.com or visit www.shoutz.com to learn more about LotteryHUB and the benefits of the Shoutz mobile engagement and monetization platform.



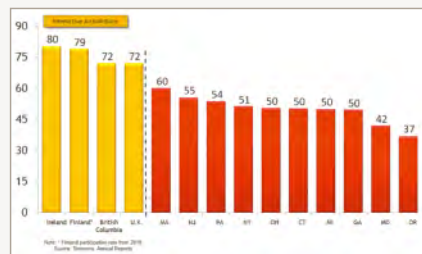
IDENTIFYING THE “BEST PRACTICES” OF THE SUCCESSFUL ILOTTERY OPERATORS

By Melissa Blau, Director,
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At the 2014 SmartTech conference in New York, a U.S. Lottery Director gave a very compelling speech that focused on innovation, offering astute suggestions on how to move the industry forward. Toward the end of his speech, he shared his view on the internet, calling it the ‘hot topic.’ He stated that while the ‘internet has to be there for the [new] demographic’ it brings in, it is only ‘incremental and not exponential,’ representing 2%, 3%, maybe 5% growth to the overall lottery business, based on Illinois’ online progress to date.

It is easy to see how he came to this short-term conclusion. However, it’s possible that evaluating short-term results can lead to long term erroneous decisions. The online channel should be exponential. In countries across the pond with thriving online or interactive channels, online sales represent 15-20% of the market. As the Director cited, interactive is important for attracting a younger, wealthier, more difficult to reach consumer that actually increases player participation and retention. Measured as a percentage of the population

which buys lottery products, overall participation increases exponentially in lotteries with the addition of interactive channels.



So why then is it so easy to come to the same conclusion – that in these early days, the addition of interactive lottery (iLottery) is a mere incremental increase, and not exponential, like it should be?

Before we move forward, we need to step back and look at the current situation in Illinois. In March 2012, the Illinois Lottery became the first licensed entity to offer a real money game of chance online, with their pilot site offering the purchase of draw games online on a single event. This was just three months after the Department of Justice clarified its stance with regard to intrastate gambling. Illinois launched with Mega Millions, and soon after added Powerball, choosing to only offer draw-based games and not scratch/instant tickets (which are still offered only via retail). Players must be both a resident of Illinois as well as located in the state at the time of purchase. In March 2014, on the second anniversary of the launch, Illinois announced Internet Lottery sales totaled \$36.9m. At just 2.2% of total sales, it was far less than the estimated \$100m that the market was projected to be worth. When taking a closer look, however, the number is not as bad as initially thought, with highly encouraging performance trend-lines in the most recent six months.

Immediately after the Illinois launch, Northstar Lottery Group and Lottery Superintendent Michael Jones and quickly appreciated that iLottery and the way people embrace purchasing a lottery ticket online is not the same as iGaming (casino, poker, bingo). Unlike iGaming, iLottery’s draw-based games do not offer an instant grati-

fication. They questioned just how much effort people would be willing to make in order to play a game where the average spend (wager) is \$5 a week, highlighting the contrast to iGaming whose instant results allows players to continually wager with immediate payback. Given iLottery’s event-driven nature and intermittent return to player, they astutely determined that an account based wagering system, as is used in iGaming, would not work for iLottery. Account based wagering requires players to setup and deposit into their wallet as well as share sensitive information, such as a social security number, advance of any player interaction with the product. It was felt that this was asking too much of players for a low stake ticket item. Instead, post launch, the Illinois Lottery had the idea to change their site to behave more like a traditional online retailer with no account, offering instead a traditional retail shopping cart, like Amazon. Players are able to go on the site and shop, putting their tickets into a ‘shopping basket’ and proceed to checkout. It is only at the checkout that they are required to give their details, but at this point the player is more mentally committed to the product. The Illinois Lottery gaming provider, Northstar Lottery Group launched the new site in November 2013.

While it doesn’t seem like that big of a change, it is a massive change and the financial results have reflected that. In December 2013, the Illinois Lottery announced cumulative sales of just \$21m, but by March 2014 that number shot up to \$36.9m. Further evidence for the best online strategies is found in Europe. If there is anything that UK lottery has taught the rest the lottery community is that draw-based games are the killer app for online lottery. Euromillions sales in many countries point to the same conclusion. This puts Illinois

Euromillions	% Retail Sales	% Interactive Sales
France	10.29%	15.10% ↑
LAE	10.88%	17.99% ↑
Ireland	17.02%	26.14% ↑
Luxembourg	32.75%	46.54% ↑
Portugal	63.71%	68.94% ↑
Belgium	31.06%	44.06% ↑

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Melissa Blau has been in the Online Gaming sector for tens years as both an operator and advisor. She is currently the Founder & Director of iGaming Capital, a leading iGaming consulting and advisory company bridging European and US interests. Clients include commercial and Native American casino operators, state lotteries payment processors, game suppliers, and social gaming companies. Prior to launching iGaming Capital, her experience in the online gaming sector includes senior executive roles at a number of online gaming operators and marketing companies as well as in a banking advisory capacity. Since 2006, Melissa has been the Finance & Business Editor and regular columnist for iGaming Business Magazine where she writes the iGaming Global Index. She is on the advisory committees for G2E representing the Internet sector. Prior to entering the Online Gaming sector, Melissa was a General Partner and founding member of Constellation Ventures, a \$450m media & technology venture capital fund. Melissa has a BA from the Wharton School, University of Pennsylvania and an MBA from Harvard University.

Novomatic combines with Betware to deliver a whole new level of Service, Support, Game Content, and Technology to the Lottery Industry

Novomatic's acquisition of Betware in 2013 combines the best-of-breed strengths of these two industry leaders to bring exciting new value to the lottery market.

NOVOMATIC was founded in 1980 and has since grown to become a world class leading Group in Europe, and one of the largest integrated gaming companies in the world.

Today the company employs over 20,000 staff around the globe and has business activities in 80 countries. Operating over 1,500 gaming facilities worldwide, NOVOMATIC is the undisputed market leader in Europe for electronic casino operations and one of the largest gaming technology companies globally. Innovation is the key word in this success story, a story which is based on the unique integrated market strategy as manufacturer of producing state of the art, highly advanced gaming equipment and operator of first class gaming services. The R&D Department holds a prime position within the NOVOMATIC Group: thirteen technology centers based in nine countries deal with software development and programming, on many occasions in close cooperation with leading technical universities.

Betware is a true pioneer in interactive gaming solutions for lotteries – it was the first ever to launch online games for a lottery when it launched a solution for the Icelandic Soccer Pools back in 1996. The company has built a very strong position in the gaming market with its clear corporate focus on developing and delivering state-of-the-art and flexible gaming platforms and solutions for lotteries which support their online and mobile operations. The emphasis on the open architecture is what made Betware's offering so versatile. The operators have the ability to seamlessly integrate any 3rd part content, thus creating a unique offering best fitted to their players. Innovation, advanced technology, and R&D has always been Betware's primary focus – its customers are among the most innovative lotteries in Europe and North America. As part of the NOVOMATIC Group, Betware will continue to further develop lottery solutions, based on the strengths and openness of its core product -the Betware Gaming platform.

Though Reykjavik, where Betware is based, and Gumpoldskirchen, Austria, where Novomatic headquarters is based, are about 1,800 miles away, both companies are far closer to each other than that. Both were founded by entrepreneurs with great vision and over the years, both have become leaders in their line of business.



What brings both companies together is not only the innovative approach to gaming business, but also parallel corporate values and understanding the importance of approaching the gaming business with greatest responsibility. Both NOVOMATIC and Betware offer full support to their customers in encouraging responsible gaming behavior among players and ensuring their safety and security – something which is obviously of great importance for public trust companies

such as lotteries operating in a highly sensitive industry. NOVOMATIC has developed one of the most modern concepts for player protection and prevention of excessive gaming. As one of the largest integrated gaming companies in the world, a producer of high-tech gaming equipment and an operator of gaming facilities in regulated markets, NOVOMATIC applies a detailed responsible gaming policy across the entire value chain. Equally, Betware's goal has always been to promote responsible gaming and support its lottery customers by offering practical features in-built in the gaming platform. Self-exclusion, defining spending limits, setting maximum amount to load the wallet, and defining lottery limits are just a few examples. With the ISO 27001 certification, WLA Security Control Standard Certification and numerous lottery audits, Betware's solutions have proven to be extremely secure and reliable. Moreover both NOVOMATIC and Betware share the mission of offering products and services only in markets with precise regulatory frameworks. This further translates into enormous experience with different regulatory requirements and jurisdictions that can contribute value to other lotteries.

Shared ethics, company values, and innovation as a core of business competence and market leadership is what brings both companies together and what sparked the acquisition process. The next steps are creating a seamless, joined offering to the lottery market which will benefit from the best both companies have to offer. Betware's online expertise combined with NOVOMATIC's land based business experience will definitely create fresh value on the lottery market. The word 'fresh' is particularly important in this case. The joined offer of both companies may appear as something new, yet that offer will be created out of best of breed products both companies have spent years developing and improving. Albert Einstein once said: "You have to learn the rules of the game. And then you have to play better than anyone else." Both NOVOMATIC and Betware are now stepping into the lottery market field, ready to play. ♦

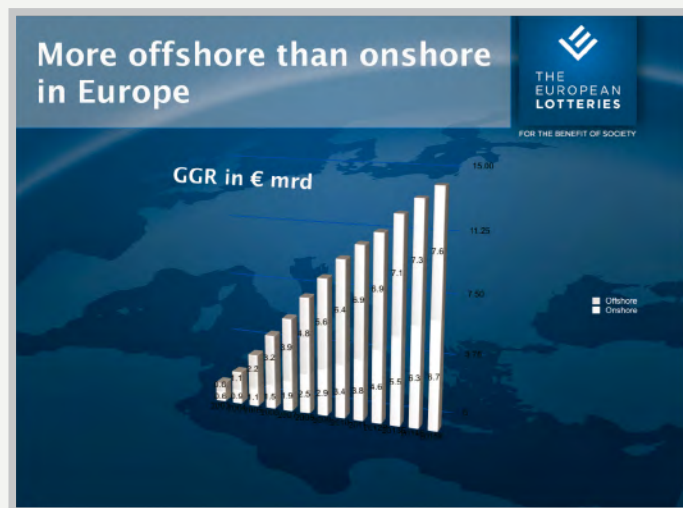
Commission and the EU member states over who should have the authority to determine regulatory policy. The Commission is trying to somehow “harmonize” the regulatory structure. The problem is that the goal of harmonization can run counter to the principle of “subsidiarity,” which refers to the rights of states to decide certain matters of public policy. The principle of subsidiarity must be reconciled with the EU Commission role of enforcing other matters of public policy on a pan-European basis. The Treaties that establish the EU, as well as subsequent court cases, have always stipulated that gambling is an industry that should be regulated and taxed on a strictly national jurisdictional basis. Nevertheless, these matters are being debated, with the EU Commissioner of Internal Markets attempting now to develop an action plan that is likely to intervene into regulatory matters, and essentially impinge upon the principle of subsidiarity as it applies to gambling and lottery.

**Regulation - Yes
Overregulation - No**

THE EUROPEAN LOTTERIES
FOR THE BENEFIT OF SOCIETY

❖ **Quotes from the CJEU concerning “Placanica & Markus Stoss”:**

- controlled expansion in the betting and gaming sector
- authorised operators must represent a reliable, attractive alternative to a prohibited activity
- This may necessitate:
 - the offer of an extensive range of games,
 - advertising on a certain scale and
 - the use of new distribution techniques



THE GROWTH OF OFFSHORE (I.E. ILLEGAL) VERSUS ONSHORE (I.E. LICENSED AND LEGAL) OPERATORS

Amidst this conflict over which governing bodies have authority to regulate gambling, Europe is experiencing a dramatic increase in the number of illegal operators and the market share they control. The internet has made it especially easy for unlicensed operators to make their offers accessible to consumers everywhere. Lacking a clear commitment of quite a few EU member states to enforce their laws that prohibit illegal gambling, these illegal operators are able to expand their businesses at the expense of the legal operators, like lotteries. Offshore operators pay little or no taxes, and so are able to offer a much higher prize-payout than lotteries (which turn over a large portion of their revenues to Good Causes). This inequity is making it increasingly difficult for Lotteries to compete. Why should a consumer play a game that offers an 80% prize-payout when they could play a game which offers a 98% prize-payout?

The U.S. does have better control over illegal operators. But that is changing and the rate of change is likely to accelerate greatly with the introduction of new forms of social gaming and the growth of internet gaming. This business will change dramatically as giant social networking platforms like Facebook figure

out how to monetize games.

The EU legislative bodies, Commission, Parliament and Council, decide the EU regulatory framework but they relies on the European Court of Justice (CJEU) to interpret the EU Treaties and EU legislation. Unfortunately, when compliance of the laws and practices of the member states are not crystal clear, the CJEU is required in to interpret the intent of the Treaties and/or secondary legislation in the specific case. When is advertising too stimulating or enticing to the consumer (for example, the EU Commission is actually analyzing the effect that different colors have on consumer behavior!)? How do you define, with the kind of precision that can be vetted in a court of law, the attributes of a game that is addictive or too appealing to the consumer? How do you measure the effectiveness of Responsible Gaming tools on a pan-European market that is made up of such a wide variety of different gaming cultures?

There is a world-renowned social scientist, Mark Griffiths at Nottingham-Trent University in England, whose studies have confirmed what we already knew. Lottery, as operated by government-authorized operators, is not an addictive game. Professor Griffiths’ research indicates that lottery should not be treated the same way as other games of chance which pose a much higher potential of risk for problem gambling. That is why the treaties were constructed: to give authority to the member states to

Austrian online market

THE EUROPEAN LOTTERIES
FOR THE BENEFIT OF SOCIETY

- ❖ Lack of action against illegal offer
- ❖ Increasing regulation of legal offer

➔ **legal online market declining:**
from 86% 2003 to 55% 2010

➔ **illegal online market growing:**
from 14% 2003 to 45% 2010

regulate gambling and protect its citizens from illegal operators, prevent problem gambling, and decide how to apply constraints depending on the nature of the game.

In Austria, we created what we call “electronic lotteries” some fifteen years ago. That enabled us to offer all varieties of games on the internet, including casino-style games, i-poker, bingo, etc. Nevertheless, since 2003, our market share has decreased by 31%, and the share of the market playing on illegal online operators has increased by 31%. Illegals advertise relentlessly in Austria, and they offer better odds to the players. In the end, we cannot win in this competition. We need a clear regulatory

that regulatory and taxation policy will determine who survives in this industry; and that government-gaming operators are the ones that serve the interests of society.

Portfolio international operators



Provider	SPORTS-BETTING	ROULETTE	CARD GAMES	VIDEO POKER	SLOT MACHINES	POKER	SKILL GAMES	LOTTO	SRATCH TICKETS	BINGO	KENO
Bwin	X	X	X	X	X	X	X	X		X	X
Bet-at-home	X	X	X	X	X	X			X		
PartyGaming	X	X	X	X	X	X	X			X	X
Interwetten	X	X	X	X	X	X	X	X	X		
888	X	X	X	X	X	X	X	X	X	X	X



Tasks for the future

- ❖ Joint lobbying
- ❖ Common games
- ❖ International monitoring system
- ❖ International cooperations: e.g. corporate purchasing



Austrian online market



- ❖ Lack of action against illegal offer
- ❖ Increasing regulation of legal offer

➔ legal online market declining: from 86% 2003 to 55% 2010

➔ illegal online market growing: from 14% 2003 to 45% 2010

mandate and enforcement mechanisms to prevent this kind of illegality that is effectively stealing tax revenues from our citizens.

How should European lotteries react to this set of circumstances that challenge our ability to do business and serve our constituents? We make sure that the political leaders who are shaping public policy and regulatory policy understand the implications of their decisions. We conduct research, we provide our political leaders with position papers, we communicate directly with members of the EU Parliament with members of the EU Commission, and with everyone who influences the direction that regulatory policy may take. We make sure they understand

Fight against illegal operators




This is my key message – The very existence of government-gaming operators depends on it!

If the operator is not legally licensed to operate in a jurisdiction, then they are, by definition, operating illegally. That makes

them an illegal operator. Not a “grey market” operator – an illegal operator. This is not a “European” issue. This is a global



issue that affects all lotteries everywhere. We need to engender an international respect for the laws of the land, and promote the development of the mechanisms and agents of law enforcement that can enforce the laws of individual jurisdictions on an international level.

IN CONCLUSION

The issues that affect Europe will affect lotteries everywhere, including the U.S. Gary Grief explained how and why U.S. lotteries need to work together. I would submit that we all need to stand united. We have to combine our efforts, forge a global community of government-gaming operators, to protect the interests of our constituents and the Good Causes that depend on lottery funding to exist. Our message is really the same throughout the world. Lotteries exist to serve the people, to help society. That is a powerful message! Let’s continue this transatlantic dialogue, joining forces to ensure that lotteries have a good and prosperous future.

Thank you very much. ♦

Wojciech Szpil Interview . . . continued from page 16

years of work of four lottery companies from Poland, Czech Republic, Slovakia, and Hungary. This is a project under the name of “BIG FOUR.” It is a kind of multijurisdictional scratch-card. Due to Polish legal restrictions, it may not be a fully common product for four markets. However, we have decided to keep the joint marketing for this product. The scratch-card will be available starting from March 28th in all four countries. It has the same layout, name, accompanied by the same slogan “Scratch-cards without borders.” We jointly conduct PR activities both among other lotteries as well as the product-focused messaging. It will be a scratch-card from the Premium segment, because those are the products that our Players expect and like most. This product and multi-jurisdictional initiative sets new standards of cooperation between lotteries.

We will also be very dynamically developing our other products. We plan, among other things, to introduce new games targeted at Customers who like dynamic games. In line with our strategy, we plan to introduce at least two number games in the next 18 months. If the law changes, we want to start-up online sales channel via the Internet and join the multi-jurisdictional game EuroJackpot.

Your website describes your mission: “We do not ignore our history; instead, we take lessons from the past that allow us to invest boldly in the future.” Could you provide some examples for how you balance the need to preserve your history, enabling your core players to stay within their comfort zone, while evolving a progressive approach to appeal to the next generation of consumers? Do these two agendas conflict with each other, or is it not difficult to do both at the same time?

W. Szpil: History and experience is our primary great asset. Over the years we have built our brand awareness in the minds of the people. At the same time, we realize that in order to keep Players engaged we have to follow the changing trends and skillfully

modify and refresh our products. Therefore, we keep our flagship games and the proven drawing system. The changes involve portfolio diversification, matching the games to different Players’ profiles, and increasing their comfort level, which is appreciated by long-term and new Players.

Our long-standing history obliges us also to carry out social and sponsorship activities. Through our subsidies to target funds we have for many years been transferring millions of PLN to Polish sport and culture.

I am quite impressed with your website and the way you describe your games in terms that appeal to the players’ self-image for why they play - Everything starts with a dream for the jackpot player, fun and thrilling for the gamer, multi-multi for the player who likes to set the odds, etc. This would seem a particularly useful way to conceptualize the consumer experience. Could you elaborate on your player profiling matrix, and how it informs your marketing and advertising strategies?

W. Szpil: We sell all our number games and lotteries under the umbrella brand LOTTO which means that our products are positively associated and are linked to entertainment. Most of the products (including Lotto, Mini Lotto, Multi Multi) are positioned in the segments of the Players’ needs that are associated with dreams and controlled entertainment. Games like KENO appeal to more dynamic customers, as they combine a sense of energy and excitement. The characteristics of individual games and segments of the market needs are verified through research studies that we conduct. It is that research that determines what changes should be made in the image of the products being offered and then the promotional and advertising strategies that will produce the best results. ♦

J. Haek: We started selling drawing products in 2010 through our online gaming platform and we added in 2012 scratch card like games, or e-games. It is a real success. The average revenue for online games is growing steadily. The sale of online games has increased by 10% last year and the number of registered users on our e-lotto platform has registered a 29% growth compared with previous year. Though our physical sales still represent 91% of our turnover, the digital sales with a level of 6,7% will continue to grow in the future. More than 30% of the online players are young adults between 18 and 34 years old and this group will still continue to grow when we observe that children are acquainted with new technologies since their very young age. I strongly believe that making our online platform more mobile-friendly will boost it further in the coming years.

Appealing to the next generation of consumer is vital to the long-term success of Lottery. How can the traditional lotto and Instant games be developed to appeal more to the next generation of consumers? How can social gaming, or perhaps social networking, be layered onto the traditional games to add appeal to the games?

J. Haek: I'm convinced that social gaming is a very important issue for state lotteries for we can learn from them how to be accessible to young adults and because we should be aware that Social Gaming 2.0 could be a new competitor on the gambling market. That's why we are developing the concept of gamification (mix of lotteries and social gaming experience) and we are focusing on the fun aspect of playing in group.

Do you differentiate between internet-gaming that happens on the home computer and Mobile gaming? Or, is it really all about Mobile gaming for the next generation of players?

J. Haek: It all depends on the technological evolution that we will see in the coming years. For example the introduction of 4G will make mobile more user-friendly and more rapid. I strongly believe that mobile gaming will become very important for our business in the future and

even more than the PC screen because we can offer our services to everyone, everywhere at every moment in a 'quick in –quick out' way. Especially when it goes on live betting, mobile gives unlimited opportunities to offer our services. But mobile also creates opportunities for marketing because it allows us to communicate in a smart way with the player. We could even combine mobile with the traditional network of point of sales.

What is the sales trend-line for your land-based retailers since the introduction of the online channel of distribution? Is there cannibalization of land-based sales by the online channel? What do you do to help your retailers drive continued sales growth in spite of the addition of new channels of distribution?

J. Haek: The number of traditional newspaper shops is declining since several years because of the success of online news platforms, the smoking ban and the economical context in general. On the basis of our experience which goes back to 2010 when we started offering our products via Internet, we have seen no cannibalisation but a general increase of revenues generated by the online activities as well as the physical ones. Both channels are complementary. Our physical presence in a dynamic and focused network of point of sales remains very important. We keep investing in POS to increase our visibility and to create momentum at the occasion of special events to catch the attention of the public because we believe that a personalised contact with the customer is of value for our products. As said previously, the development of mobile could create new opportunities for the traditional network.

Traditional lotteries should clearly make all of their traditional products available online. I think everyone agrees on that. But the online market for sports-betting, casino-style games, and i-poker and such is very competitive and suffering from relentless downward pressure on margins and profitability. And net revenue from online casino-style games and sports-betting does not appear to be growing as fast as it was expected to grow. So, why should traditional lotteries even enter the online market for non-lottery gambling

products? Why not just focus on the high-margin traditional games and leave the online market to the commercial operators to battle it out for the dwindling profits?

J. Haek: Our mission is to offer attractive quality products to the players, but we will never be able to compete with private operators which have their back offices in low cost countries and their company headquarters in tax havens. State Lotteries have a competitive disadvantage compared to these private operators. In 2013, we entered the private market with sport betting products. From the start it was clear that we could never compete with those multinational operators and our ambition was limited to offer an alternative quality product to the player. However we should not leave the online market to the commercial operators only, because on the one hand it will become too important and on the other hand the lines from a legal and a technological point of view between online gaming and gaming via the traditional network will become more blurred .

We have had the debate in the past whether or not state Lotteries should enter into new territories in direct confrontation with private operators. If we can go back for one minute to the origin of the Lotteries, we all remember that the motivation for the creation of government lotteries was to control the games trends and the financing of good causes. I think that we can really make a difference against the private operator in terms of transparency and purpose. We cannot eradicate completely the compulsion to play. We have to offer an alternative that is more responsible and has a societal purpose.

The National Lottery was created in 1934 to finance projects in the former Belgian colonies. This year we celebrate our 80th anniversary and we continue to give every year more than 350 million € to the community. We do this by offering high quality products to our players in a sustainable manner as an alternative for products with a higher risk for addiction. States lotteries are quite unique in their approach. We should fight for this model and I'm convinced that there is a future for State Lotteries. ♦

enabled experience in turn drives changes in consumer behavior.

G. Zenzefilis: Apple demonstrated the need to focus on the outcome as user-experience, instead of the outcome as advances in technology or technological sophistication or even functionality. Technological prowess matters only insofar as it produces a superior consumer experience. That is precisely how we need to think and what we need to do in the gaming industry. We need to strive to design a new world for recreational gaming, one that focuses on translating technological capability more directly into an enhanced player experience.

Your moniker here at your ICE Gaming Show booth, "Rethink Gaming," points us in that direction.

G. Zenzefilis: We can rethink even the most basic assumptions about lottery. For instance, lottery has always been about numbers. Why is that? Are we that much in love with numbers? I don't think so. Numbers are just a convenient tool to use as the basis for games of chance. But now that we have the visual display on the smart-phone, why shouldn't we use that capability to deliver a richer variety of playing experiences? Let's rethink the most basic premises for what constitutes a lottery game. Let's improve the way lottery looks and feels.

There is much talk about creating an emotional connection with the consumer. Perhaps the abstractness of numbers could perhaps be an obstacle to achieving that?

G. Zenzefilis: The fundamental game

logic of lottery is somewhat immutable, but the way we package and present it is rich with potential to make it more exciting and fun. The Mobile platform is the perfect technology to introduce a wide variety of creative design elements to completely change the player experience. The user interface of Mobile enables us to represent the game elements with graphically interesting symbols and even story narratives that include flipboards and all the elements that have proven so popular in the world of non-money games. Mobile enables us to truly gamify the modern lottery playing experience; INTRALOT's Mobile Lottery solution is the perfect example of how a simple lottery playing procedure can be engaging for the player. The goal is to gamify all the elements in the ecosphere; put gaming and fun elements into a traditional process of selecting numbers to make the game come alive as a playing experience.

Lottery means two things. First, it is a product. The product is the dream, the hope and dream to win a jackpot, change your life. And just the act of buying the product changes your mood. It gives us something to hope for. Buying a lottery ticket causes one to ask "do I feel lucky today." Buying that ticket is our way of saying "YES, I DO feel lucky today." Infusing our attitude with that kind of positive energy is a wonderful thing! That is the buyer motive that lotteries have become adept at appealing to.

But we also refer to "playing the lottery." We need to look carefully at all the elements of the ecosphere to make better use of them and create a richer playing experience for the consumer. Making it easy and fun to share

their lottery experience on social media is a powerful way to do that. But that's just one way, and we are working closely with our customers to develop lots of ways to create that Universal Gaming Experience.

Your booth here at the ICE Gaming Show demonstrates your focus on building out the Mobile platform for lottery players.

G. Zenzefilis: The enabling technology and software is vital, and we have that. But our resources are being channeled towards creating that emotional connection that you refer to. It is said that "People don't always remember what you say, but they do remember how you made them feel." Likewise, players will remember how they felt when playing the game. It is that feeling that will bring them back again. We need to use all the technological tools and creative talents available to bring the games to life for our players.

Our market research approach is also cutting edge to fit the unique qualities of lottery players. INTRALOT goes beyond what people say to what people actually think and feel. We apply research tools and techniques that work to identify the inner thoughts of the players, to decode their real motivational drivers in a structured and scientific way. Game design is thus driven by a more accurate understanding for what the consumer responds to in the real-world. We want to combine that understanding with advanced technology to deliver a superior player experience. That's what we mean by deconstruct the parts, rethinking the entire mission, and putting them back together again in fresh new ways. ♦

Identifying the "Best Practices" of the Successful iLottery Operators ... continued from page 52

certainly on the right path with their draw-based only offering.

An obstacle for legal online operators to overcome is the easy consumer access to illegal online wagering websites. A recent study conducted by conference organizers Clarion Events revealed that only 37% of people who wager in an online casino in New Jersey are doing so using only legal sites, with the remainder wagering on illegal sites. Some are doing so unbeknownst to themselves as it is difficult to know which sites are legal and illegal. In addition, illegal sites are easier to deposit

on, offering more payment choices and requiring less information. Why share your social security number on a legal site, when you don't have to on an illegal site?

How is this relevant to the lotteries? It's the same situation. Illegal sites offering proxy agents such as LotteryUSA.com or TheLotter.com are likely hijacking a portion of the players from the lottery directly. And why not? They offer all draw based games from around the world with many different payment options. While Illinois may be the only state to offer single ticket sales, the majority of other sites

only offers subscription service. The two conclusions here are: (1) if you don't offer it, others will and (2) regulation without effective enforcement makes for a very challenging environment. New Jersey is currently figuring out how best to stop illegal operators from hijacking players who don't know these sites are illegal.

The experience of successful operators of i-Lottery has demonstrated that draw-based games are ideally suited for this channel. The direct financial impact is significant, and the impact on overall player participation translates into exponential sales increases. ♦

time to develop lottery games enables us to, for instance, license new theatrical releases and launch instant tickets to coincide with their premieres.

Do the lottery player and the casino player have different player profiles? How do those differences influence the kinds of brands that they respond to? Or is it the case that even though the play style and the demographic profile may differ, the relationship with and the appeal of the brands are not so different between the slots player and the lottery player?

S. Saferin: That's a very good question. My take is that the demographics are not that different. For the most part, our goal is to license brands for all four channels: lottery, land-based, interactive real-money wagering and social casinos.

Let's talk about one of your newest licensed properties: Margaritaville™. Do you see it being applicable across all channels?

S. Saferin: The first thing to realize is that Margaritaville is a lifestyle brand augmented by music. One Jimmy Buffet album cover has him on a boat named "Good Luck." What could be more fitting for any gaming brand?

Our research clearly indicates that one of the key characteristics slot players look for in a game is the ability to escape – to leave their problems behind, throttle down and be on vacation – whether that's for an hour, a day or a week. We believe that a welcome "escape" is the very essence of the Margaritaville brand.

Like any brand, Margaritaville comes with opportunities and challenges. It's a proven brand in the gaming space, with four current Margaritaville casinos and another under construction. With that said, there is some thought that competitive operators might not want to put a machine on the floor that promotes a competing casino. While that might be an initial response, similar scenarios exist successfully in other markets. For instance, walk through a shopping mall in America and you're likely to see a Levi's® store and then see Levi's® sold in the same mall's department stores as well.

In the end, the popularity of the brand and the game will determine its success. There are terrific music and imagery assets for Margaritaville, and their use will go a

long way toward making this a successful gaming brand.

As for lotteries, some might be initially reluctant of the brand because of the alcohol connotation. Again, Margaritaville® is a very well-known brand that's about lifestyle, a place and a pleasant state of mind – it's not a drink. Additionally, our license incorporates dozens of other iconic marks including Parrot Head, Cheeseburger in Paradise and Son of a Sailor.

With regard to social executions, we think this new "ville" will be extremely popular. Two hugely successful social games have been Zynga's FarmVille™ and CityVille™. Who wouldn't want to spend a little leisure time in Margaritaville as well?

Your licensing relationship with Hasbro is uniquely significant, isn't it? Is it special because Hasbro has so many games that are also huge consumer brands, or is there more to it than that?

S. Saferin: Hasbro is our most successful relationship, and it's been that way for a long time. At the forefront of our Hasbro-licensed game portfolio is MONOPOLY, which is by far one of the most successful brands in the lottery channel. It's also one of the top three brands in land-based machines, and while we don't have anything to do with the annual McDonald's® sweepstakes promotion, we feel it's one of the most successful sweepstakes brand in the world. MONOPOLY is very much a global brand, with versions of the game available in dozens of countries around the world.

But the Hasbro portfolio is much deeper than just MONOPOLY. The popularity of BATTLESHIP, SCRABBLE, CLUE (CLUEDO in Europe), MOUSETRAP and other brands open up many gaming opportunities for each and every channel. We're gratified that Hasbro has selected Scientific Games, WMS and Williams Interactive to represent their marquee brands in these important gaming channels.

One of the benefits of combining Scientific Games with WMS and Williams Interactive is the giant footprint it now gives you. How exactly does this increase scale and reach and the power to deliver much bigger returns to your licensors while also benefiting your customers?

S. Saferin: It's not really about the

footprint, per se. In my opinion, we're the only gaming licensee that has the ability to meaningfully leverage a brand across the four major gaming channels: lottery, land-based machines, real-money internet wagering and social casinos.

This gives us the opportunity to cross-promote across each channel to fully maximize the value of each and every license. We've just hired a Director of Cross Channel Marketing, Brad Marks. We view this as a key strategic initiative to unlocking the value we see in holding licenses in all channels. We believe that as we develop and execute successful cross-channel marketing templates, we will have the opportunity to provide greater returns for our licensors and shareholders.

How does Scientific Games' acquisition of WMS affect your lottery customers or the value you deliver to your lottery customers?

S. Saferin: Now, with some of the best game development talent in the industry, a deep understanding of game technology, and the ability to execute across many channels, we're able to secure licenses for lottery that we might have been unable to get before.

And again, the opportunity to cross-promote across channels is extremely significant. For example, there are about 10 or so lotteries in the U.S. that also run video lottery terminals (VLTs). These lotteries have the opportunity to introduce MONOPOLY scratch games and give their players the opportunity to take non-winning tickets to a VLT facility for \$5 worth of free spins on a MONOPOLY machine. They also can give their VLT facility players coupons for free scratch games with every \$20 spent on a MONOPOLY machine.

This is a simple, straightforward start. At Scientific Games, we are working on many more initiatives to leverage the opportunities created by our increased scale and multi-channel capabilities, which we believe will ultimately benefit all of our customers, lottery included. ♦

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Pulse of the Industry



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National Premium Game for U.S. Lotteries Set to Launch in 2014



Unified Effort Among Lottery Leaders Creates the Most Exciting New Game in Lottery History: The Multi-State Lottery Association (MUSL) announced today during the 2014 Smart-Tech Conference in New York City that member lottery officials are moving forward with their plan to launch the highly anticipated new national premium game later this year, with the plan to follow with a national TV game show in early 2015. After several years of working together on the new game project, the National Premium Game Committee selected MONOPOLY™ Millionaires' Club developed by Scientific Games.

A new approach to a national jackpot game, MONOPOLY Millionaires' Club was created around Scientific Games' Millionaire Club IP and branded with Hasbro's iconic MONOPOLY game, which is one of the most successful brands in the worldwide gaming industry. Player research has consistently indicated that players would prefer to see tens of millions of dollars in prizes split among many winners rather than one or two players winning hundreds of millions. MONOPOLY Millionaires' Club does just that.

“Lotteries across the U.S. came together to listen to what players wanted and to collaboratively develop a new game,” said Rebecca Paul Hargrove, National Premium Game Committee Co-Chair and President and CEO of the Tennessee Lottery. “When we have so many players excited about the possibility of winning a huge jackpot in our PowerBall® or Mega Millions® games, why not create hundreds of millionaires when a jackpot is hit, instead of a few?”

Hargrove indicated that the very popular Lotto Max™ game in Canada has had great success with a similar model, achieving strong weekly per capita sales since its inception in 2009.

The MONOPOLY Millionaires' Club national game will create tens to hundreds of millionaires throughout the country whenever the top jackpot is hit. Excitement will build as players see how much the number of guaranteed \$1 million prizes grows each week. Players may also win the chance to appear on a national TV game show.

Currently, there is not a \$5 draw game on the market in the U.S. although \$5 is perennially the most popular price point for lottery's instant scratch ticket games. This new \$5 price point for a national game reinforces the good play value embedded in the game and differentiates it within lottery draw game portfolios.

“Draw games in the U.S. have traditionally been offered at \$1 and \$2, while lotteries have had huge success in offering their players different price points in the

instant game product category,” said M. Scott Bowen, National Premium Game Committee Co-Chair and Commissioner of the Michigan Lottery. “So we've come up with a game that gives lotto players more options at a different price point in a new style of play. We believe MONOPOLY Millionaires' Club will be a very big hit with players in all participating states.”

“We are truly impressed with the collaboration among U.S. lottery leaders on this new national game project,” said David Gale, Executive Director of the North American Association of State and Provincial Lotteries. “The 11 lotteries participating in Mega Millions came together with the 34 lotteries participating in PowerBall to create a new game at a new \$5 price point.”

“GTECH is committed to supporting innovation to drive revenue growth in multi-state games,” added Connie Laverty O'Connor, Senior Vice President and Chief Customer Officer for GTECH. “We are privileged to work with our customers, non-customers and other vendors alike to deliver the National Premium Game in a manner that will exceed our customers' and their retailers' expectations.”

The new national game also intends to develop the unique overlay of a national TV game show. The show is planning to fly lottery players from around the U.S. to Las Vegas to be part of a studio audience and have the once in a lifetime chance to appear on the TV game show for the opportunity to win \$1 million. The show

intends to feature MONOPOLY-themed games involving player choice and luck, as well as TV viewer engagement components. The national TV game show is planned to be produced by Hasbro Studios, which develops and produces television programming for more than 180 territories around the world.

“The selection of the MONOPOLY Millionaires Club concept as the national premium game and national lottery game show is the culmination of years of work by lottery and vendor thought leaders who recognize a clear need to move away from games that are purely jackpot driven, while at the same time finding a way to truly create and grow the national lottery brand,” said Steve Saferin, President, Properties Group and Chief Creative Officer for Scientific Games. “Our product development teams at Scientific Games and MDI Entertainment are honored that our concept was chosen by MUSL as the new national game. Branding the Millionaires’ Club game concept with Hasbro’s MONOPOLY brand enables us to deploy one of the most successful brands in all of gaming to create a compelling buying proposition for players as well as an exciting prime time television property. It has been a genuine team effort to move this new game forward for its national sales debut in October.”

Since 2006, there have been more than 170 MONOPOLY lottery games launched globally with a retail value of nearly \$5 billion, most performing 10% or more above industry averages, based on data from MDI Entertainment, A Scientific Games Company. MDI Entertainment has introduced 14 MONOPOLY Millionaire lottery games with retail value in excess of \$850 million.

About MUSL

The Multi-State Lottery Association is a government-benefit, non-profit association owned and operated by 34 member lotteries. MUSL currently coordinates six multi-state games in the United States, including Powerball

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North American Association of State & Provincial Lotteries (NASPL) has issued a letter to Sen. Lindsey

Graham, contesting his proposed federal ban on online poker: “Our Association believes, and is on record, that all gaming should be left up to the individual states to determine the games that are offered, as well as the manner in which they are being delivered to their customers,” writes NASPL Executive Director David Gale. “This is, and has always been, a state’s right to make these decisions as they relate to gaming within its respective boarders. Since lottery products are sold in a competing market, it is important that we continue to design and offer secure games that people want to play so that lottery states can continue to fund the much-needed programs and/or services for which lottery revenues are earmarked.”

Idaho Lottery Recognized as National Top Performer: The Idaho Lottery has received nationwide recognition for their achievements during Fiscal Year 2013. Leading Lottery industry associations, Public Gaming Research Institute and the North American Association of State and Provincial Lotteries recognized the Idaho Lottery for their \$48.2 million dividend returned to the citizens of the Gem State and their 16.14% increase in net funding for Public Education and the Permanent Building Fund over the previous year, the highest percentage increase of any of the 45 lottery jurisdictions operating in the United States.

“In 2007, the Idaho Lottery defined our vision: to become the highest performing jurisdiction in North America,” said Idaho Lottery Director Jeff Anderson. “Cooperatively with our statewide network of nearly 1,200 retail partners, and our vendor partners, we have worked together not just in our business but on our business for greater success each year. This focused work has landed the Idaho Lottery nationwide recognition.”

The Idaho Lottery is the 2013 recipient of Public Gaming Research Institute’s “Sharon Sharp Good Causes Award” which recognizes lotteries which have achieved the highest percentage increase in net funds contributed to its beneficiaries, the true measure of a lottery’s success. The award honors lottery industry pioneer Sharon Sharp, who headed the Illinois and California Lotteries before consulting in the lottery industry globally. Sharp’s

enthusiasm, focus, and dedication for lottery beneficiaries inspired this award in her name after her death in 2009.

“The 2013 Sharp Award for Good Causes recipient is the Idaho Lottery for increasing net funds to its beneficiary by 16.14% in Fiscal Year 2013 over Fiscal Year 2012,” said Paul Jason, Publisher & CEO of Public Gaming Research Institute. “Maximizing net funds, the profits, to the good causes that Lotteries support is our mission and we congratulate the Idaho Lottery for their exceptional performance!”

“Each year for the past decade, the Idaho Lottery has returned a record dividend while maintaining our adherence to responsible play and rigorous fiscal management,” added Anderson. “We remain on target to deliver our 11th consecutive record dividend later this summer.”

Pollard Banknote and NeoGames announce the formation of NeoPollard Interactive, a joint venture arrangement

Association of Gaming Equipment Manufacturers (AGEM) Releases April 2014 Index

In April 2014, the AGEM Index reported a month-to-month decline for the second consecutive month. The AGEM Index has now reported monthly declines in three of the first four months of the year. However, compared to a year ago, it remains up 13.8%.

Pennsylvania Holds Its First Ever Legislative Hearing on Internet Gaming

GTECH completes acquisition of PROBABILITY PLC: GTECH UK Interactive Limited (GTECH UK, subsidiary of GTECH SpA), completes acquisition of mobile gaming solutions company Probability Plc for approximately £18 million. “With the mobile gaming market poised for significant growth over the next several years, we view the acquisition of Probability as a logical stepping stone for advancing our mobile gaming strategy both Internationally and in the U.S., particularly for new and existing WLA customers and commercial customers,” said Renato Ascoli, GTECH S.p.A. President of Products

& Services. "Probability's unique content service offerings and its exclusive game development and management platform will further advance our mobile strategy."

NASPL publishes sales data for U.S. state lotteries. Visit www.naspl.org, or go directly to the link that has the sales data: <http://viewer.zmags.com/publication/28e12322#/28e12322/14>

Camelot today announced that Dianne Thompson has decided to retire on 31 October 2014 after 14 years as Group CEO and 17 years with the company: During her tenure, Dianne Thompson has led the company to become one of the world's most successful lottery operators, fought and won two UK National Lottery licence competitions, secured a four-year extension to the current UK licence to 2023, raised billions of pounds for National Lottery Good Causes, and made a truly life-changing difference to people and communities across the UK.

Over the next six months, the group will be separated into two clear functions to ensure the best possible platform for continued future growth, both overseas and in the UK. Nigel Railton – currently Group CFO and Strategy Director – will become CEO of Camelot Global Services Limited, and Andy Duncan – MD of the UK business since 2011 – will become CEO of Camelot UK Lotteries Limited (CUKL). Both will take up their new positions on 31 October 2014 and will report in to Lee Sienna, the Chairman of the Camelot Group of Companies. Dianne, Nigel and Andy will work closely with employees across the group to finalise the enhanced structure.

Lee Sienna, Chairman, said: "Dianne Thompson's contribution to Camelot and the worldwide lottery sector has been immense. Under her leadership, the UK National Lottery has gone from strength to strength. She leaves a lasting legacy, with the group in the best possible position to build on her achievements. On behalf of the Board, I would like to thank Dianne for her dedication, drive and unrivalled business acumen over the past 14 years.

Dianne Thompson said: "I have always said that running Camelot has been my dream job, and I will look back over the last 14 years with great fondness and pride. I feel privileged to have worked with such fantastic colleagues, who have always put UK National Lottery players – and the Good Causes we ultimately support – at the heart of everything we do. Through their energy and creative drive, we have grown sales, and therefore revenues for UK National Lottery projects, over the long term."

Dianne had initially planned to leave the company in 2012 but, at the request of Teachers', agreed to continue in her role in order to devise and implement the group's ambitious international growth strategy, while further developing the UK strategy. She has agreed to make herself available to Camelot in a consultative capacity, while pursuing her other business and charitable interests.

Lottotech, the operator of the Mauritius National Lottery, announced today that it was offering up to 25% of ordinary shares to individual and institutional private investors.

National Lotteries Control Board (NLCB) of Trinidad and Tobago sales grow almost 40% over last four years

New Jersey Dem leaders denounce proposed congressional ban of online gambling

South Africa: The National Lotteries Board (NLB) wins High Court judgement: The National Lotteries Board (NLB), although a public body, is under no obligation to provide information to the media or anyone else on its operations when possible harm may occur if this information lands in the public domain. This is according to a recent Pretoria High Court judgment.

Putin proposes setting up gambling zone in Crimea: Under current Russia law, casinos are only allowed in four regions of Russia – Krasnodar, Kaliningrad, Altay, and Primorsky Krai, and not allowed

in larger Russian cities like Moscow, St. Petersburg, and Sochi.

Poker Players Alliance Launches National Call to Action Against Effort to Ban Online Poker: "We have learned time and time again throughout history that prohibition is not the solution for protecting consumers and actually does more harm than good," said John Pappas, executive director of the PPA. "We cannot stand by and allow for misguided legislation to reverse the incredible advancements we have made in consumer and player protections and the ability of the individual states to determine whether to regulate online poker. The National Conference of State Legislatures and the North American Association of State and Provincial Lotteries also recently expressed their opposition to these efforts on the grounds that they would undermine states' authority. I encourage all Americans who oppose a ban on our online freedoms to join us in reaching out to your Member of Congress and letting them know you do not support these bills."

NCLGS Urges Congress to Support States' Rights on Internet Gaming:

The National Council of Legislators from Gaming States (NCLGS) submitted a letter to Congressional leadership opposing the recently introduced "Restoration of America's Wire Act" and urging Congress to support states' rights. The legislation, by expanding the 1961 Wire Act, would effectively preempt the historical and constitutional right of states to regulate gambling within their borders.

French Prosecutors Seeking €40K in Fines from bwin.party executives Teufelberger and Bodner

New UK Regulations on 'Gaming Software': Remote gaming operators in Great Britain (GB) will now be required to get their gaming software from GB licensed firms. However the regulator now says that it will not require "each and every business within an extended supply chain to hold a gambling software licence." These restrictions are "important both to ensure the integrity of gam-

bling software and to keep crime out of gambling,” the Commission also states. “By 1 January 2015 operators will have to cease using gambling software manufactured, supplied, installed or adapted by any entity that should ... hold a gambling software licence, but that does not hold such a licence,” the Commission said. “Operators should therefore enter into dialogue with their suppliers to ensure that relevant businesses hold a gambling software licence by 1 January 2015 and gambling software businesses should consider with their advisors whether they need a licence...Gambling software businesses that will need to obtain a gambling software licence but who also run or operate the software for B2C or other B2B operators (for example those providing platforms or networks) are likely to be providing facilities for gambling. They will also need to consider if they are eligible for and indeed need a continuation licence to continue operating software used to provide facilities for gambling in Britain,” it said. The Commission also said that it would issue guidance later this month on ‘gambling software’ and its manufacture, supply, installation and adaptation. The plans are part of a series of changes to the Licence Conditions and Codes of Practice (LCCP). Gaming law lawyer Audrey Ferrie of Pinsent Masons, the law firm that publishes Out-Law.com, said that the amended LCCP “does not provide any real surprises.” However, she said she could predict “difficulties and additional costs for operators in managing the segregation of customer funds.”

EU Postpones Decision on Proposed Lithuanian Online Gaming: The bill will remain in hiatus until August 7. The proposed Lithuanian law is similar to one instituted by Belgium and requires that remote gaming firms also have at least one brick-and-mortar casino in the country. The companies must also be incorporated in Lithuania and issue share capital of at least €1.1 million. Lithuania was one of the EU member states that EU authorities re-opened infringement proceedings against last year. The country was required to send the EU Commission details of and an explanation for their restrictive gaming legislation. “The requirements to be

registered as a corporation in Lithuania – a requirement that France also makes of its ARJEL licensed operators –remains an issue that the EU may find objectionable.”

Social Gaming to reshape the Industry like Slot Machines did in the 70s:

Gaming manufacturers are getting into social gaming. This is a sea change not unlike what happened in the 1970s. In 1975, 78 percent of Nevada gaming revenues were from table games, but by 1983 this figure declined to less than 50 percent as the once ancillary slot machine became popular. Some think that players born after 1965, the so-called Generation X and successive generations, will never be as interested in slot machines as the baby boomers were. Stephen Andrade, a computer graphics professor at Johnson and Wales University, recently gave a lecture at the University of Nevada, Las Vegas, titled “Brave New Play: A Brief Look at Digital Natives, Changing Play Ecosystems and Wager-Based Gaming.” Andrade argues that so-called digital natives – those now relatively young people who grew up online – prefer multiplatform games, i.e. games that can be used on phone, tablet or desktop. Social gaming greatly appeals to them. “One constant feature that comes up in undergraduate research and prototyping is a leaderboard feature,” Andrade says. “Digital natives want to know where they stand compared with others – and they want others to know their status as well.” They also want a game that records their record of play. Social gaming provides vast economies of scale, e.g. on an average day, 1.6 million people played Double Down games, spending 37 cents each, yielding revenues of nearly \$600,000 per day for IGT. And what is also highly important, social media does not require any hardware to be manufactured and shipped, players provide their own devices!

Most Credit Card Transactions on NJ Gaming Sites Do Not Go Through:

CAMS LLC, a firm that processes credit card transactions, reports that consumer credit cards are being cleared at a rate of only 42 to 46 percent of the time for gaming sites. This prob-

lem has been blamed for current market size being less than expected in New Jersey and Nevada. An official with the New Jersey Division of Gaming Enforcement relates that MasterCard has approved 73 percent of attempted transactions in that state, while Visa has approved 44 percent. American Express and Discover do not approve any such charges. New Jersey lawmakers are attempting to solve the problem via changes in the licensing of financial institutions. New Jersey has had online gaming since November. Nevada legalized online poker a year ago.

French Online Poker Market Decline Due to Restrictive Regulations:

France’s online poker industry remains in decline, according to French online gaming regulator ARJEL. This downward trend began in 2011, after the country regulated and ring-fenced the market. In the first quarter of 2014, 12 percent fewer new accounts were created than in the same quarter of the prior year. The number of active accounts declined from 299,000 to 263,000. This has cost firms 10 percent of revenue. Cash games fell by 19 percent during the first quarter of 2014, a 28 percent drop over two years. “While tournaments brought in €07 million (\$562m) in 2014, up from €75 million (\$518m) in 2013, the rake from cash games dropped from a total of €476 (\$2.04m) to almost €1.2 million (\$1.66m) during the first three months of 2014. All in all, the total of active players at .fr online poker rooms fell from 299,000 in 2013 to 263,000.”

France’s decision to regulate and ring-fence online poker and online casino gaming in 2010 isolated its players from the rest of Europe. The hope was that making domestic payment easier would encourage more business, and that locally focused marketing would bring in the recreational player. But higher taxes on operators have compelled many to increase the rake on cash games to such a degree that they lost players. Many professional players headed to the UK for gaming, while recreational players stayed away altogether. There was also a turn to the black market: forty-seven percent of professional online poker players in France admitted that they used illegal offshore online poker sites.

While US jurisdictions are considering allowing shared player pools across states, Europe has trended toward gradual segregation. Italy followed France's lead in 2010, and in the wake of Black Friday the following year, Belgium, Denmark and Spain did as well in the hope that increased government regulation would reassure players regarding game safety.

The French government recently rejected a proposal to share player pools with Italy, Spain and the United Kingdom, a very EU unfriendly position. For cash games to be viable, the rake must be fair and player pools must be shared so that players have a variety of competitive games to choose from.

European Union Supreme Court Rules That ISPs Can Be Required to Block Pirate Websites: EU law allows intellectual property rights holders to seek an injunction against intermediaries that provide services to third parties that helps them infringe copyrighted works. The Austrian Supreme Court requested the CJEU for a ruling as to whether ISPs (internet service providers) were such an intermediary.

On March 27, 2014, the highest court of the European Union – the Court of Justice for the European Union (CJEU) – ruled that copyright owners can indeed seek injunctions against Internet service providers (ISPs). They can require ISPs to block access to pirate websites that are streaming copyrighted material. The case was the result of a dispute in Austria between two movie companies and an Austrian ISP, UPC Telekabel Wien GmbH. The movie companies were concerned about access to an illegal streaming site, Kino.to, which was making copies of their films. The ISP argued that it could not be held responsible for material on its streaming site because it had no business relationship with the operators of the unauthorized site and because there was no proof that any of the ISP's subscribers had used Kino.to to gain access to pirated films. A similar case in the UK

was decided in favor of copyright holders in 2011.

The Telekabel case is more broadly-based in favor of copyright holders than its UK precursor. "The film industry has been seeking to enforce copyright rights against illegal streaming sites for some time, and the CJEU's decision in this case is of significant importance in underlining that a key weapon in that fight – the ability to seek injunctions against the ISPs that facilitate access to online streaming sites – is valid."

Switzerland Working on Online Gaming Legislation: The Swiss Federal Government has published a draft of a gaming bill which would regulate online gaming. The bill would permit land casinos to use their licenses to operate online. The bill also states that all gaming winnings will be tax-free and poker tournaments will be restricted to casinos. The bill however is unclear as to what size of poker tournaments will be permitted outside of casinos and whether there will be restrictions on buy-ins, prize pools and the number of players in games. The bill was published a few days after the Swiss Casino Federation issued a paper arguing that online gaming was a primary cause of casino industry decline in Switzerland. The industry has been losing money since 2007: land casinos suffered a 1.5% drop in revenue last year. It is estimated that the Swiss wager about \$113 million at foreign online casinos annually. The bill also outlined a new intra-national body which would "institutionalise the exchange of ideas and cooperation between the authorities of the Confederation and the cantons."

Swedish Gaming Regulator Fights Foreign Gaming Advertising: The Swedish gaming authority Lotteriinspektionen claims that over the last three years the annual amount spent by "gray" market firms has increased from SEK 521m (\$80m) to SEK 1bn (\$152m). The regulator, the state, and licensed gaming operators are stymied by their inability to reduce this advertising. "Foreign gambling advertising – now at a bus stop near you," comments wryly Svenska Spel CEO Lennart

Käll. The Lotteries Act bans gaming advertising other than by licensed firms, but it only applies to domestic media. Media channels from other EU countries are exempt. The government has tried to do something about this, but the courts cite EU treaties and constitutional rights to free speech as obstacles. Sweden's gaming laws are also the target of EU infringement proceedings. The Swedish Gaming Industry Ethical Council (SPER) has issued new advertising rules which restricts bonus offers to a maximum of Kr200 (\$31.66). The Lotteriinspektionen has demanded that two Swedish newspapers remove ads for offshore gaming websites, and last October it tried to stop online gaming company Unibet from sponsoring the Stockholm Tennis Open. Svenska Spel is currently the sole operator in Sweden permitted to offer online poker. Despite having to compete with offshore poker firms such as PokerStars, 888, and PartyPoker, it has high use numbers, and is ranked 15th globally.

Hawaii: Federal court rules sweepstakes machines are gambling devices: Sweepstakes machines in Internet Cafes were confiscated by police in Hawaii. The state was sued for illegally confiscating the machines. It went to federal court, which ruled that sweepstakes machines confiscated by police from game rooms across Oahu are in fact gambling devices because the users of the terminals are taking a risk and placing a bet, and constitute gambling under Hawaii law since the user of a terminal "clearly 'stakes or risks' something." This would appear to be a big win for the rights of state agents of law enforcement to take action against schemes to circumvent the laws that prohibit unauthorized gambling devices. We can expect the ingenuity of commercial gaming operators to continue to work hard to design games and devices that attempt to circumvent laws and regulations.

Gambling "Whales" Subject To Increased Money Laundering Scrutiny by Feds. The US Treasury's Financial Crimes Enforcement Network (FinCEN) unit is now requiring casinos to report unusual financial activity, such as customers who use large amounts of

cash to buy chips and game only briefly before cashing out. The American Gaming Association's spokesperson, Stephanie Chan, says "Our industry is committed to a culture of compliance and we appreciate FinCEN's open dialogue and look forward to future collaboration." Casino operators have long been concerned that such increased scrutiny will drive high end gamers away, and have been reliant on gamers such as big stakes baccarat players who have been key to keeping the Las Vegas gaming industry solvent during the recession.

Pennsylvania Lottery sees gains in profit margin rule change: The change allows the Pennsylvania Lottery to maximize profits for its beneficiary by meeting consumer demand for high-payout instant tickets.

CEI Report on Congressional bills to ban online gambling: The Competitive Enterprise Institute released new analysis by CEI fellow Michelle Minton on recent proposals by congressional Republicans to ban online gambling. According to Minton's report, titled "Republicans' Bad Bet," prohibiting online gambling would trample individual and states' rights, while benefiting casino interests at the expense of consumers. "This bill won't stop Internet gambling," said Minton. "What this bill will do is forbid states from making their own choices about online gambling, guarantee that gambling websites will be operated in foreign countries, and protect special interests like Las Vegas casino owners who support a ban. You know something is wrong when members of an industry are asking for more regulations on that industry." The bill in question, the Restoration of America's Wire Act (H.R. 4301 and S. 2159), was introduced in March 2014 by Rep. Jason Chaffetz (R-UT) and Sen. Lindsey Graham (R-S.C.), and would rewrite the 1961 Wire Act, instituting a de facto federal online gambling ban, says the report. "Sponsors of this bill claim to defend states' rights, and criticize the federal government when it tries to regulate marriage, education or health care," said Minton, "but when it comes to Internet

gambling, they are the ones imposing their personal values on Americans."

Read more on online gambling from Michelle Minton at CEI's blog, Openmarket.org

CEI is a non-profit, non-partisan public policy group dedicated to the principles of free enterprise and limited government. For more information about CEI, please visit our website, cei.org, and blogs, Globalwarming.org, OpenMarket.org, and Workplacechoice.org Follow CEI on Twitter! [Twitter.com/ceidotorg](https://twitter.com/ceidotorg).

Contact: Christine Hall, 202.331.2258

CONTRACT AWARDS:

GTECH Global Services Corporation has been awarded a 10-year online gaming system, terminals, and integration contract to provide end-to-end services for the National Lottery of Belgium (NLB)

LotteryHUB becomes the official mobile partner for Powerball and Mega Millions, two of the biggest lottery brands in the world

Pollard Banknote is pleased to announce that it has been named the primary supplier of instant ticket printing services for the Interprovincial Lottery Corporation ("ILC")

Scientific Games to Provide National Lottery of Panama's First Online Lottery Game

INTRALOT is pleased to announce an amendment to its contract with the Ohio Lottery, proving the Ohio Lottery with Interactive Terminals and Games

Scientific Games Signs Primary Instant Games Contract with Washington State Lottery

GTECH Latin America Corporation has signed a seven-year contract extension to continue providing lottery technology, and marketing services

for the National Lotteries Control Board (NLCB) of T&T. The seven-year term will automatically extend for an additional three-year period through March 11, 2024. The NLCB is the exclusive legal lottery operator in Trinidad and Tobago.

Washington's Lottery Awards New Six-Year Contract to Pollard Banknote

Scientific Games Corporation has signed a contract with La Francaise des Jeux ("FDJ")

Scientific Games will continue to be the primary supplier of instant games to FDJ, the second largest instant game lottery in the world.

Pro-Lite: Loterías Electrónicas de Honduras (LOTELHSA), Contracts with Pro-Lite for Custom GPRS-Equipped Jackpot Signage

INTRALOT has been selected by the Wyoming Lottery Corporation as its gaming vendor to provide systems and services for the newly-formed WyoLotto™

Pollard Banknote Limited is pleased to announce that it has been awarded a five-year contract extension by the British Columbia Lottery Corporation ("BCLC") for the supply of instant ticket games and related services

INTRALOT has been selected by Premier Lotteries Ireland Limited (PLI, the operator of the Irish National Lottery), as its technology provider for the supply, set up, maintenance and support of new lottery software platforms and terminals in Ireland. Premier Lotteries Ireland is a company that has been awarded a 20 year licence to operate the Irish National Lottery that recorded revenues of €735m in 2012. ♦



A risk-assessment of Lotteries' position under EU law: Imagine a constitutionally entrenched future.

By Philippe Vlaemminck, Partner, ALTIUS (Philippe.Vlaemminck@altius.com)

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In our previous contribution to this magazine, under the title “A risk-assessment of Lotteries’ position under EU law: Times, they are a-Changing,” we stated that in our opinion, Lotteries are on the eve of a legal and regulatory watershed which will require a collaborative effort of Lotteries within and beyond Europe in order to appropriately address these challenges.

In a nutshell, we argued that in the Member States of the European Union, Lotteries have traditionally enjoyed, both in law and fact, a position which has been privileged for many years. Taking a slightly general perspective, this position has been derived from a social contract whereby gambling was considered as a darker aspect of the human condition which – if not fully prohibited – required canalization; and insofar as gambling was considered

socially permissible and thus legally accommodated, that proceeds should support socially beneficial objectives such as charities, research, sports, the arts. We then signaled that the position of Lotteries will be (positively or negatively) affected by a judicial and legislative strategy which is being pursued by the European commission, and which is likely to lead to a uniform regulatory framework for gambling services in the EU.

Since it is unlikely that the development of an EU regulatory framework will accommodate the distinct position of Lotteries, in this contribution we propose a new legal approach which will be presented to the European Court of Justice over the course of the next one-two years. The objective of this novel “line of defense” is to steer the above development in a more advantageous direction for actors in the Public Gaming sector.

It is well-known that presently, at EU level the legal framework for gambling has been solely “judge-made law” through a long string of case-law spanning more than 20 years. The first judgment, in which one of the authors acted as an agent for the Belgium government, was the Schindler ruling. Here the Court stated that “it must not be ignored that, even though this is not an objective justification, lotteries significantly contribute to the financing of non-profit activities of general interest, such as philanthropic works, sport or culture.” The new line of argument which we propose draws on the fact that this express recognition has gotten somewhat lost in translation over the years of developing the jurisprudential legal framework. Given this reality, and given the fact that now two dozen judgments have created a well-established regulatory context for games of chance, it is necessary to “go back to basics.”

This is achieved through the notion of “EU public order.”

Normally, in jurisprudence of the Court, the distinct position of Lotteries through a monopoly or otherwise, is viewed as an exception to the essentially free market rationale of the EU treaties which is to be interpreted narrowly. Indeed, economic freedom is the general principle, and any exception for Lotteries must be justified for reasons of national public order

requiring a distinct position. The problem with this approach is that the position of Lotteries, and their support for good causes, is never expressly recognized within this notion of national public order. Indeed, their distinct position is at most viewed as a deviation from the norm, something negative but reluctantly accepted as a consequence of historical development. The notion of EU public order aims to change that legal reality. The objective is to utilize this concept to legally accommodate an ethical and social vision of the position of Lotteries in the societies of the Member States, and to elevate it at EU level so that it is given a foundational position within the EU Treaties alongside the principle of economic freedom – and not merely an exception to it.

How can we achieve this? In essence, on the basis of Schindler and case law thereafter, the argument goes that the Court has given space for the fundamental societal consensus which exists in the legal orders of the Member States as regards lotteries. It has done so in accordance with Article 6 of the EU Treaty, which states that general principles of EU law can be recognized insofar as they emanate from the common constitutional traditions of the Member States. On that basis, we argue that the aforementioned notion of EU public order displays a dual character which is a reflection of the so-called Unity in Diversity of the national and European legal orders. To develop this argument we draw on the federal structure in the United States, to which the EU in part can be compared.

Within the EU public order, unity-in-diversity means the following: From the perspective of Unity, there is the wide consensus on the special position of lotteries which emanates from the constitutional and social traditions of the Member States, where a strong connection is forged between the proceeds with an origin in an activity which is ethically questionable, and the support for societally and ethically desirable objectives. From the perspective of Diversity, there is the fact that, since the EU ordre public is the emanation of the national constitutional traditions, that within this EU legal framework it is for the Member States themselves to hammer out the details of their gambling policies. Within this European concept they themselves must set the level of consumer protection, and they themselves flesh out the connection which is made between games of chance, their proceeds and their goals, all in line with their cultural, ethical and religious, national orders publics.

Without any doubt, the aforementioned line of reasoning is relatively abstract in legal terms. Nevertheless, its real-world impact is potentially significant: if recognized it would permanently buttress the legally distinct position of lotteries in the judge-made law of games of chance in the European Union. Lotteries’ distinct position would not be an exception – but part and parcel to the internal market itself. Second, should there ever be legislative proposals coming from the EU institutions, this judge-made law will not be simply swept away. Rather it will build on the framework as set out by the Court. Therefore it is crucial that by the time such regulatory developments become reality, the special position of Lotteries has been expressly pronounced to exist under EU law. Thus, with this legal argument, we wish to make a qualitative leap towards legally entrenching the distinct position of Lotteries in EU law. Whereas last time we ended our article by referring to Bob Dylan’s landmark album: when times are changing, where he sang: you have to start swimming, or you’ll sink like a stone; now we can refer to ‘Imagine’ by John Lennon. ♦

1) Philippe Vlaemminck is a partner at ALTIUS & chairs the EU, lotteries, gambling & Sport practise.

2) Bart Van Vooren is Professor in EU law and senior associate at ALTIUS and member of the aforementioned practise

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www.PublicGaming.org: Conferences details, updates, and registration information.

www.PGRItalks.com: Video-recording site, to view presentations from past PGRI conference events.

www.EdenRocMiami.com: Reserve your room at Lottery Expo (*only \$199 until room block sells out*)

www.PublicGaming.com: News Website carries the most up-to-date lottery, gaming, and regulatory news of the industry

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