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

PGRI Introduction:

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



NORSK TIPPING

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

Paul Jason:

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

Åsne Havnelid:

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

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

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

Å. Havnelid:

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

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

Å. Havnelid:

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

- Offering all players tools that help them to reflect on their own player

behavior. One, Playscan, is a technical system that can identify potentially unhealthy behavior and enter into dialogue with the customer. We also offer every player an overview of their player history so that they can see their actual spending in a given period.

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

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

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

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

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

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

Å. Havnelid:

Yes, indeed it is. For us, the fact that we are not a “regular commercial operator in a regular marketplace” and the fact that all our revenue goes to good causes is a vital part

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

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

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

Å. Havnelid:

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

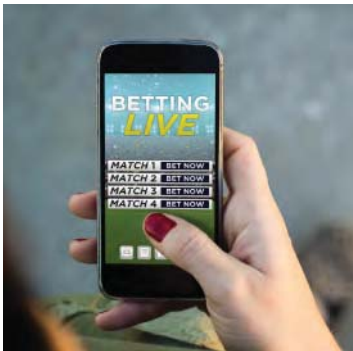
for the games they like to play, which will always include sport betting. Absolutely vital to any long-term sustainability strategy for Lottery is to position itself as the games-of-chance destination. The success of any customer-acquisition strategy depends on having a highly visible profile with the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

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

In the competitive games-of-chance industry, Lottery operators hold all the cards. The assets of brand awareness, reputation for integrity and security, the sheer massive size of its player base, its network of land-based retailers ... these have been built up over decades and are impossible for commercial operators to replicate in a timely manner. The only way Lottery can lose this competition is to allow themselves to be marginalized out of the fast-paced race for new customer

acquisition. Lotteries do not need scale and global reach. Lotteries do need the robust portfolio of games that leverages its powerful assets, that provide additional revenue streams for the benefit of the societal good causes that Lottery support, and provides the platform for new customer acquisition for traditional lottery games.

Kambi can be Lottery's collaborative partner - building out the world-class sports betting platform that positions Lottery for sustainable long-term growth with the next generation of consumers. ■



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

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

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

Å. Havelid:

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

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

Å. Havelid:

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

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The Impact Of The General Data Protection Regulation

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

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

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

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

adequate IT security measures; and potentially also to appoint an internal or external Data Protection Officer.

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

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

Enforcement

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

From compliance to governance : Using Big data

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

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

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

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

Åsne Havelid *Continued from p 53*

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

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

Å. Havelid:

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