



Dianne Thompson

Chief Executive Officer, Camelot Group
Operator of the UK National Lottery



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Chief Executive Officer
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Sharp Award
for Good Causes:

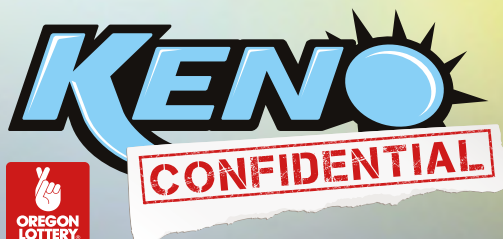


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Inaugurating the
**REBECCA
HARGROVE**
Award for Mentorship

Next-Gen Marketing the Oregon Lottery Way



KenoConfidential.com

Interviews

Director
Larry Niswender

Marketing Communications Mgr.
Mark Strickler

CEO of R-West Marketing
Sean Blixseth

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PGRI 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

Modernization and Monopoly

Lottery is a market-driven business that finds ways to function within the political and administrative-driven culture of government. As a government entity, Lottery has traditionally placed a high value on stability, predictability, and risk-avoidance.

While there is nothing wrong with placing a high value on these conditions, we should also recognize that they do come at a cost, and that traditionally Lottery has perhaps paid too much for them. But the calculus of risk assessment is changing to create a business culture that promotes progress, change, and innovation. Government-lotteries will always place a mission-critical value on preservation of integrity and reputation. As they should, because the value of their brand and the sustainability of their business depends on that. But the willingness to take a more creative, proactive, market-driven approach towards building the business is evident all around us. Take Keno Confidential, for example.

I saw a news item about **Oregon Lottery's Keno Confidential**, went to the website, and was captivated by this unconventional campaign. The OR Lottery and their creative and advertising partners were thankfully willing to share the background for how and why they developed this unique campaign. What also comes across in the interviews is the genuine excitement for the business, and for having the freedom and latitude to do something new and edgy. You will also see that the excitement for finding new ways to connect with our audience of Lottery customers is bound to spawn a wealth of innovative ideas that will ben-

efit all product categories. This is just one of many stories that reveal Lottery's migration towards a culture of entrepreneurial energy and ambition.

The commercial world is also undergoing some seismic changes of its own. It has to in order to keep pace with the progress of lotteries! Over the past seven years, GTECH has assembled a huge portfolio of business resources and capabilities. Now, GTECH has structured itself to effectively channel those resources to serve its customers. We talk with **Jaymin Patel** about how GTECH is mobilized to harness the global resources of GTECH to positively impact the local markets and businesses which they serve.

There is an interesting juxtaposition of themes in this issue, themes that make for odd bedfellows. On the one hand, we celebrate the new market-driven and entrepreneurial energy manifesting itself in the lottery industry. On the other, we are, as a community of government-gaming operators, steadfast in our conviction that this industry is unique and absolutely depends on the monopoly model to survive, and survival is vital to the interests of the Good Causes that are supported by government-lottery. It may seem that the monopoly status of your lottery is guaranteed and not vulnerable to change. It sure seemed that way to the Camelot Group in the UK. **Dianne Thompson** shares the background for how the UK market is being disrupted by events that should never have been allowed to happen.

Thank you all for your support and for coming to PGRI Lottery Expo in Miami. We will share with you the 'take-aways' of Lottery Expo in the January issue. ♦

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"One reason why my lottery sales have grown is because I treat my customers like they are special. But just as important is the fact that GTECH, working with the lottery, treats me like I'm important too; they are always there for me. When I let Denise in GTECH product marketing know my scanner wasn't working well, right away





Sharon Sharp 'Good Causes' Award

Honoring the Lottery with the Sharpest percentage increase
to bottom line funds contributed to its beneficiary:

Presented by Public Gaming Research Institute
at Lottery Expo, Miami, November 6, 2013



California Lottery

2011 / 2012

19.8% Increase in Net funding to Good Causes in Fiscal Year 2012 over FY 2011

Idaho Lottery

2012 / 2013

16% Increase in Net funding to Good Causes in Fiscal Year 2013 over FY 2012

Government Lotteries have a special mission, quite unique really. Lotteries operate in a world of business and competition, but their mission is to create funding for good causes. And what a wonderful and special mission that is ... Generating many billions of dollars world-wide for Good causes that serve the interests of the general public. That is an extraordinary notion, one that should make us proud to be a part of this mission. Whether it is for education, amateur sports, health, care for the elderly, or even the general fund that is the source of all government services, the recipients of the funds generated by lottery are truly worthy causes. Too, these are needs that would likely not be met were it not for the funds produced by the lottery.

The Sharon Sharp Award recognizes and honors the lottery which achieved the highest percentage increase in net funds contributed to its beneficiary. Ultimately, this is what we're all in this business to accomplish ... maximizing the funds contributed to lottery beneficiaries. The top line can go up a little or a lot, or maybe even not at all. But regardless of sales or anything else, the true measure of lottery success is what has been done for the good causes that it supports. So, we think of this as a very special award because it really homes in on what matters most. This award is being named in honor of a person who is no longer with us but who has done as much as anyone to help this industry be the best that it can be. Sharon Sharp embraced the true mission of lottery with an enthusiasm that always reminded everyone of just how privileged we are to be a part of this industry. Sharon's focus on the good causes that depend upon lottery performance inspired Rebecca Hargrove and her friends and colleagues in the industry to name this award after Sharon, to honor her memory and keep alive a legacy that will hopefully inspire future generations to appreciate the importance of our calling and to never lose sight of its purpose.

a technician installed a new one. They always make me aware of new technology, and ask for my opinion on how their ideas will work with customers. That kind of hands-on support from GTECH has helped me grow my lottery sales and keep my customers happy."

Karan Pathania, *Convenience Plus, Rhode Island Lottery Retailer*

For more about this story and others like it, visit us at gtech.com.



Karan Pathania



Inaugurating The Rebecca Hargrove Award for Mentorship

In recognition of the generous spirit that supports the wise and responsible development of our next generation of Lottery Industry Leaders

The lottery industry is truly special. Likewise, success in guiding such an enterprise requires a unique brand of leadership skills. These are market-driven businesses with all the complex challenges that exist in the commercial world. Most lotteries generate hundreds of millions of dollars in annual revenues, and in many cases exceed a billion dollars. The executive management of lotteries is accountable to the jurisdictional gaming commission, board of directors, or other governing body. In addition to that, and in addition to the obligation to fulfill its commercial and financial obligations, lottery executives are accountable to a dizzying array of political constituencies, to the player community, to the retail channel, to the media, and ultimately to the larger general public.

Accountability in the lottery world is not limited to producing strong sales and operating within the applicable regulatory framework. The successful Lottery must set the highest standards of integrity in every single aspect of its business. The modern lottery has done just that. Indeed, the industry has raised the bar to unprecedented levels. Built on a platform of unequivocal commitment to both ethical standards and financial performance, the lottery industry has shown remarkable growth, featuring the development of best practices, the application of sound corporate values, and the emergence of key leadership at critical times. But lotteries are expected to live up to—and exceed! — these high standards that have now come to define the industry. And rightfully so. That's why high-quality performance of executive responsibilities is vital to the continued success of the lottery industry. To succeed, this unique industry requires the continued development of leaders with that singular combination of skills and character, acumen and judgment necessary to navigate the myriad challenges of the lottery business. And the generous spirit to give back to the community and this industry.

We as an industry need to recognize and honor those who so graciously share their experiences and successful strategies and work to mentor the next generation of lottery industry leaders. Our future depends on the quality of the emerging leadership we develop, and towards that end we need to honor and reward a culture of mentoring this next-gen leadership.

Rebecca Hargrove began her lottery career in 1985 as director of the Illinois Lottery, and later went on to start the Florida Lottery, and then the Georgia Lottery Corp. Recognizing the need for an experienced and talented leader to start their lottery, in September 2003 the Board of Directors of the Tennessee Education Lottery Corporation recruited Ms. Hargrove to be the Tennessee Lottery's first president and CEO. Once there she launched ticket sales in record time and has since led the Tennessee Lottery to nine consecutive years of sales growth, thought to be an industry record. What is certain is that hundreds of thousands of students and others have benefited from the good causes she has dedicated her life to serving.

Hers is a career that spans 28-years (and with the most impactful years still to come!), includes three lottery start-ups, service in all the different offices of the national industry association (NASPL) including president, service in all the different offices of the multi-state lottery association (MUSL) including president and chair of the Powerball Group, a pivotal role in the founding of the Mega Millions consortium in 1996, the current role of executive vice-president of the World Lottery Association (WLA), past president of AILE which is the predecessor to the WLA, and awards and accolades too numerous to mention. Simply put, she is a legend in the Lottery industry.

It was in my first interview with Rebecca that I asked her to describe her proudest accomplishment. In light of all that she had achieved, her answer surprised me. Now that I know her better, her answer should have been expected. Without hesitation, Rebecca said that she was most proud of helping to nurture and develop the careers of many talented people with whom she had the privilege of working with over the years, and in so doing, help to sustain the lottery industry as well as advancing the careers of her colleagues and protégés. A review of the rosters of lotteries in the States and abroad quickly shows the impact of her mentorship. Similarly, an industry conference would not be the same without the opportunity to hear from Rebecca on a subject of current importance. It has become clear to me that her genuine love of people, her heart-felt and even selfless concern for the well-being of those around her and those that depend upon her, is one of the keys to her own success. It is my hope that Rebecca's success can serve as a role model and inspiration for everyone who is in the position to help others grow and succeed and expand their influence and impact on the lottery industry. Much more will be expected of the next generation of lottery industry leaders. We need the dedicated efforts of mentors like Rebecca Hargrove now more than ever, and that is why we are so pleased and proud to christen this award that honors mentorship. May its future recipients serve the industry as well as its namesake.

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OREGON STATE LOTTERY LAUNCHES 'KENO CONFIDENTIAL' MARKETING CAMPAIGN



KenoConfidential.com

CAMPAIGN USES EDGY, INNOVATIVE DIGITAL-FOCUSED MARKETING TO BRING NEW LIFE AND NEW PLAYERS TO KENO

Keno is one of the Lottery's oldest and most popular games. Research shows, however, that many younger adults don't know much about it, or in some cases,

don't even know how to play it. Keno Confidential is a marketing campaign that aims to make one of the Oregon Lottery's oldest and most popular games more appealing, entertaining and accessible to players between the ages of 21 and 34.

A key component to any sustainable growth strategy is to attract new consumer groups to Lottery. Lotteries are all trying to engage new consumer groups, and to integrate into the digital world of its customers. Most people under 65 live, work and play in a digital environment. More than three-quarters of 21-34 year-olds own a smartphone, for example. For the Lottery to connect with this demographic, it must engage players in a digital fashion. The Lottery is very careful and intentional about not seeking to engage players, or appeal to consumers, younger than 21. Proof of that is the choice to build the campaign around the adventures of a fictitious twenty-something man ("Jeff"), who unwraps the mystery of Keno in bars and a pool hall – a setting that the under-21 crowd is not allowed to enter. Also, visitors to KenoConfidential.com must click through a "21 and over only" message to access the site. There are no games and no opportunity to play Lottery games in any fashion on the website itself. To actually play Keno, a game slip must be obtained from a Lottery retailer who verifies age.

The goal of the "Keno Confidential" marketing campaign is to make one of the Oregon Lottery's oldest and most popular traditional games more appealing, entertaining and accessible to players between the ages of 21 and 34. In order to grasp the nature of this campaign, you simply must go to KenoConfidential.com. That's where you will discover the truth about Keno from a lottery gaming pilgrim named Jeff. Some call Jeff a grown man living with his mom, others call him a teller of truth. You decide. Meet the man behind Keno Confidential at KenoConfidential.com. All it takes is five minutes to break through and connect with this secretive community of Keno players. You'll come away a believer, a follower of the unlikeliest of lottery gaming educators, or at least with the conviction that Keno must be an amazing game since it appeals only to amazing people. The conspiracy is revealed!

"The biggest difference in this new marketing approach is that it's not an 'in-your-face' advertising campaign," said Mark Strickler, Marketing Communications Manager for the Oregon Lottery. "It's based more off an engagement model aimed at entertaining adults who are familiar with social media and digital platforms."

A much larger marketing budget for this campaign is going to digital and mobile advertising, with a much smaller portion than usual going to traditional TV advertising. That's because research shows that digital platforms (smartphones, tablets and laptops) are the most effective way to reach 21- to 34-year-olds. The goal is for Keno to be seen as a viable entertainment option for young adults while they're out on the town with friends.

The digital and traditional campaign includes KenoConfidential.com, Facebook and Twitter, and TV ads that will start to appear in Oregon at the end of August. The entire campaign will run for about 12 months. ♦



Larry Niswender

Director,
Oregon Lottery

Paul Jason, Public Gaming: *We have included in this feature on Oregon Lottery's Keno Confidential interviews with Mark Strickler (OR Lottery) and Sean Blixseth (R/West Marketing Group). I am hoping we might address a few issues to fill in the blanks. First, congratulations for a most amazing campaign. Our readers will so enjoy the Keno Confidential story and, I think, will benefit greatly from your experience.*

How important is it to re-vitalize flat-lining brands if your revenue targets are being met by increases in other categories, like VLT's in the case of the OR Lottery?

Larry Niswender: Very important. When we have a game that has a loyal following but is perhaps moving into the mature stage of its life-cycle, we look for ways to re-energize and bump it back into the growth category that appeals

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Mark Strickler

Marketing Communications
Manager for the Oregon Lottery



KenoConfidential.com

Paul Jason, Public Gaming: *The sidebar introduction explains much of the concept of the Keno Confidential campaign. So let's jump right into the specifics of what it involved.*

Mark Strickler: Keno Confidential launched in three distinct phases. The first phase set the stage for everything to follow. We created the social networking infrastructure, the micro-site, Facebook, Twitter, a teaser on YouTube. There was no paid media whatsoever during this first phase. Two weeks later we began to build out some paid digital and social media. Phase three commenced six weeks later with a television advertising campaign. We did also have outdoor advertising. One of my favorites, for instance, was on the inside of the Portland city trains. They call them Michelangelos because there are posters on the ceiling of the trains so that you're sitting there commuting with your latte and your smartphone, you look up and there's the Keno message. The roll-out of this campaign was not conventional. But it actually is the norm for the young adult audience we're going after. In fact, for that reason, this multi-media, digital-centric approach is becoming the new normal.

It seems like an effective way to wring out the maximum ROI for your ad' spend – creating as much market 'pull' with low-cost digital media before launching the high-cost television campaign.

M. Strickler: There is definitely a lower cost per thousand impressions on the digital channels, and also on the wall-scapes

and billboards we did across the state. We call it 'seeding the market' to better set the big launch for success.

The campaign was driven by the goal of connecting with the young adult demographic and engaging those who had never considered play Keno, not so much by the goal of increasing the impact and ROI of our ad' budget. Of course, it's great that digital campaigns can be executed at a lower cost because that leaves more funds to pay for TV advertising.

Everyone is on Facebook, everyone has smartphones. Aren't all age-groups now fully digital? In that sense, a "digital" campaign could appeal to older age groups as well as younger. And the existing player profile for Keno is the older demographic. The protagonist of Kenoconfidential.com Jeff, however, is a character that appeals to the 21 to 34 age group and would not likely appeal to more mature age groups. (Check out the story of this creatively imagined educator at www.kenoconfidential.com. I promise it will stimulate lots of fresh thinking and new ideas!) Wouldn't the more predictable way to maximize ROI for your ad' spend be to focus on the traditional player profile for Keno?

M. Strickler: It is true that the typical Keno player tends to be in an older demographic. And it's possible that advertising focused on that group would have yielded a higher ROI. But that is short-term thinking. I don't think we are unique in recognizing that we need to connect with new consumer groups, especially young adults

who are the next generation of lottery players. Like all lotteries, our ad' budget is very limited. And we are expected to deliver results in the current fiscal year regardless of how well we are positioning ourselves for a prosperous and sustainable long-term future. In spite of that, we must protect the long-term value of this incredible asset, the state lottery. To do that, we simply must invest in the future. We owe that much to our constituents and to the statewide programs, that include public education and job creation, which lottery net funds support.

Keno Confidential is our campaign to expand the market for Keno; to create a campaign to attract the 21 to 34 demographic. To do that, we needed to do a number of things all at the same time. For one thing, we needed to explain how the game is played to a new consumer group. But, how do you get the attention of the consumer to take the time to learn a new game? That's a real challenge. We needed to combine the steps of getting attention, engaging interest, and educating the consumer all into one. The result is a campaign that is intended to appeal to the young adult. It may or may not appeal to the older demographic, but there is nothing about it that would bother or put off the more mature consumer.

This campaign may have been inspired by a very specific objective, to do something really unique and innovative to connect with a narrowly defined demographic profile. But I would think that it is also laying the groundwork to exploit the broader trend

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towards integrating social media to reach all demographic profiles, not just the young adult. After all, we are all on social media.

M. Strickler: I think that's true. The way media is being consumed has changed for all of us. More so for the younger generation. We all get more of our news online than from newspapers, we all watch TV on our schedule as opposed to adapting to the network's TV schedule, we are all consuming media when we want, how we want, and where we want. As smartphones get even smarter, as tablets acquire even more functionality and speed, as consumer power to control their exposure to "push" advertising campaigns increases, the trend towards "engagement" campaigns like this will also increase. And to your point, it will become more applicable to everyone, not just the younger generations that are the early adopters of these new technologies and consumer trends. So yes, I would like to think that this Keno Confidential campaign is providing some of the tools and insights that will inform additional multi-media and digital-centric campaigns in the future.

And yet, this campaign is not really a rejection of traditional advertising.

M. Strickler: Advertising has always been and will always be about connecting with people, getting a message across and influencing behavior. We are simply responding to the evolutions in technology and consumer behavior to accomplish the traditional set of advertising objectives. The digitally-focused engagement model is the right approach for this particular campaign, and it will likely become the new "traditional" approach in the not too distant future. And of course, we are still using TV advertising for the simple reason that it still has unique broad audience reach and impact. Television will continue to play a large role in our media mix.

Likewise, perhaps we can demystify the concept of social media and just think of it as an additional media channel to connect us with an audience?

M. Strickler: That's exactly it. It's just another way to reach people, but doing so in an engagement model vs. a pure selling model. It's true that the markets are becoming more and more fragmented and that complicates the business of managing the media mix. But the fundamental nature of the business as being about connecting with an audience has not really changed.

Tell me about the genesis of Jeff the truth-seeker in KenoConfidential.com.

M. Strickler: We knew from the outset that we needed someone like Jeff. Someone who is passionate but in a way that connects with the youthful sensibility and attitude. Someone who can get attention and sell the product without seeming to be selling. And we included a character named Sam, who actually narrates the How to Play section. This literally is lifted directly from our How to Play booklet. But the addition of the side comments by the Sam character, and the way it is delivered, changes it from something that does not engage into something that does engage. It's the delivery that makes Keno seem very easy to learn and play. We are very pleased with the casting. Jeff and Sam really nailed it. This is Oregon, we have a bit of a quirky sense of humor. Jeff and Sam appealed to Oregonians without being too over the top.

Combining education with entertainment.

M. Strickler: Exactly. We are just about ready to launch a campaign called Invasion of the Halloween Games, and it's a takeoff of your classic 40s kind of B monster movie platform. We have three different games, a new raffle, a scratch-it, and a video lottery game all under the banner of the Invasion of the Halloween Games. And digitally what we're doing is a microsite for it. And we'll probably do that for all of our campaigns, much like we did with Keno Confidential. So yes, going forward, it is likely that we will want to have a digital component to all our campaigns, something that people can go online and engage with.

The results would appear to reflect a very successful collaboration between the OR Lottery and your advertising agency, R/ West and Public Relations agency Coates Kokes. Isn't it difficult to combine the industry-specific insights of your lottery staff with the creative talents of multiple outside agencies?

M. Strickler: And another agency, Pollinate, did our microsite and other digital. And another agency, Borders Perrin Norrander media planning and buying agency. I would have to say that this is by far the most intensive campaign I've ever worked on in terms of the sheer number and variety of different spots we had to produce and coordinate. Because of the timing of how it happened, the point-of-purchase materials and all the out-of-home advertis-

ing were designed here at the lottery with our own designers. There were five different entities all working simultaneously to make a very large campaign unfold in a highly synchronous way. That was new for us here at the OR lottery and I think the results of that unique collaborate really speak for themselves.

Who was the Team Leader and the Project Manager?

M. Strickler: Our staff at the Lottery was what I would call air traffic control on this endeavour in charge of landing multiple pieces of content, creative, traditional media and social media safely at the same point of time in multiple locations. The entire process was an awesome experience. All our agency partners worked so well with each other and with our internal staff. We began with what we called the Keno Conclave back in May. We had all the agencies come to the Lottery to present and create a coordinated plan. We set out clear expectations and time-lines. I think this was a new experience for our agency partners as well as us. Creative and strategy at R/West, media coordination from Borders, digital execution from Pollinate, PR from Coates Kokes, another agency for Responsible Gaming advertising, and our OR Lottery staff involved in all of it. It was actually thrilling to be a part of this inter-networked system, with all parties applying their individual creative talents and yet integrating those efforts with their partners. It's a complicated undertaking that would not work without everyone being genuinely committed to the singular objective of producing a fabulous campaign. It was a wonderful experience, and I credit my staff, the leadership of the Oregon Lottery, and our agency partners for selflessly embracing the team goals and working so well together. You might say teamwork made this Keno dream work.

Isn't it easier, perhaps more efficient, to rely on one agency to perform the role of Project Manager?

M. Strickler: One of our mantras is that there's no lock on great ideas. It doesn't matter who the idea comes from or where it comes from - if it's a good idea it'll take on a life of its own. Our job is to create a business process platform that puts us in the best position to be exposed to the great ideas, to recognize them, and to then capitalize on them. You want lots of people to bring in a wide variety of experience and perspectives. And then let people do what they are best at. ♦

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Sean Blixseth

CEO of R/WEST,
the Portland-based marketing agency that
partnered with the Oregon Lottery to create
the Keno Confidential campaign.

www.r-west.com



Paul Jason, Public Gaming: *The Keno Confidential campaign is so amazing because you turn a liability into an asset. Keno can be a little confusing to learn. Instead of fighting that notion, you created this storyline about this kinda wacky conspiracy theorist named Jeff who is leading us to the truth about Keno, that it isn't confusing or hard to play. (Meet Jeff at www.KenoConfidential.com.) Jeff is on a mission to reveal the conspiracy to keep Keno away from the uninitiated, that current Keno aficionados don't want younger people to figure out just how fun the game of Keno is. The style and whole vibe of KenoConfidential.com is so unusual and so cool. It would not resonate with everyone, but that's okay because it is focused on the young adult market.*

Sean Blixseth: There's an old adage that if you chase two rabbits you catch neither. I think you have to be true to who you are, decide that a specific goal, like connecting with the 21 to 34 age demographic, is worthy, and then not compromise on the pursuit of that goal. That is

the consumer group we wanted to reach. Our campaign did not need to appeal to the larger group of Keno players. Of course, it was vital that it wasn't unappealing to them. We can't be so edgy that we alienate the current Keno player. This campaign had the potential to do that and so we paid special attention to ensure that did not happen. The end result is that older people are portrayed as being the smart people with the inside knowledge. It is all done in a funny tongue-in-cheek way. It is basically selling to young adults, with the protagonist Jeff trying to uncover the conspiracy that keeps the game from being discovered by young people. It makes Keno cool for young and old alike. But in style and tone and story it is all geared to appeal to the 21 to 34 age group.

The concept of chasing two rabbits and you'll end up with none – framing the problem properly like that would seem to be the first step towards a successful action plan. KenoConfidential.com portrays the current Keno player as being older but slyly guarding the secret of how fun Keno is. As if to say, we might look like we're sitting on a rocking chair and whittling or knitting, but we're the ones that are having fun and winning money at keno. Turning it into a conspiracy is such a funny and captivating idea. It's not attempting to engage the

current players, but I would think it does anyway.

S. Blixseth: The room was set up for success. This was a perfect storm of the right team at the state level and the right agency. The Lottery came into this with their eyes wide open. They had done their research. They knew that there were not new consumers coming into the Keno pool. The Lottery knew that they could either take this leap of faith and change the way Keno is marketed, or Keno eventually goes away. These are some very smart people that really understood that, and strong leaders who had the guts to act on it.

So, we studied the ways that Keno was being marketed in other states. But we did not see the multi-screen approach that we thought this campaign needed. We knew early on that the key to reaching the young adult would include an integrated mix of TV, mobile, desktop, tablets, radio, and billboard components. It would require a unique story to engage this hard-to-crack demographic. We came up with an immersive campaign that appeals to this new type of consumer, one who actually consumes media completely differently, on their terms, when and where they choose. And then we recast the same content so that it would appeal to both the new consumer group and to the current player. The original idea was to increase the frequency



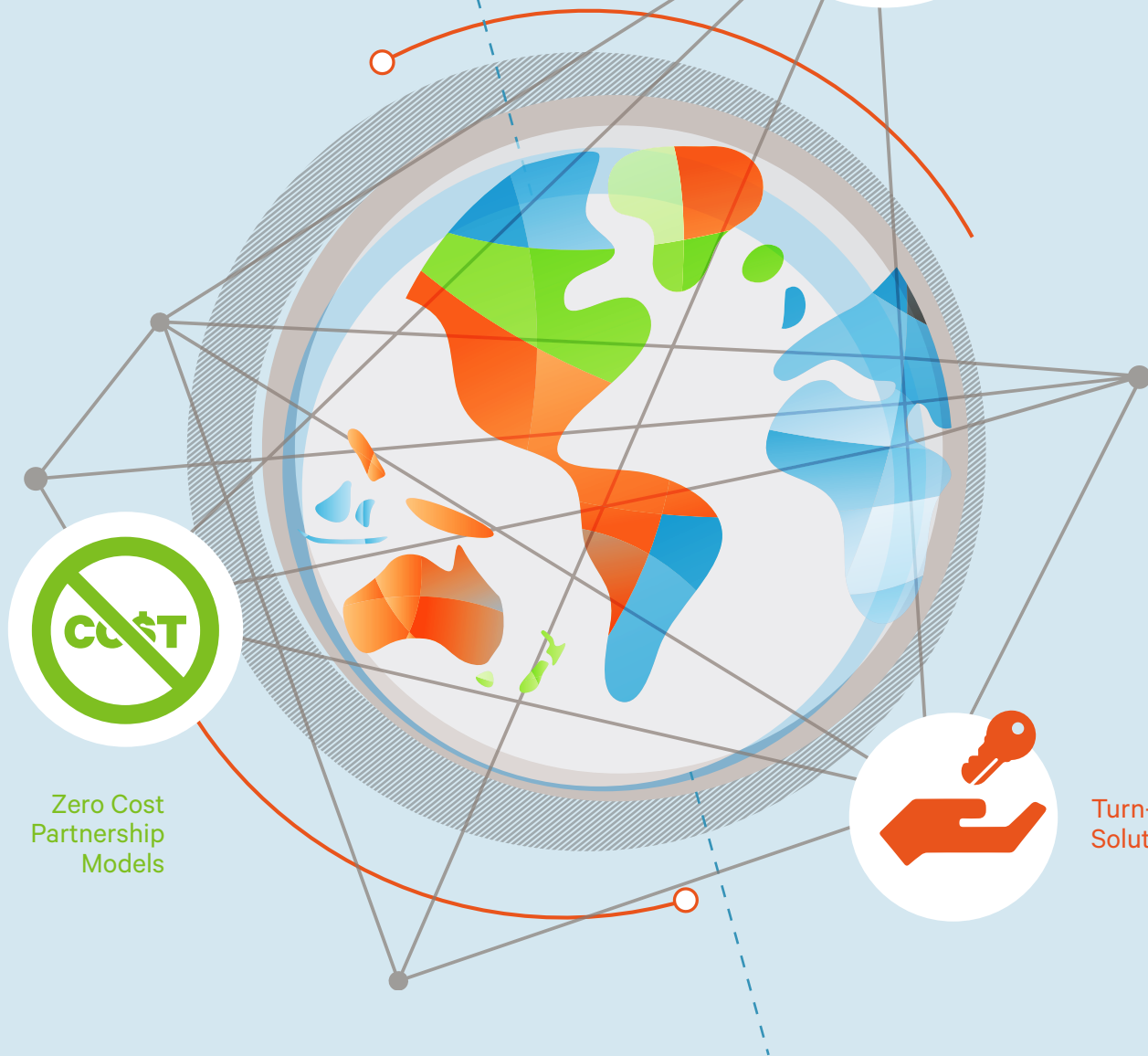
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of the current and casual Keno player, and then create a beach-head to start to pull the future Keno player into the Keno world. That's both a channel and a message challenge. But early on, we redirected to focus squarely on the 21 to 34 age group, while preserving a positive message for the core players.

The campaign began as totally grassroots. No mass media, nothing anywhere except online. It evolved organically. First with the concept of a guy who believes in conspiracy theories, adding the film-maker, re-casting the current older player to be the really cool people who know something that you don't know and they are trying to protect it. But that part of the story is not revealed in the beginning. We create a little bit of mystery and a little bit of a rewarding experience to keep this younger consumer engaged in a story that unfolds in the way they are used to watching their favorite TV show or movie unfold. At the same time and as the subtext, Jeff is actually educating them on how to play the game. That was a key part, this combination of educating and entertainment, which now even has a name: edutainment.

How do you get people over the perception that Keno is a confusing game? We decided that instead of denying it, embrace it and give it a context that would turn that liability into an asset.

It occurs to me that we don't refer to instruction books anymore. We just go online to learn how to do something.

S. Blixeth: If the twenty-something person wants to learn how to operate a camera or play an instrument or build a cabinet, they're going online, probably first to YouTube. They're not reading a pamphlet or going to a brochure. So if you want to market to this new consumer, you go where you can connect with them in the way that they are familiar and comfortable with.

How much better is it for the consumer to be able to take time to learn online than to ask the clerk in a convenience store to explain the game. In fact, they probably wouldn't ask the clerk to explain it and would end up just not playing.

S. Blixeth: But it's not enough to just provide the information online. Most or even all lotteries do that already. You need to really sell the consumer on the proposition that it is worth their time to learn the game. It's a process of edutainment and the goal actually isn't to sell anything but to engage. Engaging the consumer, getting

them interested in the game, educating them on how to play it, and doing this all at the same time. We are so impressed and appreciative of the vision of the Oregon Lottery that they understood the concept and supported it. We could not find anyone else doing this kind of digital-centric campaign. The lottery industry needs pioneers to create new ways to connect with the consumer. Fortunately, even though this digital-centric approach appears to be largely untried in the lottery industry, these are low-risk strategies. We were quite confident they would exceed everyone's expectations.

Social media has the unique ability to create a viral dynamic, with fans sharing their experience with their friends and positioning the product for the possibility of a home-run viral exposure.

S. Blixeth: The goal is to create fans who become advocates. The great thing about this new consumer base is that they're very tribal. Their experiences are hyper-shared. Just think about how they live for posting and sharing videos and photos of themselves and their friends, talking about where they are going and the fun things they are doing. This creates a fabulous opportunity for the right story shared in the right media to engage a large group of advocates who in turn will bring in a potentially massive group of their friends. The older generation of Keno players may love the game just as much, but they are much less likely to share their experiences with as many people as does the young adult. Keno is a game that particularly lends itself to this kind of campaign. There are so many different ways to win and it is a very social game.

The Jeff and Sam characters hit the mark so beautifully. They're such an interesting combination of loveable, approachable, relatable, and smart but goofy.

S. Blixeth: We started with Jeff and decided he needed a foil, a loyal buddy, someone who did not totally relate to Jeff's conspiracy theories but went along because he is a friend. Jeff is the one who is all kinetic energy, Ferris Bueller type infectious passion. And he decides his mission in life is to expose this conspiracy that there's this group of people who has been playing Keno and winning and having fun for generations. And they've been keeping it from us all this time!

Unlike a television commercial, the digital platform enables the telling of a longer

story that can evolve as the relationship with the consumer evolves.

S. Blixeth: It creates a platform for an endless variety of extensions. In the future there's no reason why the Lottery couldn't cross market through this channel and new consumer connection that they built. Lottery has the capacity to create its own network of digital channels that could engage tens of millions of consumers nation-wide. Think about how valuable and impactful that would be. Whether it's for bringing in new consumer groups for traditional games, engaging core groups in new games, cross-marketing between and among the different categories and player profiles, integrating their retailers into the digital relationship with lottery players, collaborating with other consumer brands with an affiliate marketing strategy - the possibilities are endless. The future could be incredibly bright for Lottery. And it really does not take a big leap of faith. The entire digital landscape provides a very scalable platform. Start with a no-risk campaign like Keno Confidential and build from there.

I hope that the success of Keno Confidential points us in the right direction, shows us the phenomenal potential of the digital-centric approach.

S. Blixeth: Working with the Oregon Lottery has been a wonderful and very important opportunity for our agency. We are so excited about the potential of the Lottery, and so impressed by the talent and vision of the leadership and staff at the Lottery. And we are so pleased and proud to be able to help and be a part of the public service mission of Lottery.

What is the new frontier for Lottery?

S. Blixeth: I think it is all about distribution and tapping into the social networks. Distribution is all about Mobile. That is how the 21 to 34 age group conducts all business and accesses most media resources. We need to make it entertaining, fun, and it must have a consumer-friendly user interface. It is all very do-able. Lottery has this huge untapped potential. The only limitation is our understanding and embracing new technology's role in Lottery marketing.. They are becoming more and more lottery friendly. That's why lotteries all across the country should be actively engaging social networks and digital channels right now. ♦

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Jaymin Patel

President and Chief Executive Officer of GTECH Americas



Paul Jason, Public Gaming: *It took no small amount of study for me to understand the significance of this restructure, and why it really is the culmination of a vision that began with the acquisition of GTECH by Lottomatica back in 2006.*

Jaymin Patel: The reorganizations of the past seven years have all worked to facilitate the integration of acquisitions and new business initiatives. By necessity, it had to focus on rationalizing operations, business processes, and product groups. Of course, our customer-first mission remained the top priority. But we simply had to allocate resources to accomplish many different objectives all at the same time. We are now truly poised to effectively harness all of our resources for the direct benefit of our customers who operate games to generate revenues for Good Causes.

GTECH's three regional divisions are now totally focused on the mission of helping our customers accomplish their business objectives. We are supported in those efforts by the Products & Services division which turns the business intelligence of GTECH's global operations into the next generation of gaming products, and enables the regional divisions to implement best practices for the benefit of our customers. This structure enables us to respond to the uniqueness of each customer, while also bringing to bear the depth and breadth of our global resources to help our customers achieve their full potential.

And now GTECH S.p.A is the parent company. Lottomatica is the operator of the Italian business and operates as a division of GTECH S.p.A.

J. Patel: We are excited and proud to see the GTECH brand at the forefront. More importantly, we embrace the challenge to exceed customer expectations, raise the bar on ourselves, and deliver an unparalleled level of service and quality products. Our customers know and understand what GTECH is and what we do. The brand is known for integrity, for on-time delivery, for innovation, for quality products and services, and for people who are experts in the lottery and gaming industry.

Products & Services, led by Renato Ascoli, is dedicated to innovating on every front, harnessing our experienced resources to



give the regional divisions the tools we need to drive results for our customers. That enables customer-facing resources to be dedicated to the singular goal of serving the customer. This is the culmination of the customer-first vision that began several years ago.

Each regional division is responsible for all the products and services. As President and CEO of GTECH Americas, you oversee the entire range of products, including electronic games from SPIELO, digital/interactive products and services, sports-betting, as well as printed products, and of course the terminal/draw-based lotto games.

J. Patel: Exactly. We are now structured to help our customers take full advantage of several important trends; to get in front of these trends as opposed to reacting to market forces. One of those trends is that lottery customers are expanding into new gaming product areas. Traditional lottery products continue to be the biggest revenue-driver, and by far the biggest profit-driver. But government-gaming operators are now moving into video lottery products, and interactive products, and digital channels of distribution.

Interactive products sold through digital channels are evident more in Europe, Asia-Pacific, and Canada than in the U.S. But the trend is clearly inevitable and we can only hope that shapers of public policy will evolve an effective regulatory policy in the U.S. as well. Of course, we are starting to see new games implemented over the Internet and mobile devices in the U.S. As the digital initiatives of pioneering jurisdictions are successful, hopefully others will soon follow.

The market-driven trend toward expansion and diversification of product offerings is requiring gaming operators to adapt and change the way they are set up to meet the needs of the consumer. This trend clearly includes a move toward cloud computing and provision of software as a service.

Five years ago, you might have had one server platform that supported lottery and a separate server platform for other types of games. Now, the operator wants to integrate these into a single platform that provides a single player view. Having multiple product and delivery organizations is not the optimal way to serve the progressive customer who is building the technology to support

a multi-faceted gaming hub. GTECH is now able to support the ambitions of government operators as they evolve in response to consumer and market demands.

Another important trend is the cross-fertilization of content. The content being developed for slot machines and VLTs is being implemented in digital channels and vice-versa. Interactive games will be deployed over all varieties of media and devices. The player needs to have a single view, with similar protocols to make it easy to migrate from one interface or device to another, from the VLT over to the at-home computer, to the mobile device, and back again.

The main thing is that we now are one integrated product organization supporting the customer and ensuring they understand how this increasing variety of products can be integrated on both the back-end IT platform as well as the consumer-facing side of the business. As a company, we are now positioned to think, act, and focus locally with each individual customer, while also engaging the resources of GTECH's global operations.

GTECH's global operations and scale would seem to provide it with a unique capability to harness massive amounts of information and data that could inform business decision-making.

J. Patel: The challenge is how to organize and analyze the data and apply it intelligently to the task of making decisions.

There are two big issues. The flood of data means more noise (i.e. useless or un-curated information) but not necessarily more signal (i.e. data that truly informs and enhances decision-making).

For instance, we want to understand the relationship between human behavior, media and POS messaging, the performance of the games, and the financial results being achieved. Capturing and organizing the data is just the first step. Correlating it in ways that truly inform the game development process and influence the marketing process is the big challenge. It is a combination of engineers and scientists along with professionals who are steeped in the lottery and gaming industry that will make that happen. That is the role of our Product & Services group. The company has channeled substantial resources into the mission of converting data into actionable guidance and useful information. Of course, our Products & Services group uses input of our customer-facing regional segments to discern the issues that drive success and performance in this business.

Our role in the commercial side of the business is to focus on local markets and conditions to clarify how we can apply game innovation techniques and marketing ideas to be able to drive a higher level of same store sales performance. That is the strength of our new corporate structure. We need to have that global perspective that the Products & Services group brings to bear. But we need the regional groups to stay focused on actionable strategies to produce results for our customers in real-time.

Understanding and insight into market trends and human behavior as manifested around the world is vital. But at the end of the day, it is our job to optimize the businesses of our customers which are fundamentally local in nature. We need to respect the fact that each jurisdiction is unique. We need to appreciate that our customers understand their markets and their businesses better than we do. That is why we welcome their guidance on how best to apply our resources for optimal effect. Whatever capabilities and resources we bring to the table are applied through the prism of a customer-first relationship because that is what produces the best results.

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GTECH RESTRUCTURES TO SERVE THE GLOBAL COMMUNITY OF GOVERNMENT-GAMING OPERATORS

In January 2013, Lottomatica Group announced a plan to further integrate its business segments globally and to change the company name to GTECH S.p.A. These changes are aimed at supporting growth, improving efficiency, enhancing profitability, and helping its customers capture their full potential. GTECH S.p.A now operates under a unified, customer-facing organization structure aligned around three global geographic regions:

- GTECH Americas led by President & CEO Jaymin Patel
- GTECH International led by President & CEO Walter Bugno
- GTECH Italy led by General Manager Fabio Cairoli

These three business units are supported by a global Products & Services division led by President Renato Ascoli. GTECH is now a €3.1 billion (US\$4.24 billion) enterprise, employing 8,600 professionals, serving clients in over 60 countries. GTECH's Products & Services has centralized the brain-trust that drives global product development, R & D, and best practices to positively impact the business results of each and every customer.

This organizational structure is the culmination of a vision that had its genesis in August of 2006 when Lottomatica S.p.A. acquired GTECH Holdings Corporation for approximately \$4.7 billion. Then, as now, GTECH was the leading provider of integrated technology, creative content, and business services to support the growth of government-gaming clients.

But the visionaries at Lottomatica and GTECH recognized that dramatic change was about to overtake the industry. Consumers were driving expansion into new games and channels of distribution. GTECH would need to support its government-gaming customers in new ways to help them respond to these changing market trends. Additional gaming and technological assets would need to be acquired. Technological and business process platforms would need to be integrated on the back-end systems. A user-friendly customer interface would need to be developed for the front-end. And during the years it would take to accomplish this, service to its customers would need to excel and continue to exceed expectations.

In a single 18 month period (end of 2006 to middle of 2008), GTECH acquired Creative Games International (a lottery instant ticket printer), Finsoft Ltd. (a sports-betting solutions provider), Atronic (a manufacturer of electronic gaming machines), Boss Media (an Internet gaming software and services provider), St. Minver and St. Enodoc Holdings (an Internet gaming IT, software and solutions provider). Thus began the task of integrating these newly acquired assets into an enterprise that would add true value to its clients' businesses.

Over the next five years, Lottomatica Group would complete this integration and transform itself into the full-service provider envisioned by the architects of the acquisition of GTECH. In the beginning of 2013, Lottomatica Group was ready to pour all of its resources into the singular mission of adding value to its customer relationships. The idea of a customer-centric mission supported by the massive resources of a wholly integrated global operation was now a reality – GTECH S.p.A. ♦

TAKEAWAYS FROM NASPL'S PANEL ON LOTTERIES' EVOLVING INTERACTIVE AND MOBILE STRATEGIES

By Mark Hichar¹ and Jacquelyn Mancini²



The 2013 Annual Conference of the North American Association of State and Provincial Lotteries (“NASPL”) was held this October in Providence, Rhode Island, and provided a showcase for the energy and creativity of the women and men in the lottery industry. Among the many forward-looking panel presentations was one focusing on lottery interactive and mobile strategies, and how interactive and mobile applications may be used to extend players’ retail experiences and attract new consumers. This article presents some of the common themes and insights from that October 2, 2013 panel presentation.

ONLINE LOTTERY GAME SALES DO NOT APPEAR TO CANNIBALIZE SALES OF TRADITIONAL LOTTERY GAMES

Recent evidence from North American lotteries suggests that the implementation of online games need not cannibalize existing “bricks and mortar” lottery ticket sales. Online games appear to attract a different – and younger – consumer than do traditional games. Cameron Adams, Director of Product & Business Development for the eGaming Division at the British Columbia Lottery Corporation, demonstrated that “[a]ll parts” of a lottery can grow simultaneously. In recent years, BCLC’s traditional lottery activity has grown at nearly the same rate as has gaming via its PlayNow interactive platform.

MOBILE DEVICES ARE THE FUTURE OF ONLINE GAMING

In order to reach younger players “where they live,” lottery games must be available on mobile devices. Research shows that mobile activity is becoming increasingly relevant. Statistics pre-

sented by Danny Bogus, the Interactive Manager for the Michigan Lottery, demonstrated that 56% of consumers own a smart phone and that 67% of consumers open emails using a mobile device rather than a desktop computer. The percentage of visitors to the Michigan Lottery website accessing the site via a mobile device (smart phone or tablet) as opposed to a laptop or desk top computer are increasing year-over-year, from approximately 9% in January 2011, to 17% in January 2012, to 30% in January 2013 and to 35% in May 2013. Further, 51% of Keno “To Go” games watched in Michigan were watched via a mobile device.

Similarly, Jack Dimling, the Georgia Lottery Corporation’s Vice President of Sales, explained that the Georgia Lottery recognizes that mobile accessibility is critical to drive lottery sales going forward. The Georgia Lottery intends to launch the first phase of its mobility project in late-spring 2013, and the second phase during the summer/fall 2013.

RELIANCE ON MOBILE DEVICES BRINGS WITH IT NEW CONCERNS

Interactive platforms must be simple and familiar to players. Adams cautioned: “make it easy, not flashy.”

Mobile applications are not always under the lottery’s control, which means that a lottery must rely on third party developers with respect to application uptime.

Interactive application testing can be complicated and expensive. Bogus noted that 156 devices are required to test 80% of Michigan’s mobile market.

Lotteries should begin thinking like media companies, Bogus suggested, adding that they should focusing on brand recognition and availability across multiple platforms. Bogus mentioned that factors leading to the success of mobile applications generally overlap with factors that contribute to successful lottery-related mobile applications. Dimling reiterated the value of a media focus, noting that communication and product awareness have been a challenge for Georgia’s interactive activities and that increased marketing is a focus going forward.

CONSIDER DIFFERENT PRIZE PAYMENT OPTIONS

As explained by Dimling, the Georgia Lottery Corporation conducts internet lottery game sales via a “Player Portal” for Georgia Lottery “Player’s Club” members. Player’s Club members wishing to purchase games via the Internet must register to receive a Georgia Lottery “iHOPEcard,” which is a pre-paid debit card cobranded with Discover. Players can fund their iHOPE accounts in order to purchase lottery tickets online. In addition, the iHOPEcards can

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² Jacquelyn Mancini is an associate at Hinckley Allen and Snyder, LLP and is frequently involved in matters relating to gaming law and regulatory compliance with respect to gaming matters. See <http://www.hinckleyallen.com/jacquelyn-a-mancini/>



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SOCIAL GAMING AND GAMBLING: AN EU LEGAL ANALYSIS IN LIGHT OF INTERESTING OPPORTUNITIES... AND POTENTIAL RISKS

By Philippe Vlaemminck & Robbe Verbeke, ALTIUS law firm, www.altius.com¹



Social media could be considered today's generation's window to the world. In this world, people network and share with friends, create news and consume fun and games. Social gaming forms an integral part of this picture and has rapidly become big business. Around 12% of the world's population is active in social gaming. In its wake, gambling-related social gaming is also booming with just over 20% of social gamers playing some form of casino-style game. This means that gambling-style social gaming is significantly more widespread than classic online gambling (more than 3 to 1 ratio). Furthermore, gambling-style social gaming is still becoming increasingly more popular and seems to be on a steeper path than other social games. This translates to monetary value of gambling-style social gaming. For example: in the beginning of 2012, the popular Double Down casino game on Facebook was bought by IGT (International Game Technology) for 500 million USD.

An important aspect of social gaming is probably the mobile component. Mobile

gaming is estimated to be a 100 billion USD business. Smartphones and tablets have made online gaming and gambling available to consumers at any place and time. Apps for smartphones and tablets are not unknown to the traditional gambling industry either and revenues generated through these distribution channels can make up a sizeable portion of a gambling operator's profit. Available data shows that those gambling operators which jumped on the mobile bandwagon early on now reap the benefits from that strategy.

The popularity of and demand for gambling-style social gaming is a reality that must be taken into account. We can already see a growing convergence between traditional gambling, online gambling and social gaming with social gaming operators expanding into gambling and traditional gambling operators offering social gaming. The growing impact on both social gaming and online gambling of mobile internet on smartphones and tablets only adds to that convergence.

WHAT RULES APPLY?

But what rules apply to (gambling-style) social gaming in the European Union? If the game in question is really (social) gambling, then national gambling rules will apply. For a social game to be considered "gambling" it must meet the requirements as set out in the national definition of gambling of the jurisdiction in question. Most countries require there to be some form of stake, a certain element of chance, and the possibility of a certain prize being paid out to the player. There are variations however. In some countries the element of chance must be decisive whereas in others it suffices to have but a minimal impact. One can also debate e.g. on whether providing your personal (contact) details can constitute the payment of a stake as this information may be very valuable for marketing purposes. And, last but not least, simply being granted the opportunity to play the game again for free may – in some jurisdictions – possibly be seen as a prize won by a consumer.

It is hence not inconceivable to have national gambling laws applied to social gaming. However, most of the times social gaming will not be considered gambling as the constituent elements of what is "gambling" will not be considered fulfilled. Especially where the game is played for free, there will be no "stake" and social gaming in general also does not offer consumers the chance to win prizes. When (national) gambling legislation does not apply, there is still a robust legal framework, set out by the European Union, to which social gaming operators must adhere. This legal framework mainly consists of a number of directives that focus on e-commerce, consumer protection and personal data protection. In addition to this legislation, providers of social games will also have to abide by the rules set out by the providers of social networks on which they want to offer their services. Facebook for instance

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has a number of terms, policies and guidelines, including gambling-specific guidelines. An interesting provision in this respect is that a “For Fun” App displaying a gambling brand must display that it is for fun only; may not link in any way to a gambling site; and must make sure that earnings can’t be cashed out in any way.

THE EU LEGAL FRAMEWORK

Let us take a quick look at the most noteworthy EU directives. Under the currently applicable data protection rules in the EU (see e.g. the Data Processing Directive 95/46/EC) social gaming providers will have to take into account certain rules when processing personal data of customers. They will first of all be required to obtain informed consent from their customers. The data must also be accurate and the customer should have the possibility to access the data and rectify possible mistakes.

The E-Commerce Directive (2000/31/EC) sets out the principle of freedom to provide cross-border services via the internet. If the service provider legitimately offers its services in its country of origin, it can also offer these services to

consumers in other member states of the EU. The E-Commerce Directive however also stipulates a number of rules that must be taken into account, including requirements regarding information that must be communicated to consumers. More information requirements can be found in the Consumer Rights Directive (2011/83/EU). Without going into details, it should be noted that consumers have the right to be fully informed beforehand about any agreement they are closing with a social gaming operator.

Another very important legislative instrument is the Unfair Commercial Practices Directive (2005/29/EC), which is directed against misleading and aggressive commercial practices. Examples of such commercial practices from which social gaming operators should abstain are describing a product as free whereas the consumer must actually pay for it; creating the false impression that consumers have won or will win a prize when there is no such prize or they must first pay to receive it; or direct exhortation to children to buy something (or let their parents buy it for them). When it is likely to deceive the

consumer in a way to make him decide to enter into an agreement with a social gaming operator, it may also be misleading and therefore illegal to insufficiently inform the consumer regarding the motives for the commercial practice and the nature of the sales process.

Under a strict application of this rule, it could hence be considered illegal not to inform the consumer in what way you, as a social gaming provider, are benefiting from the services you are offering him. In this respect, it is important to understand that there are various ways of making a social game profitable. This could be for instance by using the social game as a marketing tool for player acquisition and retention and as a gateway to new markets; or as another tool to engage the consumer with your brand and enhance loyalty; or also simply as a standalone B2C business.

OPPORTUNITY OR RISK?

There is quite some potential for gambling or lottery operators stepping into social gaming. It can be a useful marketing

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KAMBI SPORTS SOLUTIONS

Well worth knowing

Dianne Thompson

Chief Executive Officer, Camelot Group
(Operator of the UK National Lottery)

PGRI Introduction: A most puzzling situation has emerged in the UK. In 2011, the “Health Lottery” was launched by Northern & Shell. The Health Lottery operates nationally with the backing of major media outlets owned by Northern & Shell and Richard Desmond. In fact, the Health Lottery is sold in 40,000 stores compared to the 37,000 that the UK National Lottery is sold in! How is this possible when the UK National Lottery has the franchise to operate exclusively in the UK? Indeed. It appears to have been confusing to the consumer and destabilizing to the market-place. Sir Stephen Bubb of the Association of Chief Executives of Voluntary Organisations has described this as a “disgraceful development.”

The charter for The National Lottery franchise, operated by the Camelot Group, stipulates that the UK National Lottery can be the only national lottery in the UK. And for good reason. The National Lottery operated by Camelot delivers 28% of revenues to ‘good causes’ that serve society and an additional 12% in duty to the Government. The Health Lottery returns just 20.3% and pays no duty to the Government.

Camelot also takes a maximum of 1% as profit. Who knows how much the private shareholders of the Health Lottery are taking out in profit? And just who are those private shareholders? It’s a company called “Northern and Shell” which also owns the biggest conglomerate of media outlets in the UK and has been using that power to promote its Health Lottery. It is a situation that should concern all lottery stakeholders who think this kind of thing could not happen to them. In fact, an emerging trend is companies that sell lottery tickets online, illegally at first but then they turn around and negotiate a license to do it legally. This syndrome could, it would appear, happen anywhere.

The condition of exclusivity is one in which national lotteries all around the world operate. The reason for this is two-fold. First, this monopoly model is the most effective at maximizing funds generated for “good causes” that benefit society. The absence of competition enables more money to be generated for National Lottery Good Causes and the state. Second, the monopoly model assures that the business is operated in compliance with all varieties of public policy objectives, including but not limited to the goal of minimizing problem gambling.

Camelot UK was awarded the contract to operate the UK National Lottery in May 1994, again in 2000, and again in 2007. The current franchise period runs until 2023. Dianne Thompson was appointed to the position of Chief Executive Officer of the company in the year 2000. Camelot’s strategy for long-term, responsible growth has seen total UK National Lottery sales grow by over 50% in the last decade. In 2012/13, the company achieved its highest-ever sales of £6.977 million, a 7% increase in year-over-year sales. And all within the context of being one of the biggest lotteries in the world, a global lottery industry that has grown at a more modest rate in recent years, and a gaming and gambling environment in the UK that is by far the most competitive in the world.



Paul Jason, Public Gaming: *The situation with the Health Lottery is confusing. Isn't the National Lottery the only legally authorized lottery in the UK?*

Dianne Thompson: It is true that the law says there can only be one National Lottery. The law stipulates that the UK National Lottery is the only national lottery authorized to operate in the UK. And there's

a very good reason for that: providing exclusivity to a single national lottery is the most efficient way to maximise returns to good causes and society. Creating a free-for-all approach in which multiple lotteries compete for the business results in lower sales and therefore lower returns to good causes and society. The high level regulation also helps to ensure that the lottery is operated consistently and appropri-

ately with player protection at its heart.

In addition, in an increasingly competitive marketplace, if those protections are weakened by default or are deliberately dismantled, then the whole basis on which Camelot bid for, and was awarded, the licence would be critically undermined, and the licence and any future bidding process would have to be completely re-written. Why

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would any potential bidder spend over two years and millions of pounds, as Camelot did last time, going through a bid process for a licence that caps your profit at less than a penny in the pound under these conditions?

Why is the Health Lottery allowed to continue to operate?

D. Thompson: There is a loophole in the Gambling Act 2005, which has been used by the Health Lottery to position itself as a direct rival to The National Lottery. The loophole is this: there are almost 500 small lotteries operated on a local basis to serve community-based charities, like children's homes and hospices and other local causes. These are classed as "society lotteries". But the amount of money involved is very small, and their impact on the market is negligible. They do not affect the broader national market or operation of the UK National Lottery. However, the Health Lottery has created and organized 51 of these small local lotteries into a single operation, in effect creating the equivalent of a national lottery. Combine the national branding, national organization and distribution, and the support of national media, and you have a formidable competitor to the UK National Lottery.

That would seem to violate the intention of the law that allows local communities to operate little local lotteries to raise funds for their local charities.

D. Thompson: We believe it does. We sought, without success, the intervention of the UK Gambling Commission to review The Health Lottery's lottery promotion licences with a view to suspending or revoking them. That was in 2011 and early 2012. We subsequently applied for a Judicial Review to challenge the Gambling Commission's failure to take appropriate regulatory action against The Health Lottery. The High Court rejected this application in August 2012, stating that "The question of whether multiple society lotteries should be permitted is a political question, to be determined by the

Government or Parliament."

But it would seem to be a matter of existing law, and not a "political question" requiring further legislation. Isn't the Health Lottery violating the law by organizing these local community lotteries into a national lottery that competes with the UK National Lottery?

D. Thompson: To your point - the Gambling Commission's own evidence to the court described The Health Lottery as being "clearly designed to circumvent the proceeds limits - the gambling equivalent of a tax avoidance scheme that exploits loopholes in the legislation" and further stated that "the [Government] Department needs to decide whether to block the loophole or allow the limits to be breached and accept the possible damage to The National Lottery."

That is unfortunate. It would seem like the Gambling Commission could in fact act on it as a violation of existing law instead of tossing it back into the black hole of policy-making.

D. Thompson: We believed so, which is why we sought its intervention early on. What matters here is that a lack of both regulatory and political action could set a dangerous precedent. The Government is in real danger of sleepwalking into a situation whereby future returns to National Lottery Good Causes and Lottery Duty revenues to the Exchequer are seriously jeopardised because there is nothing to stop other commercial operators from following The Health Lottery's model and setting up similar industrial-scale, mass-market society lotteries - who return a much smaller amount to society - as direct rivals to The National Lottery. Obviously, this will eventually result in a competitive landscape that will dilute sales and reduce returns from The National Lottery. And that contradicts one of the main reasons why the National Lottery was set up to operate on an exclusive basis in the first place.

As we have warned all along, the longer the period of political inaction, the more

incentive there is for other commercial operators to establish similar industrial-scale society lotteries that would effectively cannibalise National Lottery sales and returns to the Good Causes.

Do you want the Government to shut down The Health Lottery?

D. Thompson: We want the Government to close the loophole in the Gambling Act 2005 which has been used by The Health Lottery to position itself as a direct rival to The National Lottery. The Government needs to ensure that the law mirrors the intention and will of Parliament that there should be only one National Lottery in the UK.

What is the status of this situation right now?

D. Thompson: In December 2012, the Government announced its plans to consult on whether to change the minimum amount of proceeds that a society lottery must return to their chosen good causes.

The Government is right to explore different ways of ensuring that all lotteries deliver the maximum benefit to good causes - and we look forward to participating fully in the consultation.

So would you be content if The Health Lottery paid 28% to health-related causes?

D. Thompson: We believe that all lotteries should deliver social good by raising as much money as possible for their beneficiaries. With respect to industrial-scale, mass-market society lotteries, we don't believe that the 20.3% (0.3% above the statutory minimum) amount that they are currently required to return to their good causes meets this goal.

We believe that increasing the minimum contribution to good causes made by industrial-scale society lotteries to 32% and capping their expenses and shareholder profits at 15% (much more than the amount allowed for the operator of the National Lottery), which would represent a return to the regulatory position prior to 2005, would at least protect The National Lottery's unique position as originally



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intended by the UK Parliament.

The best solution, of course, for safeguarding the long-term health of The National Lottery and the Good Causes it supports would be to enforce the law that prohibits other rival national lotteries.

As for bona fide small-scale society lotteries, the status quo should remain – enabling them to continue to operate in line with the current revenue and prize limits to fulfil their important role in raising money for the good causes they support.

It is also important to remember that all “society lotteries” are exempt from paying Lottery Duty. That is absolutely fine for the smaller society lotteries. While The National Lottery pays this additional duty, the Health Lottery does not, despite positioning itself as a direct rival to The National Lottery.

How much harm is The Health Lottery really doing to Camelot?

Dianne Thompson: First, it’s not about the harm that the Health Lottery is doing to Camelot. It’s about the harm that the Health Lottery is doing to the UK National Lottery. That is the real asset that has unique brand value. That asset belongs to the citizens of the country – not Camelot – and the government should protect the value of it.

In the end, allowing multiple brands will relegate the UK National Lottery to being just another consumer product. Lottery will end up operating like any other consumer products category with multiple brands competing for market share, genericizing all the brands, fragmenting consumer spend and, ultimately, destroying the current UK National Lottery model that has served the people of the UK so well. In this sense, the damage to the brands of the UK National Lottery is almost incalculable.

Second, consider the harm done to the consumer by the confusion created with the introduction of multiple lotteries. The consumer has come to expect and assume that the “Lottery” means one thing: the UK National Lottery. Their own UK National Lottery. The consumer is entitled to have that expectation be met. Their decision to buy tickets and support The National Lottery is based on all they have come to know and love about the lottery over almost two decades of viewing their National Lottery in a special way. That would all be taken away with the introduction of multiple brands that turn lottery into just another consumer products category.

Third, yes, Camelot has, over the past

two decades, invested hugely in the development of the brand value of the UK National Lottery. And to great effect. Camelot has skillfully shepherded this brand to its current status as one of the most loved, respected, and recognized brands in the country. And the ROI for that investment was expected to accrue at least through the current license which runs until 2023. Again, the issue is more about protecting the brand value of the UK National Lottery which belongs to the government, and by extension, the people of the UK. Camelot invested in the development of that brand with the expectation that the contract to run The UK National Lottery would remain on an exclusive basis.

Fourth, extensive research has revealed that the UK National Lottery is losing around £1 million a week in sales to The Health Lottery. Based on its first seven months of operation, the research shows that 62% of The Health Lottery’s sales were cannibalised from The National Lottery. Based on The Health Lottery’s reported annual sales of £119 million, that would work out at some £73 million in lost National Lottery sales in The Health Lottery’s first year of operation.

By itself and relative to The National Lottery’s sales, this may not seem a great deal. But, as we’ve said all along, simply comparing The Health Lottery’s sales with The National Lottery’s isn’t what this is all about. Looking at sales in isolation ignores the very serious concerns that have been raised about the dangerous precedent that would be set if, through regulatory and political inaction, other commercial operators are encouraged to follow The Health Lottery’s model and set up similar industrial-scale, mass-market lotteries as direct rivals to The National Lottery.

Changing the lottery model from an operation licensed on an exclusive basis by the government to a consumer products category with multiple operators is a very big deal and will have profound repercussions on the value of the brand, and the net funds generated by the UK National Lottery for the benefit of the people. The cumulative effect of multiple operators would be devastating for the brand value of the National Lottery, for the Good Causes supported by the Lottery, and for the Lottery Duty revenues to the Exchequer. That’s what needs to be addressed as a matter of urgency.

Lastly, these negative impacts will not likely progress in a linear fashion, building slowly and steadily over time. A tipping-

point threshold will be passed at which point the rate of change in consumer attitude towards the National Lottery and its competitors would accelerate. The consumer would acquire a new perception based on the differing product attributes, compare and contrast those attributes, and make buying decisions based on the same kinds of criteria on which they make buying decisions on all other consumer products. The £1 million a week currently being lost to the Health Lottery may increase slowly over the next number of months, but the real damage will be done once that tipping-point is passed. And then there will be no going back. The value of the brand will be irreparably damaged.

It was reported recently that Camelot is not going to bid for a fourth lottery licence. Is this true?

D. Thompson: Just to be clear – Camelot has not said that it “doesn’t want to bid to renew its licence to run The National Lottery”. Camelot’s licence to operate The National Lottery runs until 2023 so I’m sure you will appreciate that, with 10 years still to run, no decisions have been made about whether Camelot would bid for a fourth successive licence. However, as we’ve previously publicly stated, Camelot would, at the appropriate time, have to carefully consider whether it would bid for a fourth licence.

The National Lottery was deliberately set up by Parliament on an exclusive basis as it is the model most likely to generate the maximum amount of money for National Lottery Good Causes, and to protect players. And, with more than £30 billion raised for the Good Causes to date in a socially responsible way, that has clearly proved to be the case under Camelot’s stewardship of The National Lottery over the last 19 years.

As an exclusive operator, your competition is limited but so are your profits – in Camelot’s case, it takes less than one penny on the pound in profit. This ensures that the lottery fulfils its intended purpose – to raise as much money as possible for its beneficiaries, not the people running it.

However, in an increasingly competitive marketplace, if those protections are weakened by default or are deliberately dismantled, then the whole basis on which Camelot bid for, and was awarded, the licence would be critically undermined, and the licence and any future bidding process would have to be completely re-written. Why would any potential bidder spend

over two years and millions of pounds, as Camelot did last time, going through a bid process for a licence that caps your profit at less than a penny in the pound under these conditions? Potential bidders would have to balance the risk versus reward of the 'new' structure in deciding whether to bid. And bidders would surely factor the element of competition into the bid, resulting in less money raised for the Good Causes that The National Lottery is intended to support.

The Health Lottery was started by Richard Desmond, who happens to be a UK media tycoon. He owns many UK publications, newspapers, and TV stations. He has rather shamelessly used this power to promote his own self-interest. His latest missive is that he would be glad to take over the UK National Lottery in 2023 and would take ticket prices back to £1 as well as raising more for Good Causes. Isn't it odd for such firm pledges to be made so far in advance of the next licence competition?

D. Thompson: It would not be appropriate of us to comment on the commercial plans of other organisations.

Richard Desmond is an infamous self-promoter. Perhaps everyone recognizes that. But still, wouldn't the constant media attention that he is able to shower on his agenda have a terribly destabilizing effect on the markets and confuse the consumer?

D. Thompson: Our commitment is to the government and to the people of the UK. We are expressing concerns over the manner in which the National Lottery is being impacted by the precedent set by the Health Lottery. We do appeal to our stakeholders for support, but we have no intention to wage the kind of PR campaign that only contributes to the confusion.

It would seem to me that this is not just about protecting the economic model that maximizes value to Good Causes, and preserves the tremendous brand value of the UK National Lottery. Isn't it also about protecting the consumer?

D. Thompson: Absolutely. Camelot is not afraid of competition. We must compete intensely for the award of the contract to operate the lottery. The result of that competition is the provision of a world-class lottery operation that delivers maximum funds to good causes while protecting the interests of the players and society.

But when it comes to the management of the business of lottery, the model was never intended to have multiple lotteries competing with each other. That is not the way government lotteries operate anywhere in the world. Lottery is a completely different model than gambling. The UK has a very big gambling market. And it operates on a model that is the opposite of the way Camelot operates the National Lottery. In

the gambling market, you are typically relying on something like 10% of your players spending 80% of the money. These super-active players are called VIPs or high-rollers, and those are the people the gambling operators are chasing because they're the ones who are going to spend the big money and generate the big profits.

Our model is quite different. It's not about encouraging anyone to spend large amounts of money or otherwise causing harm in society. In a typical week, about 30 million players buy lottery tickets, but they each spend a very small sum of money. And we return 40% of the revenue back to government and good causes – and over 90% when you factor in prize money for players. This is the typical government lottery model as it is operated all around the world. We do not want VIP or high-roller consumers to spend large amounts of money on The National Lottery. We want lots of consumers to spend small amounts.

So, there is competition for the award of the lottery contract. And there is also competition for consumers' discretionary spend during the operation of the contract. But it is not in the public interest for government to turn lotteries into a low-margin, market-driven industry that benefits private shareholders to the detriment of good causes and society. ♦

Social Gaming and Gambling ...continued from page 24

tool in various ways or it can even generate revenue on and by itself. But whatever the idea behind it, it should be borne in mind that there are rules to comply with. In practice, a number of social gaming operators do not correctly apply all these rules. The UK Office of Fair Trading (OFT) has voiced its concerns in this respect and has stated that there is a lack of information regarding costs and criticised the blurred distinction between ending in-game currency and real money with some social games, and the fact that certain social gaming operators encourage children to make a purchase or persuade others to do so on their behalf. In our view, it is not an option for high-profile and strongly regu-

lated entities such as state lottery operators to risk violating any legislation, especially when this entails consumer protection. The interesting opportunities of social gaming should be explored but always taking into account the legal framework.

But there may be more issues to look into. As long as offering truly social games remains the real objective of the operator, the above legal framework provides all the necessary guarantees if correctly applied. The issue becomes different when social games are "(ab)used" by real gambling operators to circumvent the prohibitions on EU wide advertising, , to leave a false impression of easy winnings by not correctly applying randomness rules, by enhancing

the risk of money laundering or by using social gaming with the exclusive purpose of "harvesting" new and young players for real gambling. The access for minors constitute a serious problem especially as studies done by Canadian researcher prove that mainly young people between 15 and 18 play these games and that 7% of them makes the move to real gambling. This question is of major concern to look deeper into the social gaming area and explore the possibility to regulate some of the risky aspects?

Social gaming may be an opportunity if properly used and legally implemented, but may cause serious problems if not sufficiently controlled. ♦

2 See the article in the March/April 2013 issue of this magazine, titled, "The new FTAF recommendations on combatting..."

By Philippe Vlaeminck & Beata Guzik

PGRI Introduction: With more than €1.5 billion revenues, 8,100+ employees in over 40 countries worldwide, more than 85 subsidiaries and branches across 5 continents, and over 10% annual turnover dedicated to R&D, Morpho is a diversified high-technology company and market leader in security solutions. As a pioneer in identification, biometrics, detection systems, e-documents, and smart-cards, Morpho applies its technological competence and sophistication to the development of gaming, betting, and lottery terminals. And with more than 200,000 units delivered or ordered to date, Morpho is recognized for the technological sophistication and reliability of its terminals, and the innovative solutions it supplies to meet the needs of the current and future lottery market.

Technology is enabling lottery operators to develop completely new player experiences at retail, and smoothing a path for the consumer to be engaged on multiple platforms. Retail, Internet, and Mobile need to be integrated to deliver a holistic user-experience. Our discussion at the EL Congress in Tel Aviv focused not just on the technology, but also on the Morpho model of reaching outside of its own team of professionals for the kind of expertise that produces out-of-the-box thinking and innovation. Morpho is a technology-driven company. But it's not the technology that produces results. The effective implementation of technology solutions depends on close collaboration between all members of the vendor team, the lottery operator team, and the community of retailers. To that end, Morpho joined with Lotsys, a fully owned subsidiary of La Française des Jeux (FDJ, the operator of the French Lottery) to bring the best of all worlds together and create the most advanced products to meet the needs of the modern consumer. Lotsys and Morpho announced the roll out of a new retail gaming terminal at the European Lotteries Congress in Tel Aviv. The terminal, named ELITE, uses ground-breaking new imaging technology developed jointly by the two companies for their common customer FDJ. The cutting-edge technical design of the ELITE will reduce the overall cost of ownership. A highly-durable camera replaces the mechanical parts of previous generation terminals, slashing acquisition and maintenance costs. And ELITE imaging technology allows lotteries to move beyond traditional rectangular, paper bet slips to explore new shapes, colors and designs. The gaming terminal's optical scanner reads and validates bet slips at a glance, simplifying the process for retailers. "FDJ has the largest gaming network in France, with 26.3 million players in over 34,300 retail outlets at the end of 2012," said Gilles Maillet, Sales Director at FDJ. "The terminal is the link between players, retailers and FDJ. After successful testing on scratch and draw games in 1,300 outlets, FDJ has decided to roll out the ELITE terminal in more than 25,000 outlets over the next two years."



Patrice Boché

Vice President Sales & Marketing,
Gaming Terminals, Morpho



Paul Jason, Public Gaming: *Lotteries and retailers are looking for solutions that will enable them both to evolve with the consumer while preserving the business model that retailers depend upon for their own financial success. Retailers want to continue to be the cornerstone of lottery distribution and realize they need to deliver the player experience to make that happen.*

Patrice Boché: Technology providers like Morpho have an important role to play. It is our job to create the technical solutions and manufacture the products that will enable lottery and their retail partners to accomplish their goals. The lottery operator really has two customers. The consumer is the ultimate buyer of the lottery products. But it is the retailer who is the point of contact for the lottery operator. The operator does not actually sell tickets to the consumer. Lottery depends upon the retailer to do that. It is so vital to fully appreciate the key role that the retailer performs in this business model. That is why we divide that mission into two areas, one focusing on the retailer experience and one focusing on the player experience. First, there is process, the ways in which the equipment delivers flexibility, efficiency, reliability, and ease-of use for the retailer and lottery operator. Second, the terminals should provide maximum flexibility for games to be developed that will appeal to the modern consumer.

There is huge potential to innovate the traditional games. But that potential depends on technology that provides flexibility to actually implement the games, and to sell them in a retail environment. As a technology and solutions provider, our goal is to build in the flexibility and upgradeability that serves as the foundation for innovation and progress, to enable the lottery playing experience to be more than the purchase of a lottery ticket. For this

to happen, terminals need to be able to process transactions that do not fit into traditional forms and structures. The technology is there to enable much more innovation on the game development side of the business. For instance, Morphos' new Elite terminal completely changes the process of reading play-slips, so that game developers can explore ways to create 3-dimensional tickets. Morpho does not presume to be game content providers. What we are doing is transforming the technological parameters within which game content providers must work. The ability to scan and process different kinds of tickets opens up a whole new world of game design possibilities. Imagine a Rubik's cube consisting of games within games, or a thousand other possibilities for reinventing the lottery player experience. The terminal technology is there, enabling it to be done.

Integrating online and off-line, for the benefit of both the player and the retailer, is such an important objective for the operator.

P. Boché: Yes, of course, that is key. When the player registers online, they can see the links to the nearest retailers. And retailers can see meta-data reflecting consumer registrations in their market area, enabling them to formulate promotions to appeal to those players. Just imagine the possibilities! All of this can be done today, it is technically possible to do it now. What is actually done is up to the lottery operator to decide. But the technical limitations to creating a fully integrated player experience, one in which the player migrates seamlessly from online to retail, are all being removed. This integration is also key to the ability of the lottery and retailer to be able to continue to attract the players to land-based retail, to drive store traffic. The end-result of this integration will be increased sales for both lottery and land-based retail. For instance, once registration has been completed online, the players could be required to confirm their identity at the retail store. This provides an extra level of security; and it also drives traffic to the store, benefitting the retailer. Perhaps reward the player with a lottery ticket for registering and going to the retail store to confirm the registration with a picture i.d.

I would think that demonstrations of the games and how they are played could be done more effectively with video than depending on the retail clerk to explain the games to the consumer at the store.

P. Boché: All that can be done on smart-phones, tablet computers, home computers, or any device that has an internet connection. The retailers could include that on the in-store terminals themselves as well, so they do not need to make other customers wait in line while they explain a new game to the lottery player. And, the video demonstration can include a link that enables the consumer to instantly play the lottery game as well.

The keynote speaker at the EL Congress, Hamish Taylor, explained how we all need to look outside of our own companies, and outside of our own industry, outside of our own specific markets and jurisdictional business models, for the insights and ideas that drive true innovation.

P. Boché: I think that is true. Our company, Morpho, develops other product lines in biometrics, identification, e-documentation, and smart-phone technologies for a wide variety of applications. The technology developed for these applications outside of lottery has been of great use to us as we find ways to apply it to this industry. And, the basis for the partnership with Lotsys is really about that very point – to bring together the thinking from resources outside of one's own sphere of influence.

How does the partnership work? Who does what, how are the responsibilities divided?

P. Boché: An example would be the development process of the Elite. Based on the RFP features and capabilities that the product would have, we had to work together on the detailed specifications required to produce that end result. It was difficult to do, sometimes the obstacles appeared to be insurmountable. If it were up to one or the other of us, we perhaps would have modified those specifications to make them easier to meet. But it was not up to one or the other of us. We each had an agreement, Morpho and Lotsys, a commitment to fulfill. So we had no choice but to complete the project. On hindsight it is a good thing that we had that uncompromising commitment. We can now hope that the product that pleases FDJ will likely meet with the approval of many other lottery operators.

FDJ, La Francaise des Jeux, is the division of the French government that operates the lottery in France, and is the second biggest lottery in the world. They offer all the different categories of games, and distribute through all the different media and channels. Their inputs are key as they provide us with the lottery operator perspective, they tell us what lotteries need, they tell us how the terminals and other products should change and be improved to produce a better result, they tell us how the service and support could be more effective. They imagine what could be, what kinds of games would appeal to the consumer, what improvements in business process would appeal to the retailer, what could be done to increase net funding for the lottery beneficiaries. They tell us and our mission is to produce and deliver it.

Partnerships can often sound like a good idea, and look good on paper. But making them work well can be most challenging.

P. Boché: True innovation and progress comes from the effective collaboration of people. Morpho, Lotsys and La Francaise des Jeux have evolved a fabulous working relationship. It's fabulous not because it is without tension and debate. There is lots of healthy and vigorous debate! It's fabulous because it produces great results. FDJ is immersed in the ways of the market-place and understand the lottery consumer probably as well as anyone in the world. Their guidance and support is priceless. Morpho and Lotsys work together to turn that FDJ brain-trust into the products and services that enhance retailer performance, appeal to the consumer, and drive revenues for the lottery operator. We each focus on the consumer experience, each has tremendous R & D capabilities, and there are certainly many over-laps.

Data is now being captured on a massive scale to guide our understanding of consumer behavior and giving us more information to guide the decision-making process – but in the end it all depends on effective collaboration to bring these assets and capabilities together. You have the science behind technological innovation, you have the science of big-data, you have the powerful brain-trusts that exist within different enterprises. The challenge is to bring them together, to work together and produce a result that is far superior than what could be done by them individually. That is the brilliance of the La Francaise des Jeux, Lotsys, and Morpho partnership. We work together, we challenge each other, and we are all focused on the same goal of producing the best products and services to help the lottery operator and retailers exceed the expectation of the modern consumer and exceed their own business objectives. ♦

A TIME OF GREAT OPPORTUNITY

By Casey McKenzie, Senior Principal Consultant, Impact 21 Group
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As 2013 draws to a close, the lottery industry faces what I believe is a time of great opportunity in the convenience retail channel in North America. With tweaks to both Powerball and Mega Millions already in place and the advent of online lottery and other online games planned in some states, the lottery industry has the convenience channel's attention.

As a former retailer and now as a retail consultant, I know we often speak out of both sides of our mouths, i.e. bemoaning the low commissions and long lines on one hand but then complaining that our businesses will crumble if lottery customers can purchase online. Again, I say this presents a unique window of opportunity for the lottery industry to get their side of the story out to retailers and to address some of their concerns - what we at Impact 21 Group call "pain points."

I recently shared some of these pain points and the associated opportunities for the lottery industry at the PGRI Expo in Miami. These concerns were shared by respondents to surveys we conducted over the past three years focused on lottery in the convenience store industry. In addition, our own experiences as retailers and working with dozens of retailer clients validate these concerns.

Finding 1: While the survey respondents represent a cross-section of chain sizes and geographies, what they have in common is an interest in seeing their lottery business prosper but a woeful lack of understanding about their current lottery business and ongoing training for their sales associates.

Opportunity: Provide retailers the data they need to fully understand, appreciate, and leverage the lottery customer's impact on their business. In addition, due to employee turnover rates, an ongoing program of training is required.

Finding 2: Most retailers offer lottery the way they have for a long time: at the counter. The viewpoint that lottery is mainly a "control" issue and not a sales driver is still prevalent as is the perception that lottery tickets are labor-intensive. However,



their own responses indicate the labor involved is not that onerous.

Opportunity: Emphasize the sales driving potential of lottery without ignoring lottery inventory and sales management issues. Address those issues with the latest information and training.

Finding 3: Most respondents have experienced growth in lottery sales and expect future growth. The vast majority cannot measure their lottery customers' impact on their total business. However, these respondents are eager to learn and they are receptive to new ideas to expand lottery's appeal in their stores.

Opportunity: Work with key accounts to research and develop key metrics for lottery that link lottery sales and marketing performance to total store sales and gross profit performance.

Moving the needle on lottery industry performance requires more than just developing new games and new avenues for players to access games; it also requires partnering with the lottery industry's most important player - the convenience retail channel. Seize the opportunity by addressing their concerns, providing leadership in the areas of customer research and operational training, and sharing with them the data and facts that will help them fully leverage not only their lottery sales potential but total store sales performance as well. ♦

PGRI Introduction: Casey McKenzie, Senior Principal Consultant with Impact 21 Group, LLC, with over 20 years' experience working at a leading c-store chain and another sixteen spent in consulting, has experienced almost all facets of the c-store channel of trade, including finance, operations, category management, re-engineering and strategic planning. Impact 21 Group is a leading global consulting company in the petroleum/convenience, retail and refining industries. With over 200 years of combined retail and refining experience, our experienced team of consultants brings aggressive real world leadership to business and technology initiatives.

PROTECTING OUR INDUSTRY AND OUR BRANDS FROM UNAUTHORIZED LOTTERY OPERATORS

By Brian J. Roberts
President, Jumbo Interactive,
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Most people would agree that technology has made the world a lot smaller place. That would be especially true as it applies to communication, which has been transformed by the internet and mobile technology. New age communication technologies have given the individual instantaneous access within the global community. It has also given the internet-based merchants access to a global community of consumers. While this incredible level of connectivity has many benefits, it also provides a platform for internet merchants to domicile in a jurisdiction where their activities may not be illegal, and vend the products into jurisdictions where the activities are illegal. A recent issue of this magazine included an article titled "Are Unlicensed Online Distributors of Lotteries Misleading Consumers? Who are www.Congalotto.com and www.Trilionario.com?" that described how this is happening to the lottery industry. These companies are able to sell lottery products illegally over the internet because it is difficult to enforce laws across jurisdictional boundaries. As members of the Lottery community, we must be vigilant in protecting our industry and our brands, as the reputation for honesty and integrity is a Lottery's most valued asset. The confusion being created by these unauthorized vendors of lottery products is a problem that affects our customers and therefore it affects all of us. And it is taking money away from the 'good cause' beneficiaries of lotteries.

Playing the lottery over the Internet is still in its infancy in the U.S. Just a handful of lotteries are deploying the Internet as a distribution channel within the state's borders. Unfortunately, unauthorized off-shore operators have seized the opportunity to capitalize on our un-witting players. A Google search "Buy Lottery Online" reveals many options in addition to the two mentioned above; to name a few:

www.bylottonline.com
www.buymegamillionsonline.com
www.lottobroker.com
www.thelotter.com
www.lotteryuniverse.com
www.wintrillions.com

All of these web-sites present themselves to be legitimate distributors of the major jackpot games around the world like Powerball, MegaMillions, and Euro-Millions. They all represent themselves to be acting on behalf of various country or state lotteries when, in fact, they are operating without authorization in the U.S. The U.S. is a very large market, possibly the largest. We all saw the effects on the off-shore Internet casinos and bookmakers, many being legitimate public companies in their respective jurisdictions, when the U.S. Department of Justice declared their activities illegal a couple of years ago. Similarly, we need to mobilize the agents of law enforcement to act against the



illegal vendors of lottery products.

One might wonder why it would be profitable for a vendor to sell these lottery tickets. Some operators are booking the wagers themselves and keeping the profits that would normally go to Good Causes. These unauthorized operators are happy to pay their clients low and mid-tier prizes as it is good publicity and it creates the appearance of being authorized and credible. But how likely is it that a \$50 million or \$100 million jackpot would be paid? What is to stop these operators from profiting while they can and, in the unlikely event that a super-jackpot is hit, they could simply go out of business. These web-sites operate on the basis that the odds of selling a jackpot winner is most unlikely. And as long as a big jackpot is not hit, then selling lottery tickets and honoring claims for smaller prizes is very profitable indeed. Other operators actually buy the ticket but charge a "management fee". For instance, www.buymegamillionsonline.com charges \$1.50 management fee for each \$1 Mega Millions ticket.

Jumbo Interactive is an internet vendor of lotteries, however the difference is Jumbo operates legally and with the full support and authorization of legal authorities, regulators, and the government lottery. Regardless of the odds, Jumbo Interactive, a licensed and authorized reseller for the Australian Lotteries in Australia, has over the past five years sold two Jackpot winning tickets over the Internet to the value of Australian \$15 and \$30 million, which is all cash, no annuity and tax free; the equivalent of approximately US \$100 million.

Imagine the public relations nightmare and the impact on our industry and brands should somebody purchase a ticket from an unauthorized operator and think they have won a major Powerball or Mega-Millions jackpot only to be denied payment. Certainly, a lawsuit is in the making and a good attorney could sway a jury with some simple questions; "Mr. Lottery Director, did you know of these unauthorized operators? If so, what did you do about them?"

So how can we be proactive to protect our industry and brands? Practice good consumer protection:

1. Just like lotteries introduced daily numbers games to provide a legal outlet for these popular games that were being played illegally across the country, lotteries should enable the sale of lottery products through digital channels. Clearly there is significant public demand from players to purchase lottery tickets over the Internet. I am not talking about Interactive or i-Gaming but simply the e-commerce or m-commerce purchase of a lottery's existing portfolio of product. Using the Jumbo e-retailer model whereby the existing brick and mortar lottery retailers can become Jumbo's e-retail partners and offer their customers e-commerce and m-commerce services to purchase lottery tickets, the lottery can create a diverse network of web-based retailers within its own jurisdiction. Such a web-based network of authorized lottery web-sites utilizing effective search engine optimization techniques will help push out the unauthorized operations.

A Google search for "Buy lottery online" presently displays unauthorized websites. Engaging retailers in the business of vending lottery products online will produce a long list of authorized online merchants and push the unauthorized operators lower and lower in the search results list. Ultimately, as more authorized e-retailers come online the unauthorized sites are pushed to page two. Very few people click on anything in page 2 especially once you find what you're looking for on page one.

2. Just like most lotteries post Lottery Scams on their web-sites, they should make it absolutely clear on their web-sites that placing a wager via any of the following unauthorized web-sites is illegal under U.S. federal and state laws and the Lottery will not be responsible for any claims for prizes; followed by a constantly updated list of the known unauthorized operators. This will at least help in the event of a customer complaint, but of course will not be as effective as the first point in preventing the problem in the first place.

3. Amend Lottery Rules and Regulations to reflect the above. Again not very helpful in prevention however helpful in lottery protection.

U.S. lotteries need to be cognizant of the fact that these unauthorized operators are based outside the U.S. and consequently out of reach to a state lottery, hence there is no control over how the lottery's brands are being used, or misused.

Technology provides every business, including lotteries, the opportunity to improve our product offerings and our distribution processes to drive sales and revenue to new heights. This ultimately benefits the good causes that Lottery exists to serve. As an authorized reseller of official government lotteries, Jumbo Interactive has for over a decade met the unique challenges presented by selling lottery over the Internet and mobile devices. We are focused on being the best of breed in maintaining the security and integrity of a player's personal data, e-wallet, and wagers, and to maintaining the highest levels of honesty and integrity of our Lottery partners. ♦



Do The Math...

**INCREASED
POS IMPACT
AND EXTENDED
LIFE = ROI
MAXIMIZATION**

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



From a technical standpoint, Pro-Lite has prepared for multi-jurisdictional game jackpots to reach the billion dollar mark, with development of a billion dollar jackpot display. However, as exciting as the prospect of a billion dollar jackpot is, the industry has long known that player enthusiasm for mainstay lotto games is waning incrementally. As jackpots of state lotto games pale in comparison to the staggering Powerball and Mega Millions jackpots, what can Lotteries do?

We all know that good POS display motivates the consumer. Signage that communicates more effectively stands to maximize the Lottery's return on investment. The potential exists for more effective POS communication to drive a significant sales increase, beyond print or electronic media advertisement, because it reaches the consumer "at the ready."

2012 US Lottery sales are reported by NASPL at \$78 billion. As discussion and debate over new media channels ensues, over 99% of Lottery sales continue to take place in traditional retail outlets. So... let's do the math. If more effective POS displays were to bolster sales by a mere 2%, a very achievable goal, the increase to annual national sales would amount to 1.56 billion. That's a lot more money to benefit good causes.

Maximizing the Effect of Jackpot Signage – POS Meets DOD

Lottery executives realize they can't afford to allow jackpot fatigue to translate into stagnant sales. Drawing the "cash in hand" player's attention to the brand, game and jackpot is, of course, fundamental. Displaying the jackpot in tandem with the Day of the Drawing (DOD), takes POS display to the next level, by injecting a "sense of urgency".

Pro-Lite's exclusive DOD feature enables the Lottery (via the On-Line system) to signal the last chance to play, at will, and within premium retail space already allotted for jackpot display. Signage that communicates information relevant to the "opportunity to buy" will be most effective.

It's no secret that ticket sales increase dramatically on the DOD. For example, from June 1 through December 31, 2012 New Jersey Lottery's Powerball and Mega Millions ticket sales surged an average of 336% on the DOD versus non-drawing days; on non-drawing days, ticket sales averaged \$340,823, versus an average of \$1,143,848 on the DOD.

As the most dramatic examples in the six-month period, Powerball sales rose 707%, on the DOD, (November 24, 2012,) and Mega Millions sales rose 505% on the DOD, (September 4, 2012). Comparatively, ticket sales increased an average of 176% on the day before the drawing.

Building and maintaining momentum until the last possible second is critical to sales maximization. With the number of available jackpots and the ever-increasing national jackpots, we as an industry, realize that

desensitized players are less active. In effect, the DOD feature is meant to alert the "cash in hand" player to the closing window of opportunity; it's just another way to ask for the sale.

Boosting Lottery "Cred" as a Benefactor

Since 1964, more than \$200 billion has been raised by state lotteries to benefit government programs in North America, but we all know that public perception doesn't always measure up. More can be done within the retail environment, to bring focus to the Lottery as a public benefactor.

Pro-Lite, an innovator in LED messaging and display, offers a way for the Lottery to further serve its public, by utilizing wireless updatable Jackpot Signs to broadcast alerts in the case of mass emergency. Equipped with an Emergency Alert System, a Pro-Lite countertop or window Jackpot Sign can communicate potentially life-saving information to the public, within space already dedicated to Lottery point of purchase display. Through EAS, the Lottery can, in effect, become the Town Crier.

Weather Alert | Amber Alert | Silver Alert | National Alert

- Emergency Alert System Messages – Flashing red strobe light draws attention.
- Announce critical emergency information, as well as "FOUND STATUS" regarding Amber and Silver Alerts.
- Lottery Marketing/Advertising Messages - Flashing blue strobe light draws attention.

Considering Product Flexibility and Longevity

Another way to improve ROI relative to POS signage is with the use of a modular jackpot sign system, such as Pro-Lite's seamless and attractive ModuLex™. While nominally higher in price up front, ModuLex™ represents long term savings, due to its flexibility. 250 signs can be quickly and easily connected; as the game portfolio grows, add-ons are unlimited. Prior to the introduction of ModuLex™, Pro-Lite customers would have to replace a sign to add a new game, or display the new game separately. Field evaluators are impressed by the inherent longevity, and ease of use, with a connector built right into the frame.

It's Good to be Green... and it Benefits the Retailer Too

Longer product life also boosts ROI. Pro-Lite is committed to manufacturing with the highest quality components for extended life and reduced power consumption. To this end, we use American made Cree white LEDs.

A 2010 study conducted by TerraChoice, a North American environmental-marketing firm, revealed that more than 95% of the manufacturers of consumer goods examined committed at least one offense of "greenwashing," a term used to describe unproven environmental claims. Pro-Lite recently tested its new 411MCD model alongside a competing jackpot sign.

Significantly, the Pro-Lite sign consumed 12 milliampere (mA) of electricity versus 30mA consumed by another leading brand. As a point of reference, a typical household circuit carries 15 to 50 amps.

Simply put, a measure of 30mA does not meet the standard for green labeling. It's not just about energy consumption. When evaluating the overall environmental impact of the product, one must also consider product longevity. Extended life means less material consumption.

In the LED industry, the suggested norm is not to exceed 20mA. Driving the product at 30mA would increase brightness, but at a cost ... shortened lifespan. As the Pro-Lite sign is already brighter (411MCD versus the other leading brand at 299.4MCD), our customers can have it all: a brighter sign, the economy of extended life, and lower power consumption. ♦

PRO-LITE MATTRONIC™ SERIES MAXIMIZES PRECIOUS RETAIL SPACE

Pro-Lite put out the welcome mat at NASPL 13, with the new MatTronic™ product line. Within the 30' display of LED signage, this new product series clearly stole the show. California based Pro-Lite is now working to fill requests for samples, from lotteries on both coasts.



Gracing the center of Pro-Lite's exhibit was the **MatTronic™ Jackpot Door Mat**. This innovative LED jackpot sign attracts and informs lottery players with a bold, 4" digit display. The Jackpot Door Mat capitalizes on unused floor space to heighten jackpot awareness, coming and going, at the retailer.



The **MatTronic™ Countertop Jackpot Mat** also grabbed attention at NASPL. With the trend of replacing in-counter instant ticket displays with countertop units, the Jackpot Mat can fill the marketing void, placed on the countertop, directly at the point of sale. Optional keyhole mounting is available. It can fit in easily near the terminal, on counter, or built into a lottery kiosk. Available in hard or soft construction, this compact mat is robust to withstand the checkout environment.



Easy
Graphic
Change

Pro-Lite, a major supplier of electronic consumer goods to Wal-Mart, Costco and Home Depot, relentlessly adheres to the highest quality and safety standards. MatTronic™ floor mats are made of anti-slip, impact/scratch resistant material, for long life, safety, and high quality branding impact, right at the front door. The graphic can be easily changed, as shown above.



The **MatTronic™ Logo Doormat** rounds out the product line, to identify the location as a lottery outlet. With an illuminated border and optional animation effects, it is as attention grabbing as its Jackpot Door Mat counterpart, and at a lower price point. As with the MatTronic™ Jackpot Door Mat, the graphic can be easily changed MatTronic™.

Pro-Lite has provided LED signage to lotteries in the United States, Canada, the Caribbean and Central America.

For more information, contact: Linda Turner, Sales Manager, Lottery Division

Phone: 1+609-538-0128

linda.turner@pro-lite.com, www.pro-litelottery.com

LOTTERY EXPO CONFERENCE SPONSORS

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

PGRI LOTTERY EXPO 2013 PROGRAM

Trump Miami Beach Hotel, November 4 to 6

Co-hosted by PGRI, Inc. (Public Gaming International Research Institute) And the Florida Lottery

Thank you to Lottery Expo Sponsors

Platinum Sponsors: Camelot, Geonomics, GTECH, INTRALOT, Jumbo Interactive, Linq3, Scientific Games

Silver Sponsors/Exhibitors: Diamond Game, Betware, DNI Retail Design, Hudson Alley Software, Pollard Banknote, Sorteo Games, Arrow International, Carmanah Signs

Special Awards ceremonies:

- The Rebecca Hargrove Award for Mentorship (See page 8 of this Magazine)
- Sharp Awards for Good Causes honoring the lottery which achieved the highest percentage increase in net funds contributed to its beneficiary (See Page 7 of this Magazine)

Themes of Lottery Expo 2013:

- Forging the most productive alliance between Lottery, their Vendor Partners, and their Retail Partners
- Optimizing the performance of the Multi-State Games

THANK YOU TO OUR SPEAKERS, MODERATORS, AND PANELISTS

Nour-Dean Anakar, Chief Executive Officer, Sorteo Games Inc.

Tom Blaskiewicz, Deputy Director for Retail Operations, Pennsylvania Lottery

Scott Bowen, Commissioner, Michigan Lottery

Jim Breslo, President & Chief Executive Officer, Diamond Game

Daniel Cage, President & Chief Executive Officer, Linq3

Jenny Canfield, Director of Operations, Minnesota Lottery

David Cole, Retail Recruitment & Network Sales, California Lottery

Gary Grief, Executive Director, Texas Lottery

Barry Griffiths, Head of Channel Management, Camelot Global Services

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Rebecca Hargrove, Chief Executive Officer, Tennessee Lottery

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Henry Oakes, Sales Director, Geonomics

Cynthia O'Connell, Secretary, Florida Lottery

Nikki Orcutt, Deputy Director of Marketing, West Virginia Lottery

Pall Palsson, Executive Product Manager, Betware

Carly Mae Penworthy, Head of European Sales, Geonomics

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Primož Pöschl, Executive Director, Games Department, Športna loterija, Slovenia

Jessica Powell, Vice President of Marketing, GTECH Indiana

May Scheve Reardon, Executive Director, Missouri Lottery & Chair of Retailer Board, NASPL

Terry Rich, Chief Executive Officer, Iowa Lottery

Brian Roberts, President, Jumbo Interactive North America

Steve Saferin, President Properties Group and Chief Creative Officer, Scientific Games

Tom Shaheen, Executive Vice President Business Development, Linq3

Jeff Sinacori, Vice President Retail Development, Scientific Games

Gregory Smith, Executive Director, Vermont

Paul Sternburg, Executive Director, Massachusetts Lottery

Susan Strouse, Vice President, Retail Business Development & Corporate Accounts, GTECH

Chuck Strutt, Executive Director, Multi-State Lottery Association (MUSL)

Dianne Thompson, Chief Executive Officer, Camelot Group (operator of UK National Lottery)

Rob Wesley, Director of Sales, Virginia Lottery

Jennifer Westbury, Executive Vice President, Sales & Customer Development, Pollard Banknote

Oscar Castro Villar, ONCE (Spain Lottery)



Geonomics

Geonomics

www.Geonomics.com

Geonomics make next-generation lottery experiences by turning an interactive map of your State into a game-board.

With Geonomics' location-based games, your players can win with their house, the local park, or another location of their choice.

There are two types of games; instant and draw, with each delivered for PC, mobile and tablet devices.

The instant game, Treasure Hunt, is also available in a '2nd Chance' format, meaning you can bring interactivity to your traditional retail audience within today's regulatory environment.

The entire Geonomics platform is built to the highest standards, with security, responsibility and integrity built-in from the outset, and can be operated as a standalone solution, or integrated with an existing central system.

Geonomics are headquartered in London, with offices in New York City.

To get your lottery on the map, you just need to speak to Henry Oakes or Carly Mae Penworthy, who will be delighted to demo the games and give you more information."

For your Geonomics 101, talk to Henry Oakes or Carly Mae Penworthy, or send us an email to sales@geonomics.com



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Steve Davidson – Head of Insight and Strategy

Camelot Global Services – Overview

Camelot Global Services (“Camelot”) aims to be a world leader in partnering with lotteries to maximise revenue and net returns to beneficiaries in a responsible and sustainable way. Camelot provides consultancy and management services to lotteries worldwide – including the UK National Lottery, the California State Lottery, the Interprovincial Lottery Corporation of Canada and the Massachusetts State Lottery.

Camelot’s proven strategies are founded on our experience as a Lottery Operator in the UK - one of the most competitive gaming markets and most highly regulated market in the world. We transfer and apply that experience to other markets, offering products and services focused around deep understanding and insight of the consumer to compete successfully for discretionary spend in the same channels (in-store and direct) as other consumer goods categories and other forms of gaming.

Camelot’s consulting and management services include, digital channel management, retail management and execution, responsible gaming, product portfolio development, technology strategy and implementation and marketing strategies designed to maximise participation and therefore net returns to beneficiaries.

Camelot is a European leader in Interactive services our mobile and internet lottery services have grown to make the UK the largest interactive lottery in the world with 6 million player’s registered and 2011/2012 sales of over \$1.8bn. Our success in the emerging mobile channel is a critical component of this success with over 3.2 million downloads of our Lottery iPhone App and nearly 40% of our traffic is now being driven via our mobile friendly site – including both phone and tablet.

Camelot is owned by the Ontario Teachers’ Pension Plan (OTPP) – Canada’s largest single-professional pension plan with \$129.5 billion in net assets.



GTECH S.p.A.

www.gtech.com

GTECH S.p.A. (GTECH) is a leading commercial operator and provider of technology and services in the regulated worldwide gaming markets. The Company delivers best-in-class products, superior service, and creative content with a commitment to the highest levels of integrity, responsibility, and shareholder value creation.

As one of the largest lottery and gaming companies in the world, GTECH is comprised of Lottery, Betting, Interactive, and the SPIELO brand business segments. GTECH is listed on the Milan Stock Exchange under the trading symbol “GTK” and is majority owned by De Agostini S.p.A. In 2012, GTECH had €3.1 billion in revenues and 8,600 employees in approximately 60 countries.

Lottery – GTECH Lottery is a principal operator and supplier of lottery products, services, and technology. GTECH designs, assembles, installs, operates, and maintains draw-based lottery systems, terminals and communications networks for governments and licensed operators worldwide. Additionally, GTECH provides printed products and related services, self-service lottery product vending machines, game design/content, marketing services/best practices, field service for retailers, responsible gaming, and promotional and interactive gaming capabilities.

Betting – GTECH Betting offers solutions for the development of real-time operations and computerized systems for the sports betting market. GTECH offers trading services, fully managed partnerships, or “software only” technical solutions, to create a complete one-stop solution or to integrate new functionality to existing operations. GTECH provides secure retail betting solutions, point-of-sale display systems, call center facilities, internet betting technology, and fixed odds or pool betting options.

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

SPIELO – GTECH designs, manufactures, and distributes top-performing games, gaming machines, central systems, and associated software to legalized gaming markets around the world. GTECH’s SPIELO brand offers a complete range of end-to-end gaming products for diverse gaming segments, including distributed government-sponsored markets, commercial casino markets and Amusement With Prize (AWP) markets.

Customers:

In total, GTECH has lottery, video (commercial and government), interactive gaming, sports betting and printing customers in Africa/Middle East, Asia/Pacific, Europe, North America, and Latin America/Caribbean. In addition, GTECH has 13 Private Manager/Operator Contracts worldwide, making it the industry’s leading company in private lottery management with the most extensive and proven operator capabilities. GTECH has experience as the first U.S. private manager in Illinois, and most recently, as the private operator in Indiana and New Jersey. The Company also operates the world’s largest lottery in Italy and manages other operator contracts in Europe and Latin America.



INTRALOT

www.intralot.com

In just 20 years, INTRALOT has become a leading supplier of real-time Gaming and Transaction Processing systems, Innovative Game Content, Sports Betting Management, Video Lottery Central Monitoring and Internet Gaming services to government-licensed gaming organizations worldwide. INTRALOT's highly specialized products and services, the dedication, professionalism and attention to client relations of its 5,500 employees around the globe, along with its portfolio of leading-edge technology solutions, give them the ability to blaze new trails in the international gaming market. INTRALOT's passion and commitment to customer satisfaction, as well as its focus on continuous improvement and solid growth in a socially responsible manner, have enabled the company to expand its reach with contracts in 56 jurisdictions. INTRALOT has also won 13 contracts in the highly competitive U.S. marketplace.

INTRALOT prides itself on keeping one very important goal in mind: establishing successful, long-term partnerships with our clients by offering them a complete range of innovative products and services and increasing the returns to the good causes of their beneficiaries. INTRALOT is recognized globally for offering real value to its partners, timely commitment to customer needs and dedication to quality and flexibility.

The integrated Lottery systems developed by INTRALOT rank among the most advanced and flexible systems available worldwide. INTRALOT products are distinguished by their quality, reliability, adaptability, expandability and security. INTRALOT's commitment to cutting edge products is made possible through continual focus on investment in Research & Development of advanced technologies and software development processes.

The gaming market is evolving rapidly and exciting new opportunities are continuously becoming available to INTRALOT. As Internet gaming is expanding globally, INTRALOT has been paving the way for the future through its new subsidiary INTRALOT Interactive (I2). Most importantly, INTRALOT realizes the importance of the existing distribution channel of its products and will explore all opportunities to include and expand that valuable network of retailers as we move toward selling games over the Internet.

INTRALOT places security as the cornerstone of its operations and consequently has become the first International lottery vendor certified by the World Lottery Association (WLA) Security Control Standard certification as well as ISO/IEC 27001:2005 certification.

INTRALOT, publicly listed on the Athens Stock Exchange since 1999, closely associates the growth and development of its business operations with the promotion of the concept of Corporate Social Responsibility, contributing to the enhancement of the quality of life and the cultural development of the local communities in which it operates. INTRALOT plays an active role in the International gaming community and contributes decisively to the future development of the industry. The global company is a member of all major international gaming associations, including the World Lottery Association (WLA), the North American Association of State & Provincial Lotteries (NASPL), CIBELAE (the Hispanic association that covers South America and the Iberian peninsula), the Gaming Standards Association (GSA) in the USA, the European Lotteries & Toto Association (EL), and the Asia Pacific Lottery Association.



Jumbo Interactive Ltd

www.jumbointeractive.com

Jumbo Interactive sells traditional lottery tickets through new online channels. Customers are now choosing the internet as a convenient path to purchase lottery tickets.

Technology is revolutionising the world. Traditional lotteries can gain exposure to new customers by selling their tickets online. Jumbo operates under a partnership model, forming official agreements with lottery organisations to create secure transactional websites. Customers can purchase lottery tickets through a Jumbo website and this information is linked back to the lottery's database. The results of the lottery draw and prize payments are passed on to customers through electronic communication with the lottery. It is a zero cost model for lotteries and generates new revenue from online channels.

There are many advantages in digital ticket delivery to the connected customer. Automated repeat ticket purchases lodge customers' tickets automatically each week. New communication tools such as email, SMS and push notifications remind customers to play.

Recent innovations from Jumbo's IT development team include:

- iPhone and Android Lottery Ticket Purchase Apps

Jumbo has witnessed a rapid rise in the use of mobile devices for lottery ticket purchase. In Australia 33% of lottery tickets sold through Jumbo's consumer website, OzLotteries.com, are now purchased on a mobile device. Lotteries need to respond by providing easy-to-use smartphone and tablet apps for customers on the go.

- Point-of-sale Jumbo Smart Signs™

Bricks and mortar retailers can participate in internet lottery sales without losing commissions or customers. Jumbo Smart Signs™ allow customers to instantly 'snap', 'tap' or 'check in' onsite at a store using their smartphone.

- Jumbo Social Group Play™

Playing lotteries is fun. Playing lotteries with friends is even better! Jumbo Group Play enables customers to play lottery syndicates with friends through Facebook.

- Jumbo Digital Instants™

Digital instants are scratch tickets on the internet. Jumbo has developed technology for customers to enjoy the anticipation and excitement of traditional scratch tickets on their mobile device.

- Jumbo Fun Pickers™

Players can choose their lottery numbers in a fun and interactive way using classic arcade style games or themes. This improves customer engagement and extends the duration of their visit to a website.

Jumbo is also helping bricks and mortar retailers keep lottery customers loyal to their store. LotteryRewards.com is America's first retailer-based lottery affinity and loyalty program. The website hosts contests, sweepstakes, drawings, games, second-chance promotions and other features designed especially for the loyal lottery player. The program incorporates Jumbo's innovative technology with a bricks and mortar retail network through lottery merchandising and a loyalty program.

Jumbo is an authorised internet lottery e-retailer through our application and attainment of licences from official lottery organisations. After becoming a qualified e-retailer, Jumbo adheres to government regulations to operate and sell lottery products. This 'free market' model encourages competitiveness and delivers better services for customers. Lottery organisations enjoy new online representation of their products for changing customers.

Jumbo Interactive Ltd has been a publicly listed company on the Australian Stock Exchange (ASX:JIN) since 1999. The company has been selling lottery tickets online for over ten years.

To get your lottery games online or to learn about the latest internet innovations, contact the Jumbo Interactive North America President, Brian J Roberts: brianr@jumbointeractive.com

www.jumbointeractive.com



Linq3

www.Linq3.com

Linq3's secure payments platform transforms existing unmanned POS locations into highly interactive access points for sale of lottery products. By leveraging existing hardware, securing transactional data and communications, lotteries can now have a unique opportunity to think outside the traditional terminal. The Linq3 solution works in partnership with existing lottery networks, allowing lotteries to efficiently reach a greater market, interacting with players in a brand new way. In collaboration with state lotteries, their operators, and the nations leading ATM and payment kiosk manufacturers, their owners, and the payment card industry, Linq3 has developed the secure protocol for lottery transactions on ATM's, fuel pumps, taxis and other unmanned points of sale. Linq3 enables lotteries to achieve massive sales growth at a low cost through increased distribution channels that not only reach new players but also reach occasional players sooner. The Linq3 solution promotes a new level of interactivity for the player and lottery. A dedicated web interface, 24/7 call center support, auto redemption of low tier prizes, and detailed state reporting and security compliance and responsible play features are just some of the benefits to the Linq3 platform. Optimized performance is achieved through state of the art processing and data security. It's secure, it's scalable, and it's ready to change the distributional landscape for lottery products.

Linq3 enables the sale of lottery at ATMs, fuel pumps, taxicabs, and other unmanned POS devices. This new avenue for lottery distribution represents an extremely cost effective tool for lotteries to reach new customers.

Linq3 recognizes that security and integrity is of utmost importance to lotteries. We are committed to securing customer information at the highest levels as well as maintaining the integrity of lottery transactions. To achieve this, Linq3 utilizes a state of the art multi-tiered security protocol that ensures transaction data is not compromised. Included in the system is a check and balance that employs internal and external (third party) redundancy and verification.

Linq3's technology has been designed and built with three fundamental features security, reliability and availability, and performance and scalability. Linq3's data centers are housed in SAS70-compliant facilities, which provide a high level of physical security, including onsite guards, multiple forms of verification for access, and visual monitoring. Furthermore, all data center equipment is secured within locked cabinets under recorded video surveillance. Connectivity is provided over multiple carriers to ensure availability if one carrier should have an outage. This includes both Linq3's external and private (MPLS) connections. All Linq3 equipment and data is under Linq3 control. No systems are hosted by another entity and no data or transactions reside in "the cloud".

The primary requirement for processing credit and debit transactions is PCI compliance. Linq3's PCI DSS (Payment Card Industry Data Security Standard) Tier 1 Status is the highest level attainable in the Payment Industry. This standard requires auditing, access control, system design and other system maintenance that is higher than lower levels of compliance. As Linq3 processes the transaction, it maintains PCI DSS Tier 1 certification. Linq3 combines the key goals of the PCI Data Security Standard and its own internal standards to establishing physical security, network security, and system software security ensuring end to end integrity of lottery transactions.



Scientific Games

www.ScientificGames.com

Scientific Games is a leading innovator in the global lottery and regulated gaming industries. Beginning with the breakthrough technology that launched the world's very first secure instant lottery game in 1974, the company has continued to advance the games, technology, programs, marketing research and security that have been a driving force behind the success of more than 300 customers on six continents over the last 40 years.

The world's top-performing lotteries and gaming organizations partner with Scientific Games for game content, technology, customized programs and managed services that engage today's players in new and exciting ways, provide solutions for both traditional and interactive channels – and ultimately, increase revenues.

After revolutionizing lottery sales and marketing around the globe, Scientific Games continues to innovate with patented gaming technology and research-driven programs delivered to customers with the highest level of security, integrity and ethical standards. The company is committed to worldwide responsible gaming principles and has received international certifications for environmental sustainability.

Through the knowledge and experience of over 3,500 employees, Scientific Games serves customers from advanced-technology manufacturing and operational facilities in North America, South America, Europe and Asia, with additional facilities located throughout the U.S. and around the world based on customer requirements.

Scientific Games is the industry's only full-service provider offering diverse products, technology and services that can be customized to meet the unique requirements of virtually any lottery or gaming jurisdiction, including:

- Instant, Interactive & Draw Games
- Instant Game Product Management
- Lottery systems
- Retail technology
- Video Gaming Systems
- Gaming Machines & Game Content
- Lottery & Gaming Operations Management
- Marketing Research & Analytics
- Licensed Properties
- Loyalty & Rewards Programs
- Internet, Mobile & Social Gaming

For more information, visit www.scientificgames.com.

CORPORATE PROFILES

LOTTERY EXPO 2013 EXHIBITORS & SILVER SPONSORS



DNI Retail Design

www.dniretaildesign.com

DNI Retail Design provides custom in-store solutions to the lottery industry. The foundation and core competency of DNI is the design, manufacturing, and installation of retail displays and merchandisers. We have 15 years of expertise utilizing multiple materials and manufacturing processes to solve each client's specific retail objectives. Our goal is to always provide our customers with tailored solutions to budget, look, and result that is desired.

DNI's introduction to the lottery industry was in 2010 when our partnership began with the Illinois Lottery. The Illinois Lottery tasked DNI with developing a new on-counter merchandiser. The success of this initiative resulted in DNI designing, manufacturing, and installing an entire new retail presence for the Northstar Lottery. DNI has since worked with 13 state lotteries to provide custom retail merchandising products that help increase lottery sales and attract new players. Our solutions consist of Menu-boards, Vending merchandisers, Playcenters, On-counter merchandisers, Kiosks and anything custom that a state lottery might be interested in.

DNI Retail Design
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Batavia, IL 60510
630-587-4940
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Pollard Banknote Limited

1499 Buffalo Place, Winnipeg MB R3T 1L7, Canada

Phone (204) 474-2323 Fax (204) 453-1375

www.pollardbanknote.com

Contact:

Jennifer Westbury

Executive Vice President, Sales & Customer Development

Phone (204) 474-2323 x217

E-mail jwestbury@pbl.ca

Lottery customers: North America 31, International: 20+

Primary products and services:

- Instant Scratch Tickets
- Interactive Instant Solutions
- Product and Category Management
- Integrated Marketing Solutions
- Market Research Services
- Lottery Management Services

For almost 30 years, Pollard Banknote has served as a trusted and reliable full-service instant ticket printing and related services partner. Our success is based on our unmatched ability to form strong partnerships with clients for the mutual goal of driving lottery revenues. Pollard Banknote delivers strategic, lottery-specific recommendations, based on research and industry best practices, for all of our products and services. A proven driver of instant ticket innovation, Pollard Banknote has brought some of the most important, revenue-generating product innovations to the industry, including our translucent marking system, Scratch FX®, and Fusion® products.

This trend continues with a number of new instant products that break the mold of traditional tickets, providing value-added, web-based and mobile elements including WebPlay™ and Social Instants™ that are sure to reinvigorate existing players, attract new ones, particularly those in younger demographic groups, and bridge bricks-and-mortar products with the Internet.

Pollard Banknote also offers a robust portfolio of licensed properties for instant tickets that are specifically selected to appeal to the existing player base while offering the opportunity to target and attract new players. Pollard Banknote employs a full-service, turnkey approach to our licensed property portfolio. As a result, all licensed games are offered with a customized, fully integrated marketing program to maximize success at retail.



Sorteo Games Inc.

www.sorteogames.com

U.S. + 858-554-0297

Grow your Lottery Market with Open Multichannel Distribution

Many prospective lottery players want the increased convenience of purchasing through non-traditional retail channels and ideally, on demand through any web or wireless connected device. Enabling this is the key to growing the market and reaching new consumers.

With offices in San Diego and Mexico City, Sorteo Games is a leading provider of regulated server-based wireless, Web and electronic lottery systems and services to Lottery Institutions.

The Company's Secure Open Multichannel Distribution Platform, which is built on open Internet standard protocols and technologies, enables lottery institutions and leading regulated gaming networks to significantly increase the electronic distribution of their products and services to new non-traditional channels, while increasing their flexibility and lowering their costs. The platform can work in conjunction with traditional Lottery terminal networks and can enable those networks to offer other value added services and products.

New electronic distribution opportunities enabled include:

- Internet & Mobile Distribution Channels
- Retail POS Networks & other third party B2B integrations
- Wireless Lottery Terminals
- Electronic Lottery Terminals (ELTs)

The platform has created, deployed and operated content/services for State and National lotteries as well as for over 90 global brands (NASCAR, ESPN, MLB) across 120 channels in 3 continents.

Sorteo Games currently holds two national lottery systems and distribution licenses and operates the leading government regulated revenue generating national lottery wireless & interactive channels and electronic lottery terminals in Mexico.

Embrace open platform Lottery systems... Increase your addressable market... Free yourself from costly & proprietary hardware. Let us show you how!



Diamond Game

www.diamondgame.com

The LT-3 ITVM: Growing Retailers & Increasing Revenues

In its 20th year of business, Diamond Game's mission is to provide innovative solutions to lotteries seeking retailer and revenue growth. To deliver on that mission, the patented LT-3 suite of ITVMs was created with lottery needs at the forefront. The LT-3 allows lotteries to expand their retailer base into less traditional and age-regulated venues, such as bars, taverns, bingo halls, and social clubs. It is the only ITVM designed to cater to venues that encourage longer play sessions and higher sales volumes.

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

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

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



Arrow International, Inc.

www.arrowinternational.com

Helping You Accomplish Great Things...

Arrow International, Inc. is the world's largest full-line manufacturer of bingo, pull

tabs and related gaming products. Celebrating over 45 years of industry experience and with facilities in North America and Europe, Arrow provides the highest quality gaming products and the most reliable service in the industry. This professional support enables the social and charitable gaming organizations we work with to focus on fun, competition and profitability.

Headquartered in Cleveland, Ohio, USA, Arrow is comprised of over 1,000 skilled employees. Our extensive product line consists of a full array of bingo paper, Popp-Opens® pull tab tickets, Wide Band™ jar tickets, award winning bingo ink markers, electronic bingo equipment and various bingo accessories. We continue to expand our product lines on a daily basis to provide the largest selection of creative and custom gaming solutions that excite players and keep them coming back for more.

Arrow's products are sold through a worldwide network of independently owned

distributors. Arrow provides its customers with sales training and support, customer

service and promotional sales tools to ensure their long term success.



Hudson Alley Software (Formerly OrderPad)

www.hudsonalley.com.

Hudson Alley Software is the new name of OrderPad Software. It's the same company and the same people, now offering more products under a new name. When we spun-off from Cole Systems in 2008, we were a one-product company, and that product was OrderPad. With the introduction of our newest product, OnePlace, and our other forthcoming products, our solutions are more diverse and enable lotteries to improve their success by helping them to increase sales and operate more efficiently and effectively.

Since we introduced the world's first lottery-specific sales force automation solution, OrderPad for Lotteries, in 2004, our solutions have been adopted by 17 North American lotteries ranging from very large lotteries like the Massachusetts Lottery and the New York Lottery to less populated jurisdictions like the Idaho Lottery and the Oklahoma Lottery. Many of the world's most successful lotteries use our solutions to drive sales, improve the quality of retailer visits, enhance winner awareness, and to order instant tickets from the field.

Last year, we introduced OnePlace, the next generation of lottery sales force automation for iPad and the web, which has already been adopted by 6 U.S. Lotteries, with more planning to come online in the coming months. OnePlace is subscription-based and does not require a large upfront investment, making lottery sales force automation within reach for all lotteries.



Carmanah Signs

www.CarmanahSigns.com

Carmanah Signs designs and supplies LED & LCD signs that increase brand awareness and sales for lotteries, casinos, brands & retailers. www.carmanahsigns.com

Carmanah's products include wirelessly-updated lottery jackpot signs, LCD advertising signs for lotteries and casinos, LED-lit brand awareness & corporate identity signage for lotteries and global brands, and EvenLit™ LED Light Panels.

Since 1993, Carmanah has served hundreds of global brands, casinos and lotteries. For the lottery industry, Carmanah is the dominant supplier of wirelessly-updated lotto jackpot signs, with over 85,000 installed at lottery retailers in the Americas and Europe.

Wirelessly-updated jackpot signs promote both brand and jackpot awareness and provide accurate, up-to-date jackpot values displayed at lottery retail. There is proven sales lift of on-line games, as well as instant tickets. The return on investment in Carmanah jackpot signs is typically measured in months.

Please contact Max Goldstein Vice President Sales at Carmanah Signs for further information regarding wireless jackpot signs and the potential ROI for your lottery, as well as for product information on our LCD signage and LED-lit brand awareness signage. mgoldstein@carmanahsigns.com / +1.416.322.2860

When it comes to data-analytics, it is important to start with marketing people who know what questions to ask. I joke internally that we must keep the mathematicians and engineers away from this initial stage of the process because that's a market-facing process. Call the scientists in afterward, once you know what to ask for. That's when they can figure out how to organize the source data in a way that is useful to the decision-making process. These are the kinds of business process challenges that require the appropriate organizational structure. That is why we are set up so that our regional groups drive the business at the jurisdictional level with the support of Products & Services, which function at the global level.

Is there connectivity and relatedness between global markets such that data gleaned in, say, France can inform decision-making in Florida?

J. Patel: There probably is. But at this point in the science of data-analytics in our industry, the global data flows are less important than the jurisdictional-specific data. The kind of data-analytics that is most useful drills down into the differences between regional and local markets. Why would the markets in downtown Indianapolis or California or New York City react differently when the PowerBall jackpot hits \$500 million? Data can tell you that there are differences, but it does not tell you why there are differences or what you can do to improve performance. You need to get behind the numbers to understand the sensitivity of consumer spending in different areas based upon demographics, spending levels, etc.

The market-specific details are critical to the goal of extracting useful, actionable insights. It all starts with people whose deep understanding of the industry, of player behavior, of retail operations, of local markets, is channeled to formulate the right questions and frame the issues to support real-world action-plans. This requires an organizational structure that focuses and applies the talent and skill-sets for optimal productivity and impact. It also requires a clear vision at the top to ensure that creativity and imagination are freed up while maintaining a disciplined approach toward execution.

I was talking with a GTECH customer, ONCE in Spain, at the EL event in Tel Aviv. Their challenge was to figure out how to have a lotto game that was at a fixed low jackpot level that could compete with the wildly popular El Gordo. Would you have examples from other jurisdictions that would help them with that challenge?

J. Patel: First, the key component to our customer relationships is to respect the fact that the customer knows their market and business better than we do. We don't claim to be experts in every single local market. We can, though, bring a global point of view and share the experiences of customers from around the world who have faced similar challenges. The challenge for ONCE is one that is being faced in many jurisdictions around the world. Many U.S. states, for instance, are struggling to preserve a healthy in-state lotto game that is up against the big jackpot games of Powerball and Mega Millions. And yes, we would submit that analyzing the experiences of lotteries all around the globe will help to find solutions to challenges like jackpot fatigue.

At the EL conference in Tel Aviv, you were on a panel when the question was asked about why Lottery could not be the ones to invent the next Angry Birds. You immediately answered that Lottery

does not even want to be the next Angry Birds.

J. Patel: We have to recognize that the lottery industry operates in games of chance as opposed to games of skill. We also operate in a universe where prize pay-outs are limited, typically between 60% and 70%. If those constraints were relaxed to allow for elements of skill and higher prize pay-out games, the level of creativity, innovation, and sales would increase dramatically.

Fortunately, there is tremendous potential for creativity and innovation to drive consumer engagement and increase sales and funds to Good Causes. Longer-play games and the creative application of game mechanics are enhancing the entertainment value of the traditional games. Simple changes, like increasing the price of the Powerball ticket to \$2, can have dramatic impact. Mega Millions has just implemented an important matrix change. The industry has launched many add-on games and new fixed-odds games over the last two years.

You have often emphasized to me that innovation does not only take place at the game development level. Or even the technological level. There is still so much more that can be done to increase same store sales and increase distribution.

J. Patel: Increasing distribution and same-store sales is key to growing the lottery industry. Adding the national chain stores, adding mobile to the channel mix, and focusing on retail optimization would double sales in five years. This is about disciplined deployment of best practices and then detailed, retail execution.

For instance, here is an innovation that would transform the lottery industry – streamline licensing, standard accounting, and order fulfillment processes for corporate chains to sell Powerball across the country. It's not all about creative game development. It's about overcoming basic obstacles that interfere with.

Do you feel, perhaps as a result of the adoption of the outsourcing or 'private management' model, that legislators are more willing to give Lottery the latitude to operate more like a business to improve financial results?

J. Patel: Most legislators understand that Lottery is a market-driven business. I do think that the outsourcing model has opened their eyes to the possibilities. It's not just about outsourcing. It is also about recognizing that there are ways to increase funds for Good Causes and be socially responsible at the same time. Legislators and influencers of public policy are now exposed to a variety of management models. These options cause everyone to think more expansively about the future revenue potential and how to optimize performance. So, yes, I do think the process of assessing the pros and cons of different approaches is most certainly improving the climate for change and progress and innovation.

I do not see a downside to creating better alignment between commercial partners and Lottery, creating contracts that have a path for outside investment, that pay premium bonuses for premium performance, that create a climate that is more receptive to innovation and change.

J. Patel: We understand that the people who operate lotteries are dedicated, talented, driven and smart. Having said that, it is always wise for government entities to review their existing structure and determine if the construct remains optimal for delivering maximum results.

There are some basic things that legislators can do to unlock potential without any change to the management structure. For example, provide a consistent advertising budget; enable lotteries to operate on a three or five-year plan instead of re-setting at the end of every fiscal year; allow more flexibility with prize payouts; and promote innovation and accept the inevitable mistakes that come along with the progress.

There are some simple yet transformational advantages to be gained by outsourcing. It is the best way to attract outside capital investment to flow into the industry. Increasing advertising and marketing spend, investment in game development, and expansion of retail stores – these are just a few opportunities for capital investment to contribute to better performance and results.

The outsourcing model not only smooths the path for capital allocation, it also eliminates the government's risk associated with investing in an uncertain future. Second, the commercial community has a wealth of innovative and progressive ideas that would positively impact the business if they were just given more runway to prove out.

We view the outsourcing model as a way to partner with existing

governments and lotteries and to step up the level of investment and innovation to drive performance and sales. So it's not that the existing lottery staff isn't effective. It's that private companies can increase the levels of investment and innovation that ultimately improves business results.

I just read your 2012 Sustainability Report (see www.gtech.com), in which you really flesh out GTECH's role in society. I was pleased to see your embrace of Michael Porter's concept of Creating Shared Value (CSV).

J. Patel: Sustainability is truly the cornerstone to our whole philosophy. We are fortunate to operate in this industry that does so much good for so many people. We all should want to embrace CSV and our ethical responsibilities, not just because it is the right thing to do, but also because we know that the future of our industry and our own individual welfare depends on the cooperative actions of all. We need to pursue growth strategies that are sustainable precisely because they are good for society and in the end that will serve all of us with vested interests in the long-term health and prosperity of this industry. ♦

Evolving Interactive and Mobile Strategies ...continued from page 22

be used to purchase lottery tickets at bricks and mortar retailer outlets. Funding can occur via cash top-up at retailer outlets, via winning lottery ticket prizes and, using the Player Portal, through transfers from player bank accounts. This pre-paid system eliminates some of the risk associated with delayed payment methods, such as credit cards.

ONLINE GAMES ARE A SMALL PART OF OVERALL LOTTERY SALES

Experience suggests that, at present, online games represent only a small portion of overall lottery sales, and thus online games should constitute only part of an overall strategy and should not be the entire strategy alone. In Georgia, which has been operating online games since November 25, 2012, online sales to date are \$1.2 million, constituting 0.4% of overall lottery game sales. (These results are similar to those in Illinois, where the Illinois Lottery has been offering certain games for sale online since March 25, 2012. Online lottery ticket sales in Illinois also make up less than 0.5% of the lottery's total revenue.)³

In British Columbia, the BCLC has been offering games online since 2004.⁴ For the year ended March 31, 2013, online games brought in revenue of 73.3 million Canadian Dollars, 6.7% of BCLC's total revenue from lottery and online gaming operations. The prior year (2012), online games brought in 65.6 million Canadian Dollars, 6.1% of BCLC's total revenue from lottery and on-

line gaming operations, and in 2011, online games brought in 42.9 million Canadian Dollars, 4.0% of BCLC's total revenue from lottery and online gaming operations.⁵ Thus, while online lottery sales are increasing year-over-year, even after 10 years of operation, revenue from these games is less than 10% of total lottery game sales.

Given these realities, some lotteries are launching models that concurrently promote multiple gaming platforms. Delaware's model integrates internet with bricks and mortar play. Ed Sutor, President and CEO of Dover Downs Hotel and Casino, stated that the Delaware system allows players to earn points for internet play, but that these points can only be redeemed at Dover Downs.⁶

LOTTERIES SHOULD CONTINUE TO BE "FORWARD THINKING"⁷

Finally, although online gaming may not be the entire solution to the problem of lottery player demographics – i.e., that the average age of lottery players is increasing – it should be part of the solution where permitted under existing law. As stated by Vernon Kirk, Director of the Delaware State Lottery, which plans to launch the United States' first online casino platform on October 30, 2013: "It's not a silver bullet, and it's not going to solve all the state's or our casinos' financial difficulties, but if you're standing still, you're going to get passed. If you get out there, you'll be well placed to take advantage of whatever happens."⁸ ♦

³ CBS St. Louis, "Illinois Lottery Pushes for Online Expansion," March 25, 2013, at <http://stlouis.cbslocal.com/2013/03/25/illinois-lottery-pushes-for-online-expansion/> (last accessed October 21, 2013)

⁴ See BCLC website at <http://corporate.bclc.com/what-we-do/online-gambling/about-online-gambling.html> (last accessed October 21, 2013)

⁵ 2012/2013 BCLC Annual Service Plan Report, at <http://bclc.com/resources/documents/corporate/who-we-are/AnnualReport1213.pdf> (last accessed October 21, 2013), p. 59.

⁶ WrB USA conference "Rolling out the PowerBall of iGaming," October 22-23, 2013 in Philadelphia.

⁷ Presentation "Mobile Insights for any Lottery," by Danny Bogus, Michigan Lottery Interactive Manager, at NASPL 2013 Annual Conference.

⁸ Quote from Gambling Compliance, "Delaware on track for September Online Launch," July 18, 2013, by James Kilsby.



Betware

TUNE ALL YOUR SALES CHANNELS INTO ONE GREAT PLAYER EXPERIENCE

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

It's been said that the Omni channel is simply a rebranding of "multi-channel". While that is true to an extent it's also a rather hefty understatement. The Omni channel approach goes further than the "multi-channel" approach did and is more focused on the player experience across sales channels. In the "multi-channel" approach, multiple channels were used to sell products (games) but typically there was no continuity between the channels. Retail was usually not considered part of the "multi-channel" approach; and retail should clearly be considered to be in this category. What's worse, each channel was a completely separate technology

solution with no continuity for players between them. The Omni channel approach addresses these shortcomings while keeping the primary benefit of having a "multi-channel" approach: reaching players anywhere anytime. It is a well-known fact that the typical player today has the capacity to access offering through more than one channel. What's more, we know that players who play in more than one channel are more valuable than players who stick to only one channel.

Any lottery's primary goal, once everything else has been stripped away, is to raise funds. Betware's experience from providing solutions to state lotteries for over 17 years shows that adding additional sales channels increases overall sales. What's more is that over these 17 years we have never seen any evidence of Internet-based channels cannibalizing retail. Retailers are used to seeing products they were selling exclusively, cell phone top-up cards for example, move to online. Will the retailers fight the introduction of the Internet? Undoubtedly they will, but they will accept it and they will understand that a strong modern lottery needs to have a sales presence in modern sales channels. A strong modern lottery benefits everyone including the retailers. Aside from that fact it is important to keep in mind that in the short term it is not the retailers' bottom line that suffers if the lottery does not offer its games through all available sales channels; it's the lottery's ability to stay relevant and return increased profits to good causes that suffers.

The retail channel and the Internet channels can so easily complement each other if everyone is willing to work together. The easiest example of this is second chance draws. Players can enter tickets they buy into a second chance draw online and the winnings from the second chance draw could be vouchers that can be reclaimed for products at retail. The possibilities are countless. Another example could be electronic scratch ticket. Betware has for many years offered lotteries to sell electronic versions of their scratcher tickets online and this could be modified to allow players to claim winnings at retail locations thus driving footfall into the retail network.

In this context it is important not to be limited by what your current technology can do but rather think how you want to be able to serve your players. Deciding to use the Omni channel approach is a strategic decision to focus your offering to players around the player experience. You can then buy in new technology so that the technology you have aligns with your player experience strategy.

It's hard to discuss channel synergy without touching on player cards. Our industry has a long standing aversion to player cards. This is counter intuitive as player cards could solve so many of the issues we face today and there is absolutely no doubt that these cards would lead to a much better player experience and better player protection in all channels. Imagine if a player buys a ticket at retail and then gets a text message on their cellphone if there is a winning asking how the player wishes to have the winning paid out. There are many great ways to get synergy between the different channels as long as the goal is to have a single unified experience, an Omni channel experience, for all players regardless of channel.

Bottom line is that adding channels increases overall sales and raises revenue for the lottery. The Omni channel approach simply means you should not just add multiple sales channels but have those channels work together and feel, to the player, like one seamless experience regardless of the sales channel they chose. ♦

to new consumer groups. Even though overall revenue and growth targets may be met because of a small number of high growth games, we still want to maintain the profitability and the popularity of the entire existing portfolio of games. And even though video lottery is a major revenue driver for the Oregon Lottery, we really do care about preserving a balanced and healthy portfolio of games that are not video related. It is a high priority to maintain the relevance and growth of the traditional products.

Like Keno.

L. Niswender: Keno has always had a loyal following. But our research revealed that we absolutely needed to bring in new consumer groups to maintain the long-term viability of Keno. Without attracting younger adults age 21-34 to this game, its future looked very uncertain.

How did you start down the road towards conception of Keno Confidential?

L. Niswender: Two interesting dynamics converge on the issue of how to formulate a marketing campaign. First, the best way to connect with the young adult demographic is through digital media and social networks. Second, the fact is that there is a far better ROI in the digital channels than in most traditional channels, particularly TV. We still use TV, but we implemented a robust digital campaign, at a low cost, which created a lot of momentum prior to the larger investment in the TV portion of the campaign. We think that extra traction significantly increased the impact of the TV advertising. In a multi-channel campaign, it can be difficult to isolate and measure the precise impact that the different component parts of the campaign had. But we are confident in our assessment that the integrated approach of the Keno Confidential campaign worked well and produced the desired results. And that the digital component was a critical component to that success.

We always want to be progressive and evolve with our customers. But you nev-

er want to be too far ahead of the curve. We think, and the success of Keno Confidential has convinced us, that digital media has arrived and is fully ready for prime-time. Digital channels, especially Mobile, and Social Media have long passed the threshold of consumer adoption that makes them key components to any marketing campaigns. Our research told us that and now the market-place has confirmed it.

The website Kenoconfidential.com, and the story of Jeff and Sam and the conspiracy theory is just brilliant. Is it hard for someone in the director position to pull the trigger on something as innovative as that?

L. Niswender: It wasn't. I made sure everyone understood the importance of our existing core players, and that we never do anything so edgy that it would alienate or bother that core group of players. Last week, Keno sales were comparable to our scratch ticket sales, and actually higher than Powerball sales. And Keno is not as vulnerable to the same jackpot swings of some of the other games. So obviously, it is a top priority to maintain the loyalty of that core group of players. We just want to be sure that Keno stays strong and is well positioned for many more years of growth.

It seems to me that this multi-channel, digital-centric campaign might serve as a template for marketing of all the other products, or at least some of the other products. The concepts of social networking to create the potential for viral exposure, the change in strategy from outright promotion to one of engagement, seem to be necessary to connect with the young adult generation of consumers.

L. Niswender: I agree. I do think of the Keno Confidential campaign as being our lead effort towards creation of more social media engagement efforts. We are already doing some high-touch kinds of activities with our other products, too. We are also exploring ways to integrate our retailers into the campaigns. Social and digital media provides a platform that enables us to implement and control

a state-wide campaign from our main offices, and have it up and operational in a short period of time, and at relatively lower cost and less staff time, especially once it is up and running.

The potential for a viral impact is another element that makes digital and social media most interesting. We are already seeing the potential of that with Keno Confidential. It is too early to share data with you on that, but the impact is clearly there, and the synergies that result from seeding the market prior to TV advertising are definitely improving the ROI on all the traditional channels like TV. Also, the cost per impression of TV advertising does not really change. Whereas the cost per impression goes way down in digital media because the major portion is in the design and set-up of the campaign. Building the websites and the micro-sites and the other component parts to the campaign constitute an initial cost but the ongoing costs to maintain the campaign are quite low.

Your "Oregon Wins" messaging also fits so nicely into the engagement approach.

L. Niswender: We think that 'Oregon Wins' is an absolutely critical part of our brand and image. The Lottery belongs to the people. It is important that the entire citizenry of Oregon appreciate their Lottery and what it does for public service. The Oregon Lottery provides over a billion dollars to the state every biennium for the last eight years for projects and services. The state also benefits by bonds that are made possible with the backing of Lottery fund. I realize that players do not likely buy tickets in order to support Good Causes. But we still feel that players feel better about their Lottery knowing that the funds do go to Good Causes. And the Lottery is a Public Trust that depends upon the support of the general public. Integrating our responsible gaming messaging into our messaging is a key part of all of our planning and marketing. ♦



Scenes from PGRI Lottery Industry Hall of Fame Ceremony NASPL Convention

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October 3, 2013





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