

# PGRI PUBLIC GAMING

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

SEPTEMBER/OCTOBER 2016

- The Private-Public Partnership in Action
- How Regulatory Changes are Converging with Technology, the Internet, and Changing Consumer Behavior to Up-end the Games-of-Chance and Lottery Market-Place
- Sales Force Automation as the Key to Improving Retail Performance

## FEATURED INTERVIEWS



Tom Delacenserie



Kevin Sheehan



Alice Garland



Nikos Nikolakopoulos



Sam  
Wakasugi



Marco  
Tasso



Paul  
Riley



Tracey  
Cohen



Vernon  
Kirk



Carole  
Hedinger



Application  
Programming Interface  
(API) as the key to a  
sustainable future  
for Lottery



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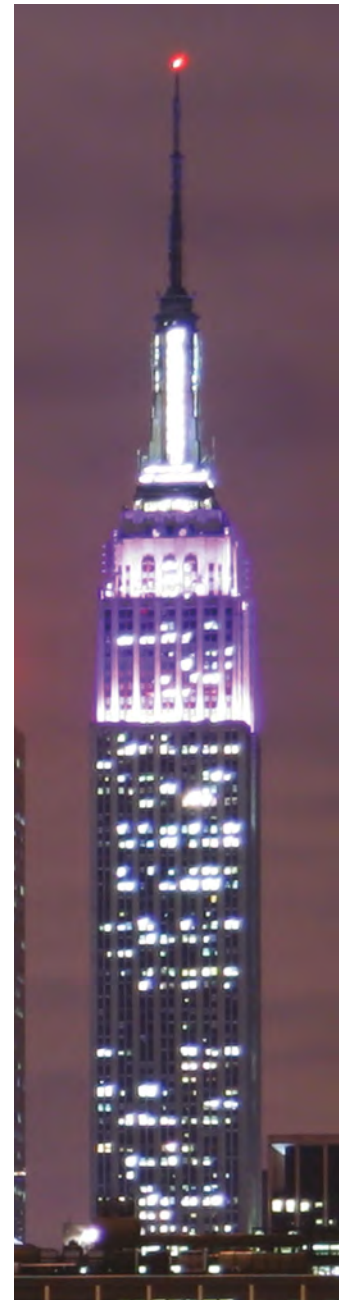
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## LT-3 ITVM: There's so much more to *earn*.



## From the Publisher

Congratulations to the 2016 Lottery Industry Hall of Fame inductees! The 68 members of the PGRI Lottery Industry Hall of Fame have voted for and elected five new members.

The five 2016 Hall of Fame inductees:

- **Dermot Griffin**, Chief Executive of Premier Lotteries Ireland (PLI), Operator of the Irish National Lottery
- **Hansjörg Höltkemeier**, Managing Director and Member of the Board of Deutsche Klassenlotterie Berlin (DKLB), President of the European Lottery Association (EL)
- **Rose J. Hudson**, President & Chief Executive Officer, Louisiana Lottery Corporation Lotteries, First Vice President of the North American Association of State and Provincial (NASPL)
- **Norman Lingle**, Executive Director of the South Dakota Lottery
- **Sue van der Merwe**, Chief Operating Officer, Tatts Group Lotteries

**PGRI conferences have evolved a rather unique brand for their focus on advocacy, the need to drive change and progress. Our events are really not about “education.” As vital as education is to the development of the future leaders of the lottery business, the industry associations provide a superlative and comprehensive educational program to meet that need.**

The Lottery Industry Hall of Fame was founded in 2005 as a means of honoring those who have done the most to promote excellence and integrity in our industry and make the world lottery industry the great success. The recipients of this award are all a credit to that ideal and are joining a select and distinguished group of world lottery industry professionals. The bio's of the five 2016 inductees will be published in the November issue of this magazine. You can read more about the Lottery Industry Hall of Fame and the members at [www.LotteryIndustryHallofFame.com](http://www.LotteryIndustryHallofFame.com).

The Ceremony to induct the two North American industry leaders into the **Lottery Hall of Fame** will be held **Tuesday, October 4th at 2:30 pm** at **NASPL Atlanta Conference** (room TBA).

The Ceremony to induct the three **Global** industry leaders into the **Lottery Hall of Fame** will be held **Tuesday, November 8th at 5:00 pm** at the **World Lottery Summit Conference Marina Bay Sands** in **Singapore** (room TBA).

Our interview with Tom Delacenserie continues our focus and advocacy for the development of the API (Application Programming Interface) for government-lotteries across the world, and for U.S. lotteries in particular. We had a half-day session on this topic at the

PGRI Smart-Tech NYC conference in April which was synopsized for a report published in our July issue. And will have another half-day session at PGRI Lottery Expo in Miami on Sept 13. The benefits of creating the common language and IT platform that facilitates digital communication between lotteries, suppliers, and distribution channel partners are so compelling as to make the API an indispensable part of our future. The challenge is that it requires collaboration between many different parties to design and implement. There is nothing difficult or problematic about implementing the API. Almost all other industries deployed the API years ago. The challenge is that everyone (or at least a critical mass of lotteries) needs to agree to work together to create a single IT platform and common language. It's not hard to do, it just requires the will to engage in an intensive collaborative effort.

PGRI conferences (two a year—one in March in New York and one in Miami in September) have evolved a rather unique brand for their focus on *advocacy*, the need to drive change and progress. Our events are really not about “education.” As vital as education is to the development of the future leaders of the lottery business, the industry associations provide a superlative and comprehensive educational program to meet that need. The World Lottery Association (WLA), the European Lottery Association (EL), the North American Lottery Association (NASPL), Asia-Pacific (APLA), Latin America (CIBELAE), and Africa (ALA)—all provide excellent seminars that cover every issue relevant to this business of operating a government lottery. PGRI events endeavor to promote understanding of and support for initiatives that will benefit the industry going forward. We cover regulatory, legal, and political issues. We explore ways to improve stakeholder relations. We drill down on ways to engender more support from stakeholders like retail partners as well as lawmakers and others who influence the shaping of public policy. We explore ways to carve out a bigger slice of media mind-share, especially national and global media sectors.

Thank you to all of our interviewees and editorial contributors! Your insights are invaluable and we so appreciate your willingness to share.

Our **SMART-Tech New York** event is still a few months away. But we are getting started early to ensure a great program and to enable you to plan ahead. Mark your calendars for March 20, 21, and 22 in NYC for this popular event. Visit [PublicGaming.org](http://PublicGaming.org) for conference info, updates, and registration and room reservations links.

Thank you for your support and see you at PGRI Lottery Expo, NASPL Atlanta, G2E Las Vegas, and then the bi-annual World Lottery Summit in Singapore. This will be a busy and rewarding fall conference season! ■

**Paul Jason, Publisher**  
**Public Gaming International Magazine**



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## Tom DELACENSERIE

Secretary, Florida Lottery

### Application Programming Interface (API) as the Key to a Sustainable Future for Lottery

**Paul Jason:** *You come from the consumer products industry. What are their strategies for garnering more favorable treatment from retailers?*

**Tom Delacenserie:** I'll give you an example. I was reviewing a recent report on the personal care category which includes hair accessories, suntan, soaps, cosmetics, mouthwash, etc. Annual sales from mass outlets i.e. multi-state drug, supermarkets, discount retailers like Walmart, Target, military stores etc. were around \$49 billion. About \$21 billion less than Lottery, right? Yet, look at the space retail allocates to personal care compared to Lottery. The report highlighted the hot trending mascara category making the point that Walmart alone sells 1.6 tubes of mascara every second of every day. 49 million units a year, just in Walmart.

Now here's the interesting part. Walmart's take-away from the statistic was not the significant number of units sold but they feel they're leaving money on the table! So, together, Walmart and the CPG (consumer packaged goods) mascara vendors are investing to enhance their beauty department so they

can realize the category's full potential. Think about that. Mascara already has more space and makes a much stronger statement than Lottery, which generates more sales. Yet, timely sales data allowed Walmart to quickly identify a strong trend and up their commitment to increase those 49 million unit sales. How does that happen? It happens because the CPG brands have the data to prove to

suasive to a corporate account. Having to extrapolate potential from limited data samples is not what motivates corporate accounts to act and they don't have to do it because CPG companies and the corporate accounts have actual data that includes product/category sales for all stores nationally. The technology that enables them to do all of this is the API. Application Programming Interface is the

“

Without the data that API technology provided, the sales trend isn't identified and the opportunity is lost. Scanned sales data rolled up nationally can be very persuasive to a corporate account.

”

Walmart that mascara is a “hot” trending item and the ROI on increasing its commitment to mascara will be positive.

Without the data that API technology provided, the sales trend isn't identified and the opportunity is lost. Scanned sales data rolled up nationally can be very per-

common language that enables scanned data to be captured, transmitted, and organized to inform the decision-making process. Without the API, we don't have the data, we don't have a story to tell, and we don't have the attention of our corporate retail partners. With that data,



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our story is so much more compelling. We're able to convince our retail partners of Lottery's potential and make a stronger category impact by getting premium floor space and a secondary selling location at the coveted check-out counter. This is the tool the industry needs to consistently generate the sustainable growth that good causes depend upon.

“

Without the API, we don't have the data, we don't have a story to tell, and we don't have the attention of our corporate retail partners.

With that data, our story is so much more compelling. We're able to convince our retail partners of Lottery's potential and make a stronger category impact by getting premium floor space and a secondary selling location at the coveted check-out counter.

”

*Wow. It is exciting to imagine what could be accomplished. It's also scary to imagine how we will fare if we do not modernize.*

**T. Delacenserie:** When it comes to using sales data to promote the category, we're still working with an abacus while everyone else is using high speed computers. I believe as an industry, we know what we have to do. We just have to start somewhere. Right now, we just need to move the dialogue forward, address the questions and concerns, and do it all with a sense of urgency. The beauty is that the blueprint is crystal clear. APIs are already being used to great effect, have been for many years, and so we have thoroughly vetted best-practices to model after. Obviously, there are obstacles, like how to fund it and what is the organizational structure that hosts, maintains, and operates the API apparatus. But the ROI on the investment is so emphatically clear, the consequence of failing to invest is dire indeed, and so the will to make it happen should be resoundingly embraced by all of us.

*How important is it for Lottery to be visible at the check-out counter, and how does API contribute to that goal?*

**T. Delacenserie:** It's very important. Let's take a look at what goes into a purchase decision. Retailer surveys show that for most brands, the average consumer spends seconds deciding on an in-store brand purchase in part because they al-

ready know what brand they want to buy before they go into the store. For example, the condiment section of the supermarket makes a large statement with many brands and sizes. But it shrinks dramatically in the mind and perception of the shopper when their attention is drawn to the brand of choice. A behavior conditioned from repeat past patterns. People who buy Heinz catsup probably could not even tell you the names of the other brands because they literally do not even see them on the shelf even though they are right next to Heinz. The purchase decision is made quickly.

A buying decision can also be conditioned by seeing a product at multiple consumer touch-points. Let's take Wrigley's gum. They reinforce brand awareness through advertising, as well as with product shelf placement in the aisles where the consumer sees Wrigley's next to the other brands of chewing gum, and then again on the racks at the check-out lane. The key touch-point for the product though is

where impulse intersects with payment—at the check-out lane.

Now let's just take Powerball. Is it a staple like Heinz that is purchased with very little thought or emotional engagement because we know it must be there on the table when it is time to eat dinner? Or is it like Wrigley's gum, something that we want but will not be missed if we don't get it? Brand awareness of Powerball is conditioned by billboards and other advertising. But the decision to buy or not to buy a lottery ticket is often made right in the store. Just like Wrigley's gum, Lottery needs that visibility and easy access right at the check-out counter. It is the repetition of exposure to the brand that conditions the shopper to look for and buy it. The consumer needs to know that every time they are in the check-out lane, they will have the opportunity or be reminded to buy Lottery. We all know how hard it is to procure the premium position. The API is the mission-critical component to this picture that enables all the functionality that the modern corporate account retailer needs to support a product.

*So the API eliminates some of the issues that make vending the product laborious for the retailer.*

**T. Delacenserie:** Yes, but it's much more than that. The bar-coded ticket is scanned and that transaction data is transmitted to the Retailer's system as well as to Lottery's central server for processing, all done automatically. By capturing transaction information in digital form, the data can be used in a variety of ways from improving inventory management to providing an understanding of the complex relationships between advertising, promotion, merchandising, and product sales. The business of calibrating the optimal product mix becomes a science instead of an art. Improving the accounting reconciliation alone would create incredible efficiencies that currently aren't being realized at retail with Lottery. This is the type of information CPG brands provide for their retail partners and it is what the retailer expects us to provide. The thing is we need to do this for ourselves, not just



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because the retailer requires it. We need to capture this data and render it into the forms that drive our own decision-making processes. Collectively, Lottery spends hundreds of millions of dollars on advertising, product development, merchandising, distributional logistics, and everything else that goes into supporting this \$70+ billion dollar industry in the U.S. However, the return on that spending is much less than it could or should be. The rudimentary tools we use for data collection are just not adequate in today's marketplace—not for our retail partners and not for us either. The result is sub-optimal performance which is in effect costing us hundreds of millions of dollars in sales, operational efficiencies, and ultimately net funding. The API is the bridge to the future in which Lottery becomes a profit-driver for both our retail partners and the beneficiaries of lottery funds.

The defining characteristic of Amazon, for instance, is the sophistication of its data analytics that powers its superiority in logistics, its understanding of the consumer, and its ability to identify trends and develop market strategies at break-neck speed. All made possible by technology that records transactions in a common language and converts data into business intelligence. That technology is the API. I realize we do not aspire to be Amazon. But corporate account retailers are rapidly adopting the best practices established by Amazon, Walmart and other industry leaders. Our competitors in the CPG world are making sure their IT meets the expectations of these retailers and we need to work to keep up with them.

Although not completely API related, I'll give you another example of how selling a product that retailers consider too labor intensive can have a negative effect on growing that product.

Publix Supermarkets is one of our largest and finest retailers. They sell Scratch Offs from both a vending machine and an in-counter dispenser with a higher percentage of sales coming from the vending machine. We projected Publix could increase their sales from the in-counter dispenser by adding product facings.

Publix voiced concern about adding facings and inventory and after addressing them we discovered one of the most important concerns to Publix was the time it would take employees to write down the beginning and ending book numbers for their tracking purposes. A solution they could embrace involved a wand that would scan the books for number entry and save employees time. Publix has agreed to pilot additional facings in a small number of stores to test the idea. Retailers need more

sure any discussion of rolling out lottery nationwide would at a minimum require the category provide the most basic levels of data and reporting capabilities, which an API could provide. No matter how compelling the performance in one store or even multiple stores within one state, a national or multi-state retailer must be able to accumulate sales data consistently across their universe to see the big sales/profit picture for products it sells. That is why we need to work to-

“ When it comes to using sales data to promote the category, we're still working with an abacus while everyone else is using high speed computers. ”

efficiencies and standardizing API's would provide those efficiencies and increase the opportunity for product growth.

*Without the technology to effectively manage our category, we are ill-equipped to sell to corporate accounts like Walmart.*

**T. Delacenserie:** It certainly puts us at a disadvantage. The intent of a supercenter model is to meet all the customer's shopping needs once they enter the store. A retailer like Walmart knows a significant percentage of their customers buy lottery. They also know not having those products could mean the customer they work hard to attract goes to a competitor for lottery and maybe something else they might have purchased at Walmart. At the same time, they need to know Lottery will operate with the same level of consistency and efficiency as their other vendors, especially when it comes to sales data. We've had discussions with Walmart in the past few years about doing a supercenter lottery pilot in Florida and, while not approved yet, we remain hopeful. However, even if they did approve the idea, a successful pilot and a “national rollout” are two very different things. While I wouldn't presume to speak for Walmart, I'm quite

gether as a community of lotteries to invest in API to achieve our shared objective of expanding distribution of lottery products in national accounts.

*I would think that it is not just a matter of getting our products into a Walmart. Don't they analyze performance on an ongoing basis and adjust their support accordingly?*

**T. Delacenserie:** Getting your product in the store is just the first step and does nothing more than give you the opportunity to deliver on the potential you promised. The “Power of Powerball,” for example, was on full display last January in many stores including Walmart Neighborhood Markets. Retailers like Walmart see the potential Lottery has to drive store traffic and residual sales and not just during big jackpot runs. Yet we fail to clearly articulate that potential and, by extension, what the retailer's potential with lottery is because our reporting capabilities are so inconsistent and fractured. We need to be able to give corporate retailers real-time data on a national scale for them to fully grasp the impact that Lottery would have as both a standalone product and traffic driver. Go back to my mascara example of 1.6 tubes sold in Walmart every second. Impressive, but Walmart saw potential

# Is your lottery...



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for more sales by improving their in-store presentation. This is how a product or category convinces a national account it's worth the space it occupies and more importantly grows. Identify a trend, show the account how the trend is affecting product movement, store traffic, and profit, and make a case for growing those numbers by improving space and positioning. I would submit Lottery could tell a very impressive story. The facts are on our side and our corporate partners are starting to understand lottery's potential, but unless we utilize real time data analytics enabled by API technology to harness and successfully manage sales data from a \$70 billion category, we'll be left with nothing more than unrealized potential.

When you consider sales and profit at retail are measured down to the square inch (shelf and floor), you start to realize how important data is. Implementing API to get into an account is just the beginning. Applying new technologies and improving our ability to leverage data-analytics to drive performance is an on-going process. And yes, every vendor must constantly defend their product space with real time data. And not just big picture sales data. Corporate retailers also expect their vendors to be able to drill down in a granular way to look for ways to improve performance.

*What kinds of granular data are they looking for?*

**T. Delacenserie:** Knowing what other products are in the basket with lottery products for example. "Other products" share so much about a consumer and provide a rich canvass of opportunities for both retailers and manufacturers including cross sell promotions and marketing/merchandising strategies. Basket size, other product types, cost, frequency of store visits, purchase time of day ... frankly, the kinds of data, intelligence, and insights it provides is limited only by our imagination. It all helps us to understand consumer behavior and to fine-tune our strategies to match product, place, price, and promotion to synchronize with that behavior.

For instance, it has been claimed that

lottery is being purchased disproportionately by the lower-income segment of society. A few years ago we worked with a corporate supermarket account on a promotional idea. The idea was to cross promote lottery with an in-store non-lottery product. We also worked with an independent marketing organization to track the "other products" that were in a basket when someone bought a lottery ticket. The results contradicted the perception. We saw high-end olive oils, specialty breads from the store's bakery, and other products that didn't fit the narrative of lower-income consumers buying lottery along with beer and cigarettes. The lottery player was just as likely as the non-lottery player to buy high-end products. This is the kind of information that is especially valuable to corporate accounts.

*Knowing what is in the basket would also help us to substantiate our claim that Lottery is a driver of store traffic and residual sales.*

**T. Delacenserie:** True story: When we did the first Walmart Neighborhood Market test, I was in a store at 6:00 a.m. with two executives from Bentonville to witness the sale of the first lottery ticket. One of the first tickets sold was to a customer who, seeing three guys in suits at the end of the check lane, approached us unsolicited and asked if we were with Walmart. She thanked the gentlemen from Walmart for adding Lottery to the store's product mix explaining how she had to drive past the store each morning to a less convenient retailer to buy her tickets. She continued saying, "I'm really happy knowing I'll be able to get my lottery tickets at Neighborhood Market." Now think about the volume of customer traffic that enters a store like a Walmart Super-Store each week. What percent of those customers leave to go to a competitor to buy a lottery ticket or worse, go past the store because they don't carry lottery?

*Publix is a grocery store that sells a billion dollars a year in lottery products in Florida alone. Why don't they require the higher level of data reporting that other multi-state retailers require?*

**T. Delacenserie:** Actually, they do and rightfully so, continually prod us for better information and data integration. At a recent business review we did with Publix, they included a vendor performance appraisal they do with all of their suppliers. Their scorecard has six categories grading performance on a scale from one to five, five being the highest. For the last three or four years, we have received all fives except in one category. That category is technology and data collection. While they understand as a Lottery we're at least partly dependent on industry technology, their expectation is that we work with both the vendor community and the industry to improve inefficiencies and inconsistencies relative to equipment and data collection. I strongly dislike not meeting Publix or any account's expectations, and with that in mind, respectfully submit that all lotteries all around the country could benefit by collaborating to meet the needs of these corporate accounts. Every state has large corporate accounts with the same needs, and frankly, we're in jeopardy of not being able to increase our sales and net funding to Lottery's beneficiaries if we fail to provide it to them.

*What about the obstacles to implementation? How can consensus be built to move forward with an action-plan?*

**T. Delacenserie:** I don't presume to have all the answers to that question. I would just point out that we've done it before and we just need to do it again. Imagine what it must have been like for the handful of states which started Powerball back in 1988. These states were all operating independent businesses, with diverse operating systems and IT, and methods of accounting and reporting, and contractual relationships with retailers and all manner of obstacles to overcome. The issues they had to wrestle down were no less formidable than the ones we need to deal with to modernize now. And the urgency of our current challenges is at least as pressing as theirs were then. They did it back in 1988, and we should be able to do it now. ■



# LOTTERY EVERYWHERE

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## Kevin SHEEHAN

Chief Executive Officer and President  
Scientific Games Corporation

### Meet Scientific Games' New CEO ...

Kevin Sheehan joined Scientific Games Corporation as Chief Executive Officer and President in August 2016 as the Company's previous CEO, Gavin Isaacs, moved to a more strategic role as Vice Chairman of the Board of Directors. Previously Kevin served as Chief Executive Officer and President of Norwegian Cruise Line Holding Ltd., comprised of Norwegian Cruise Line and Prestige Cruises International, Inc., which operates Oceania Cruises and Regent Seven Seas. At Norwegian, Kevin led major initiatives to expand the company's revenues and increase profitability in the midst of a difficult economic climate. He also focused the organization on delivering increased guest services, raising guest satisfaction scores to record levels. In 2013, Sheehan completed Norwegian's successful initial public offering on NASDAQ, and in 2014, he completed the acquisition of Prestige Cruises International, the market leader in the upscale cruise segment. Kevin's management philosophy of leading by example enabled him to reinvigorate Norwegian by opening lines of communication and creating a positive corporate culture. Prior to Norwegian, Kevin was with Cendant.

His last role was Chief Executive Officer of Vehicle Services, which included global responsibilities of Avis, Budget, PHH Vehicle Management Services, and Wright Express. Kevin's earlier career included nearly 10 years in the media industry. He served as President of STT Video Partners, a joint venture between Time Warner, HBO and Sega, to offer interactive cable services directly into consumers' homes. He was also instrumental in the creation and launch of Telemundo. In 2011, Kevin was named "Miami Ultimate CEO" by the South Florida Business Journal, and in 2014 EY named him an "Entrepreneur of the Year." Kevin holds a Bachelor of Science degree in Accounting from Hunter College and an MBA from New York University's Graduate School of Business. He is also a Certified Public Accountant.

**Paul Jason:** *You resurrected Norwegian Cruise Lines (NCL) from mediocrity to being best-in-class. The innovations you spearheaded and your tenacious focus on execution elevated NCL to setting the gold standard for the entire industry. That is a matter of record, both as a universal customer experience and as per the metrics that reflect the market share and financial performance of NCL. How might some of that leadership experience inform your approach to helping your*

*lottery operator customers become the gold standard in the games-of-chance industry?*

**Kevin Sheehan:** Thanks, Paul, I appreciate the kind words. When I joined Norwegian Cruise Line we certainly had our challenges, and I am very proud that under my leadership we went from being, as you said, mediocre and not considered a formidable competitor to being best-in-class and the most profitable company in our industry.

Fortunately, Scientific Games already has a strong foundation, having just announced its third consecutive quarter of year-over-year increases in revenue, operating income, and cash flows from operating activities. Importantly, Lottery is a big contributor to our success. In our recently announced second quarter, Lottery revenue increased \$13.7 million; operating income increased \$8.9 million, and our instant games business is performing exceptionally



well, with revenue growth of 11 percent or \$15.4 million—reflecting our continued market leadership in instant games.

We already set a high bar and are steadfastly delivering the world's best lottery experiences through our focus on innovation and customer partnership. I'll leverage my experience, my passion, and financial acumen to support the proven leadership of Jim Kennedy and his long tenured team. My charge is to ensure that our Lottery division has the tools and support needed to be the industry-leading gold standard: designing innovative, engaging games, expanding our successful Cooperative Services Program, and supporting our retailers to help increase state lotteries' sales and profits for their beneficiaries. I'm really looking forward to working with the Scientific Games Lottery team to add even greater value for our customers, our players and our employees; collaboration is what I'm all about.

*For the television show, Undercover Boss, you took two weeks to perform in a wide variety of jobs to see for yourself how performance and operations at NCL could be improved. I don't think you'll be able to go "undercover" in our industry, so how will you get insight into the inner workings of our industry to reveal those kinds of underlying opportunities for improvement?*

**K. Sheehan:** You are right, Paul, going "undercover" as part of Undercover Boss was a great opportunity for me to really experience what it was like to work at Norwegian Cruise Line through the eyes of different groups of employees. It was an amazing experience to serve as an assistant waiter, a deck swabber, and part of the entertainment staff, to name a few of my undercover roles. A lot of the work was demanding and quite taxing, from both a physical and mental standpoint. I truly appreciated getting the "inside scoop" from all the colleagues I was fortunate to work with ... the experience made me realize how important it is to get perspective from employees of all levels, value teamwork, and realize that it takes a village to impact change and accomplish a vision.

When it comes to getting insight into the inner workings of our industry, I already know how lucky I am to have such a strong

management team in place. Jim Kennedy and his team have been fantastic about providing me with insights into the company and our industry. I'll continue to lean on them for their support and counsel. Over the next few months, I look forward to attending the Global Gaming Expo (G2E), NASPL, and ICE Totally Gaming early in 2017. These trade shows and conferences will be great platforms for me to meet our customers and our team members in both professional and social settings. And I'm already traveling quite extensively, getting to know customers and employees across the globe. Understanding our business, trusting our leadership, listening to our customers and leveraging my extensive business experience will help reveal our underlying opportunities to propel our growth and development.

*Just like in the cruise line industry, gaming is all about delivering the best customer experience. Lottery operators depend on their retail partners to be the face of Lottery to the customer, the players. How might Scientific Games and lottery operators engender a more collaborative and mutually rewarding relationship with their retail partners?*

**K. Sheehan:** At Scientific Games, our focus is on delivering the world's best lottery experiences and our teams live up to this mission every day. I think we are doing pretty well at that given the growth and success of our instant games business, the development of innovative technologies, and the performance of our Lottery division as a whole. But we can always improve. I believe the three most important things we can do are to 1) Ensure that we have a strong understanding of the consumer and retail channel, and we do this through our Lottery Insights group; 2) Based on those insights and our years of experience, ensure that the products we innovate for lottery operators and retailers are appealing to consumers; and 3) Educate retailers that lottery is one of the top retail product categories in terms of actual sales, especially when promoted and positioned effectively. We want retailers to understand that Lottery customers typically spend more at retail, boost other categories

and generate higher overall store sales. Lottery is a journey that begins at retail with the purchase of a game and continues as consumers go about their lives, embracing mobile and internet.

*At NCL, you fearlessly confronted the shortcomings that needed to be improved. Can we expect the same as you address the opportunities for improvement that you see in the Lottery industry?*

**K. Sheehan:** Absolutely, we will confront our opportunities to enter our next phase of growth and development. However, my focus for the remainder of 2016 is to spend time with customers and employees, doing a deep dive into the industry and business of Scientific Games. We have three strong businesses – Lottery, Gaming, and Interactive. I look forward to building on that momentum to drive continued growth across the company, foster an even stronger company culture, capitalize on convergence opportunities in our three business lines and execute fiscal discipline.

*What is your vision or pathway forward for Scientific Games?*

**K. Sheehan:** Our mission is to empower our customers by creating the world's best gaming and lottery experiences. I don't see that mission changing. This is a promise that the Scientific Games brand has made. My vision and path forward will be set in the coming months. Right now, my focus is to rely on my already strong team to continue their leadership of our day-to-day business; build on the momentum that the team and company has already achieved; enhance our culture; execute fiscal discipline, and ensure that our focus on innovation and customer service does not waver.

This is a strong company, with an experienced and passionate team in place; they know their business, our customers and our employees. The industry is exciting, vibrant, and has a lot of opportunities for growth. I feel honored and humbled at the same time to be a part of the next stage of Scientific Games' journey and the next era of helping our lottery customers grow their net proceeds to beneficiaries. ■





## Empower YOUR Sales Team

Aurora

With IGT's recent purchase of Hudson Alley Software, **Aurora™ OnePlace** – the mobile app and website that puts insights and compelling data into the hands of lottery sales reps – **has joined IGT's suite of growth tools**. Aurora OnePlace's visualized, up-to-the minute reporting, routing and tracking modules, and actionable alerts help lotteries identify challenges and opportunities at retail, drive best practices, and grow retail sales and profits.

The tools and content you need to transform, manage, and grow your business today...and tomorrow. That's the brilliance of Aurora.



# Aurora OnePlace: The OnePlace for All Your Sales Force Needs

With IGT's July 2016 acquisition of Hudson Alley Software, Aurora™ OnePlace – the leading sales force automation solution in the industry – has joined the suite of smart, open, agile business intelligence products IGT has developed to drive lottery profitability and growth. Since Aurora technology enables extending back-end services across multiple applications, Aurora OnePlace, Aurora Retailer Wizard, Aurora Retailer Manager, Aurora Performance Intel, and Aurora OrderStar will all share the same set of services and the same information to provide IGT customers unprecedented integration; for instance, a retailer will see the same alerts in Retailer Wizard as field sales reps see in OnePlace and inside reps see in OrderStar for that location. Of course, OnePlace easily integrates with other IGT and third-party applications as well, allowing all OnePlace users to benefit from IGT's vast resources, including its training organization, teams of analysts, and insights from its lottery operator and sales force management experience in jurisdictions around the world.

Lotteries buy sales force automation solutions for results, and IGT's Aurora OnePlace mobile app and website deliver the results lotteries need to grow sales at retail and to operate more efficiently and effectively.

- Visualized, up-to-the-minute reporting puts insights and compelling data into the hands of sales reps, enabling them to coach retailers.
- Actionable alerts notify reps immediately of potential revenue-draining situations and opportunities for growth.
- Routing tools provide optimized time management.
- Prospecting module supports active tracking and monitoring of retail recruitment activities.

With a major new release, Version 8.0, scheduled for September 2016, including brand-new iOS and Windows 10 apps, Aurora OnePlace now has even more essential tools and features to drive best practices and provide invaluable information on:

- Sales.
- Instant ticket inventory.
- Sales goals.
- Retailer goals – new.
- Retailer profiles – new.
- Territory routes.
- Service calls.
- Jackpots.
- Winners.
- Merchandising elements, including new POS ordering module.
- Instant games.
- Incentive tracking – coming soon.
- More.

## Top 10 Ways Aurora OnePlace Helps Drive Sales

### 1. Quickly identify problems and opportunities.

Powerful but simple, Aurora OnePlace displays information in a way that makes it immediately actionable. For example, with a quick glance, sales reps or sales managers will know how a retailer's sales are trending within each game category, enabling them to react appropriately and instantly.

### 2. Shift sales reps from defense to offense.

Sales reps who use OnePlace walk into each sales visit with a mission, knowing exactly what they want to accomplish. This allows the rep to use the limited time allotted for conversations with store managers and owners efficiently, to the benefit of both rep and retailer.

### 3. Increase new game penetration.

Aurora OnePlace proactively alerts reps and sales managers when retailers have not activated a pack of a new game in the first weeks after launch. With OnePlace, sales reps can see all alerts in their territory and/or all alerts for a specific retail location, so that they can call and/or visit retailers to get those new hot sellers put out for sale.

### 4. Sell in best-selling games.

Dispenser space is a precious commodity; it's important that it's used wisely. OnePlace lists best-selling games by price point so sales reps can quickly ensure that the top performers are carried and on display at each retail location. In addition, OnePlace will alert the sales rep of stale inventory that has been sitting in the retailer's safe for too long and should be returned.

### 5. Remove slow-selling games that the retailer believes sell well in his or her store.

Often, when sales of a once-best-selling game begin to decline as customers move to newer games, retailers fail to notice that the game has lost momentum. OnePlace lets reps pinpoint old inventory and show the retailer which specific games are not selling well in his or her store and should be replaced with better-selling games.





Everything reps need, all in OnePlace.

#### 6. Optimize each retailer's price point mix.

Effectiveness of a display varies by location, depending upon the preferences of customers. OnePlace's Space-to-Sales Screen graphically presents analysis of each retailer's specific instant game assortment and makes recommendations for adjusting the price point mix or adding facings of higher-selling, higher-price-point games, taking the guesswork out of achieving a more profitable display.

#### 7. Use winner awareness to drive sales.

It's no secret that customers like to play in "lucky stores." OnePlace provides abundant winner awareness information, both by territory and by location, to help reps help retailers spread the news.

#### 8. Spark friendly competition by focusing on areas of opportunity.

OnePlace can compare an individual retailer's sales by product line within its territory, region, state, zip code, and business type. This powerful dynamic provides actionable data to show where the retailer can improve and gives the retailer incentive to outperform the competition.

#### 9. Track what is happening – and not happening – at retail.

OnePlace pioneered the use of checkboxes to document each retailer visit. This simple step not only provides both quantitative and qualitative information about each visit, it offers the added benefit of providing powerful reporting capabilities to track initiatives, such as selling in of special dispensers or increasing facings at retail. It even allows reps to take photographs and add them to their visit history, which managers can view instantly.

#### 10. Increase field time and maximize productivity.

Because OnePlace proactively provides information on sales, earnings, credits, adjustments, settlements, pack statuses, and more, it can dramatically reduce the hours reps spend in the office or on the phone with headquarters, allowing reps to spend more quality time with retailers and freeing up office staff.

### An Integrated Solution

Adam Perlow, formerly CEO of Hudson Alley Software, has joined IGT as Vice President, Sales Force Automation Solutions, and the transition has been seamless, with no interruption to the service Hudson Alley customers have come to expect. Aurora OnePlace will continue on its established path of evolution inspired by new technology, new ideas, and feedback from IGT's and OnePlace's lottery partners.

In the future, OnePlace customers will benefit from even more enhancements based on the goals and desires of lotteries and IGT's experience and

insights. Among the exciting new features coming to OnePlace are sales rep and retailer incentive management modules; instant ticket ordering; real-time, terminal-free pack returns; and other pack functions. New training programs (both classroom and in-the-field coaching) will increase the effectiveness of OnePlace use to drive sales. These will include training on and implementation

*"Our goal was for our Sales Reps to maximize their time in the field, achieve real results during a sales visit, increase lottery ticket sales and improve the service that the NCEL provides to its retailers. OnePlace has positioned us to be true sales representatives in NC!"*

*– Terri Avery, Deputy Executive Director of Sales,  
North Carolina Education Lottery*

of the PERFECT Sales Process, a systematic, repeatable, and measurable way to sell that turns the oft-perceived "art of selling" into more of a "selling science" and ensures that customer interactions are standardized across the sales organization. And to help optimize lottery sales processes, IGT will offer a consulting service that includes evaluation of current practices and a plan to enhance them.

*For more information on Aurora, visit IGT at NASPL 2016 or follow the action on IGT's Facebook, Twitter, and LinkedIn feeds.*







# Alice GARLAND

Executive Director,  
North Carolina Education Lottery (NCEL)



## Responsible Gaming and Sales Maximization go Hand-in-Hand

**PGRI Introduction:** For the 10th year in a row, the N.C. Education Lottery set new records in sales and earnings in fiscal year 2016, raising more than \$600 million for education programs in North Carolina. Sales increased by 20% over FY 2015, shattering the \$2 billion mark to reach \$2.38 billion. Net funds increased by 16.5% to deliver \$607.8 million to its beneficiary, public Education.

As enviable as these accomplishments are, there is another achievement that is just as impressive. Alice Garland was awarded the Don Hulen Award from the National Council on Problem Gambling for her leadership in expanding Responsible Gaming (RG) efforts across the United States. Now we need to create an award for combining dedication to the principles of RG and the business goal of maximizing sales and net funding for Lottery's beneficiaries—we have our first winner!

**Paul Jason:** *People often talk about a "balance" between RG and sales maximization. Your results seem to show that both*

*can be pursued with equal vigor and dedication. Is there a trade-off between RG and sales maximization?*

**Alice Garland:** No. Showing concern for players is not only the right thing to do, but it is the right business practice too, because it sends a positive message to our customers and the public that we serve. Lotteries don't need sales to prob-

strong record of success with sales, but I am just as pleased that each year as we have grown our sales, we've also built a stronger responsible gaming program.

*Promotion of a responsible and healthy approach to recreational gaming would seem to be key to building a business that is sustainable. In the short-term, though,*



We can meet that competition by knowing that in the end, today's consumers, especially that much sought after millennial demographic, want to do business with businesses that show they care. They expect and demand great customer service. And responsible gaming is at the heart of good customer service.



lem gamblers to be successful. Today's consumers have multiple choices for how to spend their entertainment dollars. They are not only choosing products that deliver great value, but they are also choosing to spend their dollars with companies that care. I'm pleased that the N.C. Education Lottery has such a

*the aggressive (and less responsible) approach towards customer acquisition and maximizing GGR applied by commercial operators generates higher profits. How can we ensure that our good intentions do not put us at a competitive disadvantage over against our competitors in the games-of-chance industry?*

## LOTTERY CHIEF EARNS NATIONAL HONOR FOR RESPONSIBLE GAMING ADVOCACY

### —Alice Garland Accepts Award from the National Council on Problem Gambling

The Don Hulen Award for Advocacy was conferred by the National Council on Problem Gambling. Executive director of the North Carolina Education Lottery Alice Garland is the first lottery or gaming industry professional to earn the honor, which was presented to her at the 30th National Conference on Problem Gambling in Tarrytown, NY. The conference provides information on prevention, treatment and responsible gaming.

Director Garland pioneered a program to share responsible gaming training resources developed in North Carolina with other U.S. lotteries. The program was embraced and advanced by NASPL, the U.S. lottery industry's professional association. "Alice's leadership in responsible gaming resonates across the country," said Keith Whyte, executive director of the National Council on Problem Gambling. "She has helped set the standard for the lottery industry."

Her vision led to a broader discussion about the active role lotteries must play in responsible gaming and new partnerships with advocacy groups. From those collaborations, NASPL launched a program to implement best practices in all member jurisdictions and added responsible gaming components to its national seminars. "We can balance our mission to raise money for good causes with our responsibility to look after the interests of players," Director Garland said. "Everyone who works at a lottery—whether they work in sales, security, advertising or any other department—has an important role to play in sustaining that effort."

While the lottery has always encouraged responsible play, developing a robust responsible gaming program became a top priority when Director Garland rose to the lottery's top leadership post in 2010. Under her direction, the lottery has obtained Level 3 certification under the World Lottery Association's Responsible Gaming Framework, dedicated a new position to support the program, and has required all employees and retailers to undergo training.

The N.C. Education Lottery began in 2006 and now raises more than half a million dollars a year for education. For more information, visit [nclottery.com](http://nclottery.com) and click on the "For Education" tab. ■

**A. Garland:** Sustainable is the key word here. Lotteries and their public service mission are here for the long term. Our games need to appeal to a broad and diverse audience. Our success depends on a lot of people playing a little rather than a few people playing a lot. The history of the lottery industry in the U.S. shows us that. Yes. There's lot of competition today and more is coming. We can meet the competition by moving more quickly to embrace the technologies that provide a better lottery experience. We can expand our base of players with innovative games—some for everybody and some for important niches. Building your base of customers is actually one of the most important pieces of growing a lottery responsibly. We can meet that competition by knowing that in the end, today's consumers, especially that much sought after millennial demographic, want to do business with businesses that show they care. They expect and demand great customer service. And responsible gaming is at the heart of good customer service.

*I realize that the purpose of RG is to protect the consumer—that its purpose isn't to burnish our image and be leveraged as a PR tool. But still, why couldn't and shouldn't it be leveraged into our brand-messaging as a value that Government-Lottery delivers much more effectively, and with much more genuine dedication and commitment, than other sectors in the games-of-chance industry like casino and Daily Fantasy Sports operators; and to explicitly differentiate Lottery from those other sectors as regards to RG performance?*

**A. Garland:** I agree. Our brand is responsible play. That's one of the main things that makes state lotteries unique and different from other gaming enterprises. We're accountable. We're transparent with our customers and the public about how we operate and where the money goes. Our engagement with our customers is different. And our profits go to good causes. When people think of lotteries, they should see fun, fair and responsible play. That's our brand.

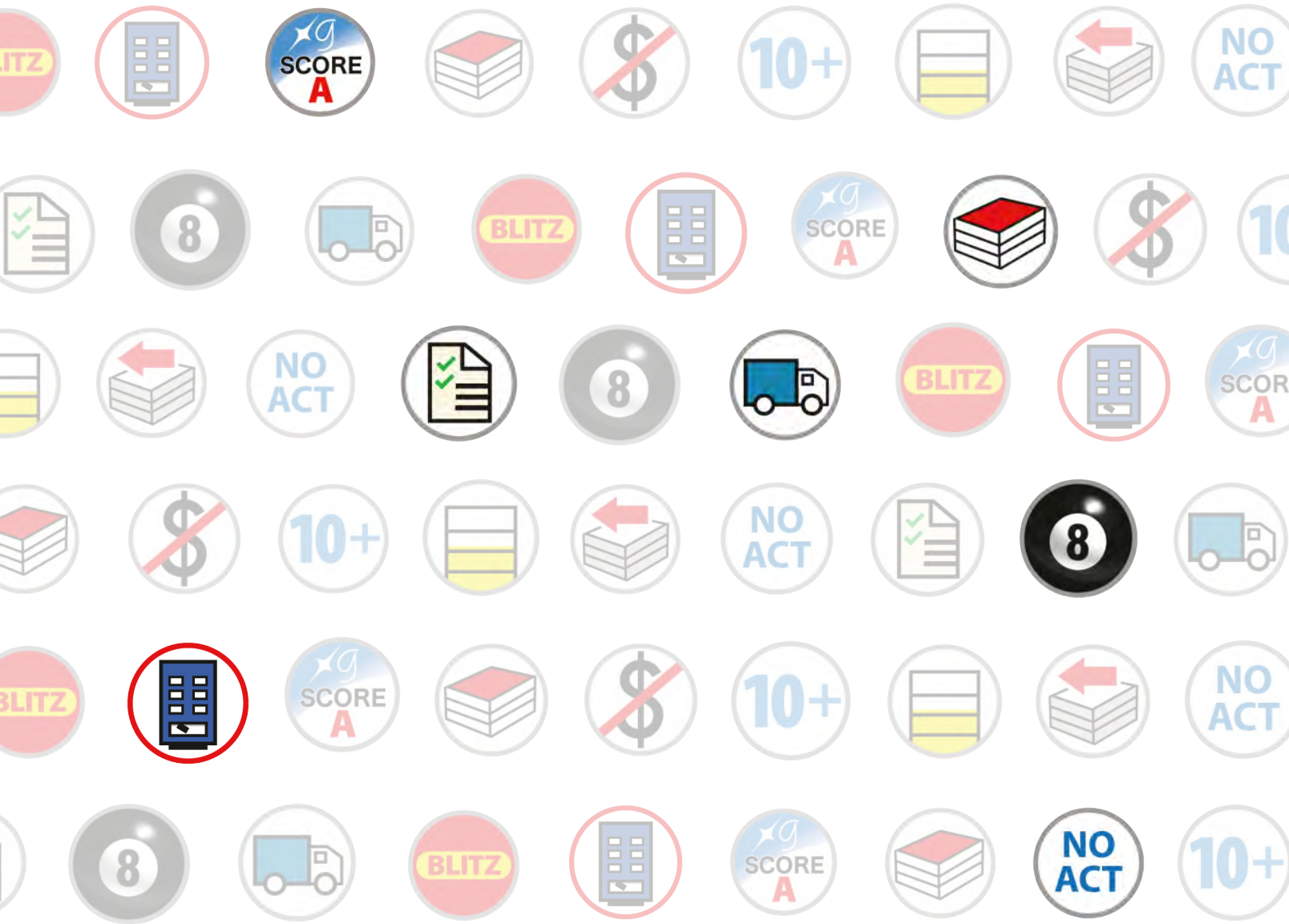
*Government-lottery applies a social consciousness to its mission in ways that other purveyors of games-of-chance do not. What can we as an industry do to gain recognition and appreciation for that fact from stakeholders like the media, the legislators who shape regulatory policy, and the general public?*

**A. Garland:** Making responsible play part of our brand helps everyone see how lottery is different. Isn't that what a successful brand does? We all just need to do a better job across all our platforms and channels ensuring that our responsible play message gets seen and heard. We need to turn up the volume. And it can't just be part of a holiday campaign or a flag we fly each March during National Problem Gambling Awareness Month. We need to make it part of a conversation that goes on every day, all year. Check out NASPL's new home page. Responsible gambling has a prominent, can't-miss-it spot on the page. Here in North Carolina, all of our civic presentations include a section on responsible play. If the public sees that we acknowledge the part we play in problem gambling and that we take steps to mitigate any harm that comes from lottery games, we will eventually get the recognition we deserve.

*All lotteries endeavor to employ RG measures to protect the consumer and players. What are some action-items that might be missing in the RG programs as they exist for lotteries that have not secured the Level 3 RG accreditation from the WLA?*

Continued on page 65

# THE BEST SOLUTIONS ARE BUILT ON YOUR IDEAS



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MORE EFFICIENT SALES CALLS & IMPROVED RESULTS.

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## Vernon KIRK

Executive Director, Delaware Lottery

### Lessons from the U.S. Lottery which Sells Casino-Style Games Online

**PGRI Introduction:** Now in its 41st year of operation, the Delaware State Lottery offers the largest variety of game-of-chance through a wider variety of distribution channels and media than any lottery in the U.S.

Video Lottery games were introduced in 1995. Sports-betting was launched in 2009, and casino gaming was launched at three racetrack casinos in 2010. A couple years later, Sports Lottery was expanded to select Sports Lottery Retail locations throughout the state.

On November 7, 2013, the Delaware Lottery launched its online gaming system offering casino-style games such as poker, blackjack and more, making them available for play on the websites of Delaware's three casinos: Delaware Park, Dover Downs, and Harrington Raceway & Casino. The roll-out has been one of steady development. By design, no high impact promotion or PR to drive rapid growth. With traction building, and perhaps reaching a tipping point, the first half of 2016 was almost double the net revenues over the first half of 2015. Now is a good time to ask Director Kirk to reflect on the impacts and insights gained from these first few years of online gaming.

**Paul Jason:** *Describe your relationship with stakeholders over the past four years as regards to the implementation of online gaming in Delaware. Have the general media, land-based casinos, legislators, and the lottery all been in agreement with how casino-style internet gaming should be implemented and managed in Delaware?*

**Vernon Kirk:** The Delaware Gaming and Competitiveness Act of 2012 which, among other things, authorized iGaming, put forth some requirements of operations (i.e. must be in the State of Delaware to play), but gave the Lottery wide latitude for implementation and operation. Delaware's three land-based casinos are in partnership with the State as the Lottery has administrative and regulatory oversight of their gaming activity and the State shares in the profit distribution. iGaming in Delaware is required to be offered only through the websites of the casinos, but the platform is provided by the Lottery through its vendors, Scientific Games and 888 Holdings. The State, the vendors, and the casinos all worked hand-in-hand during the long, complicated development

of the product and in the end, all stakeholders had ownership.

*What do you do to nurture and manage positive relationships with all the different interest groups?*

**V. Kirk:** There is constant communication with all of the groups involved. We have regularly scheduled meetings and phone conferences to assess what is working well, what may not be working the way we thought it would and what can we do to improve and make the customer experience better.

*Further to the previous question: I would think some stakeholders press for a focus on a slow, steady, responsible gaming approach towards growing the online business. And others press for higher revenues. And aren't there are countless other issues to resolve into a singular strategy for the Lottery to pursue. How do you clarify objectives and execution to satisfy stakeholder agendas that sometimes conflict with each other?*

**V. Kirk:** From the very beginning, Delaware emphasized providing a safe, secure and stable platform for its iGaming. I know Nevada and NJ were similarly focused. It was critical



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for these first launches to be successful, not only for the individual states, but for the industry as a whole. There were more than a few iGaming opponents who said you couldn't do reliable geolocation, couldn't do proper player identification, couldn't do safe payment processing, etc. Any slip-up had the potential to set-back iGaming who knows how long. But Delaware, along with the other jurisdictions, have had no serious or significant operational or integrity issues since their respective launches. No cheating scandals, and no underage players or players from outside state boundaries. To your point, I have been on several panels with Nevada and NJ and we always get asked about revenue and we all reply in the same manner. The question should be does it work, not are you disappointed in how much revenue you are generating. Delaware has now turned its attention to player acquisition with more targeted marketing. Having established a strong and reliable operational platform, we are now able to focus even more on the revenue-building component. I think the results are really beginning to show, with a 93% year-over-year increase for the first six months of 2016 versus the same period last year.

*Does your experience indicate that there is much cross-over between players who play lottery at retail stores, those who buy online, those who play casino-style games online, and those who play in land-based casinos?*

**V. Kirk:** We have no direct evidence that players migrate between traditional lottery customers and iGaming, or even land based casino customers and iGaming. Questions relating to consumer play-styles and behavior will be part of a player's survey that's being planned now.

*Do your promotional strategies facilitate and encourage consumers to go to different channels and try different game-styles?*

**V. Kirk:** Yes, we have tried to promote exactly that. For example, the casinos have poker tournaments that start on-line and finish with live tables at the casino. Also, coupons and other giveaways are awarded online and redeemed at the brick and mortar facility, and visa/versa.

*Is there anything that promotes Lottery to casino and i-gaming players?*

**V. Kirk:** We have not found much of a market for cross-over between our traditional game Lottery players to the casinos and we are currently not well positioned to encompass the same to iGaming. We have tried various types of casino promotions such as selling NASCAR instant tickets in conjunction with races at Dover Downs, but with modest success. We have had success cross promoting our Sports Lottery with casino gaming with such things as buy a Sports Lottery ticket of a certain value and receive a match-play coupon for table games (i.e. blackjack, roulette, craps, etc.). Our Vegas style iGaming is more difficult to coordinate with our traditional products, but when we get to the stage where we will be selling our traditional products online, I'm confident we will be able to find ways to promote to both types of players as they will both be familiar with the genre. For example, some online loyalty programs offer game play and that could serve as an introduction and transition to our iGaming platform.

*What have you learned about player behavior that has surprised you, or that you did not know five years ago?*

**V. Kirk:** We have a large contingent of young players online. That is not surprising in and of itself, but a large number of them are young women, and that has been a bit surprising for me. They are very loyal and enthusiastic players, especially on certain virtual video lottery games.

*Why not sell traditional lottery products online?*

**V. Kirk:** We definitely will, but our Agency is very small and we have had a lot on our plate. Going back to the Delaware Gaming and Competitiveness Act of 2012, we were authorized to expand our Sports Lottery from the 3 casinos to include retailer locations. We did that first so that we could launch in time for the 2012 professional football season. We were also authorized to start Keno, which was number two on our agenda, and we successfully launched in January 2013. We then turned our attention to iGaming and what I call

eLottery (traditional products online). We had thought we may be able to do them in parallel, but that proved way too ambitious, so we made the business decision to do iGaming first. We launched iGaming in late October 2013. Then, in February 2014, the Governors of Delaware and Nevada signed the Multi-State Internet Gaming Agreement, the first of its kind in the nation. This agreement allowed for the two states to share poker liquidity where players from both states could sit down at a virtual poker table and play against one another. We added mobile for iGaming in May and then were tasked with establishing limited video lottery in fraternal organizations throughout the state. As soon as we catch our breath, we will look toward eLottery!

*How has development of online gaming impacted traditional lottery revenues?*

**V. Kirk:** We have seen no impact on our traditional lottery revenue. FY13-15 were all record years in traditional sales for us (2015: \$149.7 million; 2014: \$148.3; 2013: \$144.1). Then we shattered the record in FY16 with \$175.0 million. All of Delaware's products were up, but the primary reasons for the increase were the resurgence of Powerball (up 45%) and the continued success of our instant games (up 21%, in part fueled by our first \$25 price point game).


*What do you do to maintain growth in the traditional lottery sector in the face of increased consumer options for recreational gaming?*

**V. Kirk:** Like many if not most, our traditional lottery growth has come from instant scratch-off games. We have focused on value in all price points and introduced our highest (\$25 per ticket) just a few months ago and it became the first instant game the Lottery ever re-ordered.

*It appears to be the case that the DE legislature will not legalize Daily Fantasy Sports? Do you think that might change? How do you think the Fantasy Sports phenomenon will impact the broader games of chance space, and lottery in particular—not just in DE but across the country?*

Continued on page 91





Guy Bartlett, Business Intelligence Analyst

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## Carole HEDINGER

Executive Director, New Jersey Lottery

### The Private-Public Partnership in Action

**PGRI Introduction:** It has been three years since the state of New Jersey entered into a 15-year contract with Northstar New Jersey, a joint venture consisting of GTECH (now IGT) and Scientific Games. The goal is to enlist the resources and capabilities of private enterprise to drive responsible growth and optimize operations in the New Jersey State Lottery. In Fiscal Year 2016, the Lottery grossed \$3.2 billion in sales, contributing \$980 million to the State in support of its beneficiaries.

The New Jersey Lottery also implements industry best practices as defined by the World Lottery Association (WLA) in its Responsible Gaming Framework (RGF). In September 2012, the Lottery received its Level I Responsible Gaming Framework Certificate of Accreditation. In 2015, the Lottery achieved the WLA Level II and Level III Responsible Gaming Framework Certificates of Accreditation. Only five other Lot-

teries in the nation have achieved the Level III Certification. The Lottery continues to work with its partner, Northstar New Jersey Lottery, to make advances toward attaining the highest responsible gaming recognition offered in the industry by achieving the WLA Level IV Certificate of Accreditation.

Carole Hedinger served as deputy director of the New Jersey Lottery between 1994 and 2003 before being appointed acting director in 2003. She left that position in 2004 to assume the role of Chief Clerk at the Ocean County Surrogate Court where she served until June of 2010. That is when Carole was again appointed to lead the New Jersey Lottery where she continues to serve as Executive Director. The last three years have been a period of major changes for the New Jersey Lottery as they spearhead the implementation of an entirely new model for optimizing performance at a state government lottery: the private-public partnership.

**Paul Jason:** *How does your, background, academic training, and experience as a CPA inform your approach to the way you think of business strategy and objectives?*

**Carole Hedinger:** I think that my background in public accounting is an excellent basis for managing a lottery organization for optimal financial performance, for both short-term profit maximization and for long-term sustainability. For instance, the focus of an accountant is go-

ing to be more on preserving margins than maximizing sales. To our minds, that not only optimizes short-term net funding, it is also a vital key to optimizing long-term sustainability and responsible gaming. That may seem obvious, but there is a lot of pressure on everyone to increase sales by enhancing the value proposition to the players by increasing payout percentages and price points. A case could probably be made for the efficacy of that

as a strategy to increase short term sales. To be sure, it may even increase short-term net. But, to my mind, the degree to which it may increase short-term net is greatly off-set by the impact it has on the profit model going forward. Typically, players quickly realize when you increase the prize-payout percentage which creates a demand for higher and higher prize payouts. That creates a slippery slope. By increasing prize-payouts, we are train-



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You go down that path of training the players to expect higher prize-payout percentages and then you are under even more pressure to continue to increase that prize-payout percentage.

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ing them to look for value in that specific feature. Like Sears trained its customers to wait for sales promotions to buy its products. You go down that path of training the players to expect higher prize-payout percentages and then you are under even more pressure to continue to increase that prize-payout percentage. And your costs increase because you need the infrastructure to support the higher sales required to maintain a net that is based on decreasing margins. Why do that? I would rather generate \$980 million net on \$3 billion in sales than \$1 billion net on \$5 billion in sales. The higher margin model is a more efficient use of resources, a more responsible model for player protection against over-spending, and it is a more sustainable model going forward for future generations. During the recent recession, instant games with high price points and high prize payouts were the first to decline in sales leaving lotteries dependent on them for revenue in a quandary. Prize payouts and price points are just one part of an overall strategy for growing our business.

*Your experience as a CPA seems to have instilled a good instinct for the way real-world entrepreneurs assess pricing and business-model strategies.*

**C. Hedinger:** I think so. I spent a large part of my career working with all sizes and shapes of businesses, from small businesses right up to large publicly traded companies, and this is the way they think about how to build a sustainable enterprise. These same fundamental market-place dynamics apply to the Lottery just as they do to commercial private-enterprise businesses.

Of course, it takes a variety of functional disciplines to make a business successful. Marketing, operations, sales, logistics, product development, and other areas are indispensable components to all business,

and especially for larger businesses like a state lottery. I appreciate and respect that. But in the end, our mission is to maximize revenues for our good causes, prioritize responsible gaming for the protection of the consumer, and to operate responsibly from a financial management perspective. None of those objectives is about maximizing sales. It's about maximizing business efficiencies, management discipline, and net proceeds for the beneficiaries of lottery funding.

*In FY2015, you even over-shot the mandate of 30% net to return to the state by 2 points. I would observe, though, that sales of the New Jersey Lottery have also increased every year since 2008, surpassing the \$3 billion milestone in FY2015.*

**C. Hedinger:** A business with a high margin like Lottery depends on an increase in sales. So we do need to keep our focus on the top line as well. We do that by meeting the needs of the consumer, producing great games, promoting them effectively, and doing all the things necessary to drive sales growth like good customer service and supporting our retailers.

Responsible Gaming is also a top priority for us. To that end, we want to fulfill our financial obligations to the state without compromising our commitment to provide a form of recreational gaming that is entertaining and fun. Insofar as the prize-payouts keep climbing, there is a point at which Lottery begins to resemble the play-style of slot machines. What is the difference between Instant games that pay out over 80% and slot machines that pay out 85%? We do not want to encourage a gambling mentality when it comes to the state Lottery.

*In past conversations, and in my observations of your comments on panel discussions, I have always been impressed by your approach towards innovation. I would have expected a*

*more conservative, risk-averse approach than you seem to apply.*

**C. Hedinger:** I think we should all be risk-averse! Risk is something we want to do everything possible to minimize. I think most lottery directors are bemused when we read current biz-lit that admonishes us to be willing to make mistakes because that is the only way to innovate and grow, etc. I can only speak for myself, but we put a very high priority on avoiding mistakes and make no apologies for that!

That said, it can also be a mistake to not assume some calculated measure of risk to make the necessary changes to keep up with changes in the market-place. The risk-assessment model applied by state government lotteries is going to be more conservative than those applied by start-up tech companies. In fact, state Lotteries will be more conservative than almost all sectors of private enterprise. And that is as it should be. We are the shepherds of a multi-billion dollar brand that is owned by the people of this state. Our first priority is to preserve the value of that brand for future generations. It is not to maximize short-term profits for the benefit of private shareholders who may have a bigger appetite for risk than a state government has. And consider the aspect in which the value of that brand is almost all tied to intangible assets like trust, integrity, and reputation. The value of those assets is in the billions of dollars. And it is ephemeral, very vulnerable to dramatic devaluation with even small miss-steps. Are we risk-averse when it comes to managing the value of those assets? You bet we are.

However, we have never been averse to taking calculated risks. New Jersey has done a lot of “firsts:” first to introduce a computerized game—Pick-it, first to go online using terminals allowing players to select their own numbers—an event that revolutionized the industry, first to use LOLA—Lottery On-Line Ticket Accounting System, first to offer a second-chance drawing with the MDI-licensed Elvis™ instant game, first to offer “Cyber Slingo®” a scratch game with an internet play component, first to Livestream drawings and first to Livestream a live lottery event.



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I am averse to risk but that doesn't mean I am averse to progress. There is a risk posed by failing to act to modernize our business practices. A prudent assessment of costs and benefits often leads to the conclusion that it is indeed much riskier to stick with obsolete practices than it is to invest in change and innovation. I believe that is the case when it comes to creating the IT infrastructure that enables us to communicate seamlessly between ourselves and with our retail channel partners.

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*But for instance, at PGRI's last conference in NYC, you articulated a compelling argument for state lotteries to work together to overcome obstacles to the implementation of forward-looking IT like Application Programming Interface.*

**C. Hedinger:** I am averse to risk but that doesn't mean I am averse to progress. There is a risk posed by failing to act to modernize our business practices. A prudent assessment of costs and benefits often leads to the conclusion that it is indeed much riskier to stick with obsolete practices than it is to invest in change and innovation. I believe that is the case when it comes to creating the IT infrastructure that enables us to communicate seamlessly between ourselves and with our retail channel partners.

*Your assessment of the advisability of any investment, including innovation where the outcomes are uncertain, is calculated by a relatively straightforward assessment of financial costs and benefits. But how do we do that when there is no way to ascertain the costs and benefits?*

**C. Hedinger:** The accounting profession certainly tries to integrate all the facts, including those which may not have a concrete financial metric to attach to it. We just try to mitigate the influence of fear of loss and hope of gain that are not based in fact. Accountants are among the most trusted advisors to businesses because we really do wrestle with all the pressures

posed by a challenging business environment. We respect the fact that the future is uncertain, and that inputs to help us discern the correct actions are not always quantifiable. We still insist on the importance of cost-benefit ratios and the need to assign values to factors that are not wholly quantifiable. In the end, you have to rely on your experience, judgment, and the facts you have to make a decision

*U.S. lotteries are served by three organizations, NASPL, MUSL, and Mega Millions. There is an effort to explore the potential to re-structure the organizations to improve productivity, efficiencies, and outcomes. Do you have an opinion on whether or how the structure should be changed?*

**C. Hedinger:** I am not sure that the structure is either broken or needs changing. NASPL serves the function of a trade association, being a clearinghouse for information, publishing a trade magazine, and coordinating educational seminars and trade shows. I do not think a trade association should dilute its focus by performing tasks that a commercial enterprise is better equipped to perform. Likewise, MUSL and Mega Millions develop and manage games and they should stick with their core competencies. I'm sure there is always room for improvement, but I'm not sure that the basic structure needs to be changed. I'm not even sure what we think we would accomplish by changing

the basic structure. I'm eager to see what recommendations we receive regarding the structure of our organizations.

*The New Jersey Lottery contracted with Northstar New Jersey almost three years ago. What are some of the outcomes of this change?*

**C. Hedinger:** I am extremely proud of having been part of the implementation of this unique public-private partnership. The implementation has gone very smoothly. The purpose of the contract was to bring in the human, technological, and economic resources of a world-class commercial partner. And that is exactly what we have done. The NJ Lottery has retained total authority and control over every aspect of the operation, only now it is with the benefit of a partnership that augments our operation in ways that we could never have otherwise done.

State lotteries all operate with budgets that are not well synchronized with the business model. Budgets are not based on optimizing ROI of expenditures and the potential of a market-driven business. We now have a partner who is capable of applying that kind of analyses to investing in the business. They can invest in growth opportunities. They can reassess the ROI and increase or decrease investment as needed. They have more flexibility to make changes as needed, to invest in new technology, new merchandising and retailer support programs, to test new games or promotions, to increase the sales force and implement sales force automation tools, to make personnel changes, to enter into third-party relationships and other initiatives that promise to improve performance and results. Northstar has the flexibility and the resources to maximize the potential of the business. And we retain control to ensure that everything is performed to the highest standards in every respect.

Now, together we can build three to five year business plans and know that the resources will be allocated to support those plans. The outcome is year-over-year growth. Most importantly, the entire enterprise is being positioned for long-term sustainable growth. We exceeded \$3 billion



in sales in fiscal 2015 and exceeded last year sales a month early in FY 2016.

*What is an example of something that has been accomplished that would not have been done without your partnership with Northstar?*

**C. Hedinger:** Anything that requires capital investment is a problem for state lotteries. The ROI on investment may be very positive, but if it is not in our budget it's difficult to fund. Northstar is not constrained in that way. For instance, Wawa is a large multi-state corporate account with more than 240 stores in New Jersey alone. But they would not sell Lottery in

a clerk-assisted mode. They would only sell Lottery in their stores if we installed self-service vending machines. The NJ Lottery could not allocate the funds for those machines along with the development of the back-office reporting that they required. Northstar installed the machines, developed an accounting system to meet their needs, and Wawa is now our largest retail account. I don't think the New Jersey Lottery would ever have gotten into Wawa without Northstar.

Automating the sales force involved an investment that the Lottery was not able to do. Theoretically, there are many

things that could be accomplished by the state Lottery without entering into a private-public partnership. But there are three things about that. First, state budgeting and management procedures are just not conducive to operating in a market-driven business environment. As far as I can tell, that is true for all state lotteries, not just New Jersey. Second, a private enterprise like Northstar is better at doing many of these things, like negotiating a multi-state deal with Wawa. Third, the private-public partnership effectively outsources the risk of in-

Continued on page 96

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The purpose of the contract was to bring in the human, technological, and economic resources of a world-class commercial partner. And that is exactly what we have done.

The NJ Lottery has retained total authority and control over every aspect of the operation, only now it is with the benefit of a partnership that augments our operation in ways that we could never have otherwise done.

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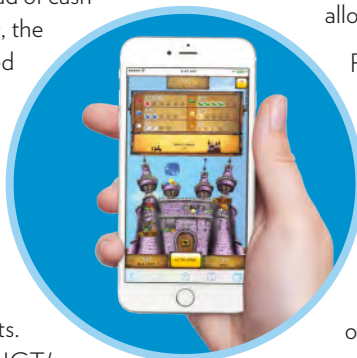
# Changing the Game at NASPL 2016



IGT invites you to meet its team of Game Changers who are reshaping the lottery industry at the NASPL's 2016 Business Development and Product Innovations Conference. This year the technology will come alive as we showcase the inspirations and insights of the imaginative minds that are

ushering in the next generation of lottery products.

A new sensory experience will amaze visitors as Tom Napolitano and members of IGT's Game Studio introduce Astro Cash. Players will be a part of the virtual reality action as they immerse themselves in outer space and blast three-dimensional alien spaceships and meteors. IGT's Content Creators will also showcase Medieval Money and Monkey Drop, two of our most exciting games. All of the Instant Win games in the IGT portfolio are available on mobile and desktop and configurable to an array of price points. In addition, they can be used as part of a second chance program to win entries instead of cash prizes. Also on display will be Ringit, the platform eGaming Review named "Best Product Innovation" and called "The Best Thing Since Beer" by Next Impulse Sports. Ringit's real-time gameplay lets players win cash for their sports knowledge. Fans predict what will happen next, in real time, as they watch live broadcasts. Ringit is currently embedded in IGT/Lottomatica's mobile platform in Italy and is offered as a stand-alone iOS/Android app in the U.S. for the NFL season.



Lottery games will enter a new dimension as Amy Morin demonstrates our newest captivating instant experiences. Using augmented reality, Paymax's Gold Castle transforms from a typical scratch game sold at a traditional retailer into a 3D interactive experience that bursts out of a player's phone or tablet. A complete line of augmented reality games featuring basketball, soccer, and holiday games is ready to be experienced. In addition to featuring top performers such as Wheel of Fortune® and Caesars®, IGT will also unveil new properties that are sure to attract younger players.

IGT's team of Insight Shapers will demonstrate how the suite of business intelligence tools creates actionable insights that empowers quicker, more effective decision-making. Jim Humphrey will demonstrate how Aurora™ Performance Intel uses state-of-the-art analytics to turn mountains of data into "aha" moments. Kasia Cahill and Adam Perlow will show how Aurora Retailer Wizard and Aurora OnePlace provide Lottery Representatives and their retailers with the real-time data they need to efficiently manage and successfully grow their businesses. Jennifer Seymour



IGT's NASPL 2015 Booth in Dallas.

will present Aurora's diverse suite of back-office applications that allow lotteries to transform, manage, and grow their businesses.

Francesco Parola and our Product Development Team, the visionaries behind FutureGame, IGT's eight-step game development and testing framework, will introduce four new games. To thoroughly understand player needs and emotions, the FutureGame process began with a series of insights and trend diagnostics and ended with a complex methodology of consumer and retailer research. From brainstorming to testing, the FutureGame team refined the process to bring only the best game concepts to lottery customers. Come and see the games that have earned the FutureGame seal of approval and hear about the next series of games currently in development.

IGT will once again showcase a number of futuristic experiences that elevate player interaction. We welcome your feedback on the next generation of lottery products.

*Are you game? Visit IGT's Game Changers in Atlanta and explore how we're reshaping the lottery business. Be sure to follow the action on IGT's Facebook, Twitter, and LinkedIn feeds and use #IGTgamechangers to become part of the conversation.*







## Tracey COHEN

Interim Executive Director

DC Lottery and Charitable Games Control Board

### The Unique Governance Model of the Lottery in the Nation's Capital

**PGRI Introduction:** Tracey Cohen is forging her own indelible mark on the industry. She is one of only a handful of women at the helm of a state lottery in the US. Thrust into leadership in the wake of the sudden and unexpected passing of her predecessor, Buddy Roogow, Tracey is now a force of her own. With over 20 years in sales and marketing experience, she is charting new waters for the DC Lottery, the lone city-run lottery in the nation and recently ranked by an independent consultant as one of the top ten lotteries in the country. Among her many accolades is a 2016 PGRI's Lottery Industry Lifetime Achievement Award. Let's meet Tracey Cohen, in her own words.

**Paul Jason:** *Tracey, tell us how you came to the lottery industry.*

**Tracey Cohen:** Buddy would say that he changed my life when I started working for him at the Maryland Lottery. And, he was right—to an extent. I approached the opportunity well equipped with a master's degree in public and international affairs from the University of Pittsburgh and a

solid background as an account executive with an advertising and public relations firm and then, director of marketing and public relations for the Restaurant Association of Maryland. The ten years I spent at the Maryland Lottery were exciting and rewarding. The introduction of new games, development of successful promotional strategies, aggressive product line management, and the brokering of strategic partnerships with professional sports teams were all programmatic elements that highlighted my tenure there.

*So how was the transition from a state lottery with state resources to the unique situation that makes up the DC Lottery?*

**T. Cohen:** In 2010, I came to the DC Lottery as the Chief Operating Officer. That position offered me a real 'lay of the land' perspective to assess the many working parts that ensure a successful lottery. Since assuming the interim executive director's post in 2015, I am proud of the progress we've made and excited about the future ahead.

We are unique as the only municipality-operated lottery—which means our report systems are a little different from state-run agencies, our resources are not on a state-funded level, nor do our territories span across counties.

What we do have is the distinction of being the lottery for the nation's capital, where the District's population of over 670,000 swells to more than one million people thanks to commuters teeming into the city. We've been laser-focused on capturing that audience. Our flagship store located within the iconic Union Station train station was our busiest location during the historic billion-dollar Powerball jackpot. Union Station sees over 90,000 visitors daily. We've taken advantage of this prime opportunity to host exclusive on-site promotions, and staged productions showcasing new product launches. The Official DC Lottery Store at Union Station continues to outperform annual projections with steady year over year gains in sales. This 'winning destination' is overall, our fifth highest performing retailer.

Another effort to harness the buying power of the influx of commuters and travelers into the city has been our mobile retail vehicle, the Lucky Lottery Mobile (LLM). Bringing 'fun on the run' to business corridors during the day, neighborhood festivals, and special events all over the District, the LLM is a mobile lottery sales truck that brings the excitement of the lottery right to the people.

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*Tracey Cohen, Interim Executive Director, D. C. Lottery*

*"It is with much pride and good wishes that our entire company send you congratulations for the wonderful honor of receiving a Lifetime Achievement Award! The impact you have had on the lottery industry is priceless and your legacy will always be remembered. You and your D. C. Lottery team are one of the best in the country, and DC09 is proud to be your partner!"*

*Emmanuel S. Bailey*  
*President and CEO*



attractions like the Verizon Center, the premier sports and entertainment venue in the city. The DC Lottery has launched basketball and hockey-themed tickets that have been hot sellers, as well as Money Machine nights that have served as gateway games to those unfamiliar with the lottery and fun introductions to the DC Lottery for those used to playing in their home states. Add to that our partnership with the Washington Nationals, our professional baseball home team and the introduction of the \$2 Racing Presidents scratcher that has been a homerun with players and with four

Jeff DeWitt. It's a sizeable title for a man with the responsibility of the city's financial health and prosperity in his hands. He manages every revenue-generating entity of the District's government from tax collection to lottery transfer. He oversees all financial functions of the city. He is very engaged, astute, and understands the nuances of dual accountability—to the District as well as Congress, as he in turn reports to the District's congressional oversight committee. Like all government lotteries, we are dedicated to serving the best interests of our stakeholders.

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**It's no secret the challenges the agency faced during the instant ticket shortage that began in mid-2013 when our entire product line of scratcher tickets ran the risk of near depletion for almost two years. That absence of product was a significant hit in sales with resounding impact to our bottom line and transfer. Instant ticket sales plummeted by \$27 Million, or 45% from their high in FY12, resulting in over \$3 Million in lost transfer as of FY15. But, you make the best of what you have. You get innovative. You dig in. We became a more efficient organization reducing operating expenses, streamlining business operations, and cross-training staff. We became very aggressive in introducing new games and promotions to our other franchise games.**

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scenes, become a collector's item among baseball enthusiasts.

Unlike several other lottery entities, the DC Lottery does not have a cause-specific designation. Proceeds from the sale of DC Lottery games are channeled directly to the District's General Fund which supports essential city services like public safety, education, and infrastructure.

In terms of reports, we are accountable to both our city government and the federal government. My boss is Chief Financial Officer of the District of Columbia

*Sounds like quite a turnaround from some of the previously reported challenges faced by the DC Lottery. How did you do it?*

**T. Cohen:** We are a 'small but mighty' agency that likes to say we're experts at turning lemons to lemonade. It's no secret the challenges the agency faced during the instant ticket shortage that began in mid-2013 when our entire product line of scratcher tickets ran the risk of near depletion for almost two years. That absence of product was a significant hit in sales with resounding impact to our bottom line and trans-

fer. Instant ticket sales plummeted by \$27 Million, or 45% from their high in FY12, resulting in over \$3 Million in lost transfer as of FY15. But, you make the best of what you have. You get innovative. You dig in. We became a more efficient organization reducing operating expenses, streamlining business operations, and cross-training staff. We became very aggressive in introducing new games and promotions to our other franchise games—particularly the DC Fast Play family of games. We replaced instant ticket facings with DC Fast Play selections. During this period, we also introduced new Tap-N-Play games and the multi-state Lucky for Life. Players transitioned nicely to the new offerings. When our full line of scratchers was reintroduced in 2015, we took huge efforts to thank our players for playing and staying with the DC Lottery with player reward promotions of never-before proportions and payouts of more than \$1,000,000 in total prizes. And, again players have responded overwhelmingly. Our Second Chance contests have seen marked increases in participation, setting new benchmarks for entries and prize payouts.

Since reinstatement, instant ticket sales have been robust. FY16 sales are tracking more than 60% positive over last year's sales—a direct result of the return of instant tickets to our game portfolio.

The federal shutdown of October 2013 had a seismic impact throughout the country. We temporarily suspended winning ticket redemption. But, again—lemons to lemonade. Days before the shutdown, we awarded a \$1 Million scratcher winner; two months later, we had a \$2 Million Powerball winner. The lottery must go on.

The recent Best Practices study—that named us among the top ten lotteries in the nation—confirmed that we were doing some things right. We're ranked 7th out of 45 lotteries in the most important area of financial measure—operating income per capita. The study involved evaluations of more than 50 organizational processes, practices, and systems. The DC Lottery received high marks. Specifically, ten processes and systems were noted as best practices while 31 others were highlighted as exemplary.

We learn a lot about ourselves during pe-

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The recent Best Practices study—that named us among the top ten lotteries in the nation—confirmed that we were doing some things right.

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riods of adversity. While we are challenged to do and be our best—I think we're still doing a good job.

*I'm wondering if the "necessity is the mother of invention" situation might have prompted you to discover additional solutions that you might not otherwise have found and that ends up making you an even stronger marketing organization.*

**T. Cohen:** We were anxious to do anything and everything we can to increase our bottom line and ultimately our transfer. We're always strategizing to increase our player base. In addition to the Lucky Lottery Mobile, Union Station, and strategic partnerships—we are hitting hard on retailer promotions to drive day-time sales. These activities propel our presence in the

market and further our efforts to seize the availability of daytime customers. The experience has given us a stronger, broader, more robust foundation for future growth. We now have integrated into our culture an appetite for innovation and creative thinking that may not be here if we hadn't had to deal with the challenges presented.

*How about products like Fast Play—did it continue to be a meaningful contributor to sales after you got back to offering the full portfolio of Instantants?*

**T. Cohen:** At the height of the instant ticket shortage, DC Fast Play accounted for 10% of our total sales. Now, with a full complement of games, DC Fast Play holds steady at 4%—a figure we celebrate as scratcher tickets and DC Fast Play games

are both elements of our instant ticket product line. Both have seen incremental increases in sales and profit since before the disruption. We continue to promote the DC Fast Play lineup, adding new games to retain player interest and exciting promotions to extend the player's experience. We see this category of games as a growth product and are investing accordingly.

We operate in a very competitive market. The District of Columbia is positioned between two Goliath-like state lotteries. In addition to the existing casinos in nearby Baltimore and our immediate suburbs, MGM Casino is building a mammoth sized gaming structure just outside our border. Prior to 2010, our neighboring states did not sell Powerball. When they did, the cross-sell negatively impacted DC Lottery revenue as commuters who lived in those states and worked in DC were now able to purchase in their state of origin. But, again our 'small but mighty' lottery is sharpen-

Continued on page 70



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Following is an edited synopsis of the panel discussion held at PGRI SMART-Tech on April 7 in New York. You can view a video of the complete presentation at [www.PGRItalks.com](http://www.PGRItalks.com).

Edited by Paul Jason, PGRI.

# HOW REGULATORY CHANGES ARE CONVERGING WITH TECHNOLOGY, THE INTERNET, AND CHANGING CONSUMER BEHAVIOR TO UP-END THE GAMES-OF-CHANCE AND LOTTERY MARKET-PLACE

## PANEL DISCUSSION

### Moderator:

**Gordon Medenica**

Director of the Maryland Lottery & Gaming Control Agency

### Panelists:

**Mark Hichar**

Partner, Hinkley, Allen Law Firm, Chair of Gaming Law Practice

**James Maida**

Co-Founder, Chief Executive Officer & President, Gaming Laboratories International (GLI)

**Lynne Roiter**

Corporate Secretary and Vice President of Legal Group, LotoQuébec and General Secretary of the World Lottery Association (WLA)

**Philippe Vlaemminck**

Managing Partner, Pharumlegal Group, Legal Counsel to Lotteries on Matters of European Union Regulatory Laws

**Gordon Medenica:** Our discussion today is not just about the current state of regulatory issues. Our real purpose is to look at how new game concepts are challenging the conventional legal definitions of gambling, how new distributional models are disrupting the barriers that control the way consumers access new and different games, and what this all means to state government lotteries.

We are all wondering what the impact of Daily Fantasy Sports (DFS) will be. Is this an audience that comes from the unregulated markets and so does not affect Lottery? Even though that may be the case, won't it open the door to further regulatory change that could impact Lottery? And how might it alter the play-style of twenty-somethings who will eventually become thirty-somethings who have traditionally been the ground floor for our customer base?

Let's start by asking Mark to give us an overview of the legal and regulatory environment and perhaps his thoughts about how the role of DFS fits into the larger picture of sports betting in general, and also its potential impact on Lottery.

**Mark Hichar:** I think it would be helpful to start with some statistics and put things into proper context and perspective in order to understand the impact that DFS has had in the U.S. market. During the first three or four months of the NFL (National Football League) season, fans could not escape the relentless advertising of DFS. The televised games were inundated with DFS commercials. Beer used to dominate TV advertising and it was completely overshadowed by DFS. I commute sometimes into the Boston South Station where the entire train station was draped with advertisements for DFS. That might cause one to think that DFS is a huge industry within the United States, commensurate with the huge advertising budget it seems to have. Looks can be deceiving. In 2015 total wagers on U.S. lotteries was \$74 billion. By contrast total entry fees for DFS, based on the turnover of the two companies which dominate the DFS market (FanDuel and Draft Kings) totaled \$3 billion. So ... \$74 billion for total U.S. Lottery sales; \$3 billion for Daily Fantasy Sports sales. Illegal sports betting has been estimated by the American Gaming Association to be approximately \$148 billion in 2015, twice the sales of U. S. Lottery and some 50 times the annual sales for DFS. The Fantasy Sports Trade Association estimates that in 2015 there were 56.8 million Fantasy Sports players, of which less than 5% played DFS. The rest were participating in what's known as traditional fantasy sports. That is a season long variety which doesn't advertise, is not so much gambling as DFS, and is pretty much still a hobbyist's game. The debate over the issues and how to regulate the indus-

Continued on page 48



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# Changing the Game in 2016 and Beyond

As another NASPL conference approaches, and we look to the end of a historic year, *PGR* spoke to Marco Tasso, Senior Vice President of Product Marketing, and Paul Riley, Vice President of Innovation, at IGT about the major milestones of 2016 and the future of the lottery industry.



Marco Tasso, Senior Vice President of Product Marketing

*Last year at NASPL, IGT unveiled Aurora, your new business platform. What has been its reception in the industry? What progress have you made in its development and rollout?*

**P. Riley:** The reception to Aurora™ has been overwhelmingly positive, due in no small part to two major items. The first is our laser focus on end-user usability. Our completely revamped User Interface (Aurora™ Navigator) that sits on top of our feature-rich back-office suite of applications, makes the jobs of lottery personnel much more efficient and effective. The expanded access to business intelligence in a graphic, visualized approach also makes folks' jobs easier. The second is our Service Oriented Architecture. Lotteries are increasingly interested in a solution that supports omni-channel engagement with players, and the ability for lotteries to easily mix and match components from various vendors – and with Aurora, we can deliver on those key needs. We are in the process of rolling our initial Aurora deployments out in the U.S. and have been having discussions with our global customer base about Aurora.

*What is IGT doing to remain in the forefront of lottery services and technology?*

**M. Tasso:** Knowledge of the player and retailer is at the heart of how we approach innovation at IGT. We will continue to invest in research and development to ensure that our lottery partners receive the most cutting-edge systems and terminals as well as the most relevant game concepts. By combining our investment in innovation with our player intelligence and our operational expertise, we help our lottery partners achieve sustainable and responsible growth.

*How does IGT stay in touch with the needs of players?*

**M. Tasso:** Our Player Insights Team constantly collaborates with our customers to conduct studies to understand the wants, needs, and expectations of retailers and players around the world. In the last 12 months, we've conducted more than 260 studies in the Americas and 62 internationally. That's more than 224,000 people that IGT has talked with in the last year. We are also continuing our World Player Study, which captures the attitudes and opinions of lottery players in 10 countries. It's this comprehensive data set that feeds the actionable insights that drives growth for our customers.

*How has that affected the development of new games?*

**M. Tasso:** As game portfolios and the playerbase continue to age, lotteries need to have a partner that is vested in the ongoing development of game concepts. IGT has created FutureGame, an eight-step game development and testing framework to satisfy our customers' need for a constant stream of new games. To thoroughly leverage player needs and emotions, the FutureGame

process begins with a series of insights and trend diagnostics and ends with a complex methodology of consumer and retailer research. In addition, and to ensure we are constantly on the forefront of interactive games, we have pooled the resources of 120 software engineers, artists, and game designers from around the world to create the IGT Game Studio. By combining the staff's unique approach to art and science along with the cultural nuances of our five worldwide studio locations, we release at least seven new game concepts per quarter.

*As much as the U.S. lottery industry talks about the importance of interactive and omni-channel approaches, progress appears to be slow due to legislation and other concerns. What advancement has been made in the last year?*

**P. Riley:** Slow and steady are perhaps the operative words for the U.S. with respect to interactive wagering. Illinois, Michigan, and Georgia are still leading the industry with their respective deployments and are being joined by Kentucky and Virginia. We have seen continued growth in the number of mobile apps that IGT is providing as well as the functionality that is deployed. We currently support seven lottery apps on both iOS and Android, all of which have a suite of player convenience features, and some that also allow wagering where permissible. These apps also support omni-channel interaction, such as scanning for a winning ticket and then directing the consumer to the nearest retailer for redemption, or creating digital playslips that are more user friendly as well as fast and easy for retailers to use.

*What developments are you most excited about?*

**P. Riley:** We are very excited about the potential to leverage interactive platforms



Paul Riley, Vice President of Innovation

and games to deliver a compelling player experience while still complying with internet wagering constraints. Our PlaySpot on-premise solution, which we hope to deploy later this year, will allow players to use their mobile phones to play lottery games on their own terms, without having to access the internet. We are also actively engaged in a pilot for proximity marketing that uses an existing lottery app and beacons placed at lottery retailers to deliver targeted messaging and offers (lottery and retail partners) to consumers, and we look forward to sharing some of what we have learned there once we have been operational long enough to gather some meaningful data.

### *What were the biggest milestones and developments of the past year?*

**M. Tasso:** One of the best examples of our player-first thinking this year is the Gemini Touch. We turned our understanding of the shoppers' need for convenience, simplicity, and interactivity into an immersive self-service vending experience featuring a high-definition, 42-inch touch monitor. Both players and non-players are attracted to the dynamic graphics and large touch screen that displays up to 28 instant games and a full complement of draw-based games. Plus, the device is easier for our retailers to use. The Dynamic Planogram functionality can modify the display in real-time to react to fluctuations in demand, inventory, or market conditions.

**P. Riley:** Powerball was of course huge in so many ways. Operationally, the team and the systems delivered. More than 234,000 rolls of paper were used; that's enough to go around the world 1.5 times. More than 15.5 million playslips were produced, and our 185,000 terminals functioned at 99.9% uptime. From an awareness perspective, the media hype surrounding the record jackpot was priceless. The key question is how do we parlay that interest into engaging new players on a repeat basis. Monumental events like this provide opportunities to engage more consumers and expand the player base, particularly with something like the mobile apps which we just discussed. The jackpot was also a great value to retailers. Retailers had to acknowledge the history-making lift in traffic and ancillary sales that the jackpot drove.

### *What trends are you seeing in the world of gaming and lottery?*

**P. Riley:** There's a lot of interest in cashless, which is good because so many of our consumers are embracing cashless, BUT it is not a trivial topic due to regulatory considerations, technology aspects, and last, but not least, economic implications. We are doing a pilot in conjunction with our customer, the Georgia Lottery Corporation, and are collecting data on usage and transactions to support better insights into the benefits and challenges concerning this topic.

### *How do you stay current on what players and retailers respond to?*

**M. Tasso:** Our Lottery Management Services group continues to be the incubator for profit-driving strategies and tactics. Lottomatica remains the standard for lottery growth around the world with more than \$16 billion in annual sales. The IGT Indiana and Hoosier Lottery teams also provide a great example of the synergies that develop when you have a solid portfolio of games working along-side business intelligence tools such as Aurora™ OnePlace to track progress. We've increased average facings from 24 to 30, placed more than 5,800 on-counter towers, and installed more than 1,100 Aurora MultiMedia and mini-jackpot signs. The Hoosier Lottery achieved record growth while maintaining a

commitment to corporate social responsibility and achieving WLA Level 4 Certification.

### *What are you most excited about for the year ahead?*

**M. Tasso:** Our business intelligence tools, which are already the best in the industry, keep getting stronger. Our BI tools create actionable insights that empower quicker, more effective decision-making. For example, the Retail Marketing Insight (RMI) platform is now capturing data from 21 U.S. lotteries to provide visual comparisons across retail chains and jurisdictions. Aurora™ Performance Intel is using state-of-the-art analytics to turn mountains of data into real-time strategies and tactics. Plus, with the acquisition of Hudson Alley, we have paired OnePlace with Aurora™ Retailer Wizard to provide Lottery Representatives and their retailers with the real-time data they need to efficiently manage and successfully grow their businesses. All of these tools work together to empower lotteries with a consistent and insightful view of their businesses.

**P. Riley:** NASPL has signed a declaration to move forward with establishing a lottery standard API (Application Program Interface) that could provide significant benefit to the industry in cost effectively increasing lottery into under-penetrated or non-penetrated retailers. The initiative is about setting up a standard way for retailers to communicate with lottery transaction processing vendors in a uniform manner that more aligns with the way in which they sell many of their other goods. If we penetrate more retailers and tradestyles and very importantly – offer our products in the multi-lane environments – we have a chance to engage far more consumers and increase awareness of the lottery brand and the good causes lotteries support.

*To learn more about IGT's plans for 2017 and beyond, visit their booth at NASPL 2016 in Atlanta.*





try is not very clear on the distinctions between the different fantasy game categories. Legislators, attorneys general, regulators, and law enforcement seems to be treating DFS and traditional fantasy sports with equal vigor, or at least with inadequate understanding of the differences and actual market impacts.

Further, it has been reported that DraftKings lost an estimated \$280 million and FanDuel \$137 million in 2015. In light of everything that's happened since the insider betting scandal broke in October of last year, it's now estimated that the best case for the Daily Fantasy Sports market by 2020 will be approximately \$14 billion and the worst case could be where it is today which is between \$3 and \$4 billion.

It is not my intent to minimize the impact and relevance of DFS. It just needs to be understood and assessed in proper context and perspective. The volume being played in DFS is not nearly as large as the advertising of DFS might lead one to believe.

The regulatory environment is being shaped as we speak. At least ten states have come out with opinions on the legality of Fantasy Sports, and only two of those have found that the play of fantasy sports is lawful. Legislation is pending in another thirty two states.

**It might seem that the step from DFS to a market-place being disrupted by an invasion of highly sophisticated and well-funded operators based outside of the U.S. and selling all varieties of products, many of which replicate the lottery-playing experience, is a big leap and not likely to happen anytime soon in the U.S. It's not a big leap. That is exactly what happened in Europe and, I would submit, can happen anywhere including the U.S.**

—Jean-Luc Moner-Banet

*[Ed. Note: Since the date of this panel in April, 2016, legislation legalizing DFS has been enacted in Colorado, Indiana, Mississippi, Missouri, Tennessee and Virginia. In addition, the legislature in New York passed a bill legalizing DFS, and that bill awaits action by New York Governor Cuomo. DFS had already been made lawful in Kansas, and it is regulated in Massachusetts, although not legalized by statute.]* And the market for DFS has shrunk considerably since October 2015. Even so, Fantasy Sports still holds a level of excitement that has piqued the interest of lotteries, regulators, and other government agencies.

**Gordon Medenica:** One of the broader issues for the topic today is this intersection of regulation, technology, internet, and emerging consumer trends. As we know, what happens at intersections is collisions. Regardless of where DFS ends up, this is an example of industry disruption—new game styles and distribution methods that fall outside of current regulatory frameworks. How will these disruptions impact Lottery and what can Lottery do about it? Philippe?

**Philippe Vlaemminck:** First, I think it is important for us to nurture this dialogue between U.S. and Europe. We have much to learn from each other and I expect there will be quite relevant ways in which we can collaborate on initiatives to support the stability of the government-gaming industry in the future.

European lottery operators have been dealing with major disruptive forces for many years now. In fact, the internet has wreaked havoc on European markets in ways that the U.S. has largely avoided. Europeans have tended to feel that we are the only ones with these problems and so are encouraged to see that you finally have your own problems!

You are correct, Gordon, in pointing out that DFS is not the same phenomenon in Europe as in the U.S., probably because sports-betting is already a highly developed and growing market. The European consumer does not get excited about DFS because they can engage in whatever variety of sports-betting they choose, and have been able to do so for many years. The specific game of DFS is not a problem or an issue for us. The thing that is a problem and an issue for all of us is the inability of legislators and regulatory agencies to keep up with changes in the games, new technologies, consumer trends, the internet, and other forces that are disrupting the market-place. As Gordon points out, the intersection of these factors is creating a collision. The aftermath of the collision is a lack of clarity as to how existing laws apply. And that creates a fertile ground for further disruption. To make matters worse, the army of lobbyists employed by the commercial sector is more likely than government gaming operators to influence the way legislation and regulations get updated. That's why the trend in Europe is towards opening up the markets to borderless competition between multiple operators. The monopoly model is under severe attack. You think that will not happen here. And maybe your monopoly model will remain intact. What will happen in the U.S. as it is happening everywhere is that the market-place is being reinvented by new games, new technologies, and new distribution models. DFS is a very small example of the potential for a new game to have disruptive impact. It opens the way for a Pandora's Box of ongoing change that is likely to have far more dramatic impact on all games-of-chance operators including government-lottery. We may be having more issues than you are with the disruptive impact of the internet. Right now, you may be having more problems with the disruptive impacts of DFS or other entrants into the games-of-chance space. But the fundamental dynamics of disruptive forces are quite

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## Panel Discussion

similar. I would propose that we need to work together to develop solutions and strategies for the global community of government-gaming operators to defend the interests of their stakeholders.

Jean-Luc Moner-Banet talked about these broader issues yesterday. It might seem that the step from DFS to a market-place being disrupted by an invasion of highly sophisticated and well-funded operators based outside of the U.S. and selling all varieties of products, many of which replicate the lottery-playing experience, is a big leap and not likely to happen anytime soon in the U.S. It's not a big leap. That is exactly what happened in Europe and, I would submit, can happen anywhere including the U.S. It does not take long for a small crack in the dam to cause the whole dam to crash under the weight of powerful forces. We owe it to our stakeholders to make sure our businesses are prepared.

**Gordon Medenica:** Let's get the Canadian perspective from Lynne ...

**Lynne Roiter:** First, I would suggest that a new game concept that goes from zero to \$4 billion in sales in the time that Fantasy Sports has done should not be regarded as insignificant. Granted, that may be just 6% of U.S. lottery sales, but it is still huge, it shows a potential for continued growth, it attracts the young adult demographic, and it reflects a shift in consumer play styles and preferences. I think Fantasy Sports represents a potential for major impact on the games-of-chance industry.

**Commercial operators are always pushing the edge of the envelope. Where there is a gray area, they can move forward and adjust course based on the reaction of the market-place and the legal system. If their actions are challenged by the courts, like DFS has been, it's easier to ask for forgiveness than permission. And that method has served them well.**

—James Maida

Second, like Europe, sports-betting is very popular in Canada. But so is Fantasy Sports betting. That may be partly because Canada is heavily influenced by whatever is popular in the States. But I have another theory. The University of Montreal looked at how people develop habits and behavioral patterns. They found that if smoking and drinking is not habitual prior to an early age, like late teens, it is highly unlikely that the person will develop a problem later in life. That could be relevant to the Lottery industry if we think that

**It is conservatively estimated that illegal sports-betting exceeds \$100 billion a year, that 97 percent of the \$4.1 billion bet on last year's Super bowl was illegal, and that millions of otherwise law-abiding citizens are betting on sports in the U.S. in spite of the illegality. At what point does it become impractical to continue to outlaw it?**

—James Maida

it doesn't matter if people play the DFS instead of lottery in their twenties because they have always started in with lottery in their thirties anyway. It may not have mattered so much in years past when twenty-somethings were not exposed to so many gaming options. Insofar as recreational gaming options like Fantasy Sports are attracting a younger audience, those consumers develop habits and behavioral patterns that may be difficult for Lottery to connect with. Are we hoping that twenty-somethings who play Fantasy Sports are going to migrate over to Lottery when they move into their thirties? New games may not affect us so much in the short term, but we should also think about the long-term potential impacts.

**Gordon Medenica:** Maybe a silver lining is that DFS is played over the internet. If legislators are considering the legalization of DFS, maybe they will be more receptive to the prospect of enabling U.S. lotteries to sell online. DFS could be the thin edge of the wedge that causes legislators to allow lotteries to offer games on the internet. James ...

**James Maida:** Commercial operators are always pushing the edge of the envelope. Where there is a gray area, they can move forward and adjust course based on the reaction of the market-place and the legal system. If their actions are challenged by the courts, like DFS has been, it's easier to ask for forgiveness than permission. And that method has served them well. By the time legislators get around to addressing the issues, they are dealing with a fait accompli which is much more difficult to unwind. Of course, lottery directors can't apply those methods without unwanted controversy. But it is important to recognize how these changes unfold; and to think about how lotteries might defend against it. At this point, for instance, after decades of pushing by commercial operators to open up the markets, European lawmakers must make policy decisions based not just on what is best public and regulatory policy, but what is the reality of the market-place. If the reality is that the underground market is so big that it is no longer practical to pretend

Continued on page 67

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## INTERVIEW

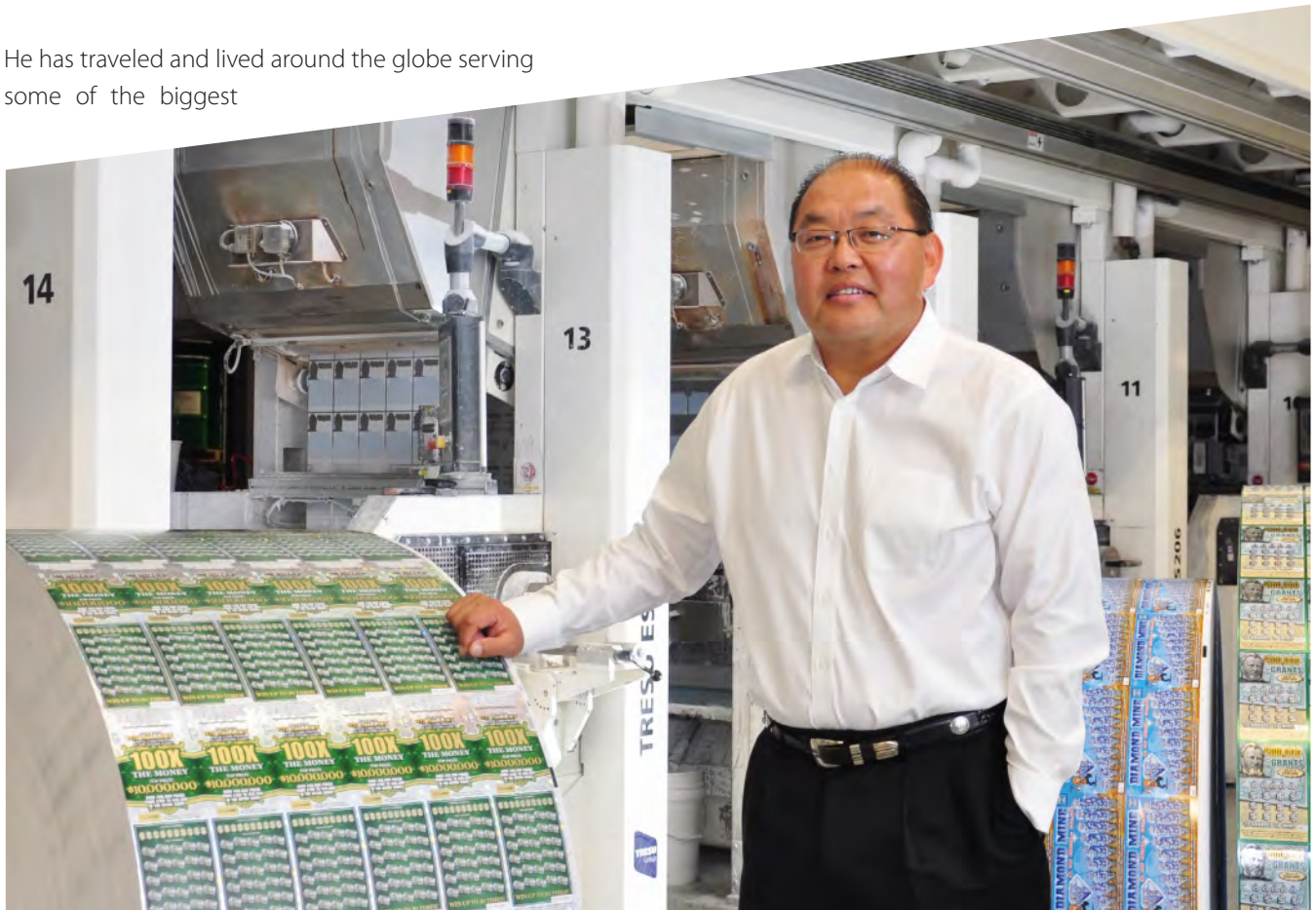
# Sam Wakasugi

VP, Global CSP Services  
Scientific Games

From his executive office on the second floor of Scientific Games' global lottery headquarters just north of Atlanta, Sam Wakasugi seems like a guy you've known all your life. He's polished and uber professional, yet so approachable you get the impression that you can ask him just about anything. Sam's answers are thoughtful and his stories slowly unwind, spanning across a lottery career that began in the early 1980s and touching nearly every aspect of the business.

lotteries in the industry, including many start-ups. Today, Sam leads Scientific Games' *Cooperative Services Program*—or "CSP"—as many call the company's highly successful approach to instant game management. Integrating game planning, analytics, marketing, inside sales, packaging, warehousing and retail distribution, CSP is used by more than 20 lotteries, including nine of the Top 15 lotteries in the world based on instant game per capita sales.

He has traveled and lived around the globe serving some of the biggest





Sam learned the lottery business from the ground up. At 21, he got caught up in the excitement of Washington's Lottery start-up—one of the coolest happenings in the state of Washington at the time. He applied for a sales rep job, and remembers being slightly surprised when the Lottery hired him. The next thing he knew, he was moving to Walla Walla to sell scratch games, and spending up to eight hours a day driving his car from one end of his large territory to the other. Sam explains that back then, everything was done manually. In a pre-UPS era, logistics meant picking up the scratch tickets at the Lottery's regional office and delivering them in person to 100+ retailers every week. He would hand-write an invoice, the retailer would give him a check, and at the end of each day he would go to the bank and deposit the funds.

Quickly promoted to the Lottery's regional manager, then director of sales for the entire state, Sam moved to Olympia, where he found himself learning how to motivate a team of 35 more senior, and much more seasoned sales professionals who had been hired from the private sector for the Lottery's start-up.

"This experience in my 20s prepared me for what lay ahead because the state government did a really great job training employees who wanted to be managers. A good deal of my operational skills today are a direct result of what I learned back then. I was traveling to six very different regions all around the state, directing a sales staff and helping train retailers. I never expected this to happen," he shares as he explains how it all unfolded.

Also, key to Sam's success has been his dedication to customers: understanding their needs, providing a service and earning their trust—lessons learned early on. In high school, he worked at his father's farm implement store every day during the summer, watching farmers come and go while his father built his business standing next to the coffee machine as customers came into the store. Business always took place at the coffee machine.

"His customers would come in the store to buy tractors and fencing, and my father sold them everything they needed—not what he wanted to sell them. They always came with a need," Sam says. "This is why customer service has always been important to me. Half of the success is the relationship, and the other half is just the desire to help your customers."

I learned at an early age that you have to establish that relationship so your customers trust you."

**"Customer service has always been important to me. Half of the success is the relationship, and the other half is just the desire to help your customers..."**

**-Sam Wakasugi  
VP, Global CSP Services  
Scientific Games**

Intuitive people skills continued to serve him well. Sam's simple approach to customer service, coupled with extensive lottery experience, propelled him to director roles with the Arizona Lottery, and eventually to Scientific Games where he began Scientific Games launch of the CSP operations for the Florida Lottery in 1997.

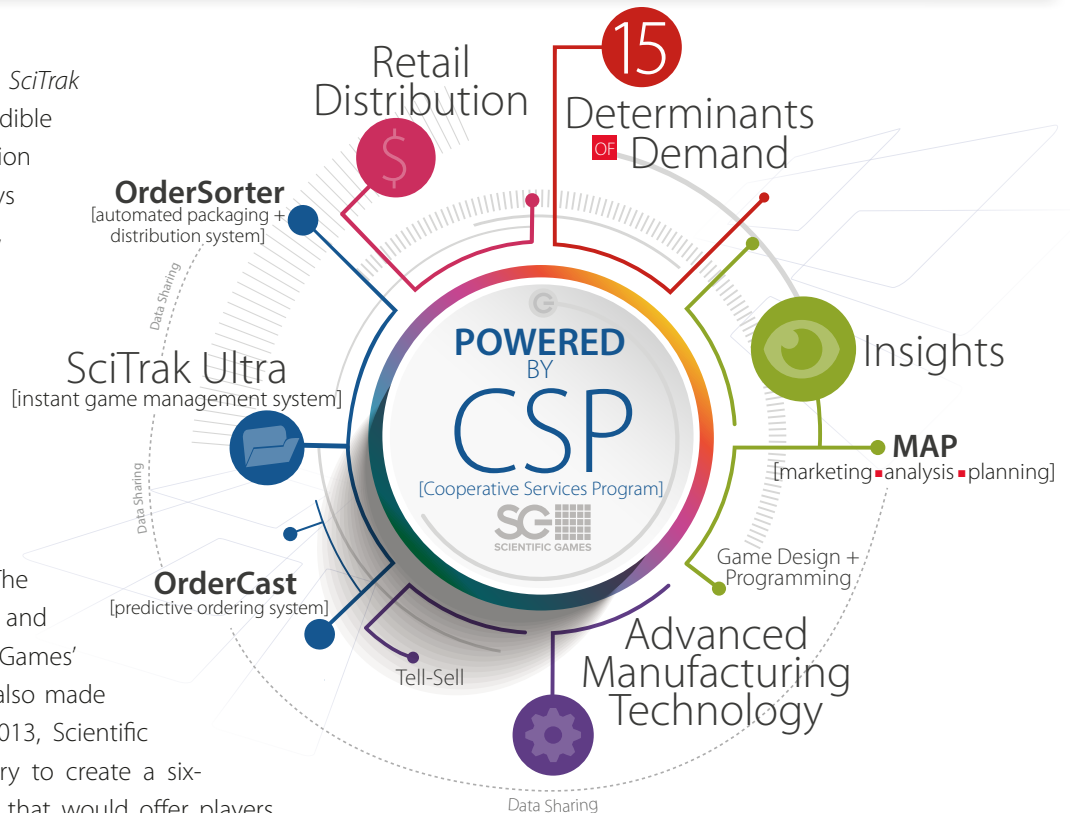
Sam is definitely someone who can sit at the table and do business with a lottery because he's also been on the government side of the table. It was through CSP for the Florida Lottery where his knowledge of the instant product deepened.

"I had been a sales rep, a regional manager, a sales and marketing director and a state director, but I still remember standing there in a pile of dirt in Orlando thinking how are we going to do this in 90 days?" he says. "We built a fully operational CSP facility in 77 days."

With the *SciTrak*™ supply chain solution deployed at Scientific Games' new CSP facility, the Lottery embarked upon a great instant game partnership. The *SciTrak* system securely manages game inventory with more accuracy and efficiency than other supply chain solutions, and it allows lotteries to be much more responsive to retail sales volume and player demand. In Florida, automated sorting was added in 2009 with *OrderSorter*™ and predictive ordering technology was added with *OrderCast*™ in 2011.

"Our next generation system, *SciTrak Ultra™*, has made incredible advancements with the addition of predictive ordering," says Sam. "In just the last five years, instant game sales in Florida have grown 79 percent. The *OrderCast* technology is proving to have a great impact on instant game sales in the jurisdictions where it's deployed."

The partnership drove results. The Florida Lottery's strategic sales and marketing plan and Scientific Games' *15 Determinants of Demand™* also made a major impact on sales. In 2013, Scientific Games worked with the Lottery to create a six-week game introduction cycle that would offer players bigger games and better prize structures. Today, the Lottery has 13,000 retailers throughout the Sunshine State with approximately 36 new games introduced each year and up to 70 games generally in market – 56 percent of instant sales are at the \$10 price point and above.



The Florida Lottery is perennially one of the highest performing lotteries in the industry, with more than \$3.9 billion in instant



*SciTrak Ultra™* is now deployed at Scientific Games' CSP operation for the Florida Lottery, where instant game sales have grown 79 percent in the last five years. Sam Wakasugi helped the company build the CSP facility in Orlando in 1997.

game sales FY2015 it currently ranks in the Top 10 lotteries worldwide for instant game per capita sales. Scientific Games provides 95 percent of its instant games, which represented 67 percent of the Lottery's revenues last year. In FY2015, the Lottery returned a whopping \$1.5 billion to its beneficiaries – breaking a record for the sixth year in a row for both sales and funding for beneficiaries.

Following the CSP success in Florida, Jim Kennedy, now Group Chief Executive of Lottery for Scientific Games, assigned Wakasugi to service customers on the west coast of the U.S., and work on the instant games business for state lotteries in California, Oregon, Washington, Idaho, Colorado, Indiana, Illinois, Texas and Arizona.

Sam eventually became Vice President of North American Sales, guiding relationships and strategies for the company's instant game customers. He also worked on the UK National Lottery's instant games, as well as several other projects in Europe, Taiwan and Mexico.

And then, Kennedy asked him for a personal favor. Would Sam be willing to go to Beijing for 30 days to help launch instant games for the China Sports Lottery in time for the 2008 Olympics? Wakasugi packed his suitcase for the trip. The launch was a success at an enormous scale. In nine months, the China Sports Lottery's instant game sales went from \$700 million RMB to \$10 billion RMB. By 2011—with the company's CSP best practices deployed in 31 provinces throughout the world's largest country—sales doubled to \$20 billion RMB and the Lottery skyrocketed to the largest instant game lottery in the world. Sam didn't leave China for seven years.



"For a guy who entered this business when the only lottery in the U.S. west of the Mississippi was Arizona, it has been an incredibly exciting experience," he says. "Those Olympic-themed games in China will never be forgotten, but what's even more memorable is that the *Golden Millions* game we launched in 2009—a game

almost identical to its U.S. predecessor—is still the best-selling instant game in China today. It comes down to the simple fact that a good game design, backed by Scientific Games' best

practices in the area of quality, integrity and security, will sell well anywhere in the world."

Now back in the U.S., Sam leads the global CSP business for Scientific Games. Despite his experience working with instant products around the world, he says he still learns something new every time he visits a customer or a retailer. He is still impressed by the sheer magnitude of instant game sales.

"Lottery instant games are an \$80.4 billion consumer product that outperforms most consumer product categories on the planet. It's bigger than the global music and movie industries combined," he says. "Last year, our domestic CSP partners alone created a combined \$1 billion in growth in the category."

**"Lottery instant games are an \$80.4 billion consumer product that outperforms most consumer product categories on the planet. It's bigger than the global music and movie industries combined."**

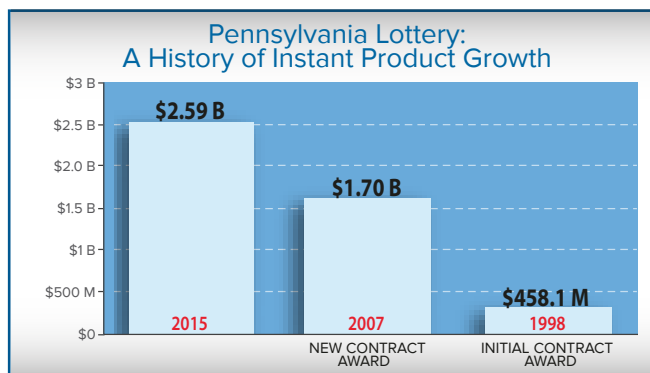
**-Sam Wakasugi  
VP, Global CSP Services  
Scientific Games**

Scientific Games continues to refine its CSP program and drive record growth in instant game retail sales globally. The North Carolina Education Lottery is the company's newest CSP customer, recently awarding the company a new eight-year contract.

One of Scientific Games' most successful CSP customers is the Pennsylvania Lottery—ranked in the world's Top 10 for instant per capita sales with more than \$2.6 billion in instant game sales FY2015. The Lottery has achieved over \$1 billion in profits in each of the last three fiscal years. CSP launched in 1997, and the Lottery focused on fully developing its instant game portfolio and growing its retail network to more than 9,000 retailers.



In 2007, the Pennsylvania Lottery challenged the company to build a solution for future growth up to \$2 billion and beyond. Scientific Games deployed its *OrderCast* predictive analytics tool and fully integrated it into the existing *SciTrak Ultra* system. The Pennsylvania inside sales team now had the game mix insights to help grow profits – not just sales – for the Lottery and its retailers. Since the addition of *OrderCast*, the Lottery's instant game sales have grown nearly \$1 billion in just eight years.



"We like that our customers view us as more than an instant game supplier. Scientific Games is a company that adds value to their business and helps them meet their goals and objectives—that helps them get to their magic number," says Sam. "We are aligned with our customers and understand what their challenges are, and we continue to innovate solutions for them."

He shares a bit more about his philosophy on customer relationships but in the end, he is very candid about what differentiates the company. "Other suppliers want to sell instant games. Scientific Games sells long-term solutions."

Sam also knows that the instant game is a complex product. "CSP simplifies it for lotteries. It is a very scientific approach, from the data analytics platform we use to the automated sorting and predictive ordering technology. If lotteries want to grow their net profits, *CSP* is the way to do it."

Perhaps that's why instant game per capita sales for all U.S. lotteries using *CSP* services outpaced the industry by 40 percent in 2015. The program's operating scale accounts for approximately one-third of total U.S. retail sales. Based on real results achieved for customers, it is currently the most

**"CSP simplifies [instant games] for lotteries. It is a very scientific approach, from the data analytics platform we use to the automated sorting and predictive ordering technology."**

**-Sam Wakasugi**  
VP, Global CSP Services  
Scientific Games

successful and effective category management program in the industry.

Research continues to play a leading role in the *CSP* program Sam now leads. He works closely with data scientists and consumer researchers in the company's Insights group.

"The more we understand consumer motivations, the better the chance we have to keep existing players and add new players to the mix. There is a large segment of consumers out there who don't play lottery games yet—but they play other games," he says. "We haven't even scratched the surface with consumers."

As we wrap our conversation, the talk turns to digital media (interactive games). But Sam lives and breathes instant games.

"Digital media is an exciting and growing part of our business—it is a promotional platform that makes all games better. But if you watch players like I do, scratch tickets offer a very special experience. You hold that game in your hand, scratch it, and hopefully put that winner in your pocket. They may be augmented by digital media, but I don't believe instant games will ever be completely replaced."

We trust that he knows what he's talking about.

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Cherie applies  
multiple  
technologies  
to deliver  
the industry's  
highest instants  
performance.

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**Engineering every aspect of instant product management is an expertise Cherie Peyton of Scientific Games brings to her customers.** "We apply customized solutions to manage lotteries' instant game portfolios, from data insights to game planning, manufacturing, logistics and retail distribution," she explains. "We are achieving the highest instant game performance in the industry with our Cooperative Services Program."

**Let us show you how our patented data systems and automation technologies grow sales performance.**

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## Nikos NIKOLAKOPOULOS

Group Chief Operating Officer, INTRALOT Group

### Applying Best-Practices from Other Industries to Government-Gaming

**PGRI Introduction:** Prior to the appointment to his current position in January of 2015, Nikos Nikolakopoulos was INTRALOT Group President Latin America, Western Europe & Africa and Managing Director of INTRALOT Latin America.

In 2007, he joined INTRALOT as the Group Strategy Director and based on his extensive international experience, he has been instrumental in shaping INTRALOT's strategy in the contemporary gaming environment, pursuing new opportunities for the company worldwide. Before joining INTRALOT, he held a series of senior positions in multinational IT companies, including INTRACOM Group, Microsoft, Singular Logic and BULL S.A.

**Paul Jason:** *You spent the first part of your career in Telecoms, Software and Technology. What can leaders in the Lottery industry learn from the best practices as applied in those industries?*

**Nikos Nikolakopoulos:** These are all industries where technology is a mission-critical enabler. But the business is all about the consumer. Even technology-focused businesses must start with the consumer. When you think about, what is the difference between Microsoft and Apple that enabled Apple to zoom past Microsoft when it comes to innovation? Steve Jobs said "You have to start with the consumer experience and work back toward the technology, not the other way around." Microsoft was far better capitalized with far more resources going towards R & D and should have been the ones to invent

the future. But they prided themselves on being "fast-followers" and they focused on technology more than the consumer experience. The products Apple sells are all about high technology, but their focus was always on how technology can deliver a better consumer experience. As a result, Apple also zoomed past Microsoft in sales, net profits, and market capitalization.

Likewise, INTRALOT sells technology products and services focusing on enhancing the experience of the end user, the player. The goal of Lottery is to deliver the most fun and engaging player-experience. This industry, Lottery and even the broader games-of-chance industry, does not move nearly as fast as Telecoms and consumer electronics. So we are in a great position to learn from those industries, to copy the best practices as applied in those

industries. We even have the luxury of time to observe what works best and to avoid the mistakes they make because of the pressure they are under to be first to market with breakthrough innovation. Still, we do need to act with more urgency to assimilate the methods and ideas that are proven successful in other sectors.

*What are Telecoms doing that we should be doing?*

**N. Nikolakopoulos:** Telecoms are using data mining, business intelligence, and consumer segmentation to enhance the contribution of CRM and big data analytics in order to identify trends in their customer base. These activities not only guide their R & D and product development, they also guide pricing, promotions, and all the consumer-facing marketing strategies. Lottery and its commercial partners are applying these tools in our industry too. We just need to accelerate the rate at which we invest and execute.

Even more than most industries, Telecoms are driven by competition. They know they will fail if they do not innovate and improve at a faster rate than their competitors. That fear of failure is a powerful driver! Thankfully, Lottery does not operate under that level of pressure.



At least not in the short-term. In the long-term, though, we should recognize that all the different sectors of the games-of-chance industry are converging so that the consumer has instant access to all games.

*Too, the Fast-Moving-Consumer-Goods (FMCG) industry is driving change and modernization in the retail sector.*

**N. Nikolakopoulos:** And land-based retail is where our consumer lives. Digitization of the retail shopping experience is technology-enabled. But here too we must start with a focus on the consumer experience. The leaders in the FMCG space are learning much about shopper behavior, how technology can be used to enhance the consumer shopping experience, how to integrate Mobile into the retail shopping experience, how to build a relationship with our customers that reinforces the connection through all the many stages of the customer journey. The biggest FMCG brands may be leading the way, but we can adopt best practices as we observe them being applied.

*The Telecom industry would have a built-in connection to the customer by way of the telephone number and billing address. How can Lottery apply data analytics without having a registered player base?*

**N. Nikolakopoulos:** Of course, building the registered player data-base is a top priority for Lottery operators. In spite of that, vast majority of players are unregistered and therefore anonymous. But there is still much that can be accomplished by application of big-data analytical tools. We can capture and organize sales data by product and store and time of day and much more. This data could help Lottery understand consumer behavior, identify trends, perhaps correlate buying patterns to external events. Intelligence and insight gathered through this kind of big-data analytics could certainly inform and sharpen the focus of all our efforts in marketing, promotion and product design.

Increasing the registered player data-base is key to the kind of personalized CRM that is the end goal. But even a small reg-

istered data base can be integrated into the analytical process to great effect. We don't want to wait until everything is perfect, or even until it is better. We need to increase our investment in data analytics now. Everyone is operating with incomplete information. Tremendous insights can be gained with the information we have access to right now.

*You have been COO for almost two years now. INTRALOT has progressed greatly over that time. What would you say are some of the key changes that you did to clarify and focus INTRALOT's operational strategy?*

**N. Nikolakopoulos:** There are three basic elements. The first thing we did was consolidate our skill-sets and resources to establish a clear focus on the specific segments of Lottery and sports-betting. We chose to focus on developing the

customers, from best-practices outside our industry and our competitors, from insight gleaned from data analytics and market analyses. We now have a specific development roadmap that is guided by rapidly changing consumer tastes and market-place dynamics.

The third thing is to evolve an operational system that leverages strategic partnerships. We have for many years developed a flexible system of partnering with clients. We feel we have a decisive competitive advantage when it comes to creative collaborations with operators from all around the world. The specific needs vary enormously. Together we assess those needs and core competencies and create a partnership that meets those needs and leverages our respective competencies into the most productive partnership. The success of our equity partnerships in Turkey, in Ar-

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So we are in a great position to learn from those industries, to copy the best practices as applied in those industries. We even have the luxury of time to observe what works best and to avoid the mistakes they make because of the pressure they are under to be first to market with breakthrough innovation. Still, we do need to act with more urgency to assimilate the methods and ideas that are proven successful in other sectors.

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technologies and expertise in content, technology, the Interactive channel, and retail optimization. We are not dividing our attention between the government-gaming sector and the casino business. We do not sell slots or table games or operate casinos. We focus clearly on the needs of our customer which is Lottery and the sports-betting operator.

The second thing is to sharpen our focus on product innovation. Over the last three years we have dedicated ourselves to building a product development process that incorporates feedback from our

gentina, in Bulgaria, in Peru, in Italy and many others is based on the flexibility and experience at operating within a diverse set of circumstances. In Morocco, too, we have established truly fruitful, mutually beneficial and commercially successful collaborations with great partners who have great knowledge of their market and players. Our success as a partner is also based on our laser focus on the business of our customer, which is Lottery and sports-betting.

For instance, in Peru we collaborate with the Nexus Group which is one of the biggest private equity groups in Latin America. It

is a fabulous arrangement because the Nexus Group is highly investing in the retail channel partners of Lottery, like pharmacies and supermarkets. In Italy we partner with GameNet, one of the biggest gaming machines operators in Italy which tightens the synergies with the sports-betting market there. INTRALOT acquired a majority stake in EuroBet in Bulgaria, KINO and scratch operator, complementing our betting portfolio as 49% shareholder of Euro-football since 2002. Everyone benefits by these kinds of partnerships.

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The biggest FMCG brands may be leading the way, but we can adopt best practices as we observe them being applied.

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Our strategy is to capitalize on INTRALOT's technology and products by extending them quickly into new market sectors through partnerships. And it's working.

*Instead of developing everything internally, you focus on your core competencies to ensure that they are always best-of-breed and then augment that with partnerships to bring in the complete portfolio of best-of-breed.*

**N. Nikolakopoulos:** Yes, but it's not all about technology and products. The operational synergies are equally important. For example in Peru we are not going to utilize any other technology or product partner. It is all INTRALOT. Our partnership is with someone that knows the consumer extremely well in a very local and in some ways challenging market. And it is not about gaining market share since INTRALOT already has more than 90 percent of the market. We are investing in growing the market in Peru. We are partnering with someone that has thousands of consumer touch points and knows the Peruvian consumer better than anyone else. Combine that with our operational expertise in the industry, our technology, and our

products, and we are confident that the market can be expanded.

*You are not only assembling a best-of-breed portfolio of assets, you are doing it in ways that accelerate speed to market and flexibility to change with the times.*

**N. Nikolakopoulos:** Exactly. The fact is that nobody can be the best at every single thing. Business challenges, opportunities, and environments vary so much all around the world. Our approach enables us to deliver the uniquely best solution for

each unique set of circumstances. Creative collaborations and partnerships enable us to assemble the very best solutions for the benefit of our clients.

*And the synergy between sports-betting and lottery is apparent in almost all markets apart from the U.S. INTRALOT's strategy to leverage that synergy makes a lot of sense.*

**N. Nikolakopoulos:** We think so. We think the player profiles and the distribution channels and consumer touch-points for Lottery are completely different from casinos. The overlaps, especially as regards operations, logistics, and distribution, between sports-betting and Lottery are something we want to leverage for the benefit of the operators. The majority of the countries where we are present employ this winning combination of offering with thousands of PoS selling both lottery and sports betting products.

I believe that INTRALOT has by far the biggest land-based sports-betting operation. We are in more than 18 countries. And we focus on helping lottery operators extract significant economic benefit from the distributional synergies between sports-betting and Lottery. And

keep in mind that markets where sports-betting is presently prohibited, like Brazil and Argentina and the U.S. and many others, are actively exploring models to regulate and tax sports-betting. So imagine the opportunity for the operators, and for INTRALOT, when sports-betting becomes regulated in these markets. The upside potential for everyone is huge. The sports-betting market is already huge in these unregulated markets. A lack of regulation is dangerous for the players, has no apparatus to promote responsible gaming or collect taxes or minimize money laundering. Everyone understands this, so it is just a matter of time before sports-betting is brought out of the gray underground economy and is properly regulated and taxed.

*Is there anything that traditional lottery can do to evolve itself and its products to meet the needs of the modern, younger player?*

**N. Nikolakopoulos:** That is the million dollar question, isn't it? A part of the answer is to help retailers connect with their customers and enhance the player experience. INTRALOT is deploying advanced digital strategies to enable our customers, the lottery operator, to work hand-in-glove with their retailers to accomplish that. Digital includes in-store technologies and also the build-out of the omni-channel model to provide connectivity on all channels—land-based, Mobile and digital everywhere. We need to focus on those things that we can change, and not be side-tracked by things we can't change. Providing a seamless, universal player experience is something we can do and should work harder to make it happen now.

We also need to develop game content that is not so reliant on big jackpots. The jackpot games have been very good for Lottery, and the players will play them for many years to come. But it is imperative that we develop a more varied portfolio of products that appeal to a broader base of consumer play-styles. ■

# The Lottery Answer to the Appeal of Daily Fantasy Sports

By Brad Cummings  
Founder & Chief Executive Officer,  
EquiLottery  
[www.EquiLottery.com](http://www.EquiLottery.com)

You'd have to be purposely oblivious at this point to have not noticed the rise of Daily Fantasy Sports (DFS). Advertising campaigns have exceeded a quarter of a billion dollars from the two leaders in the industry since 2015. News stations often highlight the major investments made by pro sports leagues, team owners and media companies in these businesses. Attorneys General across the U.S. have weighed in on its legality and many state legislatures have passed enabling legislation when necessary to keep this industry growing.

There are thousands of columns you can read about any of these themes and Google will gladly help you down that rabbit hole. We'll let others continue to pontificate on those angles. Instead, publications like PGRI should lead the way on evaluating the appeal of this relatively new gaming option and how the lottery can best emulate its success.

At its core, DFS is about immersing players in a live sports experience where the outcome of an unpredictable event determines their future winnings. It's simple and easy to play, making an entire day of football or baseball not just watchable, but immensely engaging. The lynch pin is a highly interactive mobile app that appeals to millennials and helps players to nimbly navigate the game experience.

What pieces of this narrative can we as a lottery industry build upon? Which are not possible due to the legal and political restrictions we encounter as an industry? And are there opportunities for lottery to actually bring something to the table that DFS can't or won't?

When lottery is at its best, it's a simple form of gaming explainable to consumers in less than one minute. It's an enhancement to the retailer who makes our branding and distribution models possible. Lottery can be boosted by mobile app integration. And

best of all, lottery is a vehicle for social good, funding great causes such as education, senior benefits and environmental concerns. In all of these measures, lottery meets or exceeds the value of DFS to players, retailers and society as a whole.

Now imagine living in a lottery world where the engagement of a live, authentic sporting event determines the results of a daily draw. Especially as we look for new ways to engage players of all generations, a game that fits this description would clearly make a significant impact on lottery revenues across the U.S.

But I hear you saying, "Sports gaming is for people who like games of skill. We need to concentrate on more traditional lottery concepts." It's easy to see how one could have such an opinion. With rare exception, games based on the results of a sporting event have only been offered as a game of skill.

And why is that? Is it because of the reams of research testing the appeal of sports gaming by games of chance players? Or is it more likely the fallacies of unchecked conventional wisdom? I would suggest it is the latter.

Lottery players love live sporting events as much as any other major demographic. They may prefer the simplicity that games of chance provide, but that in no way diminishes their desire to be a part of the action. And when you consider the many popular scratch off tickets offering sports experience prize packages, it's exciting to think about how this yet-to-be-realized product segment could improve the lots of lotteries in the future.

This evolution in lottery gaming begins with EquiLottery, a draw-style game based on the excitement of live horse racing. Heralded as The Next Generation of Lottery Draw Games, EquiLottery allows players to immerse themselves in the action

at the racetrack through mobile phones and tablets, delivering the kind of authentic play style consumers crave. On that note, the ability to deliver the actual live action through a lottery-provided mobile app actually gives us a leg up on our more famous contemporaries. DFS players still have to rely on traditional means of broadcast to actually watch the sports their games are based upon.

Research conducted in conjunction with our partner Ipsos shows how this integration of lottery and live sports can appeal to all player segments and demographics as core players, infrequent players and non-players all indicated an exceptional desire to play EquiLottery. And with no difference in demographic appeal, our game earned the same high rating from 20something Millennials as it did with 50something Baby Boomers.

EquiLottery won't be the last word on live sports lottery integration, especially as sports gaming becomes more liberalized across the country. But with the historical legal advantages of horse racing and a format that already feels like a draw game, it will almost certainly be the first.

Build now for the future. Capitalize on the DFS wave. Let's play EquiLottery. ■





# Improving Retail Performance

A Recent Sales Force Automation Panel Discussion at the NASPL Professional Development Seminar shared some interesting insights and ideas

The NASPL 2016 Professional Development Seminar held in Pittsburgh in early August featured a Panel Discussion about the practical benefits of Sales Force Automation/Customer Relationship Management. With a focus on maximizing Retailer performance the panel participants were comprised of Lottery Management and Sales Professionals, and a lottery retailer. The fast paced discussion included insights into how a wide range of lotteries are increasing retail performance including the Pennsylvania, Oregon, Missouri, Kansas, Michigan, and a local Pennsylvania retailer. In additions several lotteries contributed their ideas about how to maximize the value of SFA and retail performance, including Iowa, Kentucky and Florida.

Here are a few of the highlights;

## ★ Have no fear; move the blockers.

When instant tickets sit too long and take up valuable merchandising space, they are blocking new and other top selling games. Terry Presta, Director of the Kansas Lottery shared his “activist” approach to increasing instant ticket sales. Terry explained that his management team instructs their sales reps to look at those games that have been in an “Activated Status” for 3 weeks and that have less than 25% validations and “move them out” because they are blocking the higher selling games!

*“Often reps may be hesitant to move products, but the essence of retail success is merchandising the best-selling products, said Terry. “I want our reps to “Have no Fear! Return the Blockers, the slow movers and move in the best sellers. By using our “8 ball” Intelligent Alert in our SFA platform, reps can show their retailers the top eight selling instant games and the sales potential by merchandising our top games.”*

After the formal panel discussion session a number of lotteries approached Terry to better understand the details of his approach.

## ★ What’s in it for me?

Lottery sales manager know the importance of focusing on the perspective of the retailer. Ashley Carel, Sales Operations Manager for the Missouri Lottery shared the importance of engaging retailers on their level, the way they think and communicating with information that they will understand and use to take



action. With SFA applications and real time information, lotteries can know the retailers business, prepare better and zero-in on critical information. Most importantly, sales reps can show retailers what the financial benefits will be by implementing the recommended actions.

*“Focusing on areas of sales growth opportunities, and proving it right then and there with specific and graphical data is a great way to build positive action, said Ashley. In addition to upgrading of our SFA platform, we are reinforcing our DISC Personality Assessment sales training, so our reps utilize the power of SFA with better communication and a better understanding of how retailers think.”*

## ★ Fast activations of new games mean results.

Bryan Torok, a Zone Sales Manager for the Michigan Lottery shared the details of their successful focus on increasing the rate of new game activations. Since implementing their new SFA platform, the Michigan Lottery zeroed in on ensuring all new games are activated as quickly as possible (not more than 3 days).

*“The combination of our “NO ACT” Intelligent Alert and our real time visibility into the status of all our instant products lets us contact retailers very quickly to ensure we maximize the impact of all new games,” said Bryan. “This has helped us improve retail performance and increase revenues. In addition, our retailers know that we care and know the details for their business.”*

## ★ Pop-up Parties to maximize social format games like video lottery.

The Oregon Lottery was a pioneer in many areas of lottery games including video lottery, with one of the nation’s most successful programs. Helping retailers improve the social environment in which Video Lottery games are enjoyed is a win-win for the retailer and the Lottery explained Farshad Allahdadi, Chief Sales and Retail Services Officer for the Oregon Lottery. Planning, attending and following up on these parties at the selected locations offers the opportunity for the retailer and the Lottery to work toward a common goal and lets the Lottery participate in being a part of growing their overall business. The Lottery can gain a first hand glimpse at their clientele in a large format and the events often

brings to light the challenges or opportunities our retailers might have with how we are working together.

*"By being there and seeing the gaming environment in action we can help optimize play areas, machine and monitor placement, said Farshad. The good will that this generates improves our communication and business relationship, increases player excitement and loyalty and offers an incentive for underperforming retailers."*



### ★ Using the SFA platform as your Training Channel.

The Florida Lottery shared one of its innovations; the use of their SFA platform as a way to improve sales rep product knowledge and sales skills associated with the launch of new instant ticket games. The Lottery's Marketing Department creates new videos for every major promotional launch—roughly every 4 to 6 weeks, and then makes it available on the Lottery's mobile sales tool prior to game launch. The sales reps are able to review talking points at their own pace and practice so they give the best presentation possible to the retailer.

*"A sales presentation can only be considered effective if the end result is one that convinces the prospect to buy, and without product knowledge, including adequately being able to describe the product's features and benefits you don't have a very good presentation and your odds of success decrease dramatically," said Tom Delacenserie, Secretary of the Florida Lottery. "While we can't draw a straight line between this and a dollar increase, we just had our highest sales year ever breaking the \$6B mark for the first time so I believe there is a correlation."*

### ★ Looking through the eyes of the retailer.

Manny Singh is a Pennsylvania Lottery retailer who views the Lottery as a true partner. Manny joined the panel discussion to share some of his thoughts and ideas. From the start Manny believe retailers should be proud of the Lottery and the good causes it serves; in Pennsylvania it is Seniors and many play because they enjoy it, and to support the cause. Lottery sales representatives that keep his staff up to date with the latest information is essential to their success, and makes it a real partnership. Since 2012, when the Lottery upgraded to its current SFA platform, Manny highly values the real time communications that makes it easier to solve issues and track missing packs right away. This cuts down on the staff churn and resolves problems immediately.

*"I am proud of the fact that I have had my staff for over 4 years, and they know many of our most active players. I have a dedicated Lottery clerk for 8 hours a day and we will take written slips and key in every single number. We may even call some customers to let them know their number hit," said Manny. "With the Lottery reps so knowledgeable*

*about every detail of our business I can manage my store more effectively, from going up to a 32 display vs. 10, to more information about new games. They let us know more about each game and how to sell it better."*

Manny also shared his interest in getting more comparative information such as how his location compares to others and additional marketing and demographic information so he can focus his game facings for his customers.

### ★ The Power of the First Purchase.

Victoria Holman, Western Regional Project Manager for the Pennsylvania Lottery shared some interesting insights into new research data that will help the Lottery support retailers with enhanced sales strategies. Based on some recent research provided by Scientific Games, the Lottery will be able to focus its promotions and sales efforts to more effectively support players who are most likely to buy additional games after or in combination with their first purchase; offering the right games to the right players.

*"This new research is exciting because it will help us target our sales and marketing efforts all the way to the retailer, who we can guide with more precise player buying preferences," said Victoria. "Being able to translate and apply these new strategic insights into actionable sales strategies with the help of our SFA Employee and Retailer Portals is the best part."*

### ★ Conclusion

The Panel enjoyed the opportunity to share their ideas and best practices, and the Panel thanks NASPL PDS for the forum. As importantly, the Panel discussion engendered a new level of professional relationship and friendships, all focused on maximizing retail performance. The best solutions are built upon creative collaboration, and the Panel was a great example of that in action. Copies of the Panel's presentation slides and the exhibits are available upon request from [ccoyle@lapis.com](mailto:ccoyle@lapis.com). ■

[www.Lapis.com](http://www.Lapis.com)



## CLICKQUISITION: How lotteries are only a few clicks away from broadening their player bases.

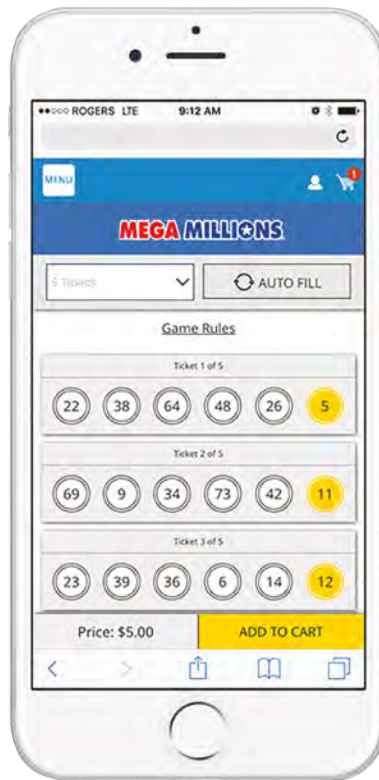
neopollard.com

It doesn't matter whether you are selling jeans, vehicles or lottery tickets, the great challenge in today's retail environment is the same: to design and deliver a "frictionless" experience in a world that is increasingly dominated by the convenience of on-line transactions.

How much of retail is now conducted online? In PWC's 2016 Total Retail report—a survey of the retail buying preferences of more than 23,000 shoppers in 25 countries—it was discovered that 54 per cent of all respondents buy products online weekly or monthly. And 34 per cent of those surveyed believe that their mobile phone will become their main purchasing tool in the future.

These figures aren't surprising, and it certainly emphasizes the significant influence that the Internet has on retail marketplace trends. Unfortunately, surveys alone cannot tell us how to take full advantage of that trend.

The pursuit of a truly frictionless transaction that can be completed with the fewest barriers, clicks, and keystrokes is fueled by improvements in payment methods, technology, and modified consumer behaviors. This has prompted some of the biggest companies in the world to try their hands at re-inventing retail transactions: Apple Pay; Walmart Pay; Google Wallet; Amazon Dash. All these solutions are geared towards the same goal: an



enhanced shopping experience with effortless purchasing.

Lotteries operate in an industry with a solid and reliable bricks-and-mortar retail tradition that is increasingly looking to digital experiences to maintain relevance, grow player bases, and compete with other forms of entertainment. But in a world where people will be able to purchase just about anything, anywhere and with little more than a wave of their smartphones, how will they compete?

NeoPollard Interactive exploits the leading edge of retail technology to ensure that lotteries can augment the proven sales performance of draw-based games via bricks-and-mortar retail networks with modern online tools to capture and convert new players.

Many lotteries have already established a solid web presence with traditional customers, many of whom are very comfortable going online to check winning num-

bers for draw-based games or monitor jackpot amounts. That familiarity presents an enormous opportunity to take those customers and introduce them to new games and features that can dramatically expand a lottery's player base.

However, there are other advantages. Products such as interactive draw-based games offer players—particularly consumers that may not fully understand how the games work—a simple, error-



proof entry into the lottery experience.

Although the majority of the most loyal lottery players are comfortable with the traditional retail experience, modern players are looking for something that parallels e-commerce transactions that are becoming an everyday experience for today's consumer.

For lotteries, the solution can be found in NeoPollard's Interactive draw-based games. These digital versions of the most popular draw-based games are managed through NeoPollard Interactive's interactive Central Gaming System—a fully independent online platform that can be launched in any jurisdiction regardless of the current retail system in use—and are available as part of the company's iLottery 360° Solution™.

In jurisdictions using NeoPollard Interactive's iLottery 360° Solution™, the opportunity to select numbers and purchase draw-based games in a digital environment introduces these products to a whole new segment of players that are already geared to conduct most of their everyday purchases via smartphones, tablets or desktop computers. This "clickquisition" strategy has garnered between 6,500 and 7,000 new players per month for one or NeoPollard Interactive's clients since the launch of its interactive draw-based games portfolio.

Once online, players are exposed to dynamic cross-selling options that boost sales both online and through traditional retail locations. As an added bonus, because players can select their



numbers and complete the entire gaming experience prior to purchase, interactive draw-based games can be used as a powerful educational tool to help encourage new players to purchase tickets at traditional bricks-and-mortar retail outlets.

Most importantly, interactive draw-based games satisfy consumer demand for a condensed purchase flow. Ticket purchases, including number selection, can be completed in as little as three clicks online. This streamlined purchase flow delivers an e-commerce experience to lottery consumers that is consistent with the experience that digitally-enabled consumers have grown to expect in engagements with today's biggest online retailers.

The results in jurisdictions that have forged ahead with interactive draw-based games are compelling. NeoPollard Interactive has found that more than 60 per cent of players that register online to play interactive draw-based games crossover to

play e-Instant games. That conversion is a critical leap forward in the drive to expand the lottery player base.

Today's consumers have a world of goods and services at their fingertips. This is true across nearly all consumer industries, including lottery. Ultimately, by offering digital versions of the most popular traditional games, such as interactive draw-based games and e-Instants, lotteries can effectively leverage both digital and retail strategies to acquire and engage a broader player base across the entire lottery ecosystem. ■

## Alice Garland Interview ... continued from page 26

**A. Garland:** Lotteries can follow the WLA's Responsible Gaming Framework or the new Responsible Gambling Verification Program sponsored jointly by NASPL and the National Council on Problem Gambling. What North Carolina found out as it worked to obtain Level 3 certification is that it already had many important responsible gaming practices in place. I suspect many U.S. lotteries would discover that too. But we also saw the gaps, the places where we needed

to improve our program. One key area of improvement was in training all our employees and then all our retailers to understand what problem gambling is, know how to recognize it, and know how to offer resources that can help. Our work also led us to a new tool for retailers to easily, and in a discrete manner, provide the toll-free number for North Carolina's Problem Gambling helpline with one push of a terminal button. And we strengthened our partnerships with the

National Council on Problem Gambling and our local partner, the N.C. Problem Gambling Program. I don't know of any better place to start, however, than with making sure your employees get the training they need to offer the right resources to someone who has a gambling problem. You'll probably find, as we did, that your employees—including many of our sales reps—face these situations already and are glad to get the training they need to provide help. ■

# Demanding Innovation:

In sales spaces that have become a lot of noise, develop your product to cut through the clutter.

As a customer, it is noisy out there. So many things to see, to look at, and to notice before selecting what you need...or want. Same holds true whether you are looking for yourself or making a decision for business. Employees are faced every day with that challenge—how do I get the end-user customer to look at my product? The solution is simple; develop a product to cut through the clutter.

Ok, maybe not too simple. But there are ways to set yourself and your team up to achieve just that. Below are four general rules to follow in developing your next innovative product to make sure it is selected in the marketplace.

## **Rule 1:** **Foster a culture of ideas, diversity, and creativity.**

It starts here. Internally. If you own another employee's experience, how are you fostering their ideas through diversity and creativity? Good or bad. If there is one thing you should be paying attention to with the millennial generation is that they have ideas and want to be heard, so how are you making that possible. They are the next decision makers so set it up right for them now.

Look around you and how decisions are made and business is getting done. If there is only one department responsible for the innovation and launch of a new product then it is time to branch out and push the limits. Walk down the hall and ask the first person you see that has never been asked what problems they see in the industry with your product(s) or the way it is presented. Why do they play the lottery, why don't they. At some point, an answer is heard generating an idea. It could be a new way to get the word out, a new way to market an existing product, a tweak, or a new product all together that will solve a problem you currently are not properly identifying.

## **Rule 2:** **Have a team dedicated to innovation.**

This is not the role of marketing. That is the first big mistake some corporate structures still believe. Those are also the same businesses

that typically are not innovating either; probably not a coincidence. Marketing and sales are the driving forces behind what does sell, but not the only people that should bring ideas to the table. Those are the people giving status updates of the industry, identifying needs and even existing problems. But the drive to innovate exists within every department. Set up a team of people to drive ideas of what needs to exist to solve problems, drive more sales and see something in the marketplace. Then let your research and development teams develop those ideas and come up with the actual solutions.

Look at Kickstarter for example to grab some inspiration. It is full of unique product ideas and those idealists don't even know how they will go about achieving the end product, but they know there is a solution somewhere. This is the start of collaboration, the start of ideas and innovation at its finest.

## **Rule 3:** **Use a third party you trust.**

Look to your contact list as to whom you can trust to grow and develop your idea. It could be a vendor within the industry to move it from idea to product. It could be a trusted advisor to give an outsider's perspective to solidify the need. Depending on your idea or problem, the solution may also be not just the product but how it is displayed, encased or shown off to grab attention. Use your outside experts to polish the idea for you.

## **Rule 4:** **Don't forget the fun, think like a customer, and sell it!**

You are one, so it shouldn't be hard. Remove yourself from the internal working and relate it back to how you choose your groceries, your new shirt or even a new landscaper. How do they catch your eye, how did you hear about them and what made them special. It may sound odd; your shirt choice and a lottery product, but it is relatable. Remove the actual product and think experience and what made you want it, what made you pay attention in the first place. Develop your plan and sell it! ■



*What are you looking for in a next big thing? Feel free to comment or ask questions to Kayt at [kayt.gabrielson@ownrev.com](mailto:kayt.gabrielson@ownrev.com) or connect with her on LinkedIn.*

*Kayt Gabrielson is currently a Product Manager for Schafer Systems, Inc. with an extensive background in sales and marketing covering diverse industries such as lottery, wireless and apparel. She currently serves as a member of the Board of Directors for the American Marketing Association Iowa Chapter.*

**A London-based internet operator called theLotter.com sold an Oregon MegaBucks lotto ticket to a player in Iraq. Companies like Lottoland and Tipp 24 sell Powerball, Megamillions, Euromillions, Eurojackpot, and many of the jurisdictional games online and into markets where they are not licensed to sell.**

—Gordon Medenica

that laws against it are working, lawmakers are likely to regulate and tax it. Some people might say that sports-betting in the U.S. has passed that threshold. It is conservatively estimated that illegal sports-betting exceeds \$100 billion a year, that 97 percent of the \$4.1 billion bet on last year's Super bowl was illegal, and that millions of otherwise law-abiding citizens are betting on sports in the U.S. in spite of the illegality. At what point does it become impractical to continue to outlaw it?

Private operators building markets where the boundaries of the law are not crystal clear is the end-game of the "ask for forgiveness instead of permission" method.

**Mark Hichar:** The legal boundaries that depend on a precise legal definition of gambling are an example of that. Most may think that DFS fits state legal definitions of gambling. But, from a legal point of view, the relevance of chance versus skill and the ways to measure those are not precisely defined. We are talking not just about legality versus illegality. We are also talking about 'gambling' versus not gambling. Tax rates are higher and regulatory requirements more demanding for gambling than for other goods and services. So, DFS advocates want it to be classified as not gambling because then it falls under a different tax and regulatory framework.

Another problem is that nobody has a crystal ball to foresee the implications that current decisions will have on a future that will be much different than today. When legislators built a carve-out for Fantasy Sports into the UIGEA back in 2006, nobody could have foreseen that it could grow to the size that it became ten years later.

Of course, neither the UIGEA nor other federal legislation prohibits states from exercising their prerogative to enact laws that make DFS or Traditional Fantasy Sports or i-poker or other online games illegal.

**Gordon Medenica:** Doesn't the diversity of states' positions as regards the best regulatory policy for games-of-chance validate the position that the only way to respect the will and the interests of the people is to let them decide on a state-by-state basis, and not impose a federal decree like RAWA?

Mark Hichar: Absolutely. The regulation of gambling has historically been left to the states, with most federal laws specific to gambling intended to assist the states in the enforcement of their laws. A key area in which the federal government has acted independent of the states is in regard to sports-betting, which is prohibited in all but the four states where it was grandfathered in to the extent conducted prior to the time the 1992 federal sports betting law was enacted. Now we have a \$149 billion illegal and unregulated sport-betting market that benefits nobody except the criminals who are making money from it. Hopefully these counter-productive impacts of federal intrusion into gambling will inform the decision-making process of federal lawmakers such that states are allowed to retain control over gambling policy, along with the authority to clarify the definition of what exactly constitutes "gambling."

**Gordon Medenica:** James ... are today's rogue operators tomorrow's mainstream companies? And are there ways that Lottery can leverage the impacts of change and disruption to the benefit of its stakeholders?

**James Maida:** These gray area private operators would prefer to navigate a process that leads to them becoming mainstream. For example, enterprises like FanDuel and Draft Kings cannot go public, or at least not optimize their IPO, if they're operating in a legal gray zone. That's at least one of the reasons why they are attempting to operate transparently, remove ambiguity in the laws, and push for credibility in other ways. There is the problem, though, that your tenure as illegal operator can come back to haunt you. Companies which operated illegally in the past are being required to account for their past behavior when applying for a license to operate legally now. I would observe, though, that they seem to be successful at doing that. It's a classic example of a particularly edgy "ask for forgiveness instead of permission" strategy.

**Philippe Vlaemminck:** That's why European operators work aggressively on both fronts. They work tirelessly to make sure lawmakers at both the member-state level and the EU Commission level recognize, and hopefully appreciate, the role that lotteries serve in channeling economic benefit to good causes and providing the gold standard of consumer protection and Responsible Gaming. But they also vigorously compete in the market-place, applying technology and innovation in game development and distribution and every aspect of business and marketing operations.

I would emphatically concur with James' description of the "ask for forgiveness instead of permission" approach employed by illegal operators. And that approach has served them well in pushing lawmakers to evolve regulatory and taxation frameworks in ways that are not favorable to government lotteries. Lawmakers may decide, for instance, to allow Lottery to operate in all game-of-chance categories. That would seem to be good, right? But the quid pro quo is typically to also implement and regulate and tax model that allows private commercial operators to apply for a license to operate



## Panel Discussion

i-games. In the minds of politicians, that is a logical compromise that allows government-lotteries to compete on a level playing field. Unfortunately, the commercial companies applying for licenses had been operating illegally for years. So, they had the customer databases and the operational know-how to carve out a big competitive advantage. Further, as you can imagine, government operators are constrained to comply with a standard of advertising and marketing restrictions that is much higher than those applied to the commercial operators. Technically, the laws may apply equally to both. But in the spirit of “ask for forgiveness instead of permission” yet again, commercial operators can go to the edge and beyond, knowing that they can litigate when they cross the line, or eventually relent and comply if they are forced to do so. Government operators are not so free to do that. There is a partial solution to that last issue. Lawmakers could require that the new licensee closes its customer data-base and start from scratch.

This also brings up an area where we can collaborate as a community of government-lotteries. Presently, i-gaming operators are operating legally where they can get a license, and illegally where they can't. As a community of government-gaming operators, we could advocate with one voice for the requirement to operate legally everywhere as a condition for getting licensed in each individual jurisdiction. We are promoting that concept within the European Union now and it will become an even more effective deterrent to illegal operators once it is applied throughout the world, especially in the U.S. and Canada. It is a perfectly reasonable condition to expect that a business applying for license to operate legally in one jurisdiction not operate as a criminal enterprise in other jurisdictions. This would create a very compelling incentive for all operators to respect the laws of the land wherever they operate.

**Lynne Roiter:** We may all think that is a reasonable position, Philippe, but shapers of public policy do not seem to agree. As was pointed out, i-gaming operators who disregarded the laws of many jurisdictions do seem to be able to re-group, execute work-arounds, and find ways to legitimize their operation as soon as it becomes expedient for them to do so.

**Gordon Medenica:** Isn't that the history of technology and regulation—technological innovation that drives market-place change is always ahead of regulation. And to some extent, Lottery is always playing catch-up. I think our issue as an industry is much bigger than just getting on the internet because quite frankly, as we saw from some of the presentations this morning and yesterday, the revenue potential of new games is nice but it's not necessarily as good as a \$1.6 billion Powerball jackpot. Is there a way for Lottery to keep pace with these regulatory and market-place changes?

**James Maida:** It is very difficult to define gambling, to legislate the meaning of skill versus chance, to define specific levels of skill versus chance, and to measure those factors. And that's not the only issue that makes the job of creating a clear definition of gambling

functional in a legal sense. In my role of advising the U.S. House and Senate committees who are trying to sort these issues out, I tell them that the current status of outlawing all gambling at the federal level and allowing states to decide which forms of gambling to allow, permitting states to define precisely what they will allow and what they won't, is the best. This is not about passing the buck to states to wrestle down a thorny issue. It is about the fact that it is more legally do-able to define what you will allow rather than define what you will not. Of course, the federal government does not want to be in the position of legislating the broadest definition of what is permissible. That would mean requiring Utah to apply the regulatory model of Nevada. That is why the best solution is to empower the states to control the whole process.

**Gordon Medenica:** Thankfully, there is no discussion in the United States about altering the monopoly status of state lotteries. But, as Philippe points out, that was also the case for European lotteries some years ago. When we ask for the right to expand the portfolio of games and distribution channels, that can invite a wider discussion about the entire regulatory model. In Europe, the outcome of that discussion has not been favorable to government lotteries.

It's quite an old case now but it still serves as a good example. German lottery operators were basically given the option of keeping their monopoly and give up the right to advertise, or give up your monopoly and retain the right to advertise. They chose to keep their monopoly, and now their ability to promote the products is severely restricted.

**Philippe Vlaemminck:** That is correct. The result is not surprising. Revenues went down and the attitude of the political leaders is that it is fine for government-gaming sales to decline. Sports-betting in particular shifted almost completely from the authorized government operators over to gray market operators who are not licensed to offer sports-betting.

**Lynne Roiter:** The Canadian model is much like what James described. Everything, all forms of gambling are illegal until and unless specific forms of gambling are legalized and regulated at the provincial level, with very specific conditions under which they are conducted. Regulatory decisions are certainly not controlled by the lottery. We are accountable to our political and legislative constituents and so we communicate with them our positions on how best to minimize illegal gambling and social costs and problem gambling. It does appear that our political stakeholders have a clearer vision for how to best serve the interests of society when it comes to the regulation of gambling than politicians in Europe and the U.S. But making sure that legislators and our political stakeholders have the information to make intelligent decisions is key for all of us.

**Gordon Medenica:** Absolutely. Lottery still has a tremendous brand loyalty and strength. But that too needs to be protected. Last December a London-based internet operator called theLotter.com sold an Oregon MegaBucks lotto ticket to a player in Iraq.

Companies like Lottoland and Tipp 24 sell Powerball, Megamillions, Euromillions, Eurojackpot, and many of the jurisdictional games online and into markets where they are not licensed to sell. They buy insurance to cover the liability of getting hit with smaller jackpot prize-payouts. Then, when the jackpot exceeds a threshold where it can't be insured, they just use agents to buy the ticket from the operator, effectively outsourcing the risk back to the operator when the liability is too big. TheLotter.com had an agent in Oregon buy the lottery ticket in Oregon, so the person they sold it to actually received the legitimate lottery ticket. You might wonder how they make money that way unless they upcharge the player. For one thing, some of them do upcharge which is against the rules of many lotteries. The thing is, though, they make their profit on the sales that they self-fund by insuring against a jackpot win in the smaller amounts. Or, in the unlikely event that they sold the winning numbers for a super large jackpot and failed to buy the actual ticket, one would wonder if they would not just declare bankruptcy instead of honoring the \$1.6 billion jackpot, or even the \$100 million jackpot.

**James Maida:** If you have seen the movie *The Big Short*, you will recall the story of the financial crisis of 2007. The problem was that the vast network of derivatives created a lack of accountability and transparency which eventually caused the whole system to break down. These operators that you refer to are, in effect, selling a derivative product. They are legally licensed in one jurisdiction to operate betting. Betting can be on anything, like who will win the presidential election, would the UK vote to leave the EU or, in the case of Lottery, what will the outcome of the Powerball draw be. It is like a side-bet, a derivative investment, on the outcome of an event, like a lotto draw.

**Gordon Medenica:** How is it that these companies can violate the trademarks of Powerball and EuroMillions and our other products?

**Lynne Roiter:** Trademarks and other forms of intellectual property can be defended in your own country. But it is time-consuming and costly to register trademarks in every jurisdiction all over the world. That has not been done because we did not imagine that people in other countries would want to buy our products when lottery products are already provided by their own jurisdictional operator. We did not anticipate that a person living in Iraq would pay a premium price to buy an Oregon lottery product from an internet operator based in London. I still don't quite get that. But the Tipp24's and Lottolands are making a lot of money by violating our trademarks and selling illegally into jurisdictions where they are not licensed to operate.

**James Maida:** Another example of applying a derivative model to gambling: Indian tribes in the U.S. operate gambling within the boundaries of their sovereign reservation. The land is considered a sovereign jurisdiction with the right to operate games-of-chance. An enterprising company now has a website that enables players to log in and play from locations not on the reservation. This would

appear to be internet gambling which is illegal in the U.S. except where it is specifically authorized and regulated by the state. This operator, though, is claiming that the player is not gambling online. Instead, the claim goes, the player is giving authorization for a proxy who is physically located within the tribal land to play. Technically, the wagers are being placed legally within the tribal jurisdiction. But they are being placed at the direction of a person who is physically outside of the jurisdiction. The question is whether the internet operator who is enabling this kind of derivative wagering is acting legally or not. It is being litigated as we speak.

**Mark Hichar:** While Indian reservations are sovereign states, and thus the federal government has a role to play in matters related to gambling on them, states are usually in the best position to regulate conduct occurring on state lands and off tribal lands. As James said, states today prohibit all gambling and then, in all but two states, carve out those exceptions that they deem most appropriate for its local culture and public policy objectives, and the states regulate and tax those gambling exceptions in the way they deem best. This has proven to be the best regulatory framework, as each state can tailor its gambling policies to its own citizenry and its own policy objectives. For the federal government to get involved in the regulation of internet gaming would impose a one-size-fits-all structure that would likely not suit most states. Even if states could opt out, a structure in which internet gaming was only allowed pursuant to a federal regulatory infrastructure would be unlikely to satisfy the states or be consistent with their goals.

Imagine a commercial land-based casino in which a proxy was operating as James described. Would individuals outside the casino delivering instructions over the internet to this proxy be complying with the law or not? Regardless whether there was technical compliance, the main question would be whether the state wanted to allow this type of proxy wagering. And the state would be in the best position to address this. One thing is a sure bet: the rate of innovation of ingenious entrepreneurial internet gaming operators will outpace the ability of the U.S. Congress to react. That is why these issues must be adjudicated at the state level. States should retain the right to decide what is and is not gambling, what forms of gambling should be legalized and regulated, and under precisely which terms and conditions that should be done.

Massachusetts has a pending bill that would allow them to explore games of skill. This has the potential to redefine the precise definitions of what constitutes a lottery. Nevada, for instance, has passed a law that redefines the parameters of slot machines by allowing them to integrate a skill-based component to the game. I am not predicting what might happen with lottery, just pointing out that legislators do have the authority to redefine the parameters of gaming and regulatory laws and that applies to lottery as well as all other forms of gaming.

**Lynne Roiter:** The Canadian definition from the criminal code is exactly that. This code was written in 1969 before the internet

## Panel Discussion

and before all of these other mitigating factors and debates about what constitutes gambling, or lottery. It states that a “lottery” is any game of chance, regardless of the amount of chance or skill is involved. If there is even a small element of chance involved in the game, it is a “lottery.” This definition eliminates debate by putting the decisions of how to regulate and tax squarely in the hands of legislators instead of the courts. This is a model that works very well for us in Canada. You should try it sometime!

**Gordon Medenica:** James—how do you think the introduction of skill-based casino games will impact the broader world of gaming?

**James Maida:** It is moving into the Peer-to-Peer multi-player format. If it is just two players, then the outcome will always be, or almost always be, that the higher-skill player wins. That kind of predictability is not a good platform for engaging a mass audience.

Multi-player formats create a more dynamic environment, a wider variety of factors that can influence the outcome, and therefore a better chance for a player base with varying skill levels to compete with a hope of winning. Perhaps ironically, it is the increased element of chance that is key to enabling a broader audience of players to engage in skill-based gaming.

We know Millennials have been raised on Peer-to-Peer player games and they love that format. It provides the social gaming component that makes the games more fun to play.

**Gordon Medenica:** Lots for us to think about. Clearly, Lottery will need to understand how the whole environment of gaming is changing, how regulatory frameworks are changing to accommodate these new game formats and channels of distribution, and what we need to do to continue to engage our audience of lottery players. ■

## Tracey Cohen Interview ... continued from page 43

ing our understanding of the activity and behavior of commuters to help minimize the impact of these threats.

I think we all make our own party. We work hard to make it fun for everyone because that is what this business is all about. More fun for the players adds up to increased sales and revenue. In the midst of an election cycle that has electrified the nation, we are capitalizing on that excitement with our \$5 You Decide ticket. Now, in its second print run, this ticket is a hot seller and easily among the top five all-time scratch ticket performers at the \$5 price point. We're playing up on the '2016' concept big time. The Second Chance contest has a coffer of \$201,600 in cash prizes. The fate of that cash payout is in the hands of the players as they decide whether one winner takes all or if the prize money is shared among a selection of winners. At this time, it's a winner take all game. And, here's the November surprise—the second chance contest winner will be announced the day after the presidential election.

And, nobody knows DC like the DC Lottery. Another top performer in this year's scratcher portfolio is the \$5 Chuck Brown ticket, named for DC legend and music pioneer Chuck Brown, the Godfather of

Go-Go. Strategically, we like to embrace local culture and interests whenever possible.

*You are a big fan of licensed properties, attaching a pop culture brand to the Instant ticket. It's worth the small percentage you pay for the license?*

**T. Cohen:** Definitely and always with-in reason. There are different schools of thought. Some people think that the cost of the license can replace the cost of extra promotion—that the licensed brand attracts consumer attention so you do not need to promote it as much. I'm of the school that thinks if you're going to pay for a brand license then it makes sense to invest in promoting it aggressively as well. I believe that the benefit of availing licensed brands is that it helps create demand not only for that specific product but also energizes sales across the entire product portfolio. We have a formula that works for us. Why fix it?

*You share a media market with Virginia and Maryland. Have you explored the possibility of collaboration on a new tri-jurisdictional game, or perhaps a promotion for the games that you all sell, like Powerball and Mega Millions?*

**T. Cohen:** The Washington Metropolitan Area is one of the most expensive marketing areas in the nation. I believe we're

second only to New York. Sure, many hands make light work, right. So, we're looking into possible partnerships with our neighbors across the District lines for a new multi-state game for our region. And I hope something interesting results from those discussions. I definitely think it would be mutually beneficial for us to collaborate on a game and/or a promotion.

*Games like Fantasy Sports and Pokémon Go are capturing the imagination of the consumer. Is there anything we can learn about consumer game-playing preferences by studying what makes popular games appealing?*

**T. Cohen:** Always. Our marketing director relentlessly scouts player trends and the latest innovations in leisure and entertainment. He's determined to bring whatever is exciting the zeitgeist to the DC Lottery. I won't give all our secrets away, but yes there's pretty interesting technology out there and we want to be among the first—if not the first—to introduce those innovations to the industry.

The DC Lottery is in its 35th year of bringing the fun and excitement of lottery games to players in the District of Columbia. We've been tested for sure. A world-class lottery, we've come through the other side a stronger agency with the vigor and vision to take on the next 35 and more! ■



Scenes from European Lottery Conference  
INDUSTRY DAYS  
Marrakech, Morocco, May 30 to June 1





Scenes from European Lottery Conference  
INDUSTRY DAYS  
Marrakech, Morocco, May 30 to June 1







Lottery Industry Hall of Fame photos  
 Ioannis Katakis, Stavros Michael, Thierry Pujol, and Philippe Vlaemminck





Scenes from PGRI SMART-Tech  
New York City, April 6 to 8, 2016  
Modernizing the Lottery Player  
Experience at Retail









Scenes from PGRI SMART-Tech  
New York City, April 6 to 8, 2016  
Modernizing the Lottery Player  
Experience at Retail







# Pulse of the Industry



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

## WORLD NEWS



Olli Sarekoski, CEO, Veikkaus

### EXECUTIVE TEAM OF THE NEW FINNISH GAMING COMPANY APPOINTED

Responsibility and reliability are the cornerstones of the Finnish gaming system. The new gaming company will need to earn its position among Finns from the very beginning, meeting the competition on the digital market in a responsible way. Whilst appointing the members of

the Executive Team, we paid attention not only to formal competence but also to competence in public affairs, says Mr Olli Sarekoski, CEO of the new gaming company as of 1 January 2017.

- The new Finnish gaming company will start its operations on 1 January 2017, as the gaming operations of Fintoto, RAY, and Veikkaus merge.
- The new company will offer fun and benefits by providing entertaining Finnish games: it will generate over one billion euros a year to the common good for everyone living in Finland.
- For the present and until the end of 2016, the current Executive Teams of Fintoto, RAY, and Veikkaus will be responsible for running the present gaming operators, operating under the temporary name FRV Evo Oy. As of 1 January 2017, the new gaming company will be called Veikkaus. The company has a total of 1.9 million Finnish loyal customers, and employs nearly 2,000 people.
- FRV Evo Oy's board has currently four members: chairman **Olli-Pekka Kallasvuo**, **Outi Henriksson**, **Hanna Sievinen**, and **Pekka Hurtola**.

The Executive Team of the new gaming company will have 10 members in addition to CEO **Olli Sarekoski**:

- Executive Vice President **Velipekka Nummikoski**, responsible for communications, beneficiary and public relations, and sponsorship. CV: M.Soc.Sc.: CEO of RAY 2012–2016, State Secretary, Prime Minister's Office 2011–2012, State Secretary, Ministry of Finance 2007–2011, Vice President, Communications, Elisa 2003–2007, Vice President, Communications Radiolinja 2000–2003.
- Senior Vice President, Business Operations **Nora Vähävirta**, responsible for products, marketing, and brand and product development. CV: M.Sc. (Computer Science): Vice President, Business Operations Group, Veikkaus 2014–2016, Vice President, Retailer Sales, 2008–2013, CRM Manager, Veikkaus 2006–2008, Senior Consultant, Accenture Oy 1994–2006.—Senior Vice President, ICT
- Senior Vice President, ICT **Timo Kiiskinen**, responsible for gaming and other systems, and the product development process. CV: M.Sc.



- (Tech.): Senior Vice President, Business Operations, RAY 2013–2016, Distribution Director, RAY 2010–2013, Vice President, Business Operations, Digita Oy 2007–2010, Entrepreneur 2005–2006, Vice President, MTV Interactive iTV Business Operations Unit 2003–2005.
- Senior Vice President, Customer Relations and Digital Sales **Ari Aarnihuhta**, responsible for customer relations management, digital channels and services, business and customer intelligence (CI), and customer service. CV: Economics Student, Sanoma WSOY Executive Program: Vice President, CRM, Veikkaus 2015–2016, Vice President Business Operations Group, Veikkaus 2013–2014, Director, Veikkaus 2008–2013, Head of CRM, Veikkaus 2003–2007, Commercial Director, Lottex Oy 2003.
  - Senior Vice President, Sales **Pertti Koskenniemi**, responsible for partnership and sales network, and the Casino. CV: Diploma in Business and Marketing: CEO of Suomen Hippos ry (The Finnish Trotting and Breeding Association) 2015–2016, CEO of Fintoto Oy 2014–2016, Tote Director, Fintoto Oy 2001–2014.
  - Senior Vice President, Finance **Maija Hjelt**, responsible for finance, Business Intelligence (BI), real estates, and service and logistics.
  - Senior Vice President, Legal Affairs **Mari Mustakoski**, responsible for legal and contract affairs, and procurement.
  - Senior Vice President, CSR **Pekka Ilmivalta**, responsible for corporate social responsibility and security, risk management, Board of Directors and Supervisory Board, compliance, and internal audit.
  - Senior Vice President, Human Re-

sources **Sirpa Ontronen**, responsible for human resources and HR development.

- Senior Vice President, Strategy and Planning **Heidi Ioannidou**, responsible for strategy, operational planning and steering, and indicators.

#### CHINA SUSPENDS ONLINE LOTTERY SALES

As a result, 500.com did not generate net revenue from sports lottery, its core business, during the second quarter of 2016. The temporary suspension of online lottery products sales followed the issuance of a Self-Inspection and Self-Remedy of Unauthorized Online Lottery Sales notice by the Chinese General Administration of Sports, Ministry of Finance, and Ministry of Civil Affairs. China's regulated lottery industry started in the late 1980s and has become one of the world's largest lottery markets by sales volume. Growth came to a halt last year when the government banned online lottery sales as it investigates the state-run industry amid a broader crackdown on government corruption.

#### UK APPROVES VIRTUAL CURRENCY FOR ONLINE GAMBLING

The United Kingdom Gambling Commission has elected to allow licensed online gambling companies to begin accepting virtual currencies (like Bitcoin) as a payment medium as of October 31, 2016. This new policy allows operators a wide latitude in deciding which digital currencies can be accepted all while staying within regulations. The UK Gambling Commission is the first significant regulatory force to grant approval for digital currencies. Others around the world are expected follow suit in the near future.

#### REPORT FROM THE WORLD LOTTERY ASSOCIATION (WLA) ON GLOBAL PERFORMANCE OF LOTTERIES

[www.world-lotteries.org](http://www.world-lotteries.org)

Lotteries worldwide experienced a generally positive start to 2016. First-quarter on first-quarter sales were up sharply in North America, thanks mostly to the record-breaking Powerball draw of January 2016, and were also up moderately in Europe. However, these results were offset by a contraction in sales in the Asia Pacific region. Overall, first-quarter on first-quarter sales grew by 3.1% globally. The North American market enjoyed the most auspicious start to 2016, with participating North American lotteries reporting an aggregate first-quarter on first-quarter increase in sales of 15.7%. The African market also performed robustly in Q1 2016. Participating African lotteries reported an aggregate increase in sales of 13% for Q1 2016, as against Q1 2015, with the main contribution coming from the strong showing of the South African National Lottery and Morocco's La Marocaine des Jeux. Collectively, participating European lotteries registered an aggregate increase in sales of 4.9% for Q1 2016, versus the corresponding quarter of 2015. Norsk Tipping reported an increase in sales of 9% for the first three months of 2016, as against the first three months of the year prior, while Francaise des Jeux sales increases 8.2%, and Europe's largest lottery, Italy's Lottomat, recorded a rise in sales of 6.6%. Participating Latin American lotteries reported an aggregate increase in sales of 3.5%. In the Asia Pacific region, positive results from Australia's Lotterywest and Hong Kong's HKJC were not enough to compensate for a contraction in sales at the mainland Chinese lotteries, with the result that participating Asia Pacific lotteries saw



aggregate first-quarter on first-quarter sales contract by 3.5%. The mainland Chinese lotteries in particular had a slow start to the year, with sales only beginning to pick up in the last month of the quarter. In consequence, China Sports Lottery recorded a Q1-on-Q1 decrease in sales of 7%, while the Chinese Welfare lottery recorded a Q1-on-Q1 decrease in sales of 1.9%. In contrast, the sale of lottery products rose by 24.7% at Hong Kong's HKJC over the January–March 2016 period, as against the corresponding quarter of 2015, and by 15.4% at Australia's Lotterywest over the same three-month on three-month period.

#### **ISRAEL TO BAN SLOTS AND HORSE RACE BETTING**

Israel's notoriously strict gambling laws are about to get even tougher, with the sudden prohibition of betting on horseracing and slot machines. Finance Minister Moshe Kahlon and Justice Ministry Director General Emi Palmor announced that the country would be putting an end to both forms of gambling as well as any plans to legalize casinos.

#### **REGULATED ONLINE POKER DELAYED IN PORTUGAL UNTIL AT LEAST NOVEMBER**

#### **SCIENTIFIC GAMES EXPANDS INTO ROMANIA**

Scientific Games Corp. is among the first online casino content providers to have been licensed by Romania's gambling regulator.

#### **E-SPORTS SITES DRAW THE ATTENTION OF UK GAMBLING COMMISSION**

In the wake of a recent controversy surrounding an e-sports gambling site associated with two YouTube stars, the UK Gambling Commission is

increasing its enforcement of laws that govern how gambling, competitions, and lottery-style contests should be operated in the United Kingdom. The rising popularity of e-sports betting—especially the practice of using “skins” or virtual currency—has occurred with little regulation to date. There are several reasons for this:

- E-sports sites are easy to start up
- They are frequently shut down after a short time in operation
- They are difficult to monitor and police
- Many are operated from outside the UK and attempt to circumvent UK laws by stating that UK players should not participate

There also is the legal question regarding whether “skins” or virtual currencies can be regulated in the same fashion as traditional betting. The UK Commission's position is that they fall under the same legislative restrictions. Recently, the website CS: GO Lotto made news when it was revealed that two YouTube stars were associated with it. The site was positioned as a get-rich-quick scheme to its predominantly young audience, which sparked debates about the morality of targeting young people with gambling messages.

The UK Commission has contacted more than 100 unlicensed online gambling websites, informing them that they should cease offering services to British customers. Upon that notification, most discontinued their operations involving UK customers, the commission said. Others continue to be the subject of on-going enforcement action. The commission is seeking a consensus on how it should proceed against the non-compliant sites before a final declaration of intent is published this autumn.

#### **POLISH GAMBLING MARKET ON CUSP OF MAJOR REGULATORY CHANGE**

The Polish government has adopted a draft amendment to the Polish Gambling Act. The Draft Amendment was submitted to the European Commission, and until October 31, 2016, awaits comments and consultations. The government has said that it expects that the amendment will minimize the grey market in gambling; assure better protection of players against negative consequences of gambling, especially via online websites; and ensure higher revenues generated by the legal gambling sector.

This draft legislation would impose a new, very radical, and tough gaming framework in Poland, significantly strengthening the position of the gaming state monopolist by equipping it with more competences and additional channels of games distribution. Also, it introduces severe instruments to combat illegal gaming, with the intention of driving players to the legal market which will be mostly operated by the state monopolist. The Draft Amendment, if enacted, will extend the catalog of gambling games which can be offered online. The Draft Amendment would require all online operators (including existing licensed online betting operators) to enable the Customs Office to have remote access to the data stored in the operator's archive system, including adequate tools and software ensuring protection of the data. The Polish government has decided to engage more intensely in combatting illegal online gaming. Finally, with the stated aim of preventing money laundering and financing of terrorism, the new regulation restricts online payments methods available to online players. It is expected that the new control instruments will result in additional procedures and mechanisms enabling its enforcement.

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## **NOVOMATIC EXPANDS BUSINESS IN ALBANIA**

After the Casinos Austria plan to withdraw from the lottery business in Albania, Novomatic will take over the local subsidiary of Casinos Austria. Novomatic currently has three companies in Albania.

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## **NOVOMATIC ACHIEVES RECORD TURNOVER IN FIRST SIX MONTHS OF THE YEAR AND SEES HEADCOUNT RISE BY 12.1 PERCENT**

NOVOMATIC, Europe's leading gaming technology group, recorded a turnover of EUR 1,094.9 million in the first six months of this fiscal year. This represents an increase of 10.8 percent over the first six months of the previous year. The largest gains were seen in the proceeds from gaming machines, which increased by 11.8 percent, and the number of sites operated by the Group rose to over 1,600 as of June 30. The number of people employed has also risen to a historical high, reaching an average of 22,373, which corresponds to an increase of 12.1 percent.

Harald Neumann, NOVOMATIC Chairman of the Board, said: *"We pursued our growth strategy during the first half of the year and have undertaken a number of important expansions. With our acquisition of the British gaming operator Talarius, we have further increased our market share in the important UK gaming market, and we are now the largest operator of gaming arcades in the UK. Our intention to acquire a stake in the Australian listed gaming technology company Ainsworth would give a massive boost to our market position in Australasia, as well as in North and South America."*

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## **BITCOIN PLUNGES, REBOUNDS AFTER HACKERS STEAL \$65 MILLION**

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## **KKCG & EMMA ESTABLISHED A JOINT LOTTERY COMPANY SAZKA GROUP**

Emma KKCG Group and Capital established a joint lottery company Sazka Group that have put their assets in a lottery. Karel Komarek's KKCG will have in the joint venture Sazka Group share of 75 percent, EMMA George Šmejč 25 percent. Management Control will perform equally. Sazka own shares in the largest Greek gaming company OPAP, the Italian company LOTTOITALIA or Austrian companies Casinos Austria and Österreichische Lotterien.

*"Together with our partners we aim to create the largest European company in the lottery and gaming industry. Our common strategy is to further promote the growth of companies that today Sazka Group owns, and continue to expand to other parts of the world, even outside Europe. We are looking for opportunities for further acquisitions,"* said Komarek.

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## **GAMBLING REGULATOR LOOKS TO CLAMP DOWN ON UNLICENSED E-SPORTS BETTING AND GAMBLING**

The British gambling regulator has warned online platforms that facilitate bets on e-sports or which allow gamers to gamble virtual items they have obtained when gaming that they might require a gambling licence to continue with their operations. Website operators are enabling individuals to bet against each other for money or prizes. Operating as an intermediary for wagers between individuals may require a license. The Gambling Commission said *"the lines between some social gaming products and gambling are blurring"* and highlighted concerns about unlicensed betting and gaming activities as the popularity of e-sports grows.

The Gambling Commission also addressed the rise in the trade of so-

called 'in-game' items which computer gamers can win, trade, sell or use. It said those *"digital commodities,"* or *"skins,"* can sometimes be *"converted into money or money's worth"* and that they therefore serve as *"a form of virtual currency"* which can be gambled with. The Commission has previously confirmed that offering facilities whereby virtual currencies can be used for gambling qualifies as a regulated activity for which a gambling licence is required.

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## **LOTTERY STRENGTH LIFTS TATTS LOTTERIES REVENUE**

*"All-in-all, our business renewal program is delivering, it positions us well for future growth, and has at its core a focus on maximising value from our unique portfolio of gambling assets,"* chief executive Robbie Cooke said. *"It is really satisfying to see the digital initiatives we implemented over the last few years now driving strong sales outcomes,"* he said. He also stepped up his attack on foreign bookmakers, arguing that some are circumventing the tax and duty system for their own financial benefit. Reform of regulatory, taxation, and enforcement policies are being discussed and debated at the Federal Government level. Tatts competitor, Tabcorp, CEO David Attenborough has also criticized the current taxation system and corporate bookmakers and calls for reform. *"The fiscal position of these jurisdictions is damaged by operators who are circumventing the tax and duty system for their own financial benefit, and in some cases deceiving customers as to the true nature of their product offering,"* Attenborough said. Tatts and Tabcorp have had merger talks in the past and some think those discussions may resume. ■

# NORTH AMERICA FY 2016

## ARKANSAS LOTTERY

Scholarship to benefit from record sales. Total sales for fiscal 2016 were \$455.6 million, a gain of 11.5 percent over fiscal 2015. Net proceeds available for scholarships were \$85.4 million for the twelve months ending June 30, \$6 million more than Lottery officials had projected for the fiscal year and an increase of about \$13 million over the prior year's proceeds.

## BCLC

BCLC contributes \$1.3 billion to British Columbia. British Columbia's BCLC celebrated its 30th anniversary by delivering a record net income of \$1.3 billion to government. BCLC achieved growth in all lines of business—lottery, casino and eGaming—which resulted in a record net income that is \$59 million ahead of the last fiscal year. BCLC's diverse portfolio of products, combined with responsiveness to changing consumer demands and evolving market conditions, were pivotal in this success.

## CALIFORNIA LOTTERY

California Lottery has another record-breaking year. Preliminary numbers are in, and it looks like the Lottery generated nearly \$6.3 billion in total sales, smashing its all-time record of \$5.5 billion which was set just last year. Nearly \$1.5 billion will be transferred to schools all across the state.

## CONNECTICUT LOTTERY

While a final report of the Connecticut Lottery's banner year has not yet been published, details were included in the

draft minutes of its June 28 meeting at the commission's headquarters in Rocky Hill. According to minutes of the meeting, Noble said *"These results lead to big expectations for FY17."*

## GEORGIA LOTTERY

Georgia Lottery transfers \$1.097B to education. This is the first time the Georgia Lottery has transferred over \$1 billion in a single fiscal year. Profits transferred surpass last year's record transfer by more than \$117 million. Georgia Lottery players won \$2.75 billion in prizes in FY16, and retailers earned over \$270.7 million in commissions.

*"We appreciate the commitment from our dedicated lottery and COAM retailers, players, vendor partners and employees. We are grateful to our board of directors for their leadership and guidance,"* said Debbie D. Alford, president and CEO of the Georgia Lottery. *"We're proud to have reached the extraordinary milestone of raising over \$1 billion for HOPE and Pre-K."*

## IDAHO LOTTERY

Idaho Lottery Returns Record Dividend of \$49,500,000 to People of Idaho. The Idaho Lottery ended its Fiscal Year on June 30, recording \$236.1 million in annual sales, awarding \$153.8 million in prizes to players, and retailers earning \$13.8 million in commissions—all new Idaho Lottery records. The \$49,500,000 in net funds turned over to the state of Idaho represents a 10% increase over last year's dividend.

## INDIANA LOTTERY

The Indiana Hoosier Lottery finished fiscal year 2016 by sending \$281 million to state tax coffers, a 16 percent increase over fiscal year 2015. Total revenue was \$1.2 billion.

## IOWA LOTTERY

FY 2016: Unique Year Becomes Record Breaker For Iowa's Lottery. Fiscal year 2016 has gone into the books as the best year in the Iowa Lottery's history, with some unique circumstances producing records across the board, including record sales, proceeds to state causes, prizes to players and retailer commissions. The Iowa Lottery generated a record \$88 million in proceeds to state causes, an 18% increase over the previous year. Annual sales were a record \$366.9 million, up 13% over FY 2015.

## KANSAS LOTTERY

Kansas Lottery Sets New Records—\$163.9 Million Transferred to the State in Fiscal Year 2016. Traditional lottery sales in Fiscal Year 2016 were \$286.7 million, an 8.47 percent increase over FY 2015 record sales. As a result of strong sales, the Kansas Lottery transferred \$78.2 million to the State in FY16, which also set a record. Transfers to the State from state-owned and -operated casino gaming in Fiscal Year 2016 were \$85.7 million.

## KENTUCKY LOTTERY

Kentucky Lottery has another record-breaking year for sales. The Kentucky Lottery reported that ticket sales for the fiscal year ending June 30 totaled \$997.3 million. The number was disclosed by lottery officials at a meeting in Louisville Friday morning, and the total broke the old mark of \$899.1 million set in FY 2015.

The new revenue figure translated into record-breaking profits returned to the state treasury—a total of \$253 million, topping last year's previous record of \$231.1 million by 9.5 percent. The funds will be used for scholarship programs.

The board also announced that a search firm will be hired to help find a new



CEO. Longtime CEO Arch Gleason recently died soon after retirement. The new CEO will be appointed by Gov. Matt Bevin, and is subject to confirmation by the lottery board of directors.

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## MARYLAND LOTTERY

Maryland Lottery Sets All-Time Record for Sales and Profits. Maryland Lottery and Gaming (ML&G) announced more than a half-dozen record-breaking figures for Fiscal Year 2016. The Lottery's record sales of \$1.908 billion bested the previous record set in FY2012 by 6.3%, and FY 2015 by 8.2%, and powered all-time highs for prizes to players, retailer commissions and profit to the State of Maryland. ML&G contributed an unprecedented \$1.079 billion to the State of Maryland – \$569.8 million from traditional lottery and \$510 million from casinos. The total represents a 6.7 % increase from the previous combined record of \$1.012 billion set in FY2015.

*"The many milestones that we reached clearly reflect the good year we had, not just for the lottery but for everyone—more prizes for our players, stronger commissions for our retailers, and most importantly, an all-time record contribution to the State,"* said Maryland Lottery and Gaming Director Gordon Medenica. *"We're optimistic that the coming year, which will bring the opening of the state's sixth casino, will be another record-setter."*

Sales of instant tickets (scratch-offs) set an all-time record, totaling \$611.3 million, an increase of \$65.2 million (12.0 %) over FY2015. FY2016 also saw the Maryland Lottery add to its lineup of draw games for the first time since 2012 with the Cash4Life game, which went on sale in January 2016. Maryland became the sixth state to join the multi-state game. The growth of the state's casino gaming industry continued during FY2016, which

marked the first time that five casinos were operating in Maryland for a full fiscal year. Gross gaming revenue totaled \$1.144 billion, beating last year's figure by \$105 million (10.2 %). Casino revenue contributed \$402.5 million to the Maryland Education Trust Fund (ETF).

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## NEW MEXICO LOTTERY

New Mexico Lottery delivers its highest profits ever: \$46.3 million in FY 2016, approximately \$5.2 million more than last year's return. Sales were approximately \$154.3 million, up \$17.3 million (12.65%) from last year.

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## NEW YORK LOTTERY

The New York State Lottery sales topped \$9.7 billion for the financial year that ended March 31. The sales increase produced a \$3.3 billion bonanza in aid to public schools. More than half of the \$7.7 billion in sales for traditional lottery games involve the popular scratch-off tickets.

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## NORTH CAROLINA LOTTERY

North Carolina Education Lottery set new records in sales and earnings in fiscal year 2016, raising more than \$600 million for education programs in North Carolina. That makes it 10 years of consecutive sales growth. Lottery ticket sales totaled \$2.38 billion, up 20 percent from the year before. The lottery raised \$607.8 million for education, up 16.5 percent from the year before.

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## OHIO LOTTERY

Ohio Lottery Celebrates Historic \$1 Billion Profit Transfer. Ohio Lottery traditional sales combined with video lottery net win reached a record \$3.9 billion in Fiscal Year 2016, up \$263.1 million from Fiscal Year 2015. Seven fully functional racinos combined with

the continued growth of the lottery's KENO and EZPLAY® Games and a record Powerball jackpot contributed to the eleventh consecutive year of profit growth. The Lottery generated a record \$1.06 billion in transfers.

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## PENNSYLVANIA LOTTERY

Pennsylvania Lottery reports record sales. Over the last year, the Pennsylvania Lottery set new records in terms of total sales, net revenue, and total amounts paid to winners. For this current fiscal year, the lottery made \$4.13 billion in total sales. Of that, \$2.64 billion was paid out to winners, and \$1.20 billion turned over to the state.

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## TENNESSEE LOTTERY

The Tennessee Education Lottery Corporation closes year by shattering multiple records, including an all-time high for sales and net proceeds for education. This year's record sales resulted in a contribution of \$394 Million for all education programs funded by the Lottery, a record increase of \$46.3 Million, or 13.3 percent, over last year's record return. This brings the total raised to more than \$3.8 Billion since inception. The Lottery reported a record \$1.626 Billion in total sales for the period from July 1, 2015, through June 30, 2016, an increase of \$151 Million, or 10.2 percent, over last year's previous sales record of \$1.475 Billion. This brings total sales since inception to more than \$15 Billion.

Strong instant game sales started the year off on a record pace, culminating with a record \$1.304 Billion—6.88 percent over last year's record of \$1.22 Billion. Drawing-style game sales set a record of \$322.8 Million, 7.6 percent higher than the prior record of \$300 Million. The Lottery set monthly total sales records in 11 of the 12 months of FY16, and set quarterly records for all four quarters. ■

# NORTH AMERICAN NEWS

## SCIENTIFIC GAMES ANNOUNCES KEVIN M. SHEEHAN AS NEW CEO, PRESIDENT, AND MEMBER OF THE BOARD OF DIRECTORS—GAVIN ISAACS TO BECOME VICE CHAIRMAN OF THE BOARD.

(See interview with Kevin Sheehan on page 20)

*"I am so pleased to welcome Kevin to Scientific Games and that Gavin will continue with the company in his new role. With the company fully integrated, it is the right time to expand our leadership team so we can take full advantage of the new and growing opportunities open to a company with our global scale and broad expertise. Kevin's intellect and experience will be an invaluable asset as we move forward as one company,"* said Ronald O. Perelman, Chairman of the Board of Scientific Games.

*"Today we are one company with three strong businesses—gaming, lottery and interactive. Our integration is behind us and our business strategies are delivering solid results. With our momentum building, I'm moving from an operational leadership position to a more strategic role, Vice Chairman of the Board of Directors. On behalf of my colleagues and the Board, we welcome our new CEO and President, Kevin Sheehan. This is the right time to grow our leadership team and have someone of Kevin's talent, experience, and financial acumen take us to the next phase of growth and innovation,"* said Gavin Isaacs, Scientific Games Board Vice Chairman.

## ALABAMA LOTTERY BILL FAILS IN SENATE

The Senate and House fail to agree on which games should be allowed, so the entire bill is dead for the season.

## MASSACHUSETTS ONLINE LOTTERY FAILED TO MAKE CUT IN LATE-SESSION FLURRY

Lottery Executive Director Michael Sweeney had been pushing this session for an OK from the Legislature necessary to move forward with an exploration of online opportunities for the Lottery. Treasurer Deborah Goldberg has touted the idea of a Lottery-run fantasy sports game, which she said would attract a younger audience that favors playing on mobile devices, particularly 25-to-45-year-old males *"who are not Lottery players (and) who are extremely excited by sports-related fantasies."* Goldberg, whose office oversees the Massachusetts Lottery, expressed disappointment Tuesday that the online language failed to prevail before a six-member House-Senate conference committee that conducted its deliberations privately. Having been denied the legislative authority to move products online, the head of the Massachusetts Lottery said the agency will continue to make its case to lawmakers and seek approval to offer its products on the internet.

## JCM GLOBAL BRINGS FLEXIBLE, DIRECT PROMOTIONAL COUPONING TO LAS VEGAS

The new Topgolf Las Vegas at MGM Grand is a four-level entertainment venue with interactive golf games that is unlike anything Las Vegas visitors have ever experienced. Now JCM Global is adding a new layer of interactivity to the facility with its intelligent couponing solution, PromoNet®. JCM has installed PromoNet on 20 bar top games at Topgolf, giving the facility the flexibility to enhance guest experiences by identifying valuable players, and to deliver promotions and reward players.

## BUDGET IMPASSE DELAYS FINAL PASSAGE OF ONLINE GAMING/POKER LEGISLATION IN PENNSYLVANIA

## CALIFORNIA LOTTERY LEVERAGES DATA TO GROW

The California Lottery has found a winning ticket: data analytics. By converting data into business intelligence, the California Lottery is doing more than simply identifying when and where potential players might be. It is using data to move the entire enterprise toward its goal of becoming the largest lottery in the United States. CA State lottery revenues have increased from \$5 billion in 2014–15 to \$6.3 billion in 2015–16, and are expected to reach \$8 billion by 2018–19. By combining historical data with business goals and operations, lottery officials are able to address a number of issues that they previously relied on people to track. Data analytics is removing many of the human assumptions that once figured into which retailers were selected to sell lottery tickets and scratchers, as well as predicting when those products would run out. Empty shelves can equate to millions in lost revenues.

The organization has discontinued the use of manually produced inventory reports; instead, a data-based predictive solution aligned with the product ordering system could help automatically allocate product to consumer meet demand.

## IT IS WITH GREAT SADNESS WE REPORT THE PASSING OF DAN BOWER. HE CO-FOUNDED SCIENTIFIC GAMES WITH DR. JOHN KOZA IN 1973

## NATIONAL INDIAN GAMING COMMISSION (NIGC) ANNOUNCES LARGEST TRIBAL REVENUE GAIN IN 10 YEARS

Revenues generated by the Indian gaming industry in 2015 totaled \$29.9 billion dollars. After six years of modest, but stable growth, the 5% increase in GGR from 2014 is the largest increase in 10 years.

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## PLAY AT THE PUMP LOTTERY ON THE RISE IN NORTH CAROLINA

The partnership of Linq3, creator of Play at the Pump technology, and the North Carolina Education Lottery (NCEL) has surpassed \$1 million in lottery sales. For a program that's less than two years old and began with seven participating retailers, the milestone paints a bright picture of what's to come for the future of fuel pump lottery. While Play at the Pump launched in a trial mode with a select group of retailers, the solution has grown to more than 190 convenience stores across the state. And with recent partnership announcements with NCR and Verifone, Linq3 looks to further expand the North Carolina Education Lottery's reach to new players in the years to come. Play at the Pump offers these players a convenient and efficient way to play. The Play at the Pump lottery transaction occurs in a matter of seconds, including age verification, payment and receipt.

*"This is a nice milestone to reach in our partnership with NCEL," said Daniel Cage, president & founder of Linq3. "Think about today's convenience economy. We rely on Uber for cab rides and AirBnB for lodging. So what does Uber look like for the lottery? Our technology helps lotteries and retailers answer that question. Play at the Pump helps them modernize their distribution, expand their reach and offer new players a convenient way to play."*

*"At Murphy USA, we serve about 1.65 million customers per day at our fueling islands. When you consider that 65 percent to 72 percent of these customers never come inside the store, that's one million customers who never come into our locations. Play at the Pump helps us reach these potential players by meeting them where they*

*are, right at the pump,"* said Steven Desautels, senior category manager for Murphy USA.

Linq3's lottery playing platform will soon add Verifone Commander to its pump POS/site controller integration, with NCR's RPOS completing the set by year end. This will position NCEL and Linq3 to access more than 95 percent of the gas retail sector.

*"Every ticket the lottery sells helps to raise more money for education in North Carolina,"* said Alice Garland, executive director of the N.C. Education Lottery. *"Our partnership with Linq3 adds a way to buy a ticket for Powerball, Mega Millions and Carolina Cash 5 that didn't exist before. Using Linq3's new technology to make playing the lottery a convenience at a gas pump will help the lottery continue to improve its performance."*

**Linq3:** More players. More opportunity. For more information, please visit [www.linq3.com](http://www.linq3.com).

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## CHANGES TO CALIFORNIA ONLINE POKER BILL WOULD KEEP POKERSTARS OUT FOR FIVE YEARS

The latest changes to California's Internet poker bill call for online gaming companies who facilitated poker games for Americans between 2006 and 2011 to be excluded from the Golden State market for five years. The amendment would prevent PokerStars, which has roughly 70 percent of the worldwide online poker market, from being involved right out of the gate in what is considered the nation's largest online poker market. PokerStars facilitated games for Americans until 2011, before the federal government indicted its former owners. The company settled without admitting to any wrongdoing.

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## NBA NEARING \$250 MILLION DEAL WITH DATA COMPANY SPORTRADAR

The NBA has for years been among the most progressive sports leagues in the world in its use of technology. They're about to take another major step. According to a report from Bloomberg's Scott Soshnick, the league is close to a deal worth \$250 million with the Swiss company Sportradar. Sportradar and data analytics firm Second Spectrum are said to be close to a six-year, \$250 million contract with the NBA. The contract is expected to apply to a variety of services that include selling official league data to betting houses, data analytics to teams and the development of a streaming product. The NBA Mavericks owner Mark Cuban, Hornets owner Michael Jordan and Wizards owner Ted Leonsis are among the investors in Sportradar. Their involvement with bookmakers worldwide is consistent with the NBA's support for legalized sports betting, a stance NBA commissioner Adam Silver has publicly stated his support for legalizing sports-betting where it is now prohibited by federal law. Sportradar already has data contracts with the NFL, NHL and Major League Baseball.

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## IGT ACQUIRES HUDSON ALLEY SOFTWARE, A LEADING PROVIDER OF SALES FORCE AUTOMATION (SFA) AND LOTTERY RETAILER ENGAGEMENT APPLICATIONS

Hudson Alley is known in the lottery industry for having well-established, respected solutions with an excellent reputation for customer service and driving results. Hudson Alley products are currently used in 20 U.S. lotteries. 14 of those U.S. lotteries are also IGT draw-based customers. Hudson Alley CEO Adam Perlow joins IGT as Vice President of Sales Force Automation Solutions, reporting to



Marco Tasso, SVP of Global Product Marketing, Lottery.

Marco Tasso, SVP of IGT Global Product Marketing, Lottery: *"The addition of OnePlace gives our customers a holistic set of tools to drive retail performance. Sales force automation complements the numerous other solutions, tools, and services IGT provides to our customers to drive retail performance. Now we can provide a more comprehensive offering to lotteries and their retail partners."* Adam Perlow, Vice President of IGT Sales Force Automation Solutions, said, *"The transition for Hudson Alley's current customers will be seamless, with no interruption to the service they've come to expect."*

#### **USHERING IN A NEW ERA, THE KENTUCKY LOTTERY IS NOW SELLING SEVERAL PRODUCTS VIA THE INTERNET**

Eligible players who register for an account at [kylottery.com](http://kylottery.com) and are within the boundaries of the state will be able to purchase tickets for the Powerball, Mega Millions and Kentucky Cash Ball draw games. There are 11 Instant Play games also available, ranging in price from 50 cents to \$5, with more being introduced monthly, with a long-term goal of offering 30 or more games at a time. *"All businesses are going mobile to strengthen their brand and survive in today's economy,"* said Marty Gibbs, executive vice president and COO of the Kentucky Lottery. *"Customers expect brands to be accessible online and on their devices. We're delivering what folks want."*

Gibbs says the move online in no way diminishes the importance of the lottery's 3,000 retailers scattered all around the state. *"Our bread and butter will always be our bricks and mortar retailers,"* she said. *"We will make certain that we are strengthening their sales through traditional means while selling to players on the web, as this has been the case in other states as well."*

#### **RFP: ILLINOIS DEPARTMENT OF THE LOTTERY PRIVATE MANAGER**

The State of Illinois, acting through its Department of the Lottery (the "State"), is issuing a request for qualifications and proposals (the "RFP") from responsible entities to provide the State with all equipment, goods and services, and to perform for the State, as private manager, all functions necessary to operate the Illinois Lottery (the "Lottery"), other than those services and functions expressly retained by the State as set forth in the RFP. The RFP is governed by the Illinois Lottery Law (20 ILCS 1605/1 et seq.) and the rules drafted by the Chief Procurement Officer for the selection of the successor private manager, which are contained in the Illinois Administrative Code at 44 Ill. Adm. Code 1.8000, et seq.

The State has established an electronic data room (the "Data Room") in order to provide potential respondents to the RFP with access to Lottery information and maintain the highest level of transparency within the process. The Data Room was initially populated with general Lottery information and now, in conjunction with the issuance of the RFP, is being populated on a rolling basis with proprietary and confidential information available only to potential RFP respondents. In order to be granted access to this proprietary and confidential information, interested parties must execute a notice of intent to respond letter and a confidentiality agreement in the forms attached to this notice and send both to Helen Kim at [helen.kim@illinois.gov](mailto:helen.kim@illinois.gov).

RFP due date: 10/26/2016

The Lottery anticipates posting additional documents in connection with this RFP on a rolling basis during the RFP process. Any questions concerning the Data Room may be submitted to [Helen.Kim@illinois.gov](mailto:Helen.Kim@illinois.gov).

#### **HYDRA INDUSTRIES ACQUISITION CORP. ENTERS INTO AGREEMENT TO ACQUIRE INSPIRED GAMING GROUP**

Upon consummation of the transaction, Hydra's CEO Lorne Weil will become Executive Chairman while Inspired's founder and current CEO Luke Alvarez will continue in his leadership role as CEO in addition to being named to the Board of Directors. Lorne Weil commented, *"We have been searching for a compelling business that utilizes our skill set to drive growth. We are excited to have the opportunity to partner with Luke and his team as we work together to grow the digital business through increased focus and the deployment of new technology and content."* Hydra is a blank check company formed for the purpose of effecting a merger or other business combination with a target company. Hydra was founded by gaming industry veteran Lorne Weil and raised \$80 million on October 29, 2014 in its Initial Public Offering. Inspired Gaming Group is a global games technology company, supplying Virtual Sports, Mobile Gaming and server-based gaming systems with associated terminals and digital content to regulated betting and gaming operators around the world. Inspired currently operates more than 25,000 digital gaming terminals and supplies its Virtual Sports products in more than 30,000 venues and on over 200 websites in 30 countries. Inspired employs over 800 employees in the UK and elsewhere, developing and operating digital games and networks. Additional information can be found at [www.inspiredgaminggroup.com](http://www.inspiredgaminggroup.com)

#### **SZREK2SOLUTIONS' TRUSTED DRAW™ AND TRUSTED AUDIT™ SYSTEMS DEPLOYED BY THE IOWA LOTTERY**

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## **NEW GALLUP POLL SAYS THAT ABOUT HALF OF AMERICANS PLAY STATE LOTTERIES**

That is down from the 57% who said they played the state lottery in 1996 and 1999. And that decline is even in spite of the fact that the number of states which grew from 38 states to 44 states. And of those who play, the poll indicates that 40% of the players are “lower-income” and 53% are “upper-income.” 11% of the lower-income say they sometimes gamble more than they should. Americans whose annual household income is less than \$36,000 per year were substantially less likely than higher-income Americans to say they have purchased a state lottery ticket within the past year. Less than half of Americans (47%) with a high-school diploma or less say they have purchased a state lottery ticket. That is lower than the 53% of Americans with some college, as well as those whose highest education is a college degree, who say they have bought a state lottery ticket. These player data are very similar to the results of previous Gallup studies conducted in 1999, 2004, and 2007. In each of those three years, higher-income Americans were more likely than lower-income Americans to say they gambled.

Further, playing a state lottery is the most popular of 11 common gambling activities measured in Gallup’s latest update on gambling behavior, with barely a quarter of Americans reporting engaging in the second-most-popular mode of gambling—visiting a casino (26%).

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## **CASINO GIANT CAESARS ENTAINMENT: BANKRUPTCY LAWS BEING AMENDED TO FAVOR POWERFUL PRIVATE EQUITY FIRMS?**

Last December, Sen. Harry Reid tried tacking an amendment onto an omnibus spending bill that would have re-

actively shielded two private equity firms, Apollo Global Management and TPG Capital, from junior bondholder claims related to the bankruptcy of casino chain Caesars.

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## **PPA, POKERSTARS OPPOSING CALIFORNIA WEB POKER BILL**

Once supporters of the legislation, the Poker Players Alliance and a coalition formed by PokerStars and its brick-and-mortar partners in California have respectively issued statements opposing the latest changes to a bill in Sacramento that would legalize, regulate and tax online poker sites that receive a license from the state. The PPA appears to be throwing in with PokerStars in the fight to stop lawmakers from penalizing the operators which were in violation of the law. According to a statement from the PPA, *“an examination of the proposed amendments reveal that it is actually a lifetime ban.”* Litigation that may result from this dispute could cause further delays to passing and implementing an online poker bill should it become law. California is the flashpoint for many of these online gaming issues because it is such a big and active online gaming market.

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## **‘KEEP THE MONEY IN NEBRASKA’ CONTINUES PUSH FOR LEGALIZING CASINO AND POKER INDUSTRY**

Lottery and horse-racing are the only games-of-chance that is allowed in Nebraska. But there is an ongoing campaign by a group called ‘Keep the Money in Nebraska’ to push for new gaming laws that will allow brick & mortar casinos and poker rooms to operate in the state. Nebraska does permit the lottery, horse racing and Keno but does not allow video gaming machines. The Winnebago Tribe of Nebraska which owns Ho-Chunk Inc is the

biggest financial backer for ‘Keep the Money in Nebraska’ and helped the group to raise around \$1.25 million for its campaign. Should legislators make amendments to the state gaming laws, the tribe will look to reopen its Atokad Downs race track which shut-down in 2012, and develop a casino on the property.

Mississippi: Lottery considered during 2016 session, but only fantasy sports survives

A proposal to establish a lottery in Mississippi was defeated during the final days of the 2016 legislative session. The bill allowing the playing of fantasy sports was approved and is now pending Gov. Phil Bryant’s signature. Only six states in the nation do not have a lottery.

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## **ONLINE FANTASY SPORTS CONTESTS FOR MONEY ASKED TO CEASE IN DELAWARE**

The Delaware Department of Justice formally notified DraftKings, Inc., FanDuel, Inc., and Yahoo! Inc. that online fantasy sports activities are not permitted under Delaware law. DOJ attorneys determined that online fantasy contests that involve payment for playing and monetary rewards constitute gambling because chance, as opposed to skill, is the dominant factor in the outcome of these contests. An online fantasy sports contestant selects fantasy players and teams, but has no role in how these players actually perform once the real-life games or events occur. This is why chance—and not skill—is the dominant factor in online fantasy sports contests and why these contests are illegal in Delaware. As games of chance, these contests are lotteries that must be operated under the control of the State or permitted through appropriate and specific legislation, otherwise they are illegal under Delaware law. ■

# U.S. SPORTS BETTING REGULATION

## COURT REJECTS NEW JERSEY'S BID TO LEGALIZE SPORTS BETTING

New Jersey's most recent attempt to legalize Las Vegas-style sports betting was rejected by a federal court, a decision that may lead state legislators to consider multiple options. New Jersey lawmakers could:

- Petition the U.S. Supreme Court to consider the case
- Pass a different bill that complies with existing regulations
- Legalize sports betting outright with no oversight by the state

A legal expert on matters related to sports betting said that New Jersey could force the hand of the National Football League, the National Basketball Association, and the U.S. Congress to lift the ban on sports betting in most states.

NBA Commissioner Adam Silver has offered support for federal oversight that would allow states to offer some form of sports betting. Many sports leagues and franchises have formed partnerships with daily fantasy sports sites, where competitors pay an entry fee with an opportunity to win thousands of dollars by choosing players from a variety of teams. States have differed on whether such contests constitute sports betting.

## NEW YORK LAWMAKERS VOTE TO LEGALIZE DAILY FANTASY SPORTS GAMES

## MARYLAND STATE'S COMPTROLLER WANTS TO IMPROVE DAILY FANTASY SPORTS REGULATION

## DFS OPERATORS WIN LEGAL FIGHT, BUT PROFITS REMAIN ELUSIVE

The two largest operators in daily fantasy sports—FanDuel and DraftKings—may have survived legal attempts to shut down their operations, but an even bigger challenge remains: becoming profitable. Both FanDuel and DraftKings lose money, although neither has disclosed how much. CEO Nigel Eccles acknowledged that FanDuel is under pressure from investors to become profitable. *"We are not profitable today but we are moving towards profitability, and we are sufficiently funded to get to profitability,"* Eccles said.

He downplayed reports about a possible merger between FanDuel and DraftKings, saying that the companies would not realize savings on legal costs and multiple state lobbying efforts because they already share such costs. Regulators also could prevent a merger of the two companies on antitrust grounds.

Both companies have reduced their advertising spend. Last year, they spent more than \$300 million on television advertising, according to iSpot TV. This year, FanDuel has spent about \$1.2 million on TV commercials, compared with \$12.7 million during the same period in 2015. DraftKings' ad spending has decreased significantly, to \$3.09 million from \$32.2 million.

The fantasy sports industry's business practices came under scrutiny in late 2015 when the New York Times reported that a DraftKings employee had won \$350,000 playing on FanDuel. A later investigation found that the employee had not done anything wrong. But the incident caused state officials to investigate the companies' activities. With its recent legal victory in New York, the DFS industry appears poised for growth: an estimated 60 million people play fantasy sports.

## IS FANTASY SPORTS A LEVEL PLAYING FIELD? TOP 1.3% OF PLAYERS TAKE OVER 90% OF THE WINNINGS!

According to an article in Tech Insider (October 2015) fantasy sports, particularly DFS, is projected to be worth \$14.4 billion by 2020. According to the same article, most players will lose, as 70 percent report losing money every month, and the top 1.3 percent account for 91 percent of winnings.

## MAINE LEGISLATURE TO CONSIDER REGULATING FANTASY SPORTS GAMBLING

Maine will join the growing number of states that will consider legislation next year to regulate fantasy sports gambling. Maine Attorney General Janet Mills says the state's criminal code is ambiguous about whether fantasy sports betting is a game of chance or a game of skill.

## TENNESSEE CHANGES NAME OF STATE AGENCY TO INCLUDE FANTASY SPORTS

A Tennessee state agency has a new name and new rules to handle a General Assembly-passed law last session that legalized fantasy sports betting in Tennessee and regulates it. The state Division of Charitable Solicitations and Gaming is now the Division of Charitable Solicitations, Fantasy Sports and Gaming. The Fantasy Sports Act of 2016, pushed by gaming companies DraftKings and FanDuel, legalized the companies' existing gambling operations within the state. Sports fantasy sites that allowed wagering sought the law here and in other states as a number of states began cracking down on what by law was illegal gambling. ■



# INNOVATION IN GAMES OF CHANCE

## POKÉMON GO COULD HERALD A NEW WORLD OF GAMBLING TECHNOLOGY

When the presence of a Pokémon (an augmented reality) can trigger a human stampede in New York City's Central Park (a "real" reality), you know the world is in the grip of a gaming tsunami.

Within two days of its release, the augmented reality gaming app Pokémon Go had been installed on more than five percent of all Android smartphones in the U.S. Four days later, it had become the most popular mobile game of all time in the United States, with 21 million users, a figure that surpassed Candy Crush Saga's high of 20 million.

Game makers Nintendo and publisher The Pokémon Company are making \$1.6 million per day from the US iOS store alone on a game that is "free." The moneymaking is generated by in-app transactions, which enable the purchase of items that will increase the efficiency of Pokémon playing.

Advancements in mobile internet connectivity and mobile processor speeds have made games like Pokémon Go more viable in recent months. Augmented Reality (AR) is the foundation of Pokémon Go. And while there has been industry buzz around virtual reality—AR's more evolved cousin—as VR goggles were made commercially available for the first time this year, the expense of VR hardware means it is a market for the future, perhaps a few years away from mass adoption.

The gambling industry is closely observing the popularity of AR games because the millennial generation, the

first truly "gamer" cohort, appears to be disinterested in traditional approaches to gambling. Recent actions have been designed to enable a new gaming approach. For example, the states of Nevada and New Jersey have revised their gaming laws to permit "variable payouts." This will allow for the advent of video-game-slot hybrids on the casino floor. Historically, anybody playing a gambling machine had to be offered the same chance of winning. The legalization of variable payouts means that players who have mastered a certain video-game-style bonus round, for example, can earn a better chance of winning.

Coupled with AR and variable payouts is the rising popularity of e-sports betting. Sports-like gambling markets could emerge around Pokémon GO games, although it remains to be seen how much of a "skill" element the game actually possesses.

One of Pokémon Go's principal attractions is the existence of highly coveted rare creatures. This game feature has sparked speculation that Nintendo might launch a trading platform, where monsters can be bought and sold or traded like baseball cards. It is a potentially lucrative, although risky proposition as Valve recently discovered. The maker of the game Counter-Strike: Global Offensive (CS: GO) and owner of the Steam games platform, Valve introduced "skins"—designer weapons of varying degrees of rarity that could be acquired or sold. Valve intended to create an in-game economy, but an unwanted gambling industry grew up around the skins. Third-party sites used skins like a digital currency with which players could wager on lottery-style games or esports matches.

The introduction of skins made CS: GO one of the most popular games of all time, but because much of CS: GO's audience is minors, Valve was sued for

profiting from underage gambling.

Augmented and virtual reality will play a major role as game developers create a mix of social, skill-based, and betting game hybrids. Casinos of the future may be virtual reality arenas, where "cyber athletes" compete while audience members strap themselves into their VR headsets and place their bets.

## WHAT CONSTITUTES GAMBLING? SKILL GAMES EXPAND THE TRADITIONAL DEFINITION

What is gambling? For decades, gambling has been defined as a game that requires players to risk something of value for a prize that is awarded based on the outcome of an uncertain event. You place your bets, spin the wheel (or roll the dice or play the cards) and hope to be rewarded.

Gambling has been defined as Prize + Chance + Consideration and needs to include all three. This traditional definition is changing, however, with the legalization of skill-based gaming in Nevada and New Jersey. Skill-based gaming redefines gambling by eliminating or reducing the amount of chance involved in a game. Recent changes have expanded the scope of gaming laws so that such games may be authorized, approved, and regulated on casino floors.

Nevada and New Jersey are the leading developers of gaming policy. Accordingly, their regulatory models for skill-based games will become templates for other jurisdictions that may wish to authorize such games. However, expansion may be impeded by differing state statutes, regulations, and case law that determine how a state defines "gambling," specifically, the component of chance.

These changes provide casinos an opportunity for innovation. Game developers are confident that new head-to-head and multiplayer games

will attract younger and more dynamic crowds that are indifferent to traditional gambling games. Creators from other industries, such as video games, board games, and sports, probably will enter this new market with innovative solutions of their own.

Traditional legislation authorizing licensed gambling allows a state gaming board to oversee gambling games, or those involving the elements of prize, consideration, and chance. Gaming authorities, in partnership with law enforcement agencies, are authorized to prevent such games from being conducted outside a casino or other licensed gaming establishment. The regulations are clear—games permitted in a casino cannot be played outside of a casino for money, with the exception of special cases like licensed charity games.

Skill-based games, however, can be played outside of a casino for money without a gaming license. The new regulations in Nevada and New Jersey may allow these activities to be considered “gambling games” if they occur within a casino and have been approved by gaming authorities. In this context, whether an activity is considered “gambling” is not determined by the characteristics of the game itself, but by the approval of the game by state authorities.

This creates ambiguity around traditional gaming enforcement; casinos now may be permitted to operate games for money that are also permitted to be played for money outside a casino. This raises additional questions:

- If a casino operates a skills-based game outside its complex without the approval of authorities, can it argue that the game is not a “gambling game” and is therefore beyond the jurisdiction of the gaming officials?
- Does approval of a skill game for

play in a casino as a “gambling game” prevent its play for money outside a licensed environment?

Despite these grey areas, the clear intent of legislation has been that casinos should be allowed to operate skill games within their establishments. Similar activities involving skill games outside a casino may well be beyond the jurisdiction of regulators.

Other states that may seek to expand gaming opportunities beyond traditional gambling games should be aware of potential language conflicts with standard enforcement laws and policies. Although intent may be clear, legal issues may arise because of the wording of future skill-based regulations as they are incorporated into existing policies.

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#### **SMARTPHONES FUEL GAMING AMONG MILLENNIALS**

Millennials—the tech-savvy generation of young adults who are coveted by marketers across industries—are using mobile smartphone technology to fuel unprecedented interest in gaming. In a recent report by the UK Gaming Commission, the percentage of 18- to 34-year-olds gambling on their smartphones has increased from 10% in 2008 to 17.5% in 2014. This age cohort is the first truly “on-line” generation, and their use of mobile phones demonstrates their familiarity and proficiency with technology—they spend 3.2 hours per day on average on their smartphones, or nearly a full day each week.

The heavy use of smartphones is great news for gambling companies, who have moved their services online. Advancements in smartphone technology have enabled the placing of bets for sport, playing online poker, and accessing online casinos, which means there is more opportunity for gambling providers to engage play-

ers. Millennials can now gamble via social networking sites and play games through apps, while providers can capture behavioral tracking data to inform game design in the future.

Mobile gambling, however, is only one segment of the overall gaming industry, an estimated \$36 billion behemoth worldwide. It is an industry enjoying dramatic growth and equally dramatic shifts in thinking about game development and how to engage players.

Game developers traditionally focused on achieving such metrics as DAU (daily active users) and MAU (monthly active users). New thinking centers on “regulars,” those who play a certain game every day (in many instances, 90 minutes or more per day). Developers try to create a gaming environment that will continue to engage such frequent users. Frequently, this can be achieved through social gameplay within a game ... the player-to-player interactions, sharing, and competing. To emphasize the strategic importance of regulars, Kabam, a company that has created six game titles that generated \$100 million in revenue, is thinking about how to develop games that may last for as long as a decade.

While developers scramble to compete in the U.S., UK, and Japanese gaming markets, China has, somewhat quietly, become the largest mobile gaming market in the world. The Chinese market represents new complications from technical, regulatory, and marketing perspectives. In fact, Asian companies are expected to be very aggressive in acquiring western companies to help fuel the Chinese market. So the industry faces a challenging admixture of dynamics: Millennials’ attitudes toward gaming, the rise of the Chinese market, and the growing presence of VR (virtual reality) hardware. The stage is set for unprecedented innovation and industry growth.

## GAMING STANDARDS ASSOCIATION (GSA) NEW STANDARDS

Since 1998, the Gaming Standards Association (GSA) has created standards proven to decrease costs, streamline development, and speed time to market. Now GSA is releasing 11 standards designed to further enhance the global gaming industry and unleash the creativity of its developers.

*"GSA's members have collaborated intensely during the last couple of years and agreed to release the next set of standards which are vastly improved. GSA has been seeking ways to lower the barriers to implementation of our standards. This new set of standards has now reached a level of maturity in our industry to the benefit of suppliers, operators, and regulators,"* said GSA President Peter DeRaedt.

Among the 11 new mature standards recently released by the GSA were two breakthrough standards that enable Player-to-System Interactions to be streamlined with common PUI templates. PUI (Player User Interface) v1.0 and EMDI (EGM Media

Display Interface) v3.0. These directly address operators' business needs, getting new content to players. The new standards streamline both development and implementation of equipment and systems that drive operator-player communication.

*"The Player User Interface Committee has been very clear in expressing operators' challenges and needs. Among those is a strong desire for more significant player-to-system interactions at the gaming device,"* said Committee Chair John Taylor. *"Our committee worked very hard to establish these two standards to abridge both development and implementation surrounding player user interface equipment, and to allow operators to take full advantage of this exciting technology to benefit their players."*

The landmark and award-winning G2S® (Game-to-System) Standard new v3.0 makes the gaming industry's leading standard much easier—easier to implement, easier to test, and easier to operate. Further, new extensions have been added to support gaming operators' modern business needs. The new

G2S 3.0 is one of 11 standards GSA recently released, all of which were designed specifically to further enhance the global gaming industry and unleash the creativity of its developers. Each of the standards is available for free to all GSA members on GSA's website, [www.gamingstandards.com](http://www.gamingstandards.com).

## AMAZON MOVES INTO ONLINE GAMING

Amazon-owned Twitch acquired Curse, a gaming content and resource hub visited by more than 30 million people each month. Founded in 2006, Bay Area-based Curse had raised nearly \$60 million to date for its platform that gives users PC gaming-related information and add-ons like videos, guides, forums, communication apps, streaming tools, mod managers, and more. It operates more than 45 sites like LoL Nexus and Gamepedia. In February, Amazon released Lumberyard, a free, cloud connected game engine and moved it into a state-of-the-art game studio and streaming facility. ■

## Vernon Kirk Interview ... continued from page 30

**V. Kirk:** There is a Delaware Attorney General advisory letter that states fantasy sports are games of chance, not skill, and as such, according to Delaware Law, are a lottery, and must be under the administrative and regulatory control of the Lottery. Fantasy sports companies insist they are a game of skill, and to concede otherwise would cloud their participation in much larger states than Delaware. Delaware residents already have great sports betting options, possibly causing the fantasy sports operators to focus more on other states.

*The Delaware Lottery model is unique in the U.S. for having the widest variety of games distributed through the widest variety of distributional channels ... What do you think is*

*least understood about it?*

**V. Kirk:** Delaware Law states that there be only two kinds of gambling in Delaware—Lottery and horseracing. If there is prize, consideration and chance, it is a lottery and must be operated by the Lottery. Anything else, like games of skill, is illegal.

*What challenges do you think are underestimated, what solutions are not being adequately embraced?*

**V. Kirk:** Honestly, the Delaware Lottery has always had tremendous support from a succession of administrations and has been given the freedom to manage gaming from a professional perspective. We appreciate a high level of harmony with our stakeholders who share the objective of building a

professional gaming operation that meets the needs of consumer with the highest standards of player protection and responsible gaming.

*What has the implementation of the Multi-State Internet Gaming Agreement and the multijurisdictional, progressive video lottery network taught you about the challenge of forging multi-jurisdictional collaboration?*

**V. Kirk:** Anything can be accomplished with cooperation. We are different jurisdictions, but working together for a common goal embraces that diversity and allows us to solve problems. A clear focus on the outcomes that benefit our respective stakeholders gives us all the will to overcome obstacles and create mutually agreeable solutions. ■



## SPOTLIGHT:

# Leaders of the Government-Gaming Industry

It's the collaboration between operators and their commercial partners which makes this industry work. It's that relationship that drives innovation and progress. PGRI endeavors to support and nurture that relationship, confident that

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**Renato Ascoli**, Chief Executive Officer, North America Gaming/Interactive (DoubleDown Casino)

**Walter Bugno**, Chief Executive Officer, International

**Fabio Cairolì**, Chief Executive Officer, Italy

**Contact:** Reach our employees by email at [firstname.lastname@IGT.com](mailto:firstname.lastname@IGT.com)

IGT is the global leader in lottery and gaming. We enable players to experience their favorite games across all channels and regulated segments, from lotteries and gaming machines to interactive and social gaming. Leveraging a wealth of premium content, substantial investment in innovation, in-depth customer intelligence, operational expertise and leading-edge technology, our gaming solutions anticipate the demands of consumers wherever they decide to play. We have a well-established local presence and relationships with governments and regulators in more than 100 countries around the world, and create value by adhering to the highest standards of service, integrity and responsibility. IGT has more than 12,000 employees and \$5 billion in revenues. The Company is listed on the New York Stock Exchange under the ticker symbol IGT.

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

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

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

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

together we can all build successful businesses that meet the needs of our stakeholders and customers. The leaders of the commercial community play a vital role in our industry and we are thankful for their invaluable contributions to the exchange of ideas that happens at PGRI conferences, and all industry events and conferences. Their products and services are the result of a tremendous investment in R & D, and their insights and capabilities are informed by a deep experience in all aspects of the lottery business. Following is their story. Please also visit the conference website ([www.PGRItalks.com](http://www.PGRItalks.com)) to see their presentations from PGRI conferences.

## DIAMOND GAME



[www.diamondgame.com](http://www.diamondgame.com)

Diamond Game designs, produces, and services games, gaming systems, and tickets for various North American Lotteries and alternative gaming markets.

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 social establishments, such as bars, taverns, bingo halls, and social clubs.

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. The LT-3 is currently deployed in 5 North American lottery jurisdictions.

Diamond Game was established in 1994 and as of May 2015, Diamond Game is proud to be a subsidiary of INNOVA Gaming Group: [www.innovagaminggroup.com](http://www.innovagaminggroup.com).

INNOVA Gaming Group Inc. ("INNOVA") develops and grows companies that provide unique games and products to the global gaming industry, with particular focus on state and provincial lotteries. The INNOVA management team collectively has over 65 years of experience in the gaming industry, bringing in-depth knowledge of the industry, long-standing relationships with lottery directors, and a track record of significant acquisitions. INNOVA is a public company trading on the TSX under symbol IGG.

Diamond Game is a proud Associate Member of the WLA and NASPL. ■

## Linq3



[www.Linq3.com](http://www.Linq3.com)

Linq3's secure payments platform transforms existing unmanned POS devices into highly interactive access points for sale of lottery products. By leveraging existing hardware, securing transactional data and communications, lotteries have a unique opportunity to think outside the traditional sales terminals. The Linq3 solution works in partnership with existing lottery networks, allowing lotteries to efficiently reach a greater market, intersecting and interacting with players in a new way. In collaboration with state lotteries, their operators, and the nation's leading fuel pump and payment kiosk manufacturers, ATM providers, and the payment card industry, Linq3 has developed the secure protocol for lottery transactions on fuel pumps, ATM's, taxis and other innovative unmanned points of sale. Linq3 enables lotteries to achieve sales growth at a low cost through new sales channels that reaches new players and occasional players. The Linq3 solution promotes a new level of interactivity for the player and lottery. A dedicated web interface, 24/7 call center support, auto redemption of low tier prizes, and detailed state reporting and security compliance and responsible play features are just some of the benefits to the Linq3 platform. Optimized performance is achieved through state of the art processing and data security. It's secure, it's scalable, and it's ready to change the distributional landscape for lottery products.

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

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

## INTRALOT

www.intralot.com

**intralot**

INTRALOT is one of the leading gaming companies worldwide with a presence in 57 regulated jurisdictions around the globe. In the U.S., INTRALOT has 13 contracts that include online systems and services, warehousing and distribution of instant tickets and VLT/COAM monitoring. They have also done the last two new lottery start-ups in the U.S. (Arkansas and Wyoming).

The company offers market-tested solutions and retail operational expertise. They offer an Omni-channel approach to an integrated portfolio of best-in-class gaming systems and product solutions & services that encompass all gaming verticals (Lottery, Betting, Interactive, VLT). Players can enjoy a seamless and personalized experience through exciting games and premium content across multiple delivery channels, both retail and interactive.

INTRALOT contributes decisively to the future developments of the industry. It actively engages the global gaming community being a member of the major lottery and gaming associations such as NASPL (North American Association of State and Provincial Lotteries), WLA (World Lottery Association), EL (European Lotteries and Toto Association), CIBELAE (the Hispanic Association that covers South America and the Iberian Peninsula), APLA (Asia Pacific Lottery Association), GSA (Gaming Standards Association), and a gold member of AGEM (Association of Gaming Equipment Manufacturers).

As member of the UN Global Compact, INTRALOT is a global corporate citizen committed to sustainable development and is an active proponent of the principles of responsible gaming. The World Lottery Association (WLA) has awarded INTRALOT with the prestigious WLA Responsible Gaming Framework Certification for its global lottery operations.

The company maintains the highest security certifications. INTRALOT is the first international vendor in the gaming sector that has been certified according to the World Lottery Association (WLA) Security Control Standard in 2012. In addition, the Company has been certified with the ISO 27001 for its Information Security Management System (ISMS) and maintains the ISO 20000-1 certification on Information Technology Service Management.

**OUR MISSION** is to supply gaming organizations worldwide with state-of-the-art integrated transaction processing systems, equipment, game content and value added services in a secure and responsible manner.

**OUR VISION** is to retain our leading position in the gaming industry and consistently offer increased value to our customers, shareholders and employees.

**OUR VALUES** include a commitment to customer satisfaction and continuous improvement and growth while achieving excellence across the entire range of our business activities. ■

THANK YOU

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### SILVER SPONSORS





# SILVER SPONSORS



## ABACUS SOLUTIONS INTERNATIONAL GROUP

[www.lotteryeverywhere.com](http://www.lotteryeverywhere.com)

### Lottery Everywhere

Abacus offers lotteries the opportunity to reach 100% of their potential players in-store with the Abacus In-Lane Solution. Implementation of the Abacus In-Lane Solution means that potential players are exposed to the opportunity to play lottery at every till point as they're checking out their shopping—unlike the current 5% of shoppers playing at a dedicated in-store terminal. Abacus manages the integration of the lottery's existing or new games into the retailers' EPoS systems from start to finish, making it easy and painless to implement. Abacus offers lotteries the opportunity to sell LOTTERY EVERYWHERE™.

ABACUS is unique, employing experts from both the lottery world and the payment processing industry as well as leading software technologists. Our solutions have simplicity at their core, with impressive speed to market and high levels of lottery and payment industry compliant security.

Our solutions, games and technology work in partnership with lottery organisations, their suppliers and the retailers, enabling all parties to benefit from increased sales.

### Our fully managed service offering includes:

- Lottery In-Lane, Self-Checkout, and Self-Serve
- E-commerce and Mobile solutions
- Abacus games including Bill Paid
- Retailer loyalty solutions, follow-on promotions & 2nd chance draws

**Contact:** Simon Butler, CEO

**Email:** [s.butler@abacus-bv.com](mailto:s.butler@abacus-bv.com)

**Telephone** +44 1604 846777 ■



## CARMANAH SIGNS

[www.CarmanahSigns.com](http://www.CarmanahSigns.com)

STRATACACHE and its gaming division, Carmanah Signs, is the world's leading provider of digital signage network software, hardware, and services. An active member of the global lottery community, Carmanah serves 49 lottery customers on four continents.

STRATACACHE's customers are Fortune 500 retail chains, banks, and quick serve food retailers. Together, STRATACACHE and Carmanah have over 1.4 million connected media players and 120,000 jackpot signs at retailers around the world.

Carmanah provides everything from digital signage software and hardware (media players, screens, tablets, networking equipment, and jackpot signs) to services (content creation, scheduling & distribution, network monitoring, and technical support).

Behind the sleek signage lies ActiVia for Media, the most robust, reliable digital signage software available. Built to handle the most complex digital signage networks at massive scale, ActiVia powers the largest retail networks in the world. It enables distribution of differentiated content to thousands displays, facilitates interactive experiences, and interacts with consumer mobile devices—delivering ROI by engaging the next generation of lottery players.

As an associate member of five global lottery associations, and an ongoing sponsor and content contributor to numerous lottery industry events, Carmanah is the only digital signage provider committed to the lottery industry at this level. ■



## EQUILOTTERY

[www.EquiLottery.com](http://www.EquiLottery.com)

### The Next Generation of Lottery Draw Games

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

If you answered yes to any of these questions, then it's time to take a look at EquiLottery, a new live action lottery game based on the excitement of live horse racing. Studies show that EquiLottery allows you to offer a new product category to your players that increases profitability without cannibalizing existing games. This unique offering also attracts new players while creating greater investment from your core players. And by delivering this live racing experience through multiple online platforms, EquiLottery meets people where they are by turning the excitement of a two-minute horse race into a highly relevant daily mobile video experience.

Visit our comprehensive website at [www.EquiLottery.com](http://www.EquiLottery.com) to learn more about how EquiLottery works, take a lap with our mobile app and learn more about our player studies conducted with market research leader Ipsos. For more information or to set up a free in-person consultation, contact Founder and CEO Brad Cummings at (502)644-1454 or [brad@equilottery.com](mailto:brad@equilottery.com). ■



## NOVOMATIC LOTTERY SOLUTIONS (NLS)

www.novomaticls.com

NOVOMATIC Lottery Solutions (NLS) is a full solution alternative vendor for international lottery markets. NLS delivers games and services using state-of-the-art technology that allows for easy integration with any 3rd party systems and games. The NLS system supports all sales channels simultaneously, creating a truly omni-channel offering while at the same time increasing lottery revenues and returns to good causes. With ISO 27001 certification, WLA Security Control Standard Certification and numerous lottery audits, NLS solutions guarantee the highest levels of security and reliability. NLS is part of the NOVOMATIC Group, one of the biggest global producers and operators of gaming technologies, with revenues of about \$4bn, more than 24,000 employees and activities in 80 countries. NLS was established in 2014 after the acquisition of Icelandic lottery provider Betware and quickly became a major player in the international lottery business.

### Omni Experience solution for lotteries includes:

- Full service retail solutions for lotteries
- Intrinsic player account management—we put players first and center
- Open and flexible gaming platform for retail, online and mobile lottery games
- Portfolio of all classical Lottery games, with full support for instant ticket games
- Comprehensive facilities management service

### Contacts:

Sales and customer-related matters: sales@novomaticls.com  
 Partnership and cooperation opportunities: Frank Cecchini, fcecchini@novomaticls.com  
 Brendan McCarthy: bmccarthy@novomaticls.com ■



## POLLARD BANKNOTE LIMITED

www.pollardbanknote.com

For over 30 years, Pollard Banknote has been a full-service instant ticket partner that lotteries trust to provide high quality products and related services. The company serves over 60 clients worldwide, providing value-added strategic marketing and management services for both traditional instant games and the emerging interactive space. Pollard Banknote's success are grounded in its unrivaled ability to form strong partnerships with its customers, focusing on maximizing player engagement, sales and proceeds for good causes.

Pollard Banknote is a proven innovator, having introduced important, revenue-generating product innovations to the lottery industry. The company continues this trend by constantly introducing fresh and innovative print features, as well as a number of exciting Space Between™ products and services that leverage emerging technologies into viable avenues for driving instant ticket revenues at retail, effectively bridging brick-and-mortar products with the Internet.

Pollard Banknote offers sales-driving licensed brands that appeal to existing lottery players and brand-loyal consumers. These licensed brands are supported with integrated marketing programs that maximize success at retail.

Pollard Banknote and NeoGames, a leading global Internet lottery provider, have partnered to form NeoPollard Interactive, a joint venture that offers development, implementation, operation and maintenance of iLottery solutions. ■

## Carole Hedinger Interview ... continued from page 37

vestment and future-proofs the Lottery against ill-advised investment.

*It sounds like you have engineered a very collaborative approach with Northstar New Jersey.*

**C. Hedinger:** We have. We are two separate entities, but we operate as one integrated organization. For one thing, every aspect of execution involves both

the Lottery and Northstar. If Northstar is going to run a promotion, my finance people need to know about it because we have to account for it, reconcile commissions and record other aspects of every initiative that takes place. For another, I insist on a spirit of mutually supportive collaboration. There is no "us" and "them." We clarify objectives and then we work as a team to accomplish our com-

mon goals. Northstar appreciates our deep involvement because it maximizes the likelihood of success. And we appreciate Northstar's commitment to align not just with the big-picture financial targets, but with every aspect of execution to achieve those goals, with our methods of operation and our culture, and our need for accountability on details of implementation as well as outcomes. ■



# SMART-TECH

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Park Lane Hotel  
Central Park South, New York City  
March 20, 21 and 22, 2017



For conference information and updates, please stay tuned to our news website [PublicGaming.com](http://PublicGaming.com) and conference website [PublicGaming.org](http://PublicGaming.org). E-mail Paul Jason at [pjason@publicgaming.com](mailto:pjason@publicgaming.com)



# LOTTERY EXPO 2016

## CONFERENCE PROGRAM

### CONFERENCE SESSIONS

SEPTEMBER 13 & 14;

EDEN ROC MIAMI BEACH RESORT,  
FLORIDA

VISIT [WWW.PUBLICGAMING.ORG](http://WWW.PUBLICGAMING.ORG)  
FOR CONFERENCE UPDATES

RECEPTIONS FROM 5:00 PM TO  
7:00 PM ON MONDAY AND TUESDAY.

WEDNESDAY RECEPTION  
TO FOLLOW LUNCH.

### DOUBLE PLATINUM SPONSOR:

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### PLATINUM SPONSORS:

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GROUP, CARMANAH SIGNS,  
EQUILOTTERY, NOVOMATIC LOTTERY  
SOLUTIONS, POLLARD BANKNOTE

### PRESENTERS (TIMES TBA):

**BILL BRESLO,**  
VICE PRESIDENT, SALES &  
MARKETING, DIAMOND GAME

**SIMON BUTLER,**  
CHIEF EXECUTIVE OFFICER,  
ABACUS SOLUTIONS

**BRAD CUMMINGS,**  
FOUNDER & CHIEF EXECUTIVE  
OFFICER, EQUILOTTERY

**MAX GOLDSTEIN,**  
VICE PRESIDENT SALES,  
CARMANAH SIGNS

**SCOTT HOSS,**  
SENIOR MARKETING MANAGER,  
INTRALOT

**BRENDAN MCCARTHY,**  
NORTH AMERICAN REPRESENTATIVE,  
NOVOMATIC LOTTERY SOLUTIONS

**BYRON PETERSON,**  
DIRECTOR U.S. SALES,  
POLLARD BANKNOTE

**TOM SHAHEEN,**  
EXECUTIVE VICE PRESIDENT  
BUSINESS DEVELOPMENT, LINQ3

### MONDAY, SEPTEMBER 12

5:00 to 7:00 pm: Opening Night Reception

### TUESDAY, SEPTEMBER 13

8:00 to 9:00 am: Continental Breakfast  
Promenade B South

9:00 am: Conference Sessions Open

Paul Jason, Chief Executive, PGRI  
Pompeii Ballroom

**Industry Collaboration as the key to  
unlocking the power of API/Cashless/  
In-Lane and other Retail Modernization  
initiatives**—Tom Delacenserie, Secretary,  
Florida Lottery

### SPECIAL SESSION:

**The Promise of API (Application  
Programming Interface) Technology**  
Presentations on the urgency to implement  
/meaning and purpose of APIs will be  
followed by a special session that includes  
audience Q & A.

APIs are the key component to building  
the IT platform that supports the rapid  
deployment of technological innovation  
across the board. How and why will APIs  
increase Lottery sales and net funds to  
beneficiaries—what are the costs and  
risks as well as the benefits to implemen-  
tation of APIs? This topic was introduced  
at PGRI Smart-Tech in April, has gained  
momentum over the past few months,  
and is now at a point where concrete  
action-plans are being shaped. It's time  
to take it "to the next level"—to connect  
the dots and relate objectives like in-lane  
sales, cashless transactions, standardized  
reports and audits for multi-state retail-  
ers, and more ... to the technologies that  
enable them. The key to unlocking the  
transformative power of APIs is multi-  
state collaboration and funding. How do  
we get there?

### Moderator:

Gary Grief, Executive Director,  
Texas Lottery, President of MUSL

### Panelists:

Tom Delacenserie, Secretary,  
Florida Lottery

Andy Davis, Chief Financial and IT Officer,  
Tennessee Education Lottery Corp.

Austin Huggins, Technical Specialist,  
Publix SuperMarkets

Paul Riley, Vice President Product  
Marketing and Interactive Wagering, IGT

11:00 am: Coffee Break

### PANEL DISCUSSION:

**Providing Consumer Options—Making  
Lottery Available in a Cashless Economy**

### Moderator:

Terry Presta, Executive Director,  
Kansas Lottery;  
Chair of the NASPL Retail Subcommittee

### Panelists:

Drew Svitko, Executive Director,  
Pennsylvania Lottery

Gardner Gurney, Director,  
Division of the Lottery, New York State  
Gaming Commission

John Spicknall, Director of Package Goods  
and Services, RaceTrac Petroleum, Inc.

Sue Strouse, VP Retail Strategy and  
Business Development, IGT

12:30 pm to 1:30 pm: Luncheon

### Starting a New Lottery in the Modern

**Era**—Jon Clontz, Chief Executive Officer,  
Wyoming Lottery Corporation

### PANEL DISCUSSION:

**Stakeholder Relations:** How might Lot-  
tery do a better job of engendering sup-  
port from the national media and legisla-  
tors at the federal as well as state levels?

Who is advocating with a singular voice for those values and interests which are shared by all lotteries? Who is monitoring gaming legislation and court cases that impacts us all? How do we counter all the publicity of other gaming sectors with positive publicity for Lottery? Could our industry benefit if we had a national government affairs and PR effort? Is it time for a national branding campaign? How can we connect with and forge a more positive relationship with retailer stakeholders and associations; any Silver Bullet to defuse NACS opposition or otherwise overcome that obstacle?

**Moderator:**

**May Scheve Reardon**, Executive Director, Missouri Lottery; President of the North American Association of State & Provincial Lotteries

**Panelists:**

**Gerry Aubin**, Executive Director, Rhode Island Lottery

**Byron Boothe**, Vice President Government Relations, INTRALOT

**Jon Clontz**, Chief Executive Officer, Wyoming Lottery Corporation

**Vernon Kirk**, Executive Director, Delaware Lottery

**Chip Polston**, Kentucky Lottery Corporation

**Terry Rich**, Chief Executive Officer, Iowa Lottery

**Update on MUSL Agenda and**

**Initiatives**—**Bret Toyne**, Executive Director, Multi-state Lottery Association

**Global Gaming Update—**

**Rebecca Hargrove**, President & Chief Executive Officer, Tennessee Education Lottery Corp.; Senior Vice President, World Lottery Association (WLA)

3:00 pm: **Coffee Break**

PANEL DISCUSSION:

**The Impact of Daily Fantasy Sports, Pokémon GO, and other pop game phenoms on the broader games-of-**

**chance industry and Lottery**

How might popular new games impact Lottery? And even if the short-term impact on lottery spend is not significant, how might it reshape the play-styles of the twenty-somethings who we expect to become lottery players in their thirties and forties? How can we ensure that Lottery retains its appeal to consumers whose game-playing options have increased and changed so dramatically over the past few years? Too, as online gaming in other forms increases in popularity and acceptability, won't that cause legislators to look more favorably on Lottery's need to make its products available online? Are there game attributes (that comply with Lottery random logic) of these new games that can be applied to Lottery?

**Moderator:** (TBA)

**Panelists:** (Further Panelists TBA)

**Larry Loss**, Executive Vice President, Iowa Lottery

**Shan Daniels**, Chief Brand Manager, Florida Lottery

**Rick Weil**, Chief Executive Officer, Innova Gaming Group/Diamond Game

4:00 pm: **Award Ceremonies**

**Lottery Industry Statesman Award**

In Memory of Arch Gleason, Formerly President and CEO of the Kentucky Lottery; President of the World Lottery Association; President or Chairs of all the offices of NASPL and MUSL

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

**Tracey Cohen**, Interim Executive Director, D.C. Lottery and Charitable Gaming Control Board

**Carole Hedinger**, Executive Director, New Jersey Lottery

**Vernon Kirk**, Executive Director, Delaware Lottery

5:00 pm to 7:00 pm: **Reception**  
Spa Terrace

**WEDNESDAY, SEPTEMBER 14**

8:00 to 9:00 am: **Continental Breakfast**  
Promenade B South

9:00 am: **SPECIAL SESSION**

**Presentations on Retail Modernization to be followed by Interactive Discussion**

**Modernizing the Lottery at Retail:**

Retail is reinventing itself for the modern consumer. CPG (Consumer Packaged Goods) companies are helping them do it, and we can't expect them to look out for our interests. Lottery needs to take the leadership role in this paradigm shift that will end up re-positioning the way products and services are sold at retail. Too, "convenience" has become the modern consumers' priority. That that will give rise to a new generation of 21st century convenience stores which should represent an opportunity for Lottery. How can Lottery apply digital technology to enhance the player experience, how can Lottery create more co-promotions to help retailers achieve their own goals to sell more and drive store-traffic, and how can Lottery otherwise align with the modernization of the retail shopping experience?

**Moderator:**

**Gary Gonder**, Chief Branding Officer, Missouri Lottery

**Panelists:**

**Michelle Carney**, Vice President, Marketing, IGT

**Tracey Cohen**, Interim Executive Director, D.C. Lottery and Charitable Gaming Control Board

**Tom Dolan**, District Sales Manager, Florida Lottery

**Gregory Smith**, Executive Director, Vermont Lottery

12:30 pm: **Luncheon and Reception**  
Spa Terrace



Innovating  
at retail is  
Robbie's  
passion.



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**Scientific Games' Robbie Asendorf is committed to developing new products that make lottery products easier for retailers to sell and players to purchase.** He works to create products that give players more access to games when and where it's most convenient. Robbie says, "Lottery retailers love our PlayCentral™ HD, WAVE™ and LotteryInMotion™ technologies."

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

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