PGRI PUBLIC GAMING INTERNATIONAL

Feature Interviews

Stéphane Pallez
Française des Jeux

Wendy Montgomery
Ontario Lottery & Gaming
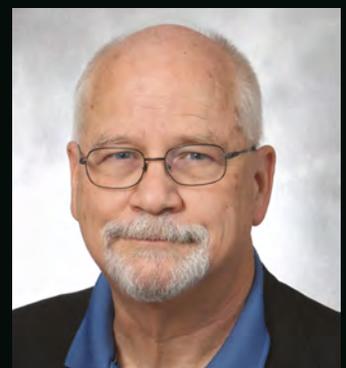
Rollo Redburn
Oklahoma Lottery and Multi-State Lottery Association (MUSL)

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LOTTERY EXPO
2017

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Digitalization is the unifying principle for industry leaders to transform business process, CRM, retailer support, the in-store shopping & player experience, and the integration of media, POS and all consumer touch-points into a harmonious omni-channel business model. The modern consumer expects nothing less, the competitive environment is changing rapidly to meet those expectations, and Lottery is moving quickly to lead the charge.

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PGRI's collaboration with the Georgia Lottery promises to be a special event. Lottery Expo 2017 will feature presentations on the forward-leaning initiatives that are making a difference today.

For conference information and updates, please stay tuned to our news website PublicGaming.com. E-mail Paul Jason at pjason@publicgaming.com or call at (U.S.) +1 (425) 449-3000.

OCTOBER 25-27
GRAND HYATT
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FEATURE ARTICLES (CONTINUED)

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From the Publisher

Congratulations! The 74 members of the PGRI Lottery Industry Hall of Fame have voted and elected the newest members to be inducted into the Lottery Industry Hall of Fame for 2017.

Thomas Delacenserie, President & Chief Executive Officer, Kentucky Lottery Corporation

Alice Garland, Executive Director, North Carolina Education Lottery

Marzia Mastrogiacomo, Senior Vice President Lotteries, Lottomatica S.p.A.

Charles R. McIntyre, Executive Director, New Hampshire Lottery

Paula Otto, Executive Director of the Virginia Lottery

You can read more about the Lottery Industry Hall of Fame and the members at LotteryIndustryHallofFame.com. The biographies of the five inductees are posted there and will also be in the November issue of PGRI Magazine.

The Ceremony to induct the newest members of the Lottery Hall of Fame will be held at:

- 3:15 pm on Friday September 15
- Oregon Convention Center, Oregon Ballroom 202-204
- NASPL Conference/Trade Show in Portland Oregon

Thank you to our friends at NASPL for co-hosting these events with PGRI. It is such a pleasure to be able to collaborate with NASPL and make it so convenient for the largest number of people to join us in these celebrations of our industry leaders. David Gale and Team NASPL always produce the best industry events and are gracious supporters of everyone.

Another great event that NASPL is co-hosting is a **Reception for the Women's Initiative in Lottery Leadership (WILL)** on Thursday Sept 14 at 4:00pm - 5:00 pm. Oregon Convention Center - C123/124

The stars are matter, we are matter, but it doesn't really matter. - *Captain Beefheart*

Does the "Truth" matter anymore? Or has it become something that is un-knowable, all predicated on context, spin, and whatever serves the messaging objective? I published a lengthy feature in the June issue of this magazine that criticized Lottoland and other "secondary lotteries" (view that article The Damage to Brand Lottery Caused by Lottoland and "Secondary" Lotteries: A Call to Action in the June issue in the "PGRI Magazine" section of PublicGaming.com website). Lottoland protested that many of the statements in my article are incorrect "untruths", and in their view, libelous. I suggested that they write an article which states their point of view for me to publish, and Lottoland agreed that this is a fair resolution of our differences. See the article on page 32, "Lottoland – the Truth".

There is another truth that we need to confront. The number and magnitude of disruptive impacts to our industry will increase.

Exponentially. One of the memes of keynote speakers these days is the idea that for all the change we have experienced since the advent of the Internet, Google, and the SmartPhone, we are still at the ground floor, the very beginning of technology-driven change. And we ain't seen nothin' yet. That, by the way, is not meant to imply that violating the laws of the jurisdictions where the consumer resides, or engaging in other forms of illegality, should ever be misconstrued as "innovation"!

Thankfully, the success mind-set of this industry is one of action-oriented optimism and determination to meet the needs of our stakeholders year after year. The interviewees and editorial contributors focus on what we can do to identify opportunities, overcome obstacles, and reinvent strategies that will drive ongoing growth.

Rebecca Hargrove and Stéphane Pallez are leading the charge to ensure that Government-Lottery consolidate its role as an industry and business culture committed to achieving the highest standards of inclusiveness, diversity, and development of talent and emerging leaders. Wendy Montgomery and Jennifer Welshons give us a glimpse into the cutting edge of how technology and innovation are driving consumer behavioral change, and transforming the marketplace in general and the in-store shopping experience in particular. Daniel Cage explains describes the turn-key solution to getting lottery products into big-box and grocery check-out lanes. Steve Rogers describes a new form of gamified Lottery, a sports "betting" game that is RNG-based. Dato Lawrence Lim Swee Lin, whom I got to know at the last Asia-Pacific (APLA) event in Chengdu, China, speaks to the differences in gaming cultures and regulatory environments around the world, and invites us to attend APLA's main event in New Zealand.

I asked our editorial contributors to use the platform of this magazine to publish high-quality thought-leader articles and they are delivering in a big way. Some of these articles are truly groundbreaking treatises that help us understand current trends, impending change, the future they are leading us towards, and how we might position ourselves to take full advantage of the opportunities.

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

Paul Jason

Paul Jason, Publisher
Public Gaming International Magazine

Scenes from the WILL Reception at the NASPL Professional Development Seminar, Nashville, TN July 27

WOMEN'S INITIATIVE IN LOTTERY LEADERSHIP

Letter from Rebecca Hargrove

Founder and Chair of WILL
President & Chief Executive Officer,
Tennessee Education Lottery Corporation
Senior Vice President,
World Lottery Association (WLA)

As many of you know (because we devote this page to chronicling its progress), we are in the early stages of developing and defining the global Women's Initiative in Lottery Leadership (WILL). The mission of WILL is to drive high-performance business growth through the advancement of women in the lottery industry. WILL is about all of us working together to help our colleagues succeed. It is about top-ranking men and women mentoring and supporting women to move into leadership positions, and enabling business enterprises to benefit from the positive impact of talented female leadership.

WILL convened a productive and well-attended meeting at the conclusion of the NASPL Professional Development Seminar in Nashville, Tennessee on July 27. The reception began with comments from Rebecca Hargrove, Rose Hudson, May Scheve Reardon, Connie Laverty O'Connor, Wanda Young Wilson and others. Then attendees shared inspiring ideas and experiences to contribute fresh insights to drive the WILL agenda. The tremendous participation of all involved reaffirms the support for WILL, and the desire to build a substantive and impactful organization.

The next WILL event will be held at NASPL in Portland, Oregon, where the WILL participants will begin to shape the program and outline its structure. An invitation went to all women registrants, and you are all invited to attend.

Please join us at NASPL in Portland, Oregon, on Thursday, September 14, 4:00 PM – 5:00 PM, Rooms C123/124 in the Convention Center.

Then there will be a WILL Management Training Seminar on the afternoon of Wednesday October 25 at the Grand Hyatt Hotel in Atlanta. PGRI Lottery Expo will be on Thursday and Friday, October 26 and 27.

For more information, visit our website at womeninlotteryleadership.com. ■

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Stéphane
PALLEZ

President & Chief Executive Officer, Française des Jeux,
1st Vice President of EL Executive Committee and WLA
Executive Committee Member

Equal Opportunity for Women
It's not just a matter of fairness. It is also good business.

PGRI Introduction:

Stéphane Pallez began her career at the French Treasury Department and was Deputy Director at the board of the World Bank in Washington. She held different positions in the French Treasury including Insurance Supervision and Regulation, monitoring of State-owned companies and served as Head of the European and International Affairs. In 2004, she joined France Telecom-Orange as Deputy CFO. In July 2011, she became President and CEO of CCR (Caisse Centrale de Réassurance).

In 2014, she was appointed to President-Director General of Française des Jeux where she is now leading the digital transformation of the second largest lottery in Europe.

Stéphane Pallez, Rebecca Hargrove and their colleagues around the world created Women's Initiative in Lottery Leadership as an organization to empower women and promote equal opportunity in the work-place.

Paul Jason:

How does business culture affect the progress towards a work-place that has equal opportunity and pay for women? And has it changed over the last twenty years?

Stéphane Pallez:

This issue has a personal focus for me because I have always challenged the status quo and pressed leaders to create a work environment that promises equal opportunity and pay for everyone. My own career has placed me in a good position to watch during my whole professional life how it has evolved. And yes, of course there has been significant progress and positive change.

There is now at least a high awareness of the importance of the issue of gender equality in the work-place. There is recognition that business culture must evolve to be more inclusive and enabling for women to apply their talent and energies to accomplish the enterprise objectives, to assume more responsibility based on their abilities, and to be rewarded for their contributions to the corporate mission. It's clear that the capabilities of women are still under-utilized which means there is a positive opportunity for companies to tap into this asset for the benefit of all stakeholders. This recognition is itself an important sign of progress, and a prerequisite for more substantial change.

But we are not where we should be. It will take even more deliberate and outspoken leadership to correct this imbalance. There are still huge differences in pay, for instance.

A recent United Nations report indicates that based on current trends, equality of pay between men and women will not be reached until … 2069! I think we can all agree that is not an acceptable rate of progress!

You pointed out that it is not just about fairness to women.

Stéphane Pallez:

Talent, creativity, hard work, and ambition should be rewarded equally for women and men. The fact that equality of opportunity and compensation is the right thing to do is itself enough reason for embracing the cause. The other reason, though, is that businesses want and need to leverage all their resources. There is probably no more vital goal than to optimize the full capacity of human resources. Insofar as the talent and productive capacity of women are not applied to the fullest potential, that represents a loss for society and an under-utilized asset for businesses and growth.

CEOs and business leaders might be more likely to take decisive action and show real leadership when they recognize gender equality as an opportunity to improve business performance.

Stéphane Pallez:

Creating a fair and just work-place for everyone does coincide with the goal of optimizing enterprise performance.

That's when corporate culture will evolve, become genuinely blind to differences in

gender, and focus exclusively on the things that matter that this goal will be achievable.

Integrity, people-skills, hard work, persistence and tenacity to overcome obstacles and manage projects to completion, empathy and vision and passion to lead a team, mental agility to reimagine problems and come up with creative solutions …: these are the kinds of Professional skills that should matter, not gender. Women executives who possess these skills should be encouraged, given more responsibilities, and rewarded for their efforts.

As top leadership recognizes the symbiotic relationship between equal opportunity, equal pay, and business performance, the rate of change and progress will accelerate. It's already happening. We just need it to make it happen faster!

The good news is that the companies that champion equality and diversity will not only be appreciated for doing the right thing … they will also be building a better, more productive and effective enterprise.

Most CEOs would proclaim their commitment to equal opportunity and pay for women. And yet, the current trend line would take us over 50 years to get there. Why is that?

Stéphane Pallez:

Culture is not something that changes quickly or easily. It starts with a passionate conviction and decisive action on the part of the CEO and executive leadership. Forging a business culture that encourages diversity, respects ability and performance, and rejects gender bias is at the heart of the issue. Like any business transformation agenda, you need to acknowledge the issue, clarify and commit to an action plan, measure your performance to objectives, and do whatever it takes to achieve your goals over time.

FDJ is involved in and supports many initiatives in the business community outside of FDJ. Are some of these focused on smoothing a path for talented and ambitious women to achieve their goals?

Stéphane Pallez:

Yes, mostly in the area of sports, since FDJ has been active in the financing of both grass root and professional sports. We have decided to use that commitment to promote and foster positive changes as regards gender equality. Besides, this could easily

be duplicated in other lotteries which are traditionally also active in supporting sports.

For instance, men sports are receiving more resources, more funding and more attention than women in sports. We are driving change to that tradition, pushing for more equal allocation of resources and empowerment of women in sports. We sponsor a special program called "Sport pour Elles", or "Women in Sport". The aim of this program is to promote women sport activities. It is not only about funding. It

is also about improving media coverage and mobilize energies to change attitudes to building a foundation of public support for women in sports.

FDJ has been sponsoring a men's cycling team for twenty years now. This year we are also sponsoring a women's professional cycling team. We've also been very active with our support for the Olympic Games for 2024 in Paris with dedicated events for women in sport. Whenever and however it is possible, FDJ actively promotes equality of opportunities for men and women through sports.

We also strongly support women's entrepreneurships within the sport start-up community. We channel FDJ's resources towards a program helping women who want to create their business. And we feel that applies very much to the global mission of creating equal opportunity for women in the work-place.

What current FDJ programs and initiatives are smoothing a path for talented and ambitious women to achieve their goals?

Stéphane Pallez:

Gender equality and diversity are built right into our strategic plan, in the form of a three-year agreement signed with trade-union representatives. This agreement has three key objectives. One is to promote diversity

and cultural change by raising awareness about gender-related issues like stereotyping, listening to and respecting your colleagues, fostering a feeling of inclusion even with the informal interaction. This is particularly important in the fields where there are fewer women employed by our company, like technology and information systems.

Another objective is to increase the number of women in management positions so that at the end of this agreement period, we would have overall the same ratio

of women-to-men in management positions as we have in the overall company. Today, 43% of FDJ employees are women. When we signed this agreement, there were only 34% in management positions. So our goal is to have 43% of women in management positions at the end of this agreement which will be the year 2020. We are progressing well on that and expect to reach our target 43% on time or early. We are already at 38% and 45% of the executive committee are women, not to mention our board of directors where 50% are women.

The third objective is to use all the tools we have in the company to facilitate a more balanced share of responsibilities for our employees who are parents. Parental leave is offered to both men and women. And we encourage both men and women to use this parental leave and share the responsibilities.

Again, achievement of those goals requires cultural change. We hold work-shops for employees to discuss and reinforce the positive changes, and address concerns or difficulties and obstacles that may be impeding progress towards our goals. We also have special training sessions for women to improve leadership skills. Our goal is to empower women of talent and ambition to move into management positions.

We also have a FDJ women's network, named "A Elles de Jouer" or (Time for Her to play) which encourages networking and

> **"The good news is that the companies that champion equality and diversity will not only be appreciated for doing the right thing … they will also be building a better, more productive and effective enterprise."**

Programs To Develop
The Next Generation Of Industry Leaders

Tennessee Education Lottery Corporation Emerging Leaders Program and Internships

Paul Jason, PGRI:

The Tennessee Education Lottery Corporation (TEL) is an object of study for its standard of excellence on so many different fronts. The business climate and environment is alive with excitement, a feeling that everyone is genuinely proud to be a part of this winning team. Attending its annual sales meeting last summer exposed me to a level of energy and professionalism that attracts industry leaders from all around the country to participate like I did. Three days of high-intensity training, workshops, competitive team projects, and motivational talks has produced thirteen consecutive years of growth in net funds generated for public education.

There is a big-picture theme happening at the Tennessee Lottery. It may start with the conviction that developing talent and nurturing an inclusive corporate culture that appreciates diversity and inclusion are important priorities. But there is a seriousness of purpose that becomes apparent as we watch the presentations made by interns who have poured their hearts into their team project. The interns are college students from Historically Black Colleges and Universities who have come to Nashville to join the immersive program at the TEL that gives them a sense of what the corporate world is really like.

This year, there were fifteen candidates selected from seventy-five applications. Close to two-hundred students have graduated from the Internship Program over the last thirteen years. There is leadership and guidance, but the standards are uncompromising, the work-pace brutal, and the individual is responsible for his or her own destiny. That is one thing they learn. Another thing they learn is the thrill of knowing that you are part of an elite team that is doing great things because they know their team-mates are going to perform at the highest level. Pressure!

Wanda Young Wilson Scholarship and Internship Program

Emerging Leaders

Women in Lottery Leadership

Emerging Leaders Wanted: We are looking for the next generation of leaders – rising stars who will determine the future of our corporation. Candidates must demonstrate potential for growing personally, effecting change, and impacting the corporation now and in the future. (Excerpted from the Mission Statement of the Tennessee Education Lottery Corporation Emerging Leaders Program)

Rebecca Hargrove, President & Chief Executive Officer:

Emerging Leaders is a program we developed to support the careers of our internal staff. The goal is to give ambitious and talented managers the tools to accomplish increasingly important assignments, be trusted with more responsibility, and achieve their own professional objectives. Each class of Emerging Leaders runs about a year and a half and we have completed three classes to date.

I am blessed with a fabulous executive team who do so much to make these programs work. I think we are all quite energized by the whole process, and by helping young

people who are so dedicated to their mission to serve and ambitious to succeed. The enthusiasm is infectious and rekindles our own passion and sense of purpose.

When you look at the peak-performing organizations, there is always something special about the people. Harnessing the power of people is the common thread that courses through the three initiatives: internship, emerging leaders, and women in leadership. Training and development is only a part of the mission. It's about creating a culture of passion, commitment and uncompromising dedication to the mission. When the Emerging Leaders and Interns look to us for inspiration, we are reminded of the passion we have for our jobs and the stakeholders we serve. Sharing that passion with others brings out the best in all of us. We may be helping others, but we end up benefitting as much as anyone.

Wanda Young Wilson, Chief Operating Officer and General Counsel:

These three initiatives were championed by our CEO Rebecca Hargrove and reflect her focus on developing the talent and skills of young people from all segments of society. Her executive team works hard to accomplish her goal of ensuring that everyone be given all the tools, the management support, and the surrounding corporate culture they need to achieve their full potential. It is an all-hands-on-deck total immersion initiative that involves everyone, including the entire executive team with Rebecca in the lead. That's because we know that this commitment we make benefits not only the students, and the emerging leaders, and women leaders – it benefits each one of us personally who are ourselves challenged to be in a state of always learning, always stretching to develop new skills and become better at our own jobs. A Lottery with a staff that is inspired and energized by these initiatives is also more likely to produce the kind of results that serves the interests of all Lottery stakeholders. ∎

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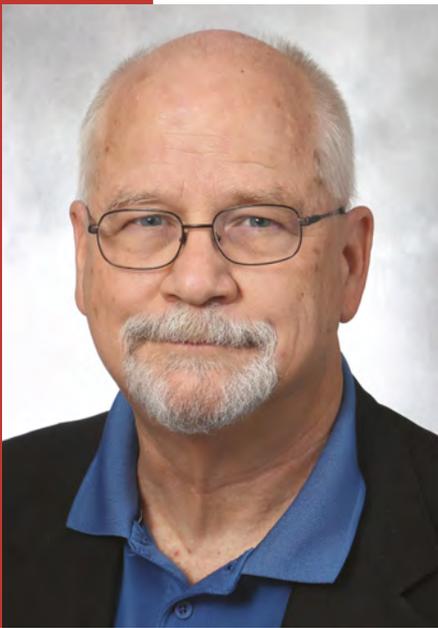
Rollo
REDBURN

Executive Director, Oklahoma Lottery,
President of the Board of MUSL
(Multi-State Lottery Association)

The MUSL Five-Year Growth Plan

Paul Jason:

What can you tell us about the five-year plan recently codified by the MUSL Board of Directors? What are some of the changes in focus or priorities?

Rollo Redburn:

Thank you for asking this, Paul. MUSL, like the rest of the lottery industry, is experiencing great opportunities and challenges. For many reasons faced by all organizations, it was time to take more formal action to ensure future successes. We felt that it was time to develop a relevant, living and breathing document to outline where the MUSL organization needed to go, and how to get there - a Strategic Plan.

MUSL leadership developed an outline to help the Board formulate a strategic intent for the organization. MUSL contracted with TPG Companies out of Des Moines, to facilitate multiple meetings of the Board to work on this new strategic intent. The goal: to establish a strategic plan that would lay the groundwork for the development and improvement of the MUSL organization over the next five years. Board members who could make the meetings met on more than one occasion with TPG professional consultants. These consultants facilitated passionate discussions about the subject matter. The plan that was developed describes the result as "One Vision – One Team – One Overarching Goal".

The Board confirmed the Strategic Plan at the Denver Board meeting in June 2017. The Board is currently working on the Implementation Plan and should confirm the first step of that plan at the MUSL Board meeting during the PGRI conference in Atlanta. In developing the Strategic Plan, the Board started by reaffirming what matters the most. We looked at where we are now and where we want to go. We looked at things that might prevent us getting there and things that can help us get there. Finally, we defined what success would look like.

The Strategic Plan establishes a vision of where MUSL is going "To be the preeminent and most respected enterprise in the global lottery industry".

MUSL's mission is "To provide Member Lotteries with world-class games to maximize profits responsibly for good causes."

Rollo Redburn:

MUSL will do this adhering to core values of Integrity, Accountability, Transparency, Entertainment and Innovation. ***MUSL's established strategic intent is to "Double the Power!" – by June 30, 2022; to double gross gaming revenues to $6 billion***

derived from multi-jurisdictional games offered or facilitated by MUSL. To achieve this strategic intent, the Board identified four Strategic Pillars: International Opportunities; Powerball and Other Games; Organization Excellence; and Industry Collaboration.

As I indicated, we have not completed the Implementation Plan. We are appointing Board members to a working group for each Strategic Pillar. The working groups will propose objectives. The objectives are the first step of the implementation plan. The Board will address these in October. My hope over the next few months is to do what I can to make sure that each MUSL Board member is participating to the extent that they can in Board business; that our communications with each other is pristine; and that MUSL continues to make progress in development of our plans and execution of our plans. Our success as an organization depends on our ability to be involved, communicate ideas and reach consensus.

Powerball is one of the most phenomenally successful brands in the world. And it continues to innovate to capture the imagination of its audience. What is MUSL doing to drive growth of Powerball over the next two, three, four years?

Rollo Redburn:

The Powerball Game Group will implement a new game feature, "Winner Take All",

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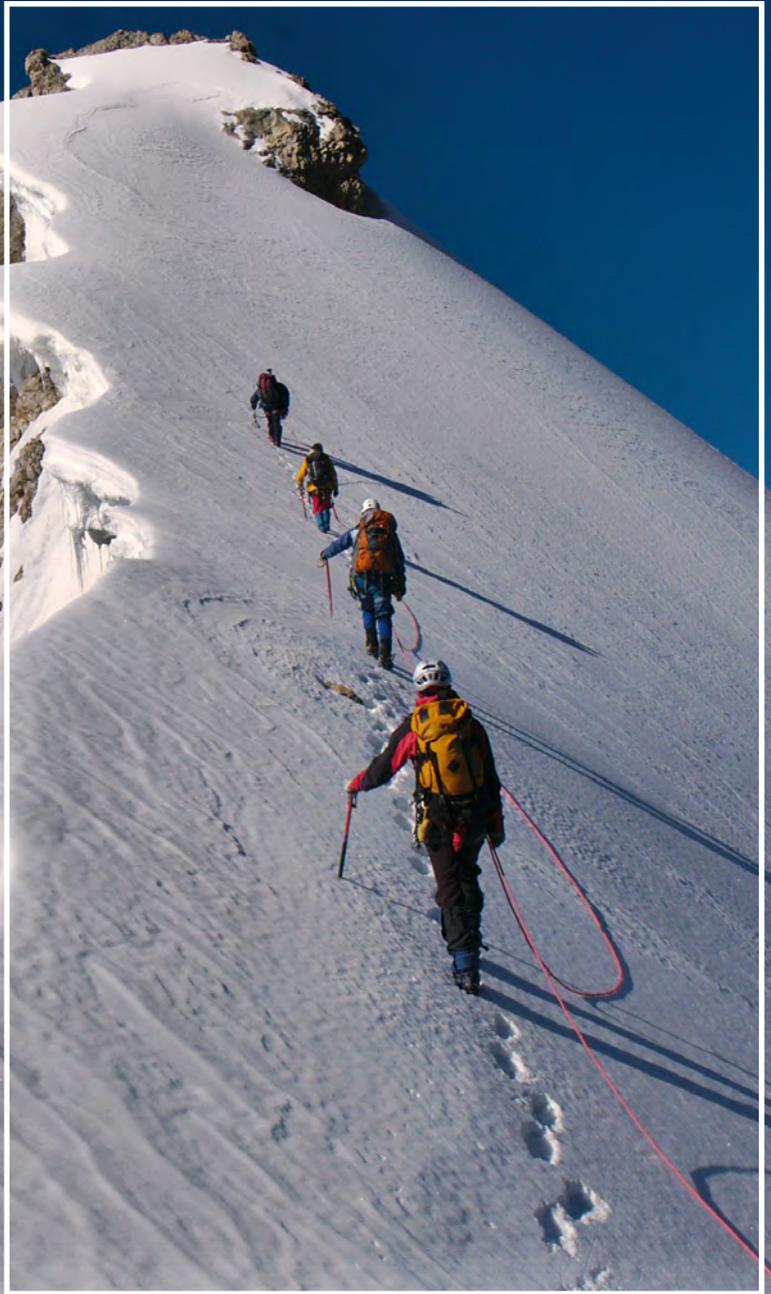
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mid-April of 2018. In addition, as noted in our discussion about the Strategic Plan, "Powerball and Other Games" is one of the four Strategic Pillars of the Plan. The objectives developed by the working group and approved by the Board will establish what MUSL will do to drive Powerball future development and sales.

Powerball and Mega Millions are two different brands, two different games, which are owned and managed by two different sets of lottery directors. To what extent do MUSL/Powerball directors and MegaMillions Consortium directors collaborate to optimize the synergy in the market-place and achieve optimal overall performance of the two games?

Rollo Redburn:

Communication is key. We must keep talking and improve our collaboration over time. Notice that "Industry Collaboration" is also one of our Pillars. The goal of that working group is to identify opportunities to improve in this area and suggest the things we need to do to take advantage of the opportunities.

We have 47 independent lotteries operating in the US, Puerto Rico and the US Virgin Islands. Thirty-six of those are MUSL members and the remaining 11 are MegaMillions Consortium lotteries. The groups offer different multi-state games. They developed as separate games and controlling groups and operated independently for many years.

Cross-sell, allowing lotteries in either group to sell both games started in February of 2010. Since then, product decisions are made with some consideration and informal input from the other group, but not as much as we need to do. My hope is that we can improve that process.

What are some of the hoped-for outcomes of collaborative decision-making when it comes to coordinating the actions of the two different groups (i.e. PB and Mega) to optimize overall performance of the two games?

Rollo Redburn:

Effective collaboration might result in future developments for those two huge games providing a better market basket of products that every lottery has the ability to offer. Games that are too similar can work

against each other to some extent. A little more variety may be better. On the other hand, if one game is high and the other one is not, jackpot-seeking players will play the higher jackpot. When it gets hit, perhaps the other JP will be higher soon; a "rotating JP" carousel. There is a lot of discussion about the development of these games. There is no consensus about the kind of results that better collaboration might provide, but we have several different opinions (imagine that!). The result that we all want is to improve our product offerings to our players and firm up the consistency and growth in the profits for our good causes.

Coordinating a national brand-building, messaging, advertising, promotions, etc. strategy would seem to have compelling potential to increase sales. Unfortunately, it is also fraught with formidable obstacles. Thirty-six different lotteries have thirty-six different agendas, different statutes that proscribe how the games can be marketed, different gaming cultures, etc. all of which make it hard to develop a one-size-fits-all campaign. Is that the bottom line – states will continue to manage marketing, advertising, and promotion which means MUSL will not likely be in a position to coordinate a nation-wide marketing strategy?

Rollo Redburn:

You have provided a comprehensive assessment of the situation, including some accurate statements about state requirements. But, they do not prevent MUSL from coordinating a nation-wide marketing strategy.

I confess I do not have all of the answers, but I do know that this is a possibility, and one we have had some success with in the past. We will keep discussing this until we come up with something that works for the MUSL membership. The marketing geniuses that comprise some of the MUSL membership and the brilliant minds working in the individual lotteries, including Oklahoma's lottery, have been giving this issue some thought for years. An interesting comment and one that also represents part of the hurdle that must be crossed is the one that says "Whatever State A is doing to advertise Powerball doesn't matter in my state. To reach our players, we need to advertise in our state and advertise in a way that will move our players and potential players to make a purchase."

Whatever MUSL develops as a nation-wide marketing strategy must positively affect perception about the games, enhance the reputation of the industry and have a positive impact on the sales of most if not all of its members. That could consist of national advertising and promotional deals as well as development of sharable concepts and materials. Member Lotteries will continue to market the products in their jurisdictions as they deem effective and appropriate. That might include MUSL-developed materials and concepts as well as their own.

As you know, the MUSL Marketing and Promotions Committee developed, and the Powerball Game Group provided, promotions offered by Members wishing to use the promotion. Powerball has another one on the drawing board for the planned game change in 2018. All of these actions contribute towards improving MUSL's skill in finding / developing such promotional opportunities and we plan to keep taking advantage of all the opportunities we can to enhance our game offerings and achieve our strategic initiatives. New ways to do this are being discussed.

Powerball is the flagship brand, but MUSL operates other very successful games as well. Is there a focus on driving growth in your other properties, and perhaps diversifying the game portfolio with new games?

Rollo Redburn:

The short answer is of course "yes". For example, two significant upcoming game changes include Hot Lotto going away at the end of October, and a new Lotto * America game will start up mid-November. But there is also an element of "we need to wait and see". This is another area where we have established a Strategic Pillar to address "Powerball and Other Games". We will have a working group dedicated to creating strategic objectives to address this issue. We will address possible enhancements to other existing games and look into the possibilities for additional games, all as are deemed appropriate by the Board and the participating lotteries in those games.

The outcome of lottery games is by definition random. The fact that actions of the player have zero influence on the outcome is a benefit in many ways, but it also limits the variety
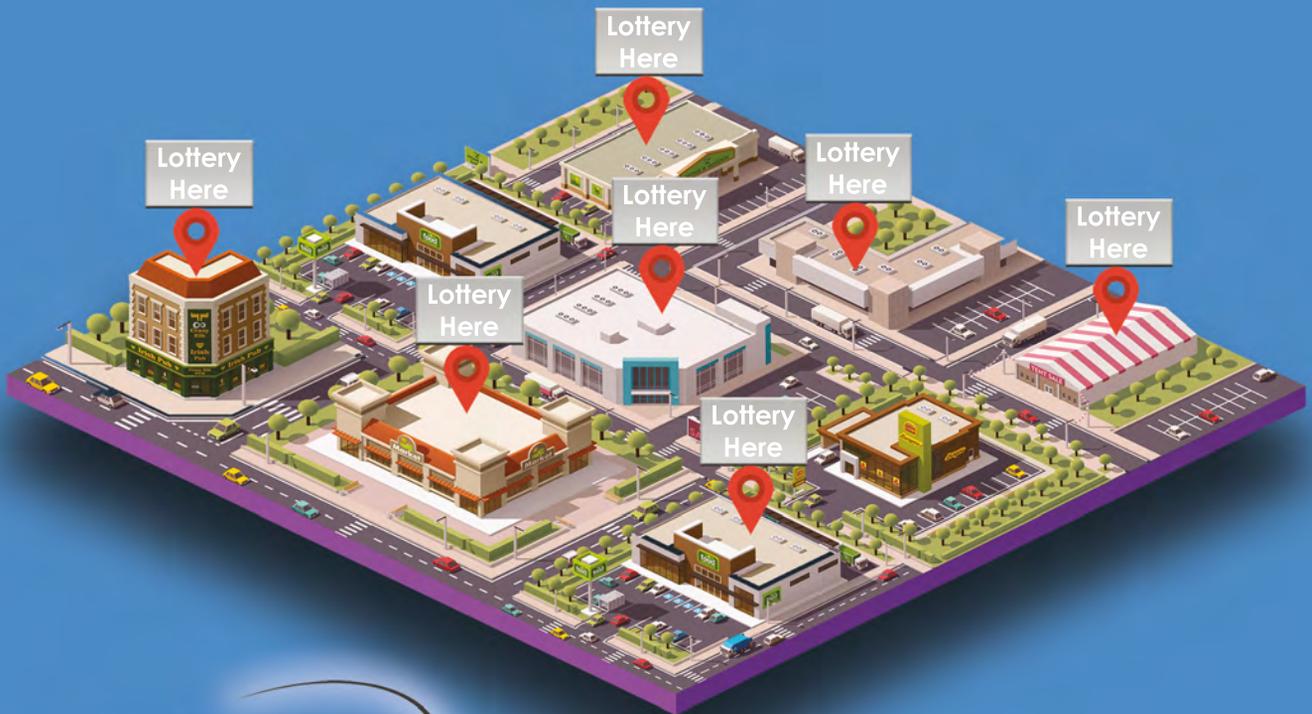
Wendy
MONTGOMERY

Senior Vice President
Lottery and IGaming, Ontario Lottery & Gaming

Focusing on the Whole Consumer Experience

PGRI Introduction:

It may be called the "Store of the Future" strategy. But OLG's massive undertaking to reshape the customer journey is about much more than modernizing the in-store shopping experience. It's about reimagining our business and building a new and different kind of relationship with the modern consumer. Of course it involves the application of omni-channel modeling, digitization of the in-store shopping experience, integration of online and off-line, and all the initiatives that we should all be pursuing. But mostly it is about clarifying the focus to bring everything together to deliver genuine value to the customer.

Paul Jason:

Could you describe OLG's "store of the future" strategy to modernize the overall player experience.

Wendy Montgomery:

Conceptually, we think of the "store" as being the face of OLG to the consumer. We want to reimagine how the face of lottery can be most attractive and engaging for the modern consumer. We get there with technology and availability.

There is significant potential for OLG to apply technology to change the way the player experiences the games—not to mention how the entire interaction between us and the retailer can be revitalized. As an industry, we need to accelerate the rate at which we apply technology to modernize the whole lottery playing experience and make the customer journey more appealing and interesting. The fundamental purpose of enhanced technology is a more engaged customer. Simple things like downloading the OLG apps to check winning tickets, signing up for newsletters and joining a Players Club are all ways to help that engagement build. Adding digital menu boards and digital play-stations will also reshape the retail shopping and lottery playing experience. Focusing on the entire customer journey will enhance the overall value proposition. The 'store of the future' is really an omni-channel experience with digital connection between the consumer and OLG at every step along the journey.

I also think it's about creating much more diversity in terms of how and where lottery products are made available. Now it's multi-lane selling in grocery stores and large format stores, non-traditional venues and, of course, on mobile.

We celebrate the acquisition of new consumer groups when high jackpots bring out the casual players and attract first-time players. But are we leveraging that event to convert that casual player into a frequent player, and the first-time player into a casual or more frequent player?

Wendy Montgomery:

There is the cost of acquiring the customer, i.e. what it costs to get a player to play one time. And then there is the lifetime value of the customer, i.e. how much does that customer play in the future. For example, we see increased player-ship of new and infrequent players when jackpots are high. (The value of high jackpots is partly measured by the huge bump in sales, improving our profit to Ontario.) An equally important goal, though, is to make sure we use that marketing event to increase the lifetime value of the customer. It is an opportunity to deliver a player experience that will cause the casual player to play more and the first-time player to want to play again.

When the jackpot rises it is especially evident how incredibly powerful the value proposition of the game itself really is. Winning a life-changing jackpot has cross-demographic appeal and that includes all varieties of the modern consumer. It is the large jackpots that create the buzz and the excitement and attract the first-time players to OLG. That's as true for today as it has been throughout our history.

With great knowledge
Comes great opportunity

Last Purchase:
1 week ago

**Favorite
Scratch Card:**
20x the cash

**Average
Monthly Spend:**
22.8 $

Age: 43.5

**Latest
e-Instants Played:**
VIP Black

Loyalty:
1,320 points

360°
iLottery
Solutions

PLATFORM
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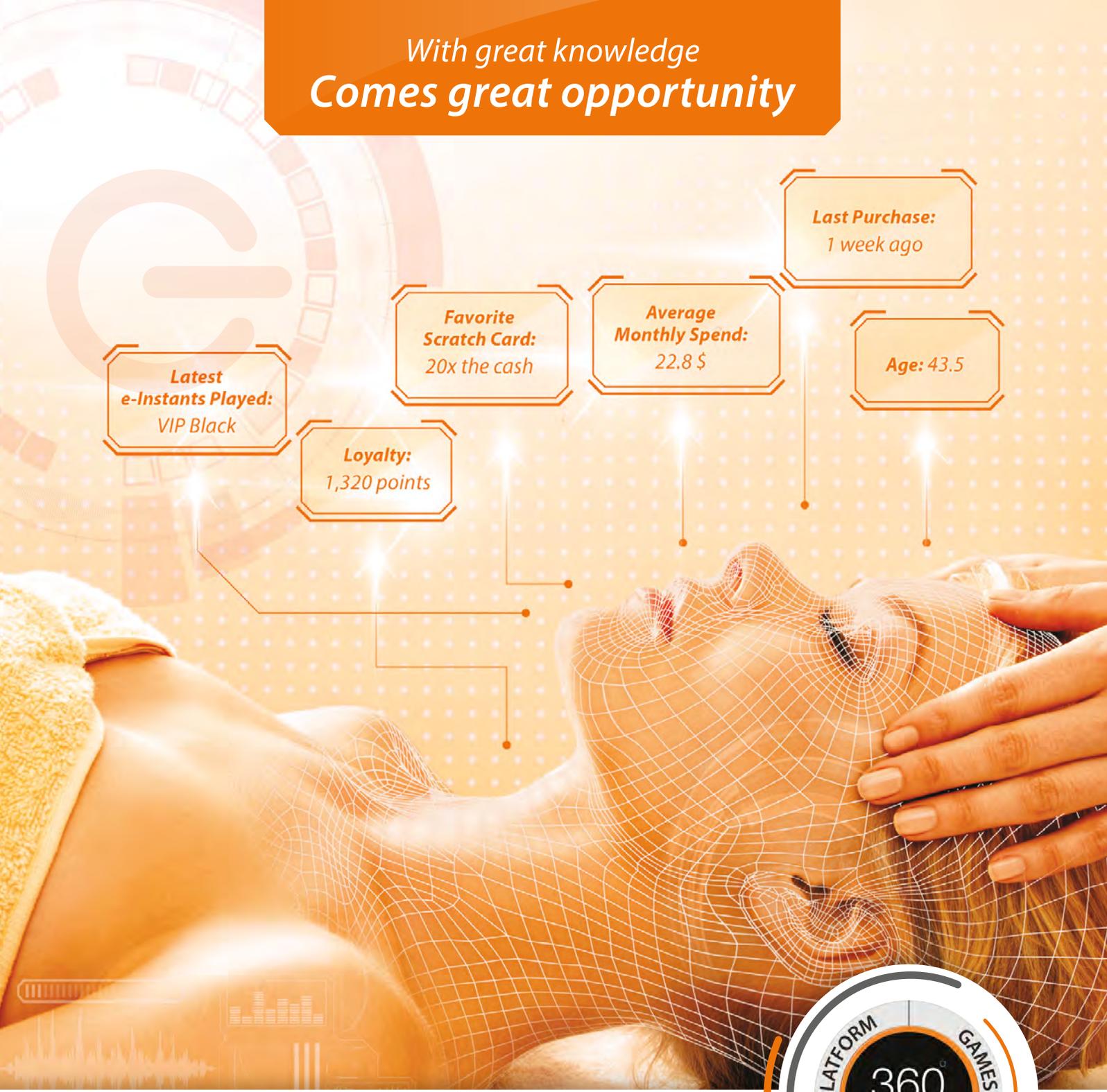
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There are also countless small things that add up to a customer journey or a player experience. The world where buying decisions are based primarily on practical matters of functionality and material value is long gone. Today, the calculus applied to the purchase of things like clothes, or automobiles, or watches bears little resemblance to the practical value delivered by those products. Starbucks is the iconic example of how the overall consumer experience can transform the value of an otherwise simple commodity like coffee. Our task in the lottery business is to provide the modern consumer with a modern player experience—a customer journey that they want to repeat.

The goal of the modern business success stories is not ever to "meet the needs of the consumer". Starbucks and Apple and other successful marketers are changing consumer behavior, creating new demand for something that did not even exist. Should we be focused on "meeting the needs" and "creating options" for the consumer or something more ambitious?

Wendy Montgomery:

It's not about exceeding expectations or delighting the customer or "meeting the needs" or "providing the consumer with options". Mobile apps are a good example. We could do a mobile app because that's what some of our customers want. But that is missing the whole point. We want to have customers interact with us in new and different ways. That is not only a measure of engagement, it is a catalyst to further interaction and deeper engagement.

Delivering a modernized player experience is not about "meeting the needs of the modern consumer". The goal is to deliver an experience that enhances the customers' overall lottery playing experience. That is what all successful companies are doing. Did Steve Jobs, Bill Gates, the founders of Google, Facebook, Uber, Starbucks or any other business leader in modern times have as their goal to "meet the needs" or "provide the consumer with options". No – the goal is to enhance the customer journey such that the customer enjoys benefits that they didn't even know existed.

So, the whole concept of "Player Journey" isn't just about optimizing the player experience from stem to stern. It's about changing

consumer behaviors as a way to further engagement.

Wendy Montgomery:

It all matters, every detail about the consumer experience contributes to or detracts from the overall value received by the customer. Digitizing the in-store player experience causes the consumer to think differently about lottery, if for no other

> ## "Much more than other products, lottery engages the customer in a multi-step, multi-faceted relationship … that represents a perfect foundation for building a dynamic and active CRM-based relationship with our customers. "

reason than to learn a new way of looking at the inventory of product and playing the lottery. Change for changes' sake is in fact good because it causes one to think, to be aware. Now, having the change result in a better experience is also good. The OLG mobile app to check winning numbers is much more convenient and timely than the alternatives. The digital menu board profoundly enhances the whole process of playing the lottery and buying a ticket in a check-out lane. The games may not be changing at all, but the customer journey is changing in a big way, the overall player experience becomes digitized (and better) for the modern consumer.

What specifically is the "store of the future" initiative leading you to do?

Wendy Montgomery:

We are in the process of replacing our entire fleet of terminals at retail. We are analyzing the marketplace to see how we can reinvent the retail environment to create the POS and overall shopping experience of the future. Our whole focus is on creating that digital connection with the in-store shopper and applying technology to enable the omni-channel interaction with the consumer.

We have done extensive research with customers to understand their pain-points

at retail. We asked: what are the things that get in the way of them wanting to purchase? We heard about how waiting in lines is a disincentive. We heard about how consumers don't want to take the time of the retail clerk and the people behind them in line to talk about lottery. We heard that the POS might not be easily visible. As a result, we are looking at ways in which the terminals can be a part of a broader technological solution that reshapes the whole in-store lottery playing experience. Play stands, ticket checkers, new kinds of tickets, new screens, digital menu boards and play-stations all have a role to play. We hope to introduce a whole new playing experience to the store environment. Thinking about our product as being an entire player journey causes us to think about how to optimize the entire experience.

We can't depend on the prospect of winning the lottery or creating the possibility for a life-changing event to keep attracting the players every time. We need to look at the countless ways we can deliver more value to the player. We need to provide the opportunity to share a game-playing experience with others; to see the OLG app in action—ultimately, so customers can derive enjoyment and value from things other than the outcome of the game itself.

The second-chance draw would seem to be a powerful tool for driving registrations and engagement. Are we tapping into its full potential?

Wendy Montgomery:

I don't think so. In fact, we may be missing an opportunity. In Ontario, we have second-chance draws on many instant tickets. But we are not applying a consistent

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DiamondGame

An Invitation From APLA Chairman Dato Lawrence Lim Swee Lin

On behalf of the Asia Pacific Lottery Association, I would like to welcome all of you to Aotearoa or, as it is popularly known by New Zealanders, the "The Land of the Long White Cloud". This year's conference is being hosted by Lotto New Zealand and the theme is "Creativity for Growth". Much like the theme of the seminar in Chengdu in April 2017, which focused on the need to transform or else be disrupted, this conference focuses on how creativity is an essential part of any transformational growth journey. Creativity goes hand in hand with innovation. While creativity is the ability to produce new and unique ideas, innovation is the implementation of that creativity - that's the introduction of a new idea, solution, process, or product. Creativity is the driving force behind innovation and it means looking at things from a different perspective, trying to think outside of the existing rules and norms. Creativity improves the process of solving problems. Increased creativity leads to greater innovation within an organisation and is a key driver for greater success over the long run. Many key speakers have been invited to share with us their expertise and ignite us along the way with new ideas to bring back to our Organisations. New Zealand is famous for its spectacularly beautiful landscape, including vast mountain chains, volcanoes, sweeping coastlines, deeply indented fiords and lush rainforest's. It was this stunning landscape that propelled the "Lord of the Rings" movies onto the world stage and made an indelible impression on all who watched these films. The networking day will give you an opportunity to experience much of the beautiful landscape of New Zealand and the renowned "Kiwi hospitality", as well as catching up with your peers from lotteries across the Asia Pacific region. I look forward to personally welcoming each and every one of you to the 2017 APLA Regional Conference in Auckland, New Zealand.

The fastest growing of the five regional associations of the World Lottery Association (WLA), APLA represents lotteries from the Asia Pacific region, including China, Japan, Australia, New Zealand, India, Singapore, Malaysia, Philippines just to name a few. APLA is a forum to cultivate and strengthen communications for the benefit of sharing information and experience within the worldwide lottery industry. APLA constantly innovates and develops programs to benefit the members.

Visit **AsiaPacific-lotteries.com** for more information about APLA, and updates on the Creativity for Growth program, incredible team of keynote speakers, session topics, registration, hotel accommodations, and travel information.

Creativity for Growth
The APLA Annual Conference to be held October 30 to November 3 in Auckland, New Zealand

Download the specially developed mobile app from App store or Play store to stay abreast of the conference information.

Welcome From Host Lotto New Zealand Chief Executive Wayne Pickup

A warm welcome from Lotto New Zealand! On behalf of Lotto New Zealand, it is my great pleasure to welcome members of the Asia Pacific Lottery Association to Auckland, New Zealand. The theme of this year's conference is Creativity for Growth. A challenge for most businesses and their leaders is a continued drive for growth. The requirement to continually deliver improved results places a number of demands on an organization and its people. Unlocking the answer to where growth will come from demands a number of things, not least creativity. The ability for an organization to tap into its creative intelligence is often a defining characteristic of whether it stays nimble, ahead of the crowd and continues to grow. The lottery industry is no exception. Selling hope and dreams demands that we continue to come up with new ideas and imagine new possibilities. Another name for creativity for growth in New Zealand is the "number 8 wire" mentality. Number 8 wire is the fencing wire that New Zealand farmers use to make fencing for their sheep paddocks and, because farmers often had rolls of it on hand, the wire would often be used inventively to solve mechanical or structural problems. Now the term "number 8 wire" has expanded beyond mechanical problems to talk about how, given the size of our domestic market and geographical isolation, New Zealand has embraced creativity to compete in a global marketplace. We have a number of inspiring and engaging keynote speakers, who will challenge traditional thinking and stretch our imaginations for new possibilities by demonstrating how creativity across a number of fields – including technology, the film industry, marketing, and even fishing entertainment – have contributed to terrific growth stories. I personally look forward to welcoming you in Auckland later this year. The conference is always a great chance to catch up with friends, learn from the experience of other lotteries, and identify opportunities to collaborate.

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Dato Lawrence
LIM SWEE LIN

Chief Executive Officer,

Magnum Corporation Sdn Bhd, Malaysia

Chairman, Asia Pacific Lottery Association

PGRI Introduction:

In 1968, Magnum Corporation (MCSB) became the first private company to be awarded the license by the Malaysian Government to operate the hugely successful 4Digit numbers forecast betting game in Malaysia. Magnum is listed on the Main Stock Exchange Board in Kuala Lumpur, Malaysia, and is the first Lottery in Asia to obtain the WLA SCS certification. There are a total of three private National Lottery Operators licensed by the Malaysian Government all fighting for the same customers. Malaysia is predominantly a Muslim majority country and gambling is prohibited under the Muslim religion.

Dato Lawrence Lim Swee Lin graduated from the University of Sheffield, UK with a Bachelor of Arts Degree in Economics (Honours) and a Master Degree of Business Administration from the Victoria University of Manchester, UK. "Dato" is a title conferred by the royal sultans in Malaysia and is awarded to key personalities in the country. With experience in the Merchant Banking and Manufacturing sectors, Lawrence joined the Magnum Group in the year 2000 and has held the helm since 2008.

Paul Jason:

Please describe your portfolio of products and channel mix.

Dato Lawrence Lim Swee Lin:

Magnum pioneered the offering of legalized fixed odds 4 Digit Numbers game in Malaysia. In 2009, Magnum designed and copyrighted the first of its kind combination of the popular 4Digit game with a Jackpot element, which is popularly called the 4D Jackpot game. This game primarily attracts players from the illegal market. Owing to the popularity of this game, Magnum later also designed and rolled out the Jackpot Gold and 4D Powerball games. Again, leveraging on the strengths in combining a fixed odd with a pari-mutuel element to create the winning experience.

Magnum currently can only sell via its physical retail outlets; reason being the current legislation does not permit any online channels.

What games are offered by MCSB in Malaysia? Which games are trending up?

Dato Lawrence Lim Swee Lin:

Like all Jackpot based games, when the Jackpot level is high, the customer response is more intense. However the 4 Digit number games are still the more popular game here. The games offered by MCSB in Malaysia are 4D Classic, 4D Jackpot, 4D

Jackpot GOLD and 4D Jackpot Powerball. 4D Classic (which is the traditional 4digit fixed odds game) is still the most popular game in Malaysia. The same phenomenon is also experienced here in that the customers will follow where the Jackpot level is high but the absolute amount is still lower than the 4D Classic game.

This year we introduced a fractional play to enable our customers to cover more bets but pay less and still get a share of the Jackpot amount. This is very well received and supported by our customers.

Is the regulatory framework set so that it is not likely to change in the coming years? Or do you expect that more games will be licensed, and online or other methods of distribution allowed?

Dato Lawrence Lim Swee Lin:

It is about convincing the authorities the rationale for game changes: to appreciate the impact that legalized, regulated, and taxed games have over the illegals, and the loss in revenue that occurs if we cannot compete with them. More importantly, the game itself must be what the players will find interesting and will play! As far as alternative channels like online are concerned, it is more challenging as that requires legislative changes to allow it.

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LOTTOLAND – THE TRUTH

by Nigel Birrell, CEO of Lottoland

I'm extremely proud to be the CEO of Lottoland, which is why I can no longer sit back and allow traditional lottery operators to spread untruths about us in the market.

Lottoland is officially licensed by the Government of Gibraltar; the UK Gambling Commission; the Republic of Ireland License Office (Revenue Commissioner); and Australia's Northern Territory Government. We do not break any laws and are fully compliant with EU regulations and the terms of all our licenses, we also pay all taxes in the countries that we operate in.

Lottoland brings better choice, value and innovation to customers and the betting market via a wide range of new and differentiated products and features. We offer our customers bets on more than 30 different lotteries - most of which customers do not have direct access to otherwise.

We are careful not to infringe anyone else's trademarks and own many of our own (we have over 70 registered trademarks within our IP portfolio and currently have many more at the application stage). The "Lottoland' brand is now recognised all over the world and it is very flattering that in just a few years we have created a business that is well-liked by over 6 million customers and is also on the radar of large lottery companies who insist on trying to undermine what we are doing. We are passionate about choice and value, and we strongly believe that once people understand our offering any misperceptions will disappear.

Betting customers have been betting on the outcome of lottery draws for years but winnings have been capped at low amounts – at Lottoland we enable players to bet to win life-changing jackpot prizes. We have recently extended our offer to provide B2B services to other gaming operators who are looking to do the same. A logical extension of this service could be to partner with a traditional lottery operator.

Moreover, Lottoland's insurance-backed business model, allows it to offer unique features such as "DoubleJackpot" (allowing players to double their jackpot winnings on any lottery) or "NumberShield" (allowing players to protect themselves from dilution), all this from the convenience of their own device. In this way, our lotto betting products are distinctly different to what the lotteries out there offer, many of our unique features (such as "DoubleJackpot") are even contrary to the traditional lottery mechanics and logic.

Through customer research we've found that often people who bet on Lottoland will remain buying lottery tickets from their National Lotteries. That's because when coming to Lottoland customers are looking for something very different to the traditional lottery buying experience. For this reason and as further explained we do not see ourselves in direct competition with existing lottery providers – we are attracting a new customer group.

Furthermore, there is no evidence to support the claim that we are having a significant impact on sales in either Europe or Australia. For example, in Australia, Lottoland accounts for less than 1% of Tatts overall revenue. In the United Kingdom, both the Government (DCMS) and the Gambling Commission have both publically stated that there is no evidence to suggest that Lottoland is having an impact on the National Lottery or Good Causes – our sales account for less than 0.1% of Camelot's revenues.

We applaud the good work that National Lotteries across the world are doing in regards to Good Causes, we are not here to take money away from them and we do support local charities in the countries that we operate in. For instance, in Germany, we support a variety of different projects and institutions in the fields of sports and support for disabled people with the Lottoland Foundation (Lottoland Stiftung). In Australia, Lottoland is a major sponsor of the Manly Warringah rugby league club and have recently announced that it will be backing the Mitchell Street Mile race –the charity partner for the race is the Royal Flying Doctors service that will receive AUS $25k from Lottoland Australia plus AUS $25 for every entrant into the race.

We also take player protection very seriously. We offer player protection on our sites, promote responsible gaming and we are focused on delivering a safe and transparent environment for our customers. Key measures that have been taken include; Deposit limit, self-exclusion, age verification; and Games Reality Check. Odds for Lottery bet are also published on our website in a clear and transparent fashion.

Lottoland has never failed to payout a genuine winner - we guarantee all payouts through a sophisticated tried-and-tested insurance structure. This structure is at the heart of our operation and, as pioneers in this area, we are extremely proud of it. We have had to prove our payout capabilities across all of our products as part of the stringent due diligence process in all the regulated markets we have entered into. To-date we have paid out €843m in total payouts - €275 million of this was in lottery prizes and the biggest single prize paid to-date was €22 million. Also as the payment of winnings links to the integrity of our company, any allegation that Lottoland does not payout is taken extremely seriously as such misinformation puts at risk those things that we have built up over the years, such as professionalism, trust reputation, and goodwill.

As I said at the start, I am extremely proud to be the CEO of Lottoland and hope that this article will help set the record straight. Lottoland is here to stay. ∎

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VIRGINIA GRIDIRON STANDOUT LEADS
THE TEAM OF WINNING MILLENNIALS

US LOTTERIES SEE A SPATE OF YOUNGER WINNERS…BUT MORE NEEDED

Jim Acton, Lottery Industry Consultant
and PGRI Editorial Contributor

Chuck Davis from University of Virginia (L)

*Chuck Davis with grandmother Rebecca Thomas
and brother Damon Davis(R)*

For four years at Broad Run High School in Loudoun County, Virginia, Chuck Davis was known for his hard work, strong play and smart decision-making. His efforts resulted in many honors, including first-team all-conference designation as a wide receiver and defensive back his senior year.

Chuck's good decisions continued last year when he decided to take his talents close to home, enrolling at the University of Virginia where he is currently a red-shirt freshman on the Cavaliers football team.

And he made another more good decision in June, this one involving the Virginia Lottery.

On Sunday, June 25, after a morning workout, Davis swung by the 7-Eleven in Ashburn, VA, to buy coffee for his mother. As he walked into the store, for a reason he can't explain, the license plate on the car, which belongs to his grandmother Rebecca Thomas, caught his eye.

"I knew that my grandmother uses her license plate number for her lottery tickets," Davis said. "So I decided to play those numbers for the Cash 5 drawing, and went home."

Later that day, his grandmother called him to bemoan the fact that her number had been pulled in the midday draw and she didn't play. Chuck said that comment from his grandmother resulted in an adrenaline pump like that when he's streaking down the sidelines towards the end zone after making a catch.

"I grabbed the ticket and looked at the numbers and yelled, 'I won,'" he said. "Then my grandmother started yelling and crying.

We were shouting together. It was a great moment."

For his fortuitous decision, Chuck won the $100,000 top prize.

A RUN OF MILLENNIAL LUCK

Mr. Davis' good fortune actually took place during a period in June that featured a number of lottery winners who aren't yet old enough to drink. In addition to the 20-year-old Davis:

- A California 19-year-old won twice on two different scratch tickets. Rosa Dominguez first won $555,555 on the California Lottery's $5 Power 5's scratch ticket in early June. A few days later, she stopped at a local gas station and bought a $5 Lucky Fortune Scratcher. This time she won the top prize of $100,000. One week haul - $655,000.

- Twenty-year old college student Erin Haggerty, a resident of Pine City, NY, won $1 million scratching the "Win $1,000 A Week For Life" ticket. Erin's mother frequently sends her son and daughter greeting cards with NY Lottery scratch tickets. While at school at High Point College in North Carolina, Erin scratched…and won! The story was covered extensively by the New York press.

- Also in New York, 19-year-old Anthony Lavarone stopped to fill his tires at a c-store in Ballston Spa, NY, and asked his friend to buy him his favorite tickets while he worked on his car. Later that night, Lavarone scratched his $1 Million

Cashword ticket and discovered that he had won a top prize of $1 million. Again, the NY press, including both television and newspaper, covered this story extensively.

Fast forward to the end of July and the Massachusetts Lottery boasted its own lucky millennial, this one with a terrific personal story. Alexander LaVertue, a 21-year-old resident of Boston, won $1 million in the Lottery's 200X $30 instant ticket. Alexander is a member of the U.S. Army Reserves and is based out of New Hampshire, having completed his basic training in the summer of 2016

MILLENNIALS AREN'T ON BOARD - YET

These high-profile, youthful winners come at a time of reflection within the industry as U.S. lotteries work to attract younger players. Only a third of Americans aged 18 to 29 said they played the lottery in the past year, compared with 61 percent for those aged 50 to 64, according to a 2016 Gallup survey. The rate for millennials fell from 39 percent in surveys conducted in 2003 and 2007, Gallup said. For all other age groups, the likelihood of playing went up over the past decade.

A Reuters article in February provided some thoughts from millennials on the Lottery.

"I feel like everything's just too expensive nowadays to just kind of throw away your money on luck," Melissa Mancilla, a 21-year-old hotel worker, said outside a downtown Los Angeles convenience store.

150 UNIQUE COMBINATIONS

Destination Recreation Female, age 25 – 34, an Instant Game Fan with a preference for $5 games.

Balance and Harmony Male, age 45 – 54, a Gaming Dabbler with a preference for Numbers games.

These may read like personal ads, but they are just two of the millions of consumer types that Scientific Games' Market Insights Team can identify by applying 150 unique combinations. Because when you know who buys your games, you can reach them easier, create games they want to play, and provide them with an experience that will bring them back for more.

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Because Real Counts

Jennifer
WELSHONS

Senior Vice President, Marketing
Scientific Games Lottery

PGRI Introduction:

Supplying 3,000+ instant games per year to more than 120 lotteries globally – and driving more than 75% of the industry's retail sales for instant products – Scientific Games is in a unique position to capture and analyze data that helps them understand player behavior. The cutting edge of true innovation, though, is to translate player insights into action that helps drive lottery revenues and increase funding for good causes. This is the focus of our interview at the 2017 NASPL Professional Development Seminar in Nashville, Tennessee.

It was almost two years ago that Jennifer Welshons wrote a groundbreaking article for this magazine based on a uniquely ambitious research project. This research project combined Scientific Games Lottery's nearly 45 years of experience and 1,800+ research projects with its immense database of real-world player behavior, and continually advancing analytical tools and research methodologies.
The company's ONE™ consumer segmentation study – the first of its kind to span lottery and gaming categories in the U.S. and Europe – introduced entirely new paradigms for understanding player motivations and creating the products and messaging to appeal to the modern consumer. By shifting the focus from traditional demographic categories (age, gender, ethnicity, income, etc.) to player motivation, ONE redefined the way player profiles are segmented and classified, and enabled product and promotion development to focus on the more relevant drivers of consumer behavior. The (N)ever Changing Conversation (visit the Scientific Games section of Partner Articles at PGRLibrary.com) is the article that summarized the insights from the ONE study conducted by Welshons and the Marketing & Insights team she leads at Scientific Games.

Most recently, Welshons and team used the ONE framework to create a customized market research online community (MROC) platform called ONEVoice™ to capture entirely new data that provides a 360-degree view of players through a community of engaged consumers who are ready and willing to share their feedback.

Paul Jason:

What proved to be the most useful or actionable insights of Scientific Games' ONE study?

Jennifer Welshons:

The challenge has always been to combine market intelligence and data from multiple sources and convert it all into a common language. By establishing a common language to convert different descriptors and metrics into a single common denominator with the same terminology, the ONE study synthesizes the way insights and results from different sources are described. For example, we have one lottery customer that has fully adopted our ONE framework into their business. Now when we work with them on product and promotion planning, we are able to evaluate focus group findings, panel concept testing results, and any second chance entry data in an effective manner because all of the information is reported by segment. There is a common denominator linking it all, which helps convert information to action. This approach is catching on with other customers, which benefits everyone. When we do our own R&D work, we no longer have to rely on varying player definitions; we can tell a customer who is trying to reach a certain segment of people,

"hey, these three games tested high for the 'Friend' segment you're trying to reach" and they know exactly what we're talking about. This common language is certainly near the top of the list of most useful accomplishments from our ONE study.

So now you can focus on applying the insights instead of the methodologies?

Jennifer Welshons: Yes. A fundamental of research is isolating variables to ensure validity. The ONE framework gives us the ability to hold constant the core aspects of consumers, those which don't easily change, yet greatly define their relationship with gaming products. From there, we can layer on additional ways of segmenting, such as buying behavior, social media usage, and shopper journeys, to name a few. Even new research methodologies can be applied. It is the common language framework based on motivations for engaging in lottery products that does not change and frees us up to focus on the insights that drive actionable marketing, promotion, and product development strategies. This becomes especially important when trying to merge insights from different gaming categories, like consumer behavior at a slot machine in the casino and consumer behavior at the lottery point-of-sale in a retail store. Being able to blend data based on a unifying factor (motivation) allows us create the foundation for the next step, which is implementation and execution.

How did the results of the ONE study change Scientific Games' point-of-view?

Jennifer Welshons: Our point-of-view prior to ONE was informed by many years of research, observation, and analyses of hundreds of studies we conducted with lotteries all around the world. Our purpose was to apply common language methodologies that might reveal oversights or misguided conclusions. We accomplished this and, not surprisingly, the common language also validated much of our previous point-of-view. Both insights, i.e. the ones that corrected misconceptions and the ones that validated previously held conceptions, are valuable.

Scientific Games is focused on translating knowledge into action plans that are applied in the real world. We discovered that actual implementation has less to do with the relevance and reliability of the knowledge than with the practical matters of creating alignment with all the different stakeholders, whose buy-in is crucial. Everyone may agree that change, a course of action based on the evidence, is clearly needed. But unlocking the power of business analytics and intelligence and integrating these into the information systems is difficult. But this is what needs to happen for knowledge to be converted into improved sales performance and funding for lottery good causes. We hope to show the benefit of this to all of our customers.

What is ONEVoice, the market research online community (MROC) platform we've been hearing so much about?

Jennifer Welshons: Well, the magic happens when the business intelligence and analytics are integrated with IT, with the sales and marketing teams of the lottery and Scientific Games, and into all digital products like players clubs, loyalty programs, and second-chance draws. This is why creating the ONEVoice community has been so important. It takes our ONE framework and gives us a way to integrate primary consumer research with other secondary data points.

ONEVoice is a national online community that includes approximately 2,000 consumers, representing all of the ONE consumer segments. It's designed to integrate all points-of-view to yield a deeper understanding of the underlying motivational drivers of player behavior. Several lotteries have leveraged our ONEVoice community by augmenting consumers from their jurisdictions, and they can now test new game concepts in a far more cost-effective way. The common language enables a 360-degree view that includes consumer feedback and quantitative data.

Technology teams talk about application program interfaces (APIs) that translate different computer languages into one common language that allows different IT infrastructures to communicate with each other. Well, this is really what the ONE framework does for a lottery's marketing efforts. Deploying a ONEVoice community enables primary market research to better link with business intelligence and analytics gathered and organized by different sources and organizations.

For instance, lotteries want to connect with Millennials, the age group of consumers born in the 1980s and '90s who became

ULTIMATE   DEDICATED   OUTGOING

RESERVED   DABBLING   PRE-ULTIMATE

adults in the early 2000s. As a market segment, though, that does not tell us very much. There is very little homogeneity other than the fact that this generation was raised with a deep connection to digital technology. Beyond that, there is a great diversity of motivational drivers, game-style preferences, shopping and lifestyle behaviors, and much more. Scientific Games' goal is to make sense of this diversity, to segment players by relevant behavioral drivers which are motivational rather than generic demographics, and to apply tools that convert this unmanageable category into discreet component parts that are defined with much greater precision. We then turn this data into useful business intelligence and action plans that drive our lottery customers' sales and performance.

To what extent are these frameworks dynamic and fluid, with new consumer information and a changing marketplace?

Jennifer Welshons: The underlying framework based on motivations is relatively stable. That's the reason for building onto the framework; very little shift over time. However, the behavioral models that are layered on and the subsequent insights and conclusions are anything but stagnant. When used properly, segmentation work becomes a living, breathing, integral part of marketing plans. To bring the framework to life, a lottery needs a platform like ONEVoice to pursue a course of continual improvement and learning in the most efficient and effective way. It's vital that the tools and methodologies be dynamic resources that are used and updated on a timely basis.

How difficult is it to overcome the inclination to think that the lottery industry's challenges, marketplace, or consumers are so different from other consumer product businesses?

Jennifer Welshons: It's not logical to think that the consumers who lotteries want to reach are different than those that other consumer product businesses are after as well. Of course, there is significant crossover. However, the relationship that these consumers have with lottery products and their motivation for purchasing them is

in fact different than most other products. Merging the power of big data analytics with the granular drill-down into the nuance of each market, this is where the sweet spot of marketing lies and that's really the whole purpose of ONEVoice. Scientific Games and our lottery customers share the same goals of acquiring a deeper understanding

of consumer behavior, and applying that to develop products and promotions that appeal to players. Our customers appreciate that the tools we are building enable us to deconstruct the behavioral profiles, and zero in on what motivates players instead of generic demographic data that does little to reveal the real market-drivers. And for our part, Scientific Games respects the fact that each jurisdiction is unique. Our goal is to clarify the dynamics—the market-drivers – so that we can focus on what makes each market and playerbase special.

Without a model that segments by motivation, and the common language to integrate information from multiple sources, are you looking at less understandable end results?

Jennifer Welshons: No company has a set of research tools that doesn't require extrapolation or interpretation. At Scientific Games, we are drilling down to unearth a much richer, more accurate, more granular, and more actionable set of insights. The fact that demographic data relating to age, gender, etc. is more readily available does not speak to its relevance. Actual behavior is driven by underlying motivational drivers and personality attributes. For building out an effective marketing action-plan, there is no easy alternative to diving in and stretching to identify those underlying behavioral drivers. There

is no point in marketing to somebody on Facebook, for instance, if they don't use Facebook. In fact, many Millennials don't use Facebook anymore, but they can be reached via Twitter and Instagram. For those who are on Facebook, knowing what drives them to play is critical for knowing what message will be effective. That's the level of detail we seek. It's like the keynote speech on diversity we heard yesterday at this NASPL Professional Development Seminar. Patricia Russell-McLoud conducted a wonderfully interactive session that illustrated how Millennials, or anyone else for that matter, do not want to be lumped into one demographic segment. They may have many things in common with regard to their lifestyle and digital intelligence. But Millennials protest that these attributes do not define them. Their aspirations, their world views, their personalities and motivations differ just like they do in all age groups. Optimist or pessimist, happy or melancholy, adventurous or cautious – these characteristics have nothing to do with traditional demographic segmentation.

Scientific Games' new WILLY WONKA GOLDEN TICKET™ game combines the appeal of lotto-size jackpots and scratch-off-style instant wins. Why is this innovation driving such incredible results for the 10 lotteries that have launched it thus far, with more to come?

Jennifer Welshons: Our WILLY WONKA GOLDEN TICKET linked instant game has been phenomenal, and it's a great example of what we've just been discussing. Firstly, it utilizes a brand that has already achieved massive success as a slot game. The current success in the lottery channel validates our research indicating significant crossover between casino slot players and lottery instant game players. Secondly, the way in which the game combines many attributes is quite unique. It provides a very interactive and engaging player experience that includes second-chance play through integration with nine different lottery mobile apps to give the game maximum jurisdictional penetration. Lastly, it is a multi-state

game which provides increased liquidity and much higher prize opportunities. The game combines the thrill of instant wins with the attention-grabbing appeal of big jackpot games.

The sales and the level of player engagement with the WILLY WONKA GOLDEN TICKET game are unprecedented. Beyond fantastic sales performance, a good measure of the appeal of any new game is the number of entries generated in a second-chance loyalty program. For one lottery, second-chance entries have driven over 12 percent of their player's club membership and boast the most unique users of any instant game in their loyalty program. We knew that the brand's mass appeal would bring in new players. But we also supported this great game with a full-court-press consumer engagement campaign that included multiple touch points, multi-faceted digital marketing and second-chance draw opportunities, and we applied all of our tools and resources to maximize impact.

Your lottery global headquarters north of Atlanta is one of five Scientific Games instant game manufacturing facilities. How does this giant innovation engine keep the pipeline full of new content?

Jennifer Welshons: In our Alpharetta, Georgia facility north of Atlanta alone, we design and manage 200 instant games, simultaneously and continuously, delivering more than 10 million packs of instant game tickets every month to our North American customers. These numbers speak volumes to our constant innovation! As for

managing our global Lottery division, we think in terms of four functional areas: Game Content, Advanced Logistics, Retail Services, and Player Engagement. We work to break down any functional silos and integrate these different disciplines for a holistic approach to our customers' business. For instance, supply chain falls under the Advanced Logistics team, but obviously affects the Retail Services team. Digital products like players clubs, loyalty programs, and second-chance draws are a part of the

gem | Intelligence™ products falls into Retail Services, but depends on Advanced Logistics for content. And CRM traverses all four areas.

So where does the iLab fit in?

Jennifer Welshons: iLab is the part of the Scientific Games innovation engine that focuses on the most technologically advanced solutions. Innovation is at the foundation of our entire organization. Our Discovery Team innovates in the physical instant product space. Our Dream Team develops fresh, outside-the-box ideas for new game concepts. Our Digital Content Studio develops mobile apps, digital strategy and digital content. I'm proud to lead the Marketing & Insights team that works across all of these, looking for opportunities to cross-pollinate and promote synergy and collaboration. This is the 'Holy Grail' theme that has coursed through this entire discussion. We are very excited about the progress we have made towards producing synergy and a very collaborative process both within Scientific Games and with our lottery customers. ∎

Player Engagement team, but work hand-in-glove with Game Content. In fact, Player Engagement is wrapped around this entire process when you consider loyalty programs that link games, retail, and promotions. Our recent acquisition of Sales Force Automation experts Lapis Software Associates and their

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OVERCOMING OBSTACLES ON THE JOURNEY TO iLOTTERY

Lotteries Look to Join Retail World with Online Sales

Jim Acton, Lottery Industry Consultant and PGRI Editorial Contributor

In January 2017, Virginia Lottery director Paula Otto appeared before Virginia's House General Laws subcommittee to make the case for expanding iLottery in Virginia, which currently allows only subscriptions. Director Otto noted that the Virginia Lottery has been selling online for ten years, but that an expansion could increase revenue for the Commonwealth by an estimated $25 million for education over five years. Otto cited successes in other states and presented details of how brick-and-mortar retailers would be included in the program.

But a coalition, led by convenience store owners, sounded the alarms in front of the same committee. "It's bad for business," said Chuck Duvall, a lobbyist representing 7-Eleven. "Customers don't just buy lottery tickets. They buy cigarettes. They buy soft drinks. And sometimes they buy beer. And all of those are higher markup items than the lottery ticket. So if we don't have that body in the door, we are probably not going to sell those other products."

Despite the overwhelming evidence that the lobbyist's claims are not borne out by experience, elected officials sided with the retailers and the iLottery bill was overwhelmingly defeated by the subcommittee.

"It was disappointing but we gave it our best shot," Otto said. "Clearly, we need to continue to work with our traditional retailers to assure them that we are interested in attracting new players, not taking away their current ones." For the past five years, Virginia's strategic plan has focused on growing the player base as a responsible way to grow revenues.

"Lotteries need to keep pushing for additional platforms on which to sell our products," she continued. "The market has changed. Our strategy for long-term sales, profit and player growth includes digital innovation with the goal of creating an omnichannel delivery system. We believe this strategy complements digital efforts underway at the most successful traditional brick-and-mortar retailers. iLottery is just one component of our digital strategy."

The trend of a small number of coalitions banding together to fight U.S. lotteries as they search for additional sources of revenue has grown during the past few years. Associations as diverse as the National Association of Convenience Stores and the Virginia Assembly of Independent Baptists have joined forces to thwart the move to the internet. And their activities have delayed, altered and, in some cases like Virginia, stalled lotteries' efforts to expand their businesses and, ultimately, increase revenues for good causes.

The National Association of Convenience Stores (NACS) has been particularly forceful in this fight, on both the federal and state levels. Locally, they send representatives to testify at legislative hearings and publish scathing op-eds in newspapers. Federally, their lobbyists are fighting the Department of Justice's interpretation of the Wire Act to weaken lotteries' role in online gaming.

So far, four states offer same day/single-ticket online lottery games:

Illinois (March 2012)
Georgia (November 2012)
Michigan (August 2014)
Kentucky (April 2016)

These lotteries will be joined by New Hampshire in 2018 as NH Governor Chris Sununu signed legislation in June allowing the lottery to sell its products online.

A number of other states, like Virginia, offer subscriptions only.

OPPONENTS FIGHT BACK WITH DUBIOUS RESEARCH

New Hampshire's success in passing iLottery legislation came at a time when its southern neighbor, Massachusetts, has struggled against fierce opposition. Opponents of online gaming have resorted to the distribution of self-created, erroneous "research." Case-in-point – the attempt to move along iLottery legislation in Massachusetts. Each year for several years, iLottery legislation has been introduced only to fall apart. In 2017, thanks to countless meetings with key legislators and information dissemination,
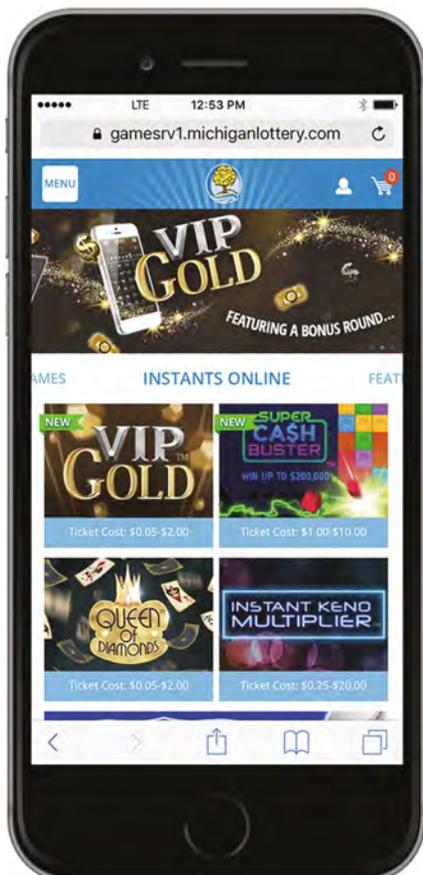
proponents felt they had their best chance.

But in May, a bomb was dropped on the process. The Boston Globe ran a story headlined "Voters Oppose Online Lottery, Survey Finds." The article starts as follows: "Nearly 70 percent of Massachusetts voters do not support legislation that would allow the state lottery to sell tickets online, a new survey has found.

Just 5 percent said they support expanding the lottery to include Internet games "very" strongly, the survey found, while 7 percent said they support the proposal "somewhat" strongly."

The article stated that the research was funded by Princeton Research on behalf of a coalition that included the New England Convenience Store and Energy Marketers Association, Massachusetts Package Store Association, and Boston Convenience Store Owners Association. But nowhere in the article is it outlined the methodology of the research or how the questions were asked.

One of the more outrageous or perhaps more accurately, uninformed, comments was from Jon Hurst, president of the Massachusetts Retailers Association, who said, "Abandoning the current system for a model which has yet to be proven successful anywhere in the country is simply bad policy," he said.

But this is the hyperbole that lotteries are facing as they look to modernize their operations.

In the Virginia debate, a common talking point of the iLottery opposition groups was underage gambling. "I'm still concerned about verification online," said Eddie Aliff, director of the Virginia Assembly of Independent Baptists. "Kids are smart, and I just don't know how you are going to do that." This despite the fact that online player verification is often times stronger than that of brick-and-mortar lottery retailers.

FOR iLOTTERY ROADMAP, LOOK TO MICHIGAN

Someone needs to send the opposition groups the results of the Michigan Lottery's experience.

In 2012, Scott Bowen, at the time the Michigan Lottery's Executive Director, began implementing a plan to bring iLottery to his state. Bowen undertook countless meetings with Governor Rick Synder's office as well as key legislators. And those meetings paid dividends, as he received support right up to the Governor.

"The Governor said 'It certainly makes sense to distribute lottery products through any method that will help drive sales. And, frankly, I can't understand why it's not happening already,'" said Bowen, who now works for NeoPollard Interactive as the Senior Vice President of Business Development. "We also met repeatedly with retailers and as a concession, told them we wouldn't include either of the Daily 3 or Daily 4 games in our online sales. That gesture seemed to placate some of their concerns."

A study on the Michigan Lottery's iLottery efforts certainly supports the state's online decision. In a December 2016 report by Digital Gaming Group on the Michigan Online Lottery, much like online gambling, the online lottery customer and the traditional brick-and-mortar lottery players tend to be two different players.

"The Michigan Lottery's success story should be a page in the book of every lottery looking to convince its stakeholders of the value, certainty and complementary nature of this new sales channel," the report states. Additionally, the report found existing lottery customers who register online accounts don't decrease land-based spend.

"Multi-channel growth has been observed across the globe where iLottery is present and the industry is finally obtaining domestic evidence as well," the report concludes.

As Bowen travels across the U.S. helping lotteries chart their iLottery futures, he said the Michigan results are proof that iLottery can succeed.

"The Lottery just passed the $1 billion mark in iLottery sales and at the same time, retail sales are up 16%," he said. "It's been proven – in Michigan, Canada and everywhere in the world where Lottery products are sold online, that iLottery brings in more people. The more distribution points you have, the more you can take care of the demand for your products."

And research shows that consumers want more lottery options via the Internet. A 2016 KANTAR TNS Research consumer survey of 1,000 adult Virginians found that 63% feel it is appropriate to expand lottery offerings on the Internet and another 20% are neutral. In terms of purchase intent, 34% of said they would "definitely or probably" buy a lottery ticket via the Internet. Additionally, 85% of Virginians said it is just as acceptable if not more acceptable for the Virginia Lottery to have the same type of online selling ability as horse racing and fantasy sports.

VENDORS, NASPL HERE TO HELP

For lotteries looking to implement an iLottery program, there is help. Most of the large vendors have some type of interactive division which can work with lotteries on their online plans. And the National Association of State and Provincial Lotteries provides support to member lotteries. In fact, on its web site NASPL provides info to help lotteries debunk the most common myths about online lottery sales:

"If lottery sales are allowed on the internet, retailers will lose considerable sales."

Although relatively new to the United States, online games are a staple in other countries, where they have

Sports Betting Case To Be Decided By The US Supreme Court

What This Could Mean To The Gaming Industry In The US

By Mark Hichar

Mark Hichar is a Partner with the Hinckley Allen law firm and is the Chair of its Gaming Law Practice Group. Mark represents operators of casinos, internet gaming and fantasy sports contest operators, and providers of lottery and gaming systems, software, equipment and services. HinckleyAllen.com

In June, 2017, the United States Supreme Court announced it would consider New Jersey's appeal of the U.S. Third Circuit Court of Appeals' decision in Christie v. NCAA, et al. This was a surprise to many in the gaming legal community because the Supreme Court accepts less than one percent of petitions seeking review and the question to be decided is not the subject of a dispute between federal circuit courts. Moreover, the acting U.S. Solicitor General formally recommended that the Supreme Court decline to hear the case.

At issue is New Jersey's 2014 law which repealed the State's sports betting prohibitions, but only to the extent applicable to Atlantic City casinos and New Jersey horse racetracks. Thus, the law allowed unregulated sports betting at such locations. In a 9 to 3 decision rendered by the full Court, the Court of Appeals enjoined implementation of the law, holding that it was tantamount to state "authorization" of sports gambling at the specified locations and therefore violated the Professional and Amateur Sports Protection Act ("PASPA"). PASPA is the federal law that makes it unlawful for states to operate, promote, license or authorize gambling (including lotteries) based on sports events, and it also prohibits any legal entity from conducting sports betting pursuant to state law. Briefs are expected to be submitted by the end of this year, and a decision is anticipated by the end of June, 2018.

The legal question to be decided is whether PASPA "commandeers" states to maintain state-law prohibitions on sports betting in violation of the 10th Amendment to the U.S. Constitution (which reserves to the states or the people the powers not given to the federal government) and the Supreme Court's related decision in New York v. United States. That decision stated that it is unconstitutional for Congress to "directly... compel the States to require or prohibit [certain] acts."

The Supreme Court's decision has the potential to change the gaming landscape in the United States. A decision favoring New Jersey could (1) provide a road-map for other states to follow in order to permit bricks-and-mortar sports betting, or (2) remove entirely the federal prohibition on state-authorized bricks-and-mortar sports betting. Either possible favorable result for New Jersey would allow states to decide for themselves whether bricks-and-mortar sports betting should be allowed within their boundaries. Of course, a third possible result exists which is unfavorable to New Jersey. The Court could hold PASPA to be constitutional and not in violation of the 10th Amendment's anti-commandeering principle as applied to New Jersey's 2014 law.

The potential market for sports gambling in the United States is huge. In 2016, legal sports wagers in Nevada totaled approximately $4.5 billion. However, this is a small fraction of the estimated illegal sports betting market in the U.S. In March, 2017, the American Gaming Association ("AGA")

Christie v. NCAA, et al., 832 F.3d 389, 396-397 (3rd Cir. 2016), cert. granted, 2017 U.S. LEXIS 4279 (2017) and consolidated with New Jersey Thoroughbred Horsemen's Association, Inc. v. NCAA, et al., U.S. Sup. Ct. Nos. 16-476 and 16-477. Respondents are the National Collegiate Athletic Association, the National Basketball Association, the National Football League, the National Hockey League and Major League Baseball.
"Discipline in Special Education," by Allan G. Osborne, Jr., and Charles J. Russo (Corwin 2009), p. 5.
N.J. 2014 P.L. c. 62, § 1.
28 U.S.C. §§ 3701 – 3704.
Christie v. NCAA, et al. and New Jersey Thoroughbred Horsemen's Association, Inc. v. NCAA, et al., U.S. Sup. Ct. Nos. 16-476 and 16-477 (consolidated).

stated that "Americans wager roughly $154 billion a year on sports illegally due to the [PASPA]." By contrast, annual U.S. lottery sales total less than half that amount – $73.8 billion in 2015 (which for most jurisdictions ended June 30, 2015).

As noted, PASPA does not prohibit sports gambling. Rather, it prevents states from sponsoring, operating, advertising, licensing or authorizing sports gambling (including lotteries based on sports events). Although PASPA carves out exceptions for sports betting schemes conducted during certain periods prior to the enactment of the law (subject to certain conditions), only Nevada enjoys a carve-out with respect to single event betting (i.e., "spread" or "moneyline" betting). Delaware, Oregon and Montana enjoy carve outs with respect to certain sports-related lottery games.

By structuring its 2014 law as a "repeal," New Jersey was following guidance provided by the Third Circuit in a 2013 case, in which the Court construed PASPA to prohibit only the "affirmative 'authorization by law' of gambling schemes," and not repeals of states' existing sports betting prohibitions. However, after New Jersey enacted the 2014 law repealing its sports betting prohibitions at Atlantic City casinos and State horseracing tracks, the Court changed its mind and interpreted PASPA as making it unlawful for New Jersey to repeal its sports betting prohibitions when limited to specific geographic venues. The Court essentially held that it was constitutional for federal law to dictate the extent to which states must maintain their prohibitions on sports betting.

Accordingly, if the U.S. Supreme Court upholds PASPA, but holds that New Jersey's repeal of its sports gambling prohibitions does not constitute an "authorization" of sports gambling (and thus does not violate PASPA), then other states could follow New Jersey's example and repeal their sports betting laws to the extent applicable at certain venues – e.g., otherwise regulated gaming venues. Still, however, this would not be ideal for states, since it would be unclear how much general regulation (e.g., consumer protection and other regulation not specific to sports betting) could be made applicable and not run afoul of PASPA. Many of those watching this case believe that Congress will intervene to repeal or amend PASPA if the Supreme Court renders this narrow decision.

> **"...even if the Supreme Court strikes down PASPA in its entirety, the federal ban applicable to interstate online sports betting will remain intact."**

Alternatively, if the Court strikes down PASPA entirely, this will open the door for States – if they choose – to pass laws authorizing and regulating sports betting, although some state constitutions may first need to be amended on account of restrictions limiting their legislatures' power to enact laws authorizing gambling. Already at least 15 states, including New Jersey, Delaware and Connecticut, have enacted sports betting laws in anticipation of a Supreme Court decision striking down PASPA.

In addition, state lotteries may need to examine their state common law to determine whether they are able to conduct sports betting should the PASPA be struck down. Courts in many states have declared that the elements of a "lottery" are (1) "consideration," paid for an opportunity to win a (2) "prize" awarded by (3) "chance," and existing precedent suggests that, in single game sports betting, chance predominates over skill. Nevertheless, courts and attorney general opinions in some states have opined that not all games with "consideration," "prize" and "chance" are "lottery" games within the meaning of the constitutional or statutory provisions establishing the state lottery.

Finally, the federal Wire Act is not at issue in Christie v. NCAA, and therefore its prohibitions on the use of the internet (and other systems using wires) for the transmission in interstate or foreign commerce of sports wagers, or information assisting in sports wagers, will not be affected by the Supreme Court's decision. Therefore, even if the Supreme Court strikes down PASPA in its entirety, the federal ban applicable to interstate online sports betting will remain intact. Accordingly, while states could implement intrastate mobile wagering if PASPA is struck down (it is currently conducted in Nevada), states could not implement online sports betting that processed sports bets from out-of-state bettors or where the bets were processed out-of-state.

This case bears watching, and states and state lotteries may want to consider preparing for a possible Supreme Court decision striking down the federal sports betting ban. ∎

New York v. United States, 505 U.S. 144, 166 (1992).
UNLV Center for Gaming Research "Sports Betting Win, 1984-2016," at http://gaming.unlv.edu/reports/NV_sportsbetting.pdf (last accessed August 10, 2017).
See footnote 8.
NASPL Frequently Asked Questions at http://www.naspl.org/faq (last accessed August 11, 2017).
28 U.S.C. § 3702
28 U.S.C. § 3704
NCAA v. Christie, 730 F.3d 208 (3rd Cir 2013), cert. denied 134 S.Ct. 2866 (2014).

"More States Expected to Prepare for Sports Betting," by Chris Sieroty, Gambling Compliance, August 10, 2017, at https://gamblingcompliance.com/premium-content/insights_analysis/more-states-expected-prepare-sports-betting (subscription required, last accessed August 10, 2017).
See NFL v. Delaware, 435 F. Supp. 1372 (D.Del. 1977).
18 U.S.C. §§ 1081, 1084.

Our Game Designers are fueled by insights, innovation, and a whole lot of magic.

With game design studios located around the globe, our dream teams are busy day and night imagining new games and new ways to play. IGT designers and clients work together in a proven creative process that delivers exciting player experiences across demographics, generations, and geographic markets. Put our magic to work for you by contacting IGT today.
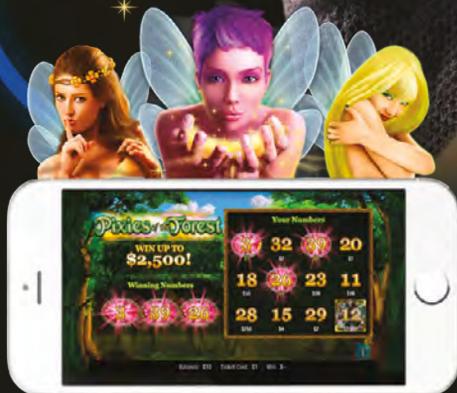
Our Instant Win game Pixies of the Forest™ is available on desktop, tablet, and mobile.

IGT

At the Intersection of **Retail, Fun,** and **Technology**

Where can lotteries find growth?
In everything from player insights to retail operations.

**by Marco Tasso, Senior Vice President,
Global Lottery Marketing, IGT**

There's a saying that the best way to predict the future is to create it. This is certainly true of our industry. We stand at the intersection of retail, fun, and technology, giving us a unique opportunity to help shape the future across many fronts and engage a new generation of players. Lotteries are poised for major advances in the player experience, the form and content of games, the retail operating model, and more.

IGT's most recent customer research confirms that the priority for lotteries in the coming two to three years is to drive growth. Growth through new and expanded channels. Growth through innovative products. Growth by attracting a new generation of players. IGT is committed to modernizing play to support lotteries on their growth path. To clearly communicate all that customers can take advantage of right now to drive growth into the future, we recently reimagined all of our products and services. Featured on the following pages is a closer look at what we call the IGT Lottery Ecosystem.

Modernizing Play to Support Customers' Growth

TouchPoints
to engage
your players

BizApps
to drive your
profit growth

Aurora
The core system that
enables innovation

People
to help accelerate
your business

Content
to modernize play
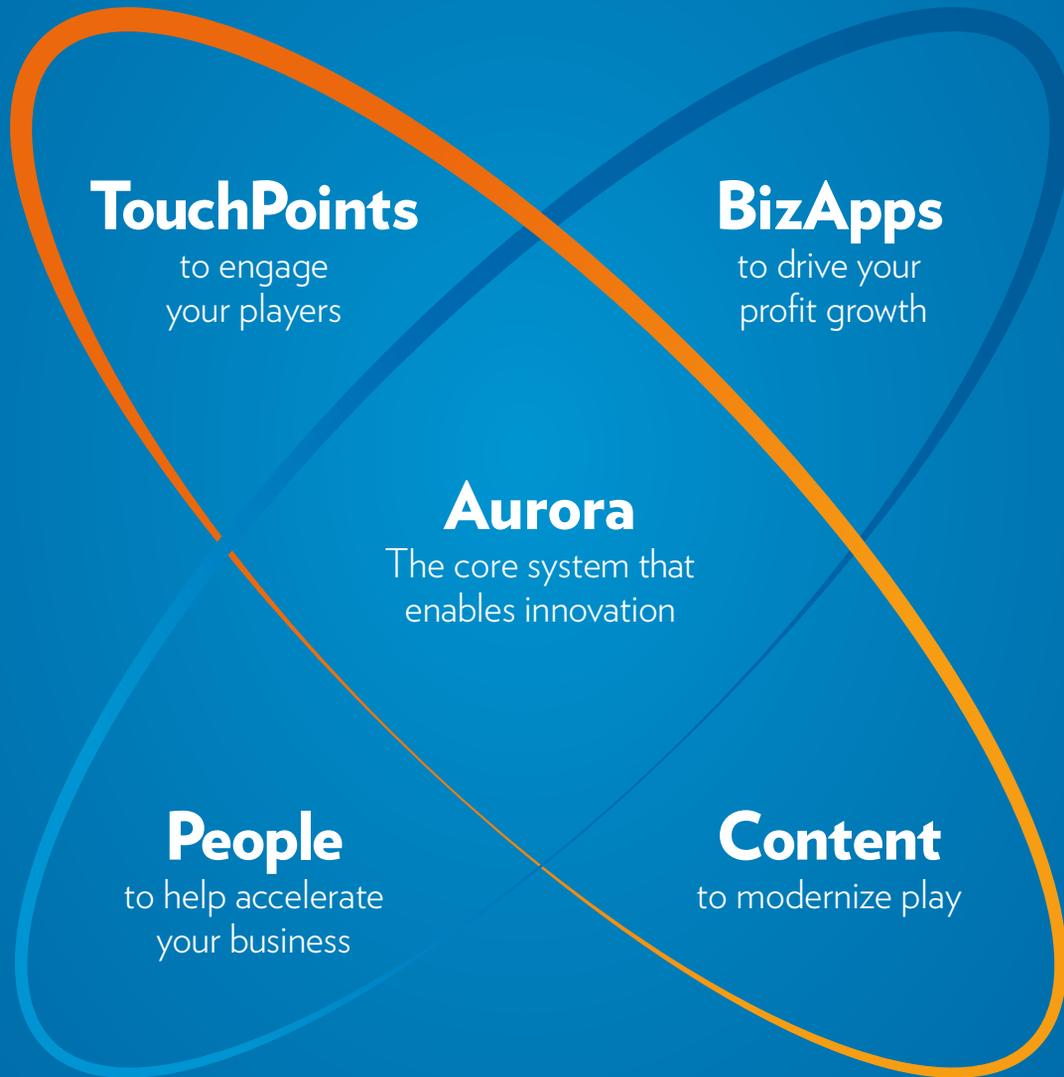
The IGT Lottery Ecosystem

At the center is **Aurora**, our new core system. Aurora provides the power and flexibility to transform, manage, and grow lottery businesses. To deliver on player and retailer expectations now and in the future, it features omnichannel capability for a seamless player experience, interoperability with third-party solutions, a single retailer view to manage customers effectively, and actionable analytics.

Players want to define their own journey. We create innovative and intuitive **TouchPoints** to engage players at every opportunity, from self-service terminals and in-lane solutions to mobile convenience and wagering apps.

BizApps comprises an integrated suite of tools to manage the everyday activities that drive sales and profit growth, from delivering actionable insights on lottery performance to helping retailers manage the lottery category. Our applications allow for the continual delivery of new features and innovations as they become available, and can be integrated with the Aurora and ES central systems as well as third parties.

To attract the next generation of players, our **Content** draws on advanced technologies, FutureGame—our proprietary game-innovation process—and a wealth of exclusive licensed content, from our newest instant ticket promotion with international phenomenon *The Voice* to classics like Wheel of Fortune. Every game we create is built with our unique global understanding of players to keep them coming back for the excitement as well as for the chance to win.

A major IGT differentiator is our **People**. We offer the services and experienced people to support customers in optimizing every aspect of the lottery value chain: from market insights to portfolio analysis, to sales and retail execution, to managing technology and supporting field operations.

Highlighted here are just a few of the ways IGT is modernizing play
in every part of the lottery business to help customers grow:

Aurora

Navigating Business Applications to Achieve Results

Aurora's new administration portal, Navigator, provides a single place to view, manage, and administer all lottery business-management applications. It features a redesigned user interface that is browser- and device-agnostic, customizable to the role of the user. Navigator is also extendable to other non-Aurora solutions.

TouchPoints

A Mobile, Integrated Lottery Experience for Players

To bring the convenience of mobile into play at the industry level, we're currently pilot-testing our PlaySpot™ mobile solution to create one integrated lottery experience. Using the PlaySpot app, players have the potential to purchase retail lottery tickets, play live keno and Instant Win games, and also check and collect winnings in a licensed retail location on any mobile device while connected via Bluetooth to a lottery network.
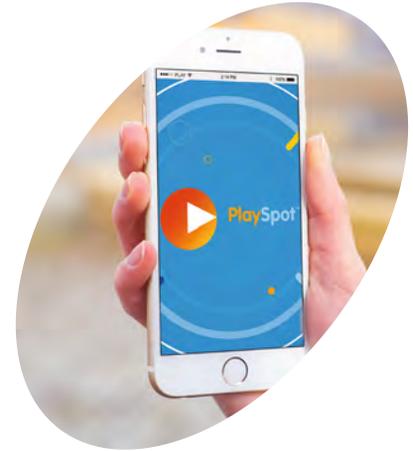
BizApps

BizApps: Harnessing the Power of Data

Only IGT offers a synchronized suite of complementary products that leverage consistent insights and analytics across all lottery stakeholders to drive sales. These powerful tools deliver proven, actionable content developed based on our unrivaled experience managing lotteries, retailer networks, and lottery sales forces in multiple jurisdictions around the world.

Content

NOW & LATER: A Brand New Category of Lottery Play

Through IGT's proprietary game-development process, FutureGame, we are engineering the next generation of lottery experiences with a global, player-focused, data-driven perspective that involves stakeholders from across the business. The first of these games are launching this year under the category name NOW & LATER™, with more following in 2018. NOW & LATER products are draw games with a scratch component, a hybrid that offers both new and existing players the best of both worlds—the instant thrill of a scratch-off ticket and the anticipation and extended experience of a lottery drawing.

People

Your Growth Partner From the Conference Room to the Corner Store

IGT's Retail Sales & Execution Team focuses not only on products and technology, but on accelerating growth through the full range of retail and consumer activities. We work with lottery customers to improve sales operations, maximize revenue through retail relationships, and enhance retail and product execution. As trusted partners, we draw on the experience of more than 2,000 IGT people who walk in our customers' shoes every day as lottery operators, and who serve more than 137,000 retailers.

IGT is committed to continually modernizing play, and we'll never stop innovating to make sure our customers continue to grow.

Visit us at NASPL and let us help you grow every part of your lottery business.

Daniel
CAGE

Founder & President, Linq3

Integration of Retail and Mobile:
The purchase transaction is at the brick and mortar store and the customer experience is on the consumer's mobile device.

Paul Jason:

What were the catalysts that caused you to pursue and implement this collaboration with Blackhawk?

Daniel Cage:

We began exploring ways to enable a fast and easy solution for Lottery to be purchased at the check-out lane of multi-state retailers by seeking input from leadership at both grocery and big box retail. The input we received included three key concepts. First, that embarking on an IT effort to enable a lottery solution was likely a non starter for large retailers. Their POS systems are linked to accounting, inventory management and other operational functions so change to their systems is difficult and timelines are protracted. This is further complicated because some of the largest retailers have grown through acquisition and are running multiple POS systems.

We initiated discussions with Blackhawk in part because their existing gift card program had required them to solve these issues. The Blackhawk partnership created a pre-integrated IT solution so there is no IT work on the retailer side. The second concept retailers brought to our attention was the importance of speed at check out. They did not want the consumer to make decisions or 'play' the lottery at check-out. They are very focused on efficiency and a great customer experience. The Lottery card is a simple purchase with no decision making at the time of check out. The player experience is great. The customer selects and purchases the lottery card like any gift card,

then the lottery play is displayed on your mobile device. Plays are tracked virtually and winnings are electronically paid.

Finally, the third concept focused on their market segmentation. The best retailers invest in a digital relationship with their customers, and lottery should be no different. They are very interested in creating products and experiences that appeal to a wide range of their customers. Adding lottery at checkout, in addition to customer service and vending, does exactly that.

What are the technological synergies between the Blackhawk solution and the Linq3 PATP solution?

Daniel Cage:

The Blackhawk Solution uses the same technological platform as is used by Play-at-the-Pump (PATP). The way the Linq3 system generates numbers and communicates with the Lottery infrastructure both at the state level and with the gaming system is very similar to the way the Blackhawk process works. The customer experience is different because you're at a check-out lane rather than at the pump, but the technological backbone that operates the systems are the same. So that's the technological and operational synergy.

Perhaps the more compelling synergy is on the customer-facing side. Applying a digital strategy to integrate multistate retailers opens up the potential to include loyalty programs to deliver meaningful benefits to the consumers. And it's great for commercial operators and marketers

like Lottery. It could effectively carve out a high-profile position for Lottery within the existing infrastructure of the Retailers' Loyalty apps. This Blackhawk collaboration is an extension of our strategy to make Lottery more accessible to the consumer, in terms of POS and new payment and delivery options.

Blackhawk has been a great partner both in the business process and the technology solution. We have a shared vision for how the product can be optimized today but also for how the industry and this product will

evolve together in the future. Blackhawk invests a great deal of time and resources into their relationships with their Retailers and we are proud to bring this partnership to our Lottery clients.

How does the process work exactly?

Daniel Cage:

The purchase transaction is incredibly easy. It's essentially three steps.

1. Lottery cards are displayed on racks or POS stands at the check-out lane or other high traffic areas of grocery and other large retail stores. The customer selects the lottery game-card they would

Linq3 and Blackhawk Network Collaborate to Enable Lotteries to Offer New Way In-Lane Purchasing of Lottery tickets

This breakthrough solution allows shoppers to purchase mobile-enabled Powerball and Mega Millions tickets at grocery check-out lines

The Lottery industry already knows Linq3 as the provider of the technology that enables consumers to buy lottery tickets right at the transaction-processing monitor at the gas pump. "Play-at-the-Pump" and its eponymous acronym PATP. The same technology enables all credit and bank card processing monitors to sell Lottery tickets. That includes ATMs, Taxis, and of course, Mobile phones. It also includes the check-out registers in large retail establishments like grocery and department stores …

Subject to individual lottery approval, U.S. shoppers will soon be able to purchase jackpot games such as Powerball and Mega Millions at grocery retail checkout and have the numbers sent to their mobile device. The benefits of this innovation are massive. It makes playing the lottery more convenient and fun for the players. Making the product available for purchase in the check-out lanes of grocery and department stores dramatically increases the number of POS's, exposing lottery to entirely new consumer groups. But it is really much more than all that. Enabling in-lane purchasing with a Mobile app brings Lottery into the life-styles and world-views of the modern consumer. In effect, it provides a whole new way to play the Lottery.

This unique innovation is the result of an exclusive partnership between lottery technology provider Linq3 (other Linq3 solutions include Play-at-the-Pump technology) and Blackhawk Network (a global financial technology company and leader in connecting brands and people through branded value solutions). The program is subject to individual state Lottery approval and is expected be available in participating states and grocery retailers starting in late 2017.

"With the live ticket technology, shoppers will be able to easily purchase lottery tickets in the grocery locations they regularly frequent and have lottery numbers sent to their mobile phone, providing them with a streamlined experience," said David Tate, Blackhawk Network senior vice president, U.S. Business. "Additionally, it simplifies the lottery purchasing path, which is expected to make this a more popular choice among retailers' customers."

Big jackpot games will be available for sale at participating retail checkout lanes across the U.S., as states approve the new distribution channel tied to the retailers point of sale system. Shoppers playing lottery games in this new way will activate their purchase via text and have their lottery numbers delivered in real time to a mobile phone with text and picture messaging capability. Shoppers will also be able to track their results virtually and have most prizes paid electronically.

"We look forward to leveraging our leading-edge lottery platform within Blackhawk Network's vast distribution footprint of premier retailers. This provides Lottery a new and efficient way to offer products to their customers, giving them access to a new lottery experience that's interesting and exciting," said Daniel Cage, founder and president of Linq3. "This program is designed to operate within current regulatory guidelines and provides lotteries the ability to significantly impact the growth of lottery revenues for their states."

Linq3 is a technology solution provider that makes lottery tickets purchasing Lottery tickets fast, easy, and convenient. Its innovative technology creates an immediate playing experience that reaches more consumers and wherever they are – at the gas pump, the ATM, in the checkout lane, a taxi, or right on their mobile phone. For consumers, it's convenient and cool. For lotteries, it's a channel to reach new players. And for retailers, it means more customers – and a boost to the bottom line. Linq3 holds regulatory approvals and state licenses that allow it to generate and distribute lottery tickets through a proprietary technology platform. This platform uses existing point of sale (POS) devices at major retailers across the United States.

Linq3 has offices in Atlanta, Ga. and Long Beach, Ca.

Blackhawk Network Holdings is a global financial technology company and a leader in connecting brands and people through branded value solutions. Blackhawk platforms and solutions enable the management of stored value products, promotions and incentive programs in retail, ecommerce, financial services and mobile wallets. Blackhawk's Hawk Commerce division offers technology solutions to businesses and direct to consumers. The Hawk Incentives division offers enterprise, SMB and reseller partners an array of platforms and branded value products to incent and reward consumers, employees and sales channels. Headquartered in Pleasanton, Calif., Blackhawk operates in 26 countries. For more information, please visit blackhawknetwork.com, hawkcommerce.com, hawkincentives.com or our product websites giftcards.com, giftcardmall.com, cardpool.com, giftcardlab.com and omnicard.com. ∎

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like. The games available in this format will be Powerball and Mega Millions.

2. Next, the consumer hands the card to the cashier and proceeds to check out and process the transaction along with the other items in the basket. There is no other decision or action to be made at the check-out lane.

3. Step 3 is to activate the card just like you would a gift card. The player opens the card carrier to remove the plastic card inside, scratches the back of the card to reveal a security code, and texts that five-digit security code to Linq3, at which point the card is activated and your quick picks are sent right to your mobile device.

I would think it should be a top priority for both retailers and Lottery to integrate Mobile into the retail shopping experience.

Daniel Cage:

Yes. Retail plus Mobile expands the retailers' customer reach, creates a great experience for the player,. The purchase transaction is at the brick and mortar store and the customer experience is on the consumer's mobile device. And I agree that the next paradigm shift in the industry will be driven by the combination of Retail and Mobile and that is what the Linq3 – Blackhawk collaboration does. ∎

Younger Lottery Winners

Andrew Hunter, a 26-year-old who works in software, said he does not buy lottery tickets, but his grandmother does.

"If I was going to bet money for entertainment it would probably be on sports betting versus lottery, just because it's more interactive," he said after leaving the same store.

In that same article, New Hampshire Lottery Director Charlie McIntyre noted, "Most millennials don't want to wait two days to see if they won the Powerball. They consume entertainment content just much faster than consumers did 20 years ago. We're not broke, we're just at the inflection point where a failure to change will have a steep decline over time."

Getting younger players to try the lottery is one of the goals of the Executive Director of the lottery that happily celebrated millennial winner Chuck Davis. Paula Otto said that while she is thrilled that Chuck enjoyed the same good fortune as thousands of his fellow Virginians, the Virginia Lottery needs to continue to work to attract younger players.

"We found it interesting that Chuck 'learned' to play the lottery from his grandmother," Otto said. "That's perhaps a great insight, that millennials who grow up with lottery playing parents or grandparents are in a different category than those who aren't familiar with the lottery."

"Like many lotteries, our main focus for younger players is offering our products digitally and in an engaging way whenever possible. Cashless is also important. Our new on-line subscription system through NeoPollard accepts debit. We're also excited to be offering debit as an option later this year on our new IGT self-service machines. We know most young people don't carry cash. Even my generation doesn't always have cash!"

Of course, earning blaring headlines on nationally-recognized web sites that normally don't report lottery news can only help the efforts of all lotteries:

Virginia Football Players Wins The Lottery – Literally
SportsIllustrated.com, June 30, 2017

Look How Happy This UVA Player Is After Winning $100,000 In The

Virginia Lottery, This Is Just So Great,
SBNation.com, June 30, 2017

Cavaliers CB Chuck Davis Hits It Big With $100K Win In Virginia Lottery
ESPN.com, June 30, 2017

Virginia Football Player Wins $100,000 Lottery Prize – And The NCAA Can't Touch Him!
Herosports.com

"As we like to say in the PR business, 'You can't buy this kind of publicity,'" said Paula. "But while I think any stories that show the lottery industry in a positive light are welcome, we need to do more. Selling tickets where millennials spend their time – in the digital arena, for example – is certainly one tactic. As an industry, we need to solve this issue…and quickly."

Perhaps the Virginia and New York lotteries can sign up winners like Chuck Davis and Anthony Lavarone as spokespeople (although given NCAA rules, the Lottery would have to wait until AFTER Chuck graduates). Anthony, for his part, said he is using his winning to start a landscaping company ("I'll probably just go and buy a new truck," Lavarone told the New York Post after his big win. "That'll be my fun thing.").

Or maybe the Virginia Lottery should hire Chuck's grandmother.

"My grandmother has been playing the Lottery for years," Chuck said. "Pick 3, Pick 5, MegaMillions, Scratchers – she plays them all. She's done o.k. over the years.

"And she taught me everything I know about the Lottery," he added. ∎

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iLottery

increased public awareness and interest in lottery games as well as attracting new customers for all games. Offering games through digital channels can create new sales opportunities for retailers as well as lotteries. For example, online play "gift" cards that are available only at retailers. Or rewarding online players with free ticket coupons that must be redeemed at retailers.

Providing an online games option to players is a proven success in other countries and holds great promise in the United States to broaden the industry's customer base by attracting new – and younger – players to all lottery games. The public increasingly is turning to the internet for personal, business and entertainment uses. Adapting to the widespread use of that technology can position lotteries and retailers for ongoing success in the future.

"If lottery sales are allowed on the internet, compulsive and underage gambling will rise."

In many respects, online lottery sales provide a MORE responsible platform due to a key element that's not available at retail-imposed limit setting. Available platforms provide daily, weekly and monthly deposit limits that address how much a player can put in their account for wagering. There's no way we can track how much an individual spends at a retailer on a given day – but through the internet we have this ability, and can throttle down how much a person spends. This is in addition to other activities laid out in the National Council on Problem Gambling's Internet Gambling Standards that include self-exclusion, time outs and informed decision making to name a few. Stringent age verification measures at registration – including checking numerous databases – combats underage gambling issues.

New Hampshire Lottery Executive Director Charlie McIntyre echoed many of these points as the iLottery legislation was being approved.

"For us, it's just an evolution of how we do business," McIntyre said. "We're not really selling anything new. We're just doing it in a different way."

And if Lotteries can convince their retail associations and other naysayers that iLottery is good for them as well, perhaps more lotteries can modernize like their counterparts in other industries. ∎

9 OUT OF 10

MOST PROFITABLE
INSTANT GAME PROGRAMS

When you're the best of the best you look for partners that are, well, the best.

We are proud of the fact that nine of the ten Lotteries with the most profitable instant game programs in the U.S. have chosen Scientific Games to be their primary instant game provider. Why? Because we understand that a successful instant product line is more than just having great games (we have those too by the way). It's understanding the entire sales chain, from what players want to what retailers need. It's generating meaningful insights that drive strategic growth. Scientific Games brings this and more to the table every day and the results are real.

SG
SCIENTIFIC GAMES

Because Real Counts

It's Time: The Real Retail Optimization is Here

New, Patented Innovation from Scientific Games Revolutionizes Lottery Ecosystem

In the U.S., more than 61 percent of lottery sales are driven by instant products, or "scratchers" as many call these colorful, entertaining games that have become part of the fabric of American life. Instant games rang the registers at stores of every size to the tune of $48.8 billion in 2016, bringing somewhere in the neighborhood of $10 billion in transfers to the programs funded by lotteries in 44 states.

Yet, for one of the biggest consumer products sold in stores today, there has never been advanced technology that wraps around instant games in the retail environment. And despite the fact that retailers of every size have pushed hard for a solution that significantly improves speed-of-service for their customers who buy lottery, to date it has not happened.

Now it's time, and NASPL 2017 is the place. The innovation teams at Scientific Games have been laser-focused on making these valuable consumer products highly efficient for retailers to sell, secure, display and market – as well as manage accounting and inventory. Continuing a long history of industry-leading technology firsts, the company will unveil its latest innovation in a highly secure area of the Scientific Games exhibit during the NASPL conference in Portland.

"Finally, a solution that addresses the pain points at retail associated with selling scratch lottery games," said Mark Hagen, Senior Category Manager at 7-Eleven, an international convenience store chain with more than 56,000 locations.

A major focus of Scientific Games' R&D, the new, patented technology has been previewed by several major national retail chains. It has been kept highly confidential, and is currently in a pilot test for one of the largest retailers in the U.S., which predicts "it will revolutionize the way instant games are sold at retail."

"Our industry talks about optimization and efficiency in the retail environment, and yes, we have technology for draw games. But to date, the industry has not optimized retailer operations for instant games. Our new technology is going to change everything for retailers, there is nothing like it," says Randall Lex, Director of Program Management, at Scientific Games Lottery. Lex held executive leadership roles for more than 10 years with the New York Lottery, building the lottery's casino gaming systems and retailer base into to one of the largest in North America, and later served as the National Vice President of Operations at Linq3.

Lex is now teamed up with Jeff Sinacori, Vice President, Retail Development at Scientific Games, who previously owned the New York Lottery's top-selling retail store for many years. Known to many as the preeminent expert on lottery retail, Sinacori has helped lotteries in 37 U.S. states and seven countries develop their retailer networks. He has a unique skillset that recognizes the challenges retailers have when it comes to the day-to-day tasks of

selling lottery – and a knack for bringing real solutions to the marketplace. In fact, 1,000 retailers in five states participating in Scientific Games' *SalesMaker*™ program led by Sinacori experienced $100 million in incremental sales of lottery products over the last 36 months.

"The answer has finally arrived. This new technology is transformative," shares Sinacori. "From the smallest mom-and-pop stores, to the largest national convenience store chains across multiple states, we sat down with them and listened to their feedback about selling and managing lottery products. And we developed a real solution. This is the technology they've been asking for, and now it's finally available."

Scientific Games has harnessed decades of lottery systems, retail, and loyalty technology leadership – including its recent advanced, integrated retail point-of-sale systems – to innovate a game-changing solution for the way instant games are sold at retail.

From impact on operations, consumer analytics, loss prevention and marketing, instant games are on the threshold of becoming an even bigger player in the lottery retail ecosystem.

Retail Operations

When it comes to operations, speed-of-service is perennially a hot topic. There's benefit to consumers – who increasingly demand more convenience – and even bigger benefits to the retailer, who can serve more customers, sell more products quicker, and ultimately earn more revenue and profit.

Retailers have long voiced their very valid concerns to lotteries and lottery vendors about instant games being an extremely labor-intensive category. The time involved at check-out, keeping inventory stocked, managing loss, and the very time-consuming end-of-shift accounting that is often done with pen and paper for two to three shift changes per day. Retailers understand the value of the lottery player and know they have a larger market basket than the non-lottery

"Finally, a solution that addresses the pain points at retail associated with selling scratch lottery games."

Mark Hagen, Senior Category Manager
7-Eleven

player. In the convenience store channel, the lottery player visits a location three times more per week than the average consumer. Customizing processes and making lottery easier to incorporate into their existing business has been a top priority to Sinacori and Scientific Games.

"If we are focused on retailers, let's optimize the retailer's operations," says Lex. "We developed this technology as a tool for the retailer, to significantly improve the way they sell lottery instant games. It reduces the time it takes to sell a game to a customer by up to 70 percent. The solution we focused on for retailers is simple, sell more, do less."

One of the most time-consuming aspects of selling instant games is inventory management. Scientific Games' new technology provides retailers with real-time insights into their product inventory – not only what they need to stock displays that day, but in the coming days. The system effectively minimizes the opportunity for out-of-stocks.

"Out-of-stocks for many retailers can average 15 to 20 percent, and if you do the math it means they are missing out on thousands of dollars if not hundreds of thousands of dollars in sales and commissions depending on the size of the store or chain," explains Lex. "Just imagine if you had a tool that forecasted what games you need, how many, and when you will need them. In retail, being prepared with inventory for *any* product is crucial. Otherwise, it's very reactionary. If a product is not available for sale, you can't sell it."

Another area of concern for retailers is shift accounting for instant games.

"There are some basic tools available on the market that allow the retailer to account for instant games within a given shift; however, this is not a real solution to this very common pain point at nearly all lottery retailers across the globe. These tools, although a step in the right direction and better than doing pen and paper math for each ticket, still require the clerk or manager's time to scan tickets at the beginning and end of every shift for every game on sale and every bin with a hand-held scanner," shares Sinacori.

Scientific Games' new technology not only provides retailers with the ability to easily track all the lottery products they sell, it reduces a 15-to-30-minute process down to just a few seconds. With most corporate chains running three shifts per day, it is a huge savings in labor time and cost. Clerks can focus on selling and on keeping all of the store's other products stocked and available for their customers.

"Never before has a lottery or vendor actually customized lottery accounting procedures across an entire retail chain. Currently, each corporate chain in each state operates in a silo with its own accounting procedures within a particular state or jurisdiction," says Sinacori. "Now, Scientific Games' new system creates one format for accounting procedures across their entire chain, the same customized reports across state lines or lottery jurisdiction."

Insights

In recent years, lottery analytics have improved. But the industry still does not have the level of analytics available to other consumer-packaged goods industries. When Amazon sells a product, they know when they sold it down to the minute. They know where they shipped it, even to whom they sold the product. Lotteries ship instant games to retailers, and even those with loyalty programs, don't have this kind of real-time information about how their products are being purchased.

> "We developed this technology as a tool for the retailer, to significantly improve the way they sell lottery instant games. It reduces the time it takes to sell a game to a customer by up to 70 percent."

Randall Lex, Director, Program Management,
Scientific Games

"Scientific Games' technology has led the way for lottery insights and loyalty programs in the U.S. Now we have innovated technology that provides real-time sales – a whole new set of rich data that we've never had before," says Lex. "This is sales data as its happening. Retailers can see what lottery products are selling by specific game type, licensed brand and price point. This revolutionary technology creates a new layer of actionable business intelligence for the retailer and state lottery."

This kind of information optimizes any predictive order so that it is a real, valid order that works for the specific retailer, even to the point of merchandising the product. Instead of restrictive, one-size-fits-all planograms for instant games, product displays can be planned and designed based on actual sales data.

"If it sounds magical, it is. Retailers will know what games they're selling, how much they're selling of a particular game, and when they're selling it. This is an intelligent system that lets them serve their customers, who in some cases are coming in multiple times a week and buying lottery instant games," explains Sinacori.

Security

As retailers well know, instant games are a prime target for theft whether displayed on top of the counter, beneath the counter, or behind the register.

"Unfortunately, we have people in this world who will reach around displays, under the counter, or whenever they see instant games hanging out of a dispenser, and will grab as many games as they can and run out of the store. Currently, the way the industry displays instant games at retail, clerks must stand guard at all times at the ticket display. And then there is a small minority of clerks who commit theft from the other side of the counter because it's tempting to play the games and not pay for them," says Lex. "It's retail shrink, and it happens everywhere."

This makes it even more important to optimize the visibility of instant games at retail, so the retailer knows what inventory is accounted for and what is missing. And this security goes beyond surveillance cameras.

Scientific Games' new technology reports to the retailer the moment a ticket goes missing. The store manager or security staff can receive a text or an email. The alerts can be customized to a broad range of retailers, from owners who operate just one store, to regional chains with 100 stores, to large corporations with 10,000 stores or more.

"Our system provides visibility into the products. If there's a shortage, the retailer knows immediately – not at the end of the day, week or month," explains Sinacori. "Most retailers have to look through weeks of surveillance camera footage to know if theft has occurred, which is a very reactive way to secure valuable products. Our system provides them with proactive security."

Marketing & Promotional Opportunities

The new system manages the entire ecosystem of the instant game, and has the capability to include data from all lottery touch points. A major component is the ability to enhance loyalty programs, as marketing and promotions are key to any successful loyalty program.

Like ordering your favorite drink at Starbucks, consumers can buy an instant game and just scan their phone to get loyalty credit at the point of purchase. The system can accept draw games as well. This frictionless transaction process incentivizes consumers to engage in loyalty programs."

"We can optimize a loyalty program, which most consumers like but they absolutely don't want the extra time involved in signing up and submitting purchases," shares Lex. "Our new tool delivers on loyalty, making it simple. Promotions can be planned and implemented automatically to appeal to weeks, days, or day parts when store traffic is busiest or slowest. The system can provide control to the lottery to run its own scheduled promotions."

The integration with loyalty is not just through the lottery's program. Most large retail chains have their own loyalty programs that seldom include lottery products. Now, through their own branded loyalty program, the retailer or retail chain can offer just about any kind of promotion to tie-in other products in the store or incentives such as 'buy a $10 instant game and receive a $1 game free' or 'buy a $5 game and receive a free medium-sized coffee drink'. The possibilities are endless, with rich, new data providing retail insights like never before.

Real Results

Scientific Games has continually developed and refined its instant game programs and technology to drive the most successful instant game programs in the country. U.S. lotteries for which the company was the sole or primary instant game provider had 55 percent+ higher weekly per capita sales, 53 percent+ higher sales per retailer, and 46 percent higher per capita gross gaming revenue (FY2016) than other U.S. lotteries. Instant game per capita sales for lotteries using its *Cooperative Services Program (CSP)* outpace the industry by 37 percent (FY2016).

So it's not surprising the company's newest innovation is getting a great deal of interest. Lottery directors who want to learn more can visit the Scientific Games exhibit at NASPL 2017.

Lex believes providing retailers with the real tools they need to optimize selling lottery products is going to create a pathway for lotteries to sell more games and grow sales significantly.

The real numbers so far? "In our pilot, we are currently experiencing more than 15 percent incremental growth in instant game sales. The numbers tell the story," shares Lex.

"We have relationships with major retailers and the top convenience stores across the U.S. We've been out here meeting with many of them and they are telling us, 'it's about time.' Several are planning pilots, and more are calling us to learn how this new Scientific Games technology can work for their entire chain," says Sinacori. "And they all agree on one thing: this is revolutionary."

Lotteries interested in a demonstration at NASPL 2017 should contact their Scientific Games' regional vice president to schedule a tour.

"This is sales data as its happening. Retailers can see what lottery products are selling by specific game type, licensed brand and price point. This revolutionary technology creates a new layer of actionable business intelligence for the retailer and state lottery."

Randall Lex, Director, Program Management,
Scientific Games

Lottery Players Drive C-Store Sales and Basket Size

This article is an edited version of an original story by Erik J. Martin, CSP, cspdailynews.com
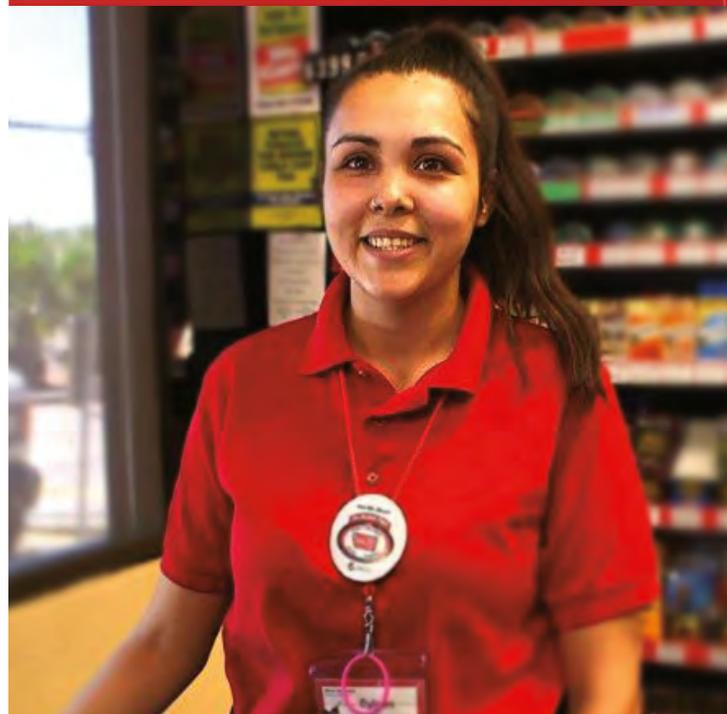
Lottery ticket sales continue to represent a significant source of revenue for convenience stores, generating about $8,000 in sales weekly and 9% of total convenience sales, according to Management Science Associates (MSA). "Lottery remains a very reliable source of revenue that sells itself," says Don Burke, senior vice president of MSA. "It's a category consumers rely on being able to purchase at a convenience store."

Lottery tickets are complementary in filling out the market basket. Ninety-five percent of lottery buyers purchase at least one other item inside the c-store, and the overall basket value of these lottery customers averages $10.35, according to NACS. In comparison, those customers who do not buy lottery spend $6.29.

The other categories of merchandise most commonly purchased with Lottery are (according to SwiftIQ findings shared at the 2017 NACS State of the Industry Summit):

- Newspapers (112% more likely to be purchased with lottery)
- Bakery items (68%)
- Coffee (59%)
- Cigarettes (60%)
- Soda (56%)
- Bottled water (50%)
- Prepared food (50%)
- Pizza slice (48%)
- Energy drinks (41%)
- Gasoline (27%)

"Lottery is typically an impulsive, add-on purchase to some of the staples and destination items that drive consumers to a convenience store, like fuel and cigarettes," Burke says.

However, these shopping dynamics change when the lottery payout grows. "The state lottery and multistate games are very dependent on the jackpots," says Steve Montgomery, president of b2b Solutions LLC, Lake Forest, Ill. "When those jackpots get to a certain size, sales increase at a rapid rate. I think this is due to non-lottery players deciding to play."

Burke said: "It is proven that when lottery jackpots increase, so does convenience-store traffic. That fact suggests that higher lottery amounts become a destination vs. an impulse transaction."

When the prize reaches $300 million, "nine out of 10 people who come to our register will buy at least one $2 ticket," he says. "If the pot is a normal $40 million, you do not get the same volume. When it gets to $100 million, more people will buy a $2 ticket."

Burke recommends several tactics that c-stores can use to increase lottery ticket sales.

Promote lottery at fuel pumps and the checkout counter, especially when jackpots get large. "Signage at the fuel pumps lets them know lottery tickets are available inside and can compel them to purchase, particularly if there is a high prize amount," he says.

Consider bundled deals and discounts. "Place a cooler near the lottery register and offer something like two Red Bulls for $3 if they purchase lottery," says Burke. "It's all about effective signage around the area and secondary placement of products that are commonly in the market basket when lottery is bought."

Chaudhari recommends offering a variety of scratch-off games and opening more facings of the same games to entice buyers to try their luck from different stacks.

Have a plan for high-traffic lottery days, and strive to improve the in-store experience for all shoppers. "We have a separate area near the checkout where scratch-off buyers can play and not hold up the line," says Chaudhari, who hired a second employee just to handle lottery sales.

"I've seen employees at other locations become annoyed at the time a customer takes to pick out a scratch ticket or pick their online lottery numbers. This makes customers less likely to purchase anything else or even return," says Bumgarner of Scrivener Oil. "Remember that customers are not an inconvenience—they are the reason we're here, and we need to make them feel that way."

Reward loyalty. "We take care of our common customers who come in regularly to play and who spend a lot of time in the store by giving them a free bottle of soda or water," Chaudhari says.

Remember that drawing attention to lottery becomes especially important when America prospers. "Studies have shown that lottery sales go up when the economy is bad, as consumers are looking for hope and luck," Burke says. "When consumers have more money, they don't necessarily think of the lottery—they see it as more of an aspirational-type purchase." ∎

C-Store Facts

- About half of all U.S. lottery tickets are purchased at convenience stores

- Lottery accounts for 9% of total c-store purchases

- Average lottery sales weekly per c-store is $8,000

- C-store lottery transactions peak on Wednesdays and Saturdays

- Strongest c-store lottery sales occur from 3 to 5 pm

- C-store lottery commissions: typically 5% to 6% (depending on state)

Sources: NACS, MSA, SwiftIQ

JCM Global's New FUZION-Powered Slot Machine Can Do It ALL!

Slot machines have been part of our entertainment world for more than 100 years. Historians have evidence that the first one appeared in 1895, and the classic electronic machines that matched spinning lemons, plums, and cherries in winning combinations were in common use by the 1960s.

But the makers of those earlier models would not recognize the slot machines of today and their enhanced capabilities powered by **JCM Global's new FUZION™.** With this breakthrough technology, slot machines have the potential to become multi-line profit centers. They can vend and redeem lottery tickets, conduct race and sports betting, deliver cross-enterprise promotional coupons, enable real-time currency exchanges, streamline IRS tax form processing, and allow players to participate in Daily Fantasy Sports. And players don't even have to leave their seats!

FUZION-powered slots can also be connected by Mobile I/O™ technology, which allows casinos with legacy, reel spinners, or other games without picture-in-picture capabilities to use FUZION by enabling players to connect with the game via smartphones through JCM's Intelligent Bezel.

JCM Global Vice President of Worldwide Marketing Tom Nieman said, "You can take your smart phone, tap it to the bill validator bezel, and your phone creates a temporary digital connection with the FUZION interface through a BlueTooth connection. When your mobile device is in close proximity to the slot machine, you can do all the things that you would be able to do on the video screen attached to the newer machines. Now you're carrying around a screen on your mobile device and you can do all of the things that you would be able to do on the video screen attached to the newer machines. And when you walk away, the communication is automatically disconnected."

The FUZION technology was introduced in September 2016 at the Global Gaming Expo.

With their capability to combine multiple features, and services, slot machines fueled by FUZION technology would seem to be well-positioned to attract non-traditional slot machine players, while also giving traditional slot players more entertainment options right at their fingertips.

Here are some of the features:

Lottery:
Slots with FUZION technology have the potential to sell and redeem lottery tickets and trigger targeted promotional messages before large jackpot drawings

Race and Sports Betting: Slots with FUZION technology have the potential to place race and sports bets and print a wager ticket. Casinos also may enable daily fantasy sports gaming through their own platform or through a third party's.

Promotions:
FUZION ties the enterprise together with system-generated promotions, delivered directly to the player, both carded and non-carded. This can include drawings, collectible promotions, special events, and player outreach.

Currency Exchange:
The system's bill validator accepts the world's currencies, with exchange rates that can be preset or calculated in real-time.

Tax Forms:
Slots with FUZION technology have the potential to print W2-G tax forms with pre-populated player data and deliver required documentation to the customer; the back-end system stores signature forms and data for the IRS. "Nothing is a bigger pain for casinos than when somebody hits that 1099 threshold that locks up a machine until an attendant and a key person come around, take the information, process it, go in the back room, get all your tax information, and then finally pays you off. That process alone can take 20 minutes — and in those 20 minutes, the machine isn't playing and the player isn't playing," said Nieman. With the new system, the tax form appears on the screen for the player to complete. An attendant validates the player's identification, and the document is sent to the casino to be forwarded, in turn, to the IRS. The player gets a receipt that the machine prints out, and the processing time is reduced to about seven minutes.

Enhanced Ticket Templates:
FUZION delivers server-based graphic templates that can be updated as often as needed, like sports book tickets, promo coupons, lottery tickets, etc.. High quality graphics enhance the customer experience.

In a recent interview, Nieman described the thinking that propelled the development of the FUZION technology.

"At JCM, we took a step back and asked how could operators better leverage the most incredible asset this industry already has – the massive footprint of tens of thousands of slot machines. These devices are already bought and paid for, and they already have the attention and engagement of millions of consumers.

"Instead of figuring out how to launch new products and struggle through the high-cost and unprofitable introduction and growth stages of the product life cycle, why not figure out how to extend the mature stage, which is the most profitable. The costs of product development, launch, building the brand, acquiring the early adopters, and investing to drive for mass-market acceptance are in the past. Slot machines are in the stage where all these costs have been borne and you have a product with mass-market appeal. It's time to innovate for the purpose of reaping the rewards from decades of investment and

massive consumer engagement."

The FUZION-powered slot machines not only benefit the casino by expanding profit-generating capabilities, but they also dramatically improve the gaming experi-

ence for the player. The player is provided the convenience of conducting all types of transactions at the slot machine. The player no longer has to interrupt their gaming experience to walk across the room to buy chips, exchange currency for tickets, place a wager on their favorite sports team, cash-out, or report winnings to tax authorities.

Nieman emphasized that the solution requires a collaborative effort among gaming operators, manufacturers of slot machines, and regulators. "FUZION is a peripheral component that integrates with the back-end casino management system to transform the slot machine into a multi-purpose device.

It needs the cooperation and collaborative effort of all manufacturers of slot machines. "Our partners in the manufacturing community and on the casino and operator sides of the business are embracing our vision for turning the slot machine into a multi-purpose kiosk. Based on early dialogue with regulators and lottery officials, they appear to share the same level of enthusiasm.

It's important to note these items would be available only where they are legal, such as in Nevada for sports betting, 44 states where lotteries exist alongside casinos, etc."

JCM Global is the world's leading transaction technologies supplier for the banking, retail, kiosk, and gaming industries. With unsurpassed service and support, JCM Global is trusted by operators, manufacturers and integrators on six continents. Its extensive line of award-winning products set global standards with ground-breaking peripheral transaction components, innovate digital media hardware, and the systems to tie them together. For more information, visit **www.jcmglobal.com.** ∎

10 for 10

To mark IGT's **10th** annual sustainability report – **10** ways the company is operating sustainably

As more and more socially aware consumers seek out companies that share their values, and as forces of change put pressure on established safeguards, IGT is fully committed to delivering growth to our industry by modernizing play and operating responsibly and sustainably in every part of our business.

For the past decade, the creation of our annual sustainability report has given us the chance to share and reflect on some of the most meaningful outcomes of our day-to-day activities. It's an important part of the ongoing dialogue we are engaged in with our own people and a wide range of external stakeholders as we continue to shape our role in an evolving industry.

With more than 12,000 employees and operations in 100 countries across six continents, we are engaged not only with local communities and our own industry, but with the wider world. The 2016 Sustainability Report represents a great milestone for us. Illustrated with photos submitted by IGT employees from around the globe, this 10th annual report details how the company has steadily created greater value for all of our stakeholders while delivering innovation and excellence to keep gaming fun for all.

Here are 10 ways that IGT has been sustainable and ahead of the game in the past year:

1. We put Customers First.

Our business philosophy of Customer First means listening to our customers and aligning around their business challenges to create innovative solutions that drive growth. In our 2016 Lottery Customer Satisfaction Survey, 87% of customers reported satisfaction with IGT.

2. We support education.

Since 1999, IGT has opened 290 digital learning centers through our After School Advantage Program. We opened 13 new labs in 2016.

3. Our supplier network grows with us.

We work with suppliers that can ensure high-quality goods and services and meet high economic, ethical, and socio-environmental standards. In 2016, IGT sourced roughly $2 billion in products and services from more than 11,000 vendors worldwide – 88% in the U.S. and Italy.

4. We provide award-winning service.

IGT's Global Contact Center assists businesses 24/7, winning two industry gold awards in 2016. And our player contact centers around the world handle 1.5 million inquiries per year.

5. We take care of the environment.

IGT consolidated its data centers and IT infrastructure, avoiding more than 650 tons of greenhouse-gas emissions in 2016.

6. We invest in our people.

In 2016, IGT delivered 105,000 hours of training to employees at all levels of the company. A diverse and inclusive workforce is essential to our success, and our commitment to diversity informs our employee training, recruiting, and other initiatives.

7. We are helping to build a better tomorrow for our communities.

IGT participates in a wide range of corporate and employee-directed giving programs, from Matching Gifts and Day Off for Volunteerism to Dollars for Doers grants benefitting nonprofit programs where employees volunteer.

8. We foster responsible gaming.

IGT's gaming, lottery, and interactive platforms proactively support responsible gaming, with player protection and security tools to safeguard players' interests and promote responsible play.

9. We build excellence.

We recognized our employees and teams with more than 7,000 gifts and cash awards for outstanding performance in 2016.

10. We are mindful of our resources.

As part of a wider effort to set goals, measure, and regularly assess our performance in protecting the environment, we launched a web-based tool to collect our environmental data, and now have 90 sites globally – and growing – reporting on their impact.

To learn more, visit the Global Responsibility section of IGT.com for the full 2016 IGT Sustainability Report.

Opposite: IGT employees from around the world contributed photography to the 10th annual sustainability report, including this cover shot by Lorenzo Repichini.

Protect Your Position At Lottery Retail

Unlike most consumer brands, lotteries place a significant amount of permanent and temporary POS material at retail without paying a fee to the retailer. This long-time privilege enjoyed by lotteries is at risk of changing due to the growth in Digital Signage (DS) network technology.

With the install base of DS networks growing at a rate of about 15-20% per year in the USA, retail chains, including C-stores, have an increasing interest in installing their own DS networks.

If a retailer installs its own DS network before the lottery does, the lottery risks losing its current Point-of-Sale (POS) privileges and may be forced to share or buy space on the displays owned by their retailer.

Compound this with the fact that today's consumers expect more—retail experiences that are more modern, on demand, entertaining, and personalized—and the Lottery industry finds itself with both a challenge and an opportunity to reinvent itself at retail.

A DS network across a retail footprint typically increases sales of highlighted products by 3 to 7%. DS networks are also especially effective at stimulating unplanned impulse purchases, making them particularly suited to Lottery products.

DS networks at retail are more accurate and efficient, and have higher recall rates, than all other standard forms of advertising (including mobile ads)1. Perhaps most important, the Lottery Marketing Department has more control of the retail marketing message than ever before. Lottery Marketers have complete control over POS DS content—plus, dynamic

Digital content means demand on retail staff for how-to-play education, line-ups, and perceived wait times can also be reduced by implementing

DS products such as Digital Menu Boards and Digital PlayStations.

Digital Menu Boards not only increase Instant Game sales, but allow players to make their product choices while waiting in line, while Digital PlayStations can integrate cashless payment or print "orders" with

> ## Retailer-owned digital signage network installations are growing at about 15-20% per year, threatening Lotteries' privileged position at retail.

tagging and highly efficient conten distribution ensure each location has the optimum messaging specified by the Lottery Marketing Department. This centralized control of messaging means a lottery can have less reliance on retailers for accurate placement of printed temporary POS materials. The costs of printing and shipment of temporary POS are also reduced or eliminated.

barcodes to be taken to the checkout. Digital signs integrating interactive touch (such as interactive tablets or Digital PlayStations) open up virtually limitless player experience options. Passive attract screen content can advertise promotions, jackpots, and highlighted games, all optimized for dwell times. Proximity sensors

1 Nielsen DOOH study

can trigger interactive experiences, inspiring a younger demographic of players, offering instant gratification, and educating new players on how-to-play. Multi-lingual communication, multiple product categories, and complicated sports betting information all become straightforward and clear.

When it comes to measurement, cameras built into DS enable Lottery Marketers to use Anonymous Visual Analytics (AVA) to refine their understanding of players, telling them just who's looking at what and when. Engagement and dwell times can be monitored to optimize type and duration of content, improving engagement with target audiences. Not only does AVA capture anonymous data on gender, age, distance, presence, and more—it's also intelligent enough to recognize repeat visitors. On the interactive signage side, Lottery Marketers can track analytics similar to a website, allowing for split testing and providing direct feedback to optimize future experiences.

One thing is for sure: this is not your grandparents' lottery. DS allows us to create experiences that transform the player journey at retail; from the moment the player approaches the store (with sunlight readable LCD jackpot signage), to their shopping experience (with strategically placed Digital PlayStations and player advertising displays), to their wait at the checkout (with in-lane signage and Lottery Digital Menu Boards). We are able to interact with players in ways convenient to them, while protecting our footprint at retail and repositioning Lottery as a cool brand.

DS is a chance to look at how our players experience Lottery retail in a new way. To think creatively about how we interact with our players. To disrupt our status quo. DS networks are not a way to do things the way we've always done them, just on a digital screen. They're a channel that gives us virtually limitless possibilities for targeting, attracting, interacting, inspiring, and delighting players in ways we have never done.

The time to protect Lottery's privileged position at retail, while capitalizing on the benefits of DS, is now. ∎
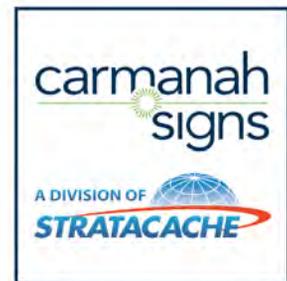
The Art of Survival and Success

The key to lottery survival is to embrace digital age technology and new retail models. This is a reality our industry has largely recognized, but there continues to be uncertainty about how best to evolve.

"A successful company is like a great white shark. In its prime, it chews up the competition, but if it dares to sit still for too long, it dies. Some of the world's most profitable and enduring companies have achieved their long track record of success by constantly reinventing themselves., evolving their product lines and business strategies to stay one step ahead of their customers' needs", and preferences. "In business, it's better to be a chameleon than a great white."

Competition from new lottery gaming wholesalers, decreased in-store foot traffic with increased mobile shopping delivering products to the consumer's doorstep, game styles that do not attract younger demographics--these are but some of the market threats of today that began taking shape years and years ago. Moreover, lotteries have been limited in how agile and adaptable their product could be because the industry's continued reliance on aging, inflexible technology and operating models. The consequence is that government sanctioned lotteries are losing their players and

their market share, they are not "chewing up" the competition. The lesson to learn is: without reinvention of the lottery product and infrastructure, consumer contact will decrease and product irrelevance will increase. The adaptability of the chameleon truly is a powerful behavior to mimic in business.

NOVOMATIC LOTTERY SOLUTIONS

As much it may seem that the altered retail footprint and new trade styles have simply appeared in our lives, the truth is that change is happening every second. Where we stand today in relationship to the lifestyle changes that have been brought about by 21st century technology is a consequence of someone at some point seeing and seizing past opportunities.

We at NOVOMATIC Lottery Solutions understand this. Innovation and technological foresight are the key elements to our approach, and this is what allows us to keep pace with today's fast-changing retail environment.

Within the confines of local regulations, lotteries must become a part of the AmazonFresh, Target, and Walmart online product selection menus and the NLS modular, service-oriented architecture allows for just such flexibility and inclusion. The NLS open architecture speaks a common language, based on standard communication protocols that allows lottery to easily connect to any channel, service or system--to truly reinvent the relevance of the lottery by partnering with any product provider, from day spas to donut shops.

As a case in point of successful business evolution, much has been made in recent retail analysis studies of Amazon's market expansion into the grocery segment. AmazonFresh is a subsidiary of Amazon.com. AmazonFresh is a grocery delivery service currently available in some U.S. states, London, Tokyo, and Berlin.

The subsidiary's service model mimics that of other large grocery store chains that are now supporting pre-order store pick up and home delivery business models. Most retail industry analysts see this market segway as a new and a targeted strategy to capture a large portion of sales from Amazon's primary competitor, Walmart. Do you remember when Amazon was just the online book stor "Amazon.com's latest experiment is a clear indication of where it's seeking a big chunk of its future bread and butter: the massive world of grocery retail. Groceries — a $600 billion U.S. market — are a critical nut for Amazon to crack if it's to unseat Walmart as the world's largest retailer" stated the Seattle Times. Analysts with Cowen & Co. have called the U.S. grocery sector Amazon's "biggest potential source of revenue upside."

Here's the kicker. Amazon began this takeover attempt over ten years ago! The headline on August 1, 2007 in the Seattle Post-Intelligencer was "Amazon starts grocery delivery service'beta test' begins with Mercer Island."

And here is the relevance to our industry: while great efforts are being made to place

Dave Roos "10 Companies That Completely Reinvented Themselves" 10 January 2014.
HowStuffWorks.com. <http://money.howstuffworks.com/10-companies-reinvented-themselves.htm> 17 August 2017

the lottery product in new big box brick and mortar locations--- and we must secure that retail footprint--- those very retailers started migrating from brick and mortar store-fronts to online environments over 10 years ago. Historically, proprietary systems and burdensome product management prevented the lottery from appealing to large segments of the chain store retail market. But, lest we find ourselves working to catch up rather than capitalize on evolving consumerism again at the end of the next 10 years, it is imperative to accelerate the technological reinvention of lottery that is now available through deployment of true Omni Channel, service oriented solutions.

There is no going back. Amazon is not the first to come up with so-called "click and collect" grocery shopping. Supermarket chains from Texas' H-E-B to Kroger to Stop n' Shop and, of course, Walmart, offer the service. Yet Amazon may have an edge over its competitors due to the popularity of its smartphone app — roughly 30 million Americans use it on a monthly basis," says Cooper Smith, an analyst at L2, a business intelligence consultancy. "Clearly this is a mobile play," Smith said, targeted to "younger consumers, high net worth consumers. I wouldn't be surprised if five years from now you have Amazon stores along the major metropolitan areas of the coasts."

We know that the modern retail environment is evolving more rapidly than many people realize. We have already seen big changes in the way people purchase goods and services. Today, consumers rely on web-based mobile technology to purchase things that tradition-ally involved a physical store and a checkout line. In addition to AmazonFresh, Amazon has also created a grocery shopping experi-ence that completely cuts out checkout lines. Shoppers simply take what they need from the shelf and walk out the door while in-store imaging technology and a smartphone app handle the entire checkout process. Similar concepts are catching on in Asia and Europe as well.

NLS tracks every current and emerging retail trends and designs solutions that prevent built-in obsolesce and ensure compatibility for today and tomorrow's market demands. Now, our industry must take notice and act because we

are now living with the changes conceptualized 10 years ago. If we are not as flexible, agile, and customer-centric as the current major retail-ers are TODAY, we are certain to be obsolete when today's innovations surface in 10 years. These innovations represent the future of retail. This is why the NLS "Bring Your Own Terminal (BYOT)" concept was identified and developed.

The NLS flexible, thin-client retail system relies on inexpensive mobile devices, tablets, and existing retailer hardware rather than expensive dedicated terminals. BYOT means lotteries can expand their retail market to new locations and venues. If our customers no longer stand in checkout lines, we want

to give them the chance to play when they visit the hairdresser or eat out at their favor-ite restaurant. Our solution gives lotteries the ability to expand their retail footprint into nearly any setting they deem appropri-ate. With BYOT, lotteries have the tools to keep pace with the fast-changing retail environment.

In addition, we also know that current economic circumstances have affected consumer spending. Older consumers are more attentive to how much they spend and

Millennials are concerned with the value of their purchases. What this means for both groups is that we, as lottery providers, must offer games that are fun and worthwhile. Traditional scratch and lotto tickets may still have a place, but we have to offer something more—something that goes beyond just the chance to "win big."

At NLS, we have dedicated considerable resources to developing innovative games that offer players a uniquely enjoyable expe-rience. Players have long enjoyed the act of scratching an instant-ticket or the excitement of watching a lotto drawing, and we want to build on that tradition with games that leverage the potential of technologies like

social media, 3D displays, personal mobile devices, and much more. Our open software design now means that the possibilities are limited only by imagination. Our custom-ers are changing, their consumer habits are changing, and we are changing with them.

We know the simple truth: partnering with new Retail, and expanding the retail foot-print will expand consumer access to the Lottery. We have to be where our players are, not the other way around. ∎

Steve
ROGERS

Chief Commercial Officer

Digital Products, Inspired Entertainment

Virtual Sports: The RNG game that combines the sociability and thrill of sports, the interactive experience of digital games…and the equal chance to win of LOTTERY

Paul Jason:

How has Virtual Sports, the product and the market-place, evolved over the last ten years?

Steve Rogers:

It was in the UK, back in 2001, that Inspired Entertainment was tasked with the job of creating a product that would fill the space in between the live broadcast of horse races in betting shops. The typical horseracing day included lots of lengthy gaps when no live events were scheduled, especially early in the morning or late in the evening. During the day, the screens would go empty for periods of time while waiting for the next race to start, and so the idea was borne to create a graphical representation of a horserace to be slotted in between the live racing in order to offer a full program of non-stop betting opportunities throughout the day. Such was the genesis of Virtual Sports.

We started with horseracing in 2001 and then created greyhound racing in 2002, soccer in 2006, and car racing 2008. Over the last seven years, Inspired has advanced to create virtual cycling, speedway, tennis, boxing, basketball, golf, cricket, darts, and more recently - basketball and American football. We expanded our core sports

offering and now we continue to develop Virtual Sports products for more niche international markets. For instance, we went into Sweden and Italy where trotting/harness racing is a big sport and so adapted our virtual horses, drivers, and carriages to create a market-specific trotting product. In North America, we're focused on American Football, baseball, basketball, hockey and such.

INSPIRED

The outcome being RNG determined makes the game fundamentally much like Lottery, right?

Steve Rogers:

Exactly like Lottery. Software will take an eight-horse race and it will apply probability against each horse, so that there is the favorite with the highest probability of winning, the outsider with the lowest probability of winning, and then the range of spreads in between. The favorite will have a larger range of numbers, making it more

likely that the random number generator will land on one of those numbers. The lower probability horse has a smaller range of numbers making it less likely that the RNG will land on one of those. So, the lower probability horse pays a larger amount if it wins and the prize pool allocation is directly proportional to the odds of winning. The player has no influence on the outcome, and there is no information that the player can know ahead of time to enhance the odds of winning. The outcome is randomly determined, and there is nothing the player can do to change that.

Ever since 2001, and continuing today, every single betting shop in the UK features Virtual Products from Inspired. We launched in Italy in 2013, in Greece in 2017, where we're now live in 5,880 and 4,600 venues respectively. We're also live in China in around 6,000 shops, Ukraine, Belgium, Denmark and Poland among other countries. Following the announcement of Inspired's selection via RFP, we will launch with Veikkaus in Finland, most likely across both their land based and digital channels. Following the inevitable regulatory steps which are a part of entering any new market, we anticipate that integration with Veikkaus will take approximately

six to nine months. Following this, Finland will have Inspired's full best-in-class Virtual Sports events and we are very excited to be working with Veikkaus on this deal.

And you just signed with Michigan Lottery.

Steve Rogers:

Our first contract in the North American market will see Inspired installing Virtual Sports into the portfolio of products available on the Michigan website.

Inspired Virtual Sports have a place in both the sports-betting venues and the markets where real-life sports-betting is not allowed. It complies with the fundamental RNG of Lottery and we anticipate that it will, therefore, be adopted by other U.S. lotteries. We now have around 16 venues in Las Vegas serving the same purpose that Inspired started with fifteen years ago – offering virtual horseracing as a supplemental product to their live sports and we're are also soon to go live in New Jersey.

Virtual Sports is a relatively new form of gaming. Do regulatory frameworks typically have provisions that address Virtual Sports?

Steve Rogers:

They do not. It took three years to get approved in Italy and four years to get approved by the Ministry of Finance in China. I'm pleased to say that this is changing given virtual sports' track-record of performance in the market-place and how easily it folds into regulatory structures and objectives. In the beginning, regulators wanted to classify Virtual Sports as sports-betting products and it wasn't easy to explain the nuances of the RNG which makes Virtual Sports more like Lottery even though you are watching a sporting event. Thankfully regulators are now understanding the position of this product; in Michigan, for instance, Virtual Sports is classified as a draw-game but could just as easily be classified as keno-style game. But it is most definitely not sports-betting!

Do you try to create a playing experience that is similar to sports-betting? For instance, are statistics and performance history of the players displayed along with the odds?

Steve Rogers:

We do present statistics about the players and the teams and how they performed against each other in the past, along with other interesting data but in truth is this information has zero bearing on the outcome. Rather like "dice have no memory", the outcomes are RNG which, by definition, means that nothing that happens prior has an influence or bearing on future outcomes and the product contains clear disclaimers stating that the information has no bearing on the result.

Having said that, the statistics make the choosing of teams and players and all that much more fun and entertaining. All the horses have names, the teams have colors, and numbers have different symbolic meaning for everyone; the players enjoy this interactive element even though they know the result is totally RNG.

And the player does decide which risk-reward model that want to play - for example, 10-1 odds for higher probability of winning a smaller amount or 100-1 odds for lower probability of winning a larger amount.

The play-style of the sports-better is different from the lottery player. Virtual Sports would seem to bridge the gap.

Steve Rogers:

We think it does. In Italy, for instance, we found there were people who play slot machines and there were people who bet on sports, and there were very few people that played both. The lottery player and the slot player typically does not want to spend the time to compete with others in a category where the well-informed and experienced will beat the less knowledgeable, recreational player. Virtual Sports enables the recreational player to enjoy much of the excitement and entertainment of sports-betting without the burden of competing with more competent players.

It seems like people are figuring out that the larger the element of skill, the more likely it is that you'll lose because you're competing with professionals.

Steve Rogers:

Not surprisingly, skill-based gaming products do attract a professional class of player,

and so for recreational gamers, the likelihood of winning is far higher in random-based games where everyone has an equal chance. The overwhelming portion of the winnings in Daily Fantasy Sports and online poker, for instance, flow over to a very small percentage of the players.

One of the most unique features of Virtual Sports is that they offer something for everyone. The graphics are striking and visually arresting because of the colors and the realistic action. The end result is virtual, but the investment to make everything so realistic and engaging to the player is very real!

Tell us about American football which is your new product that will launch at G2E.

Steve Rogers:

It is a big project to create a new game with a whole range of motion data required; building the player models with different heights and weights and running speeds and body dynamics and countless other details. The team kits, logos, and stadium are all built into a 3-D environment. The full American football game does not fit into our regular 90-second frame, so we are dropping the player into the middle of the game with a score and game-play history and stats. The player then places a bet on what is going to happen in the next number of plays.

We're looking forward to again showcasing our product portfolio at NASPL in Portland. We are very excited and committed to the U.S. Lottery market and to helping lotteries develop new game concepts. Virtual Sports has the potential to have dramatic impact on the U.S. lottery market, and to contribute to the mission of increasing funds for good causes.

I would think a market that is under-served in the sport-betting category, like the U.S., would have the most positive response to the Virtual Sports offer. But you started in the most mature and sophisticated betting market in the world, and continue to do well in there in the UK.

Steve Rogers:

Even after all these years, the UK continues to be a very strong growth area for us. It's over fifteen years ago that we started in the UK,

Wendy Montgomery
Continued from page 26

strategy over a broad cross-section of games and we are not coordinating the promotions to optimize synergy and overall impact. There is an opportunity to implement second-chance promotions across an entire portfolio of games. However, it's not easy to do well. Part of the answer is that the limited resources we all have tend to gravitate towards the new and different. It can be easier to launch a new product.

Is CRM (Customer Relationship Management) going to be a decisive competitive differentiator in the future?

Wendy Montgomery:

Absolutely. The best marketers are developing personalized and interactive relationship with the customer. Amazon's recent acquisition of Whole Foods is a big neon sign for what the future will be like. Amazon is all about CRM. Now they will be applying those CRM assets to retailing. I think we can expect the impact to be transformational, and likely to happen sooner than we think.

Lottery's current player base is mostly anonymous. Thankfully, our product involves many stages of interaction—from awareness to desire to play and then to learning how to play, to thinking about the various gaming options and then buying a ticket, to checking the winning numbers and thinking about which game to try next. Much more than other products, lottery engages the customer in a multi-step, multi-faceted relationship that really does need to be managed. This represents a perfect foundation for building a dynamic and active CRM-based relationship with our customers.

Isn't player registration a prerequisite for CRM? How can we entice more people to register?

Wendy Montgomery:

There are different levels of registration and the CRM that goes along with each level. The consumer can download the app to receive the winning ticket numbers or our newsletter or text notifications or announcements without actually registering to play. This is as it should be. We need to have a system that enables the consumer to decide

what level of engagement they want to allow. It is okay if they choose the lower level of engagement because that is the stepping stone to moving to the higher levels.

There must be a good reason for the customer to provide information about themselves. They won't register without receiving a benefit they care about. But this dial moves: the more tech-connected the customer, the more likely it is they want to engage that way.

Our business and products lend themselves perfectly to the world of marketing and promotion. We leverage its appeal in advertising and promotion to drive sales.

> **"And our games have far more lifetime value than any other game in history. We just need to harvest it all to better effect."**

We need to apply some of that creative thinking to drive registrations. The low-hanging-fruit is the players' desire to know the winning numbers. All players need to know the winning numbers and there is no easier, faster, more convenient way to get the winning numbers than online, via the OLG app.

OLG's base of online traffic is already huge. We just need to give players a reason to register. Making it faster and easier to access the winning numbers is one simple way. Second-chance promotions are another.

As we said, CRM is going to be a decisive competitive differentiator in the future. And getting our players to register is the first step towards building that interactive and engaged relationship that will separate the winners from the losers in the competitive gaming marketplace. OLG's is blessed with many natural advantages that other organizations would love to have. We can work harder to leverage those advantages to their full potential.

"Gamification" is no longer the buzzword du jour. But isn't that what we need to apply to the customer journey?

Everyone looks for ways to make their consumer product more interesting, more fun, to "gamify" the business of marketing and promotion. Think about how companies like McDonalds and Coca Cola create games to engage their customer base. It is ironic that our product is games and we need to focus more on gamifying the player journey. Coca Cola isn't selling sugar water, they're selling world peace and harmony. Likewise, we need to tap into a broader set of buyer motives that engage the players far beyond the moment when they scratch the ticket or check the winning numbers.

OLG launched its ticket-checking app in early May. What are the results, are players using it?

Wendy Montgomery:

We had 300,000 downloads in the first 2 1/2 months. Our 12-month goal was 350,000 and we will have achieved that in three months. This was the number one trending downloaded app in the lifestyle section on the Apple Store within the first three days. So clearly, the demand for this simple form of content, the winning numbers, is huge.

The measurable results of many of our initiatives will be much more evident by the end of the year. For instance, we just installed 50 digital menu boards and will be installing another 150 before the end of the year. And we are proto-typing digital play-stations that deliver quite a new and different player experience.

Corporate Social Responsibility has become an important theme for companies in the commercial sector. Why does Lottery have a hard time convincing consumers to care about the fact that all the profits support charitable causes?

Wendy Montgomery:

Corporate Social Responsibility has become an important focus for many companies in the private sector—it helps increase their appeal as employers and to customers. It's a part of profit making, but not the purpose of it.

At OLG, on the other hand, our primary purpose is to generate a profit for Ontario. Our shareholder is the Government of Ontario—and focus is more than profit. In fact, our mission is to generate revenue for the Province, stimulate and enhance economic development and promote high standards of responsible gambling—all in the best interests of the Province of Ontario.

We have in fact been working on enhancing public understanding of why we do what we do. OLG's "All for Here" corporate campaign where we talk about how 100 percent of our proceeds are invested in Ontario. The campaign focused on communities and causes that have been supported with OLG funds. The purpose was very much to draw that link between our business and the benefits it brings to Ontario.

Somewhat peripheral to that idea … What can we do to make playing the lottery the cool thing to do, an activity that everyone shares with their friends because they are proud to play the lottery and they want everyone to know how clever they are for finding this amazingly fun game to play.

Wendy Montgomery:

OLG lottery products are amazingly fun to play. We don't need to become something we are not but we do need to be the best we can be. We will never be the next Pokeman Go so we should not aspire to do that. Pop phenomenons typically fade quickly anyway. OLG has more assets in its core product, brand value, reputation, network of retailers than any other games-of-chance operators. And our games have far more lifetime value than any other game in history. We just need to harvest it all to better effect. ∎

Dato Lawrence

in Chengdu, China. What do you see as the most likely disrupters of the Malaysian gaming market-place?

Dato Lawrence Lim Swee Lin:
This would be the illegals using social media technologies and new e-payment services to connect with the customers, engage them with new and different value propositions, and make it more convenient for the customers to play with them.

And thank you for the compliments and glad you managed to find time to attend an APLA event. Hope to see you in Auckland for our annual event end of October!

How is Magnum Transforming over the next three years to protect itself from those disruptions (or maybe Magnum will itself be the disrupter)?

Dato Lawrence Lim Swee Lin:
Magnum will be 50 years old next year and is embarking onto a holistic Brand refresh to rejuvenate herself to be more appealing to the younger generation of players. This includes a refresh of the physical outlets, improved customer service handling, improved digital communication strategies, focus on the customer journey just to name a few.

How would you describe some of the differences between markets within the Asia Pacific region? Differences in gaming cultures, the kinds of games the players like to play, promotional methods and media, business operations, regulatory frameworks and political attitudes, responsible gaming, etc.?

Dato Lawrence Lim Swee Lin:
The Asia Pacific region primarily covers countries like Australia, New Zealand, Japan, China/Hong Kong, Korea, India and the South East Asian countries like Singapore, Malaysia, Thailand, Philippines, Cambodia, etc. There are varying degrees of maturity across these regions with very different regulatory frameworks.

Thailand is still operating with the passive paper lotteries while Philippines have started to move to expand their portfolio of games and channels. Australia and New Zealand are the more advanced countries in the AP Region while Japan is very cautious with their legislation. China's market is huge but still have lots to work on in terms of the numerous provinces it has to deal with and the span of media and distribution to reach

the population. At this moment, the Chinese Government has not given any indication of a likelihood of allowing online betting in the Country.

India is another very populous nation that continues to face challenges with its laws and regulations across its various States. Until these are resolved at the Federal level, it will be very difficult for the Lotteries to progress in a larger scale there. APLA recognizes the importance of India as a country in Asia Pacific and as such, have selected the 2018 April Seminar to be held in India. More information will be disclosed soon.

As you just explained, there are lots of differences within the huge region which constitutes Asia Pacific. Likewise, there are differences within the regions of Europe, North America, South America, and other regions in the world. That makes it hard to generalize a comparison of one region to another. Still, does anything strike you as an interesting difference between the gaming markets of Asia Pacific and, for instance, Europe or North America?

Dato Lawrence Lim Swee Lin:
A notable difference is the way the Lottery is being marketed. In the Asian countries, it is not common to allow above the line advertisements on Lotteries.
In Malaysia and Singapore, the fixed odds 4Digit game reigns supreme and is a favorite amongst the players there, whereas in the other Asia Pacific regions, it is the Lotto style game that dominates the landscape. As for the emerging Lotteries in other parts of Asia Pacific, pre-printed paper-based tickets are still being marketed there.

How do you think the needs and expectations of APLA members will be changing over the next three years? And, how will APLA evolve to meet the needs of a changing market-place?

Dato Lawrence Lim Swee Lin:
The Lottery industry is facing challenges from new start-ups, new business models and new technologies that are being deployed; not to mention black lotteries. APLA will continue to stay relevant in meeting its objectives to advance the goals and collective interests of its Members and to enhance the capability, common knowledge and status of individual Members. ∎

WILLY WONKA

Golden Ticket™

WOWS ITS WAY TO NASPL 2017

Who knew that when Scientific Games' Jim Kennedy, Group Chief Executive, Lottery, challenged his teams to come up with the next great innovation following the historic $1.6 billion _POWERBALL®_ jackpot in early 2016, that the _WILLY WONKA GOLDEN TICKET_™ game would come to life as one of the most exciting events of 2017 for U.S. lotteries.

A year-and-a-half later, the colorful multi-state instant linked game is generating scrumdidilyumptious sales and some sweet dreams from players in 10 jurisdictions, with more states launching the game in the coming months. It is currently the highest-indexing $10 game of 2017 in Arizona, Colorado, Georgia, Maine, New Mexico and New York

Featuring a golden brand – _WILLY WONKA & THE CHOCOLATE FACTORY_™ is one of Scientific Games' top three casino licensed properties – the linked game offers players a bonus second-chance opportunity to win trips to Las Vegas where the luckiest will take part in the _BILLION DOLLAR CHALLENGE_™ event to win cash prizes from $1,000 up to $1 billion. It is the first time in the U.S. that players have the opportunity to win up to $1 billion on a second chance offer.

Magically, the game continues to outperform all other instant games at its price point in nearly every state where it has launched. "_WILLY WONKA GOLDEN TICKET_ is sustaining incredible sales. From game design, to prize structures, to play style and

the interactive second-chance game, this game is golden on all levels. It is our best-performing linked game yet, and it is on track to be one of our top-grossing licensed games of 2017," shares Kennedy.

Here's how it works – Players' eligible non-winning tickets can be entered into an online second-chance drawing for the opportunity to participate in the _BILLION DOLLAR CHALLENGE_ event for the chance to win up to a $1 billion annuity. The first event will take place Spring 2018 in Las Vegas, with a second event planned for 2019. Lotteries still have an opportunity to get into the game.

"_WILLY WONKA GOLDEN TICKET_ is a great example of the game innovation coming from Scientific Games – particularly in the area of linked games, where we lead the industry in leveraging events that generate pure excitement for the industry. I encourage lotteries that are considering adding the game to their portfolio to talk with other directors where it has launched, because the numbers tell the story," says Kennedy.

To be a part of the April 2018 second-chance drawing, lotteries must be signed up by October 1, 2017!

Highest Indexing $10 Game of 2017 in Arizona, Colorado, Georgia, Maine, New Mexico and New York

1.49M+
second-chance entries across
6 loyalty clubs!

$
252.8M+
in
total retail sales!

✓ **11 States Launched:**

TEXAS	GEORGIA
MAINE	NEW YORK
COLORADO	ARIZONA
KENTUCKY	ARKANSAS
NEW MEXICO	MICHIGAN

📢 Coming Soon:

OHIO	• 9/6/2017
WEST VIRGINIA -family of games	• 1/4/2018
ARIZONA -new game	• Spring 2018

"WILLY WONKA GOLDEN TICKET™ is our highest-selling $10 game since 2011, with a two-week index of 225 compared to all other $10 games launched since that time. Additionally, our ticket included an online Free Play offer that has thus far generated over 600 new player accounts, of which over 13% have become first time depositors."

Glenn Strong,
Deputy Commissioner of
Games & Marketing,
Michigan Lottery

"WILLY WONKA GOLDEN TICKET™ is golden in Texas."

Gary Grief,
Executive Director,
Texas Lottery

"We're thrilled with how the game is performing and our players love the idea of the BILLION DOLLAR CHALLENGE™"

Michael Boardman,
Director, Lottery Division,
Maine Bureau of Alcoholic
Beverages & Lottery Operations

"Adding the WILLY WONKA GOLDEN TICKET™ game to our repertoire was a no-brainer. This is a beloved brand and a symbol of whimsical fun. Our players play the Arizona Lottery for fun and excitement, and the game embodies all of that and more! We're anxious to see if the lucky BILLION DOLLAR CHALLENGE™ winner will be an Arizonan!"

Gregory Edgar,
Executive Director,
Arizona Lottery

$10 **WILLY WONKA™**
Golden Ticket

Introducing the BILLION DOLLAR CHALLENGE™
Second-Chance Promotion!

WONKA GOLDEN TICKET
INSTANT TOP PRIZE $3,000,000
Enter the BILLION DOLLAR CHALLENGE™!
WIN A TRIP TO LAS VEGAS WITH A CHANCE TO WIN UP TO $1 BILLION!

WONKA GOLDEN TICKET
Introducing the BILLION DOLLAR CHALLENGE™!
Enter to Win a Trip to Las Vegas and a chance to Win up to $1 BILLION!
See back for details.

25.8M+ instant games SOLD!

All results as of 8.12.17

API –
Three
Powerful
Letters

Simon Butler

Chief Executive Officer
of ABACUS Solutions
International Group

The lottery industry has heard a lot about this thing called 'API' in recent months. NASPL has an initiative to develop an industry standard API with the aim of creating some uniformity in lotteries using different system vendors. But what does this all mean? And why should you care?

This article could be about what an API is, what it stands for (Application Programming Interface) and what it does. But this has been addressed in previous articles over the last year.

So instead we'll tell you how Abacus have used APIs in Europe, bringing important incremental sales to a lottery, and doing so in a way that is convenient for both the player and the large retail organisations who sell the tickets.

All you really need to know about an API is that it's a set of instructions that tells one system how to communicate with another. They are used everywhere on the internet. On Facebook, when you share a video from YouTube and it plays the video in Facebook - that's all done using an API.

So what did Abacus do? Put simply we enabled lotteries in Europe (such as The Netherlands National Lottery - Nederlandse Loterij) to sell tickets directly from the retailer's till, in-lane, using all the existing hardware including their PoS devices and printers. The retailer doesn't need a terminal, the player doesn't need to queue separately to buy a ticket at the information desk and the lottery reaches 100% of customers in that store, instead of the 5-10% of customers who typically visit a dedicated lottery terminal at the kiosk.

And the result is that players love it. They can add a ticket to their purchases at the till as part of their normal shopping experience and the transaction is quick and convenient. Retailers sell more tickets and reduce the queue at the kiosk allowing them to give customers a better shopping experience. The process is designed to fit with the customer's existing behaviour as well as the retailer's existing processes. The lottery sells more tickets appealing to a new and younger consumer and it is able to quickly expand points of purchase in a cost-effective manner. There's no new hardware to deploy in store so no additional costs for maintenance. And they are reaching new players.

We are always asked about cannibalisation, and the answer is always that it's very low. It would be wrong to think there isn't any, but it's almost insignificant. Most importantly in-lane sales really come into their own when there are rollovers, when the occasional players participate and new players feel engaged by a large jackpot. The convenience of the purchase leads to new players and regular players buying extra lines on impulse. Some of those new impulse buyers then become regular players, adding the lottery ticket to their groceries each time they shop.

This is all managed by an API, which is the key component to this all being possible. But it is only part of the solution. A lottery who uses the NASPL standard API could just tell their system vendor to publish it and give that API to a retailer and say: "build to that". They could do that to every retailer they desire, with a separate project to connect each retailer and each retailer could develop to that API for each individual State Lottery. It sounds easy but it is much more complicated and in reading this it may instil an image of a plate of spaghetti. If it doesn't it means you're not reading it properly.

So how do we get over this complexity? Abacus could remove that image of a plate of spaghetti from your mind. Abacus connects once to the lottery system and then manages the onward connection to each retailer using the NASPL API. Similarly looking from the retailer's perspective Abacus connects to them once and manages the connections back to the various state lotteries. Think of it like your telephone at home, you have one land line that comes in, that connects to an exchange and routes your calls to or from anywhere. Abacus acts like that exchange, connecting your lottery system to any point of sale, whether that's an in-lane till, a self-checkout till, an ecommerce platform, or anything else that processes a sale. But unlike a telephone exchange the lottery approves in advance who they can talk to, so it's a closed network and most important it is highly secure.

Let's look at a very practical example, again in Holland. Nederlandse Loterij had signed an agreement with one of the largest supermarket groups in the Netherlands called Jumbo, to begin selling lottery tickets. Jumbo has almost 600 stores, with around 5,700 points of sale. The plan was to go straight for an in-lane solution because of the simplicity it offered to what would be a complex rollout under the traditional approach. There was a great PR story available too - the lottery under their Lotto brand and Jumbo were joint

LOTTERY
EVERYWHERE™
by abacús

sponsors of a professional cycling team who were competing in the Tour De France starting in just 8 weeks. So they asked: "What if we could get the whole Jumbo estate live and selling tickets in time for the start of the race?" Of course, we were delighted to hear that we needed to integrate to a retailer as significant in the market as Jumbo. The timescale, well eight weeks sounded tight. In the end we did it in six weeks. That's 600 stores, 5,700 points of sale, all added to the lottery sales network in just six weeks. Now to maintain a little balance here a lot of things went our way, and the retailer was fully on board and provided the required effort to achieve this, but it proves how responsive a lottery can be by using this technology. The Abacus model providing a 'Fully Managed Service' brought all the players together to enable this process to happen quickly and seamlessly.

An Integrated Solution- The Abacus Fusion Platform

As mentioned earlier an API really is just a set of instructions from one system telling others how to communicate with it, so this opens up all sorts of possibilities. Selling tickets for draw games is a good place to start, but why not sell Instant tickets too? If the lottery system can support ticket-by-ticket activation you can add that functionality which greatly simplifies the sales process for retailers. Why not sell a digital instant as well? You can add it to your purchases and then play as you're leaving the store. You could also print a 'terminal generated instant win'. Where it's allowed why not sell tickets on ecommerce websites? They're the retailers of the future so why not bring them into the lottery sales network? You can add new games and new content aimed specifically at retailers who may not fit into the typical retail model - niche games in niche markets.

So, API, Application Programming Interface - or API, Awesome Power for Innovation? You decide. ■

(Below) Photos of hanging cards and promotional material for the in-lane solution within Jumbo Supermarket chain in Holland;

View a short video on how the in-lane solution works in store at: https://youtu.be/mHGT2NKOe2Y or scan the QR code

Instant Ticket Lottery Machines: A WIN FOR MARYLAND VETERANS

The Maryland Lottery and Gaming Control Agency is one of five North American markets where Diamond Game's product is deployed and it's a market that only offers the product in Veterans' organizations across the state. The Instant Ticket Lottery Machine ("ITLM") program was launched in August 2014 as part of a 5-year contract.

On August 9, 2017 the Veterans' organizations participating in the program reached a major milestone, profiting $10,000,000 from ITLM play proceeds.

"We are proud that our product provides entertainment, and important funding to veterans in Maryland. It is highly gratifying to be a part of generating over $10,000,000 to almost 80 locations and their important causes," stated Bill Breslo, VP of Sales & Marketing at Diamond Game.

Veterans' organizations do a great deal to serve their members and other veterans who have done so much to serve our country. The feeling of camaraderie and shared experiences is important to veterans, and the posts fill that need. But many posts are struggling financially and are striving to add more 'value' in the form of entertainment and recreation to create a more dynamic and fun environment, particularly for younger veterans. That's where Lottery comes into the picture.

Diamond Game has identified Veteran organizations as an untapped market for lotteries. These posts want to appeal to active members and attract new members by creating an environment that offers a variety of activities and outlets for fun and entertainment. Diamond Game's ITLMs have proven to be the perfect product to deliver entertainment and important revenue to the posts.

The ITLM program was created specifically to generate revenue that supports the Veterans' organizations. When the program began, nearly 30 American Legion posts were already licensed Lottery retailers and had limited offerings of lottery games. Most of these posts added the ITLMs and once favorable player reaction was received they began asking about adding other lottery products like keno. The ITLMs have proven to be a complementary product to keno. Retailers that already had keno when they installed the ITLMs have experienced a 13% increase in keno sales.

The program in Maryland has been tremendously successful in achieving its objective of supporting the Veterans' organizations and Diamond Game is proud of its role in achieving that objective. ∎

Pulse of the Industry

NEWS

These news stories comprise a small fraction of the gaming and lottery news stories posted every day to PublicGaming.com. Too, these stories are the short versions. You can visit our news website and go to the "search" field at 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.

North American News

DANIEL "DANNY" RACHEK APPOINTED EXECUTIVE DIRECTOR OF THE VERMONT LOTTERY

Rachek, an Essex resident, begins his post November 13. He currently serves as head of the Vermont office of the Federal Bureau of Investigation, where he's worked for more than 22 years. For the past six years, his service included supervising 20 FBI employees assigned to Vermont.

In addition to his experience leading in-depth financial investigations with the FBI, Rachek has been responsible for representing the Bureau at various community outreach events, press conferences and meetings with other regulatory agencies and corporations. He's also led workshops for banks, credit unions, town managers, colleges and universities on a variety of financial topics.

POWER BALL AND PUBLIC FUNDING

The North American Association of State and Provincial Lotteries reports that Powerball and other lotteries contribute billions of dollars to state agencies, including the following beneficiaries:.

- New York schools ($3.3 billion in 2016)
- Georgia schools ($1.1 billion)
- Rhode Island's general fund ($370 million)
- Louisiana's state budget and problem gambling fund ($178 million)
- Massachusetts' general fund, cities and towns, arts council and compulsive gambling fund ($989 million)

In 2016, $80 billion in Powerball and other lottery tickets were sold. That's more than was spent last year on movies, video games, books, music and sports tickets combined. Of that amount, $46 billion was paid out in the form of prizes. States spent $4 billion on advertising and commissions for stores that sell tickets and other operations, leaving about $23 billion, or 31% of the total intake, to fund education and other programs.

SPORTS BETTING, DFS REVENUE ESTIMATES OFTEN OVERSTATED

It is a common occurrence: revenue estimates in the sports betting and daily fantasy sports businesses are significantly overstated, and the erroneous figures are the result of misunderstanding two interrelated concepts. In short, industry groups and journalists conflate revenue and handle, which are two very different things.
Handle is how much money bettors and daily fantasy sports players are spending on wagers and/or entry fees. For sports betting, illegal offshore handle is estimated at $150 billion. For DFS, the handle in 2016 was more than $3 billion.

Revenue in sports betting and DFS is only a fraction of handle. Revenue can be variable in sports betting, but unless oddsmakers are consistently inaccurate in establishing lines, they should be able to generate net positive revenue on an annual basis. Sportsbooks typically hold about 5% of handle, according to data from the UNLV Center for Gaming Research.

DFS websites take a percentage of all entry fees. That revenue equates to 10 to 15% of handle. In 2016, *Eilers & Krejcik* Gaming reported that figure to be more than **$300 million.** In other businesses, the money that companies "handle" is regarded as the same as revenue. If you pay a company for a good or service, that money is used by the company to produce goods, pay employees, and otherwise conduct business. The money, or handle, that flows through sportsbooks and DFS operators is different. It is money that is "handled" for a time by a book or DFS site before being paid out to winning players. Handle is a useful figure for determining volume and growth trends, but revenue is the money that goes into the sportsbooks', casinos' and DFS sites' pockets.

The concern with the common misunderstanding of handle/revenue is that it creates unrealistic expectations for states seeking to regulate sports betting or DFS. There can be significant opportunities for states that legalize sports gambling, but **unrealistic estimates** caused by the conflation of handle and revenue may set everyone up for disappointment.

IGT FORMS JOINT VENTURE WITH TELLING TELECOMMUNICATIONS TO PROVIDE INNOVATIVE LOTTERY PRODUCTS IN CHINA

CASINOS AND E-SPORTS: AN EVOLVING RELATIONSHIP

Casinos have begun to stage competitive video game tournaments (esports) to improve their bottom lines, but revenue from these events is coming from hotel room rentals and food and beverage sales, not from converting esports players into gamblers.

Esports are a burgeoning industry globally. The fast pace and frequently violent on-screen action is attractive to millennial players, the demographic that casinos are trying to reach as their core slot machine gamblers grow older. But it has been problematic to persuade e-sports players to engage in traditional gambling activities.

In March, Caesar's Entertainment hosted an esports tournament that drew 900 competitors and spectators. The result was encouraging, but not overwhelmingly positive. Caesars' believes that developing ways to attract millennials is a necessity for the casino industry. Esports players need to be enticed to embrace casinos for video game competitions in the same way their parents and grandparents went to casinos to play slot machines.

Gambling requires discretionary income and free time, things that people starting their careers or families may not possess. To date, the real money for casinos in esports tournaments comes from spending on food, drinks, and hotel rooms. Wall Street sees growth potential in esports. Deloitte Global estimated the worldwide esports market at $500 million in 2016, up from $400 million

in 2015. The industry has a global in-person or online audience of 150 million people annually.

Newzoo, a company following the esports market, predicts that esports will generate nearly $700 million this year, including media rights, ticket and merchandise sales, brand partnerships, and game maker investments. The firm thinks that figure will exceed $1.5 billion by 2019.

GREAT CANADIAN GAMING STOCK TRADES AT AN RECORD HIGH ON OLG CASINO DEAL

Shares of Great Canadian Gaming Corp. (TSX: GC) are trading at an all-time high on Tuesday following news that the Ontario Lottery and Gaming Corp. named the company, along with Brookfield Business Partners (TSX: BBU.UN)(NYSE: BBU) and other institutional partners as the new operators of select casinos around Toronto

ESPORTS TOURNAMENTS STILL NOT CONVERTING MILLENNIALS INTO CASINO GAMBLERS

Casinos are staging esports tournaments in an effort to expose Millennial generation players to traditional forms of gaming, but to date sales of hotel rooms, food, and beverages have outpaced any gains in slot machines or table games among younger players.

Casinos that host esports tournaments are making their returns from selling players rooms and refreshments rather than converting them to casino gaming.
In March, Caesars Atlantic City staged the Gears Pro Circuit Atlantic City Open; that tournament attracted 900 competitors and spectators, but did little to drive traditional gaming. As one gamer put it, "We're just here to shoot our guns."

In November 2016, Caesars' Atlantic City casino properties were the first in the world to place skill-based video gaming machines on the floor. But that experiment to capture the attention of the millennial generation failed. The machines were removed in

June because they failed to cover vendor fees. Caesars said it remained committed to exploring the concept of skill-based gambling, despite the growing pains of this initiative.

Casinos are not alone in trying to determine how to monetize competitive gaming. A report by HIS Markit concluded that the esports industry was still years away from fulfilling its revenue potential. Esports maturity will come, the report said, through the sale of media rights to mainstream broadcasters and brands. The report suggested there were three to four times more millennials watching esports than any of the big four U.S. sports (football, basketball, baseball, hockey).

NEW JERSEY TAKES STEPS TO PERMIT SKILL-BASED GAMES

The New Jersey Division of Gaming Enforcement is taking steps to permit the types of skill-based games that have begun to appear in Atlantic City casinos.
Existing regulations need to be amended to remove the return to player (RTP) minimum demanded in current legislation (83 percent).

The division's proposed amendment states: "Skill based games mean any approved casino or online game where the theoretical return to player (RTP) cannot be determined by a precise mathematical model based on chance, but is instead determined by player's physical dexterity and/or mental ability. Such games are not required to achieve a minimum theoretical RTP. Skill based games are distinct from slot machine games that are expected to achieve a theoretical RTP of 83 percent."

Existing regulations require skill-based machines to "theoretically pay out a mathematically demonstrable percentage of all amounts wagered, which shall not be less than 83 percent for each wager available for play on the device," and state that "games which rely entirely on skill or do not utilize an RNG are not required to achieve a minimum theoretical hold percentage."

The proposed amendment reads: "Skill based games approved pursuant to this section shall be clearly identified through the use

of a Division approved logo that inform the patron that the game is a skill based game, is not a slot machine, and does not offer a minimum RTP," as quoted by OPR. If approved, skill-based game developers would not have to include bonuses or other features to bring the RTP over 83 percent for all players and would allow all titles to pay back 0% to the players

EDDIE TIPTON SENTENCED TO 25 YEARS IN PRISON

Tipton pled guilty to a felony count of ongoing criminal conduct for his lead role in a scheme to rig lotteries. As the former director of security for the Multi-state Lottery Association, Tipton manipulated the random number generators in computers provided to several states by installing "malicious codes" that enabled him to predict winning numbers on certain dates under certain conditions. He collaborated with associates who bought the winning tickets and/or redeemed them for the prize money.

The whole scheme unraveled after investigators determined Tipton had bought a winning Hot Lotto ticket with a $16 million annuity jackpot that was never paid amid suspicions. Tipton — who as a lottery employee was not supposed to play the games — wore a disguise to buy the winning ticket to a 2010 Hot Lotto jackpot. The problem was that the prize had to be redeemed in person. He arranged for others to try to claim the prize almost a year later, just ahead of the deadline. Lottery officials suspected fraud and did not pay.

Tipton was video-recorded at the store when he bought the ticket in December 2010. His co-workers recognized him through the disguise. The store audio recording of Tipton during the transaction was even more convincing in implicating the computer programmer and subsequently leading to co-conspirators in Texas.

Over a six-year period, Tipton rigged jackpots in Colorado, Wisconsin, Iowa, Kansas and Oklahoma. He managed to "wipe" the malicious code off the computers that generated the winning jackpot numbers for the lotteries in all but one of those states. Investigators found that computer and the malicious code in the state of Wisconsin. The trio of Tipton, his brother, Tommy, and longtime friend, Robert Rhodes, have admitted guilt for their roles in rigged jackpots in Wisconsin, Colorado, Oklahoma and Kansas.

GREAT CANADIAN GAMING CORPORATION AND BROOKFIELD BUSINESS PARTNERS L.P

Great Canadian Gaming Corporation and Brookfield Business Partners L.P. announce that they have been selected as the successful proponent by the Ontario Lottery and Gaming Corporation (OLG) to operate certain gaming facilities in the Greater Toronto Area. This is the largest award by the OLG as part of the modernization of its casino operations. In 2016, its three facilities, OLG Slots at Woodbine, OLG Slots at Ajax Downs and Great Blue Heron Casino located in the Mississaugas of Scugog Island First Nation, generated gross gaming revenue of over $1 billion. These facilities have a combined total of over 4,000 slot machines, 60 table games and employ more than 2,200 staff..

POLLARD BANKNOTE ANNOUNCES SUCCESSFUL COMPLETION OF OFFER FOR INNOVA GAMING GROUP

Pollard Banknote Limited (TSX:PBL) and INNOVA Gaming Group Inc. (TSX: IGG) today announced that an additional 1,167,946 common shares of INNOVA ("Common Shares") have been validly deposited pursuant to Pollard Banknote's offer to acquire all of the outstanding Common Shares for $2.50 in cash per Common Share.

Pollard Banknote will mail a notice of compulsory acquisition to all remaining holders of Common Shares shortly. Pollard Banknote intends to cause the Common Shares to be delisted from the Toronto Stock Exchange and cause INNOVA to cease to be a reporting issuer under applicable securities laws as soon as possible.

Pollard Banknote is a leading lottery partner to more than 60 lotteries worldwide, providing high quality instant ticket products, licensed games, and strategic marketing and management services for both traditional instant games and the emerging iLottery space of web, mobile and social channels. The company is a proven innovator and has decades of experience helping lotteries to maximize player engagement, sales and proceeds for good causes. Pollard Banknote also plays a major role in the charitable pull-tab and bingo markets in North America. Established in 1907, Pollard Banknote is owned approximately 73.5% by the Pollard family and 26.5% by public shareholders and is publicly traded on the TSX (PBL). For more information, please visit our website at www.pollardbanknote.com.

INNOVA develops unique games and products for the global gaming industry, with particular focus on state and provincial lotteries. Through INNOVA's wholly-owned subsidiary, Diamond Game Enterprises, INNOVA focuses on enhancing the revenues of government-sponsored lotteries and other regulated operators by offering its unique "extended play" products in traditional and non-traditional gaming venues. INNOVA's primary product is its third generation Lucky Tab machine, an instant ticket vending machine that dispenses tickets while simultaneously displaying the results of each ticket on a video monitor in an entertaining fashion. For more information, please visit www.innovagaminggroup.com.

SOURCE Pollard Banknote Limited
For further information: Doug Pollard, Telephone: (204) 474-2323 ext 204; John Pollard, Telephone: (204) 474-2323 ext 275

ONLINE GAMBLING LOBBYING GROUP OPENS SHOP IN DC

An online gambling lobbying group - iDEA (iDevelopment and Economic Association) - has established operations in Washington, DC.

The group includes major operators in internet gambling, including Amaya, the parent company of PokerStars; GVC Holdings, owner of bwin and partypoker; and UK oddsmakers Paddy Power Betfair. Additionally, three brick-and-mortar casinos that are engaged in online casino gaming in New Jersey - Golden Nugget, Tropicana, and Resorts - are members. iDEA says it

will advocate for the passage of federal and state measures that promote the expansion of online gaming, and will educate politicians on the economic benefits the industry provides. States can determine their own online gambling laws.

The lobbyists are using a recent economic report that highlights the positives of New Jersey's legalized online gambling sector. According to the report, New Jersey's iGaming market has generated nearly $1 billion in revenue, produced 3,300 jobs, and delivered more than $124 million in tax revenues.

For many years, the gambling industry relied on former Nevada Senator Harry Reid to keep an eye out for their interests. But with his retirement, casino companies are largely on their own.

The American Gaming Association (AGA) has emerged as the chief lobbying group working on behalf of the entire industry. The Poker Players Alliance is another iGaming-focused lobbying organization, which campaigns for the authorization of internet poker.

But iDEA will be first to exclusively embrace online gambling's interests and promote them at the political level.

THE FUTURE OF CASINOS: MORE INTERACTIVE EXPERIENCES TO ATTRACT NEW CUSTOMERS

Involving new customers in more interactive experiences will be an essential future strategy for casinos in the United States and around the world, according to industry experts who attended a gambling conference recently in Atlantic City. Non-traditional approaches, including competitive video game contests (so-called e-sports), skill-based slot machines, and daily fantasy sports and sports betting in the four states that permit it all must become part of a casino's gaming portfolio.

One avenue for growth in the casino industry may be the expansion of payment processing options for online gambling, said Joe Pappano, senior vice president of the payment processing company Vantiv Entertainment Solutions. Three years ago, when New Jersey offered the first internet bets, credit cards were used for 40 percent of transactions involving internet gambling. That figure has increased to more than 80 percent, he said.

Despite several state legislative debates, it remains unclear whether daily fantasy sports and on-line sports betting constitute illegal gambling. Numerous states are discussing how and whether to regulate daily fantasy sports, in which gamers create a roster of real-life players who earn points based on their actual performances in games.

Some industry representatives believe casinos are ideal partners for DFS operators because of the existing player databases and the casinos' knowledge of their customers and their gambling histories.

Caesars Entertainment deployed skill-based slot machines in its Atlantic City casinos. Unlike traditional slots, which are entirely dependent on luck, the amount of skill an individual player has can influence whether he wins. Although this experiment held great promise, Caesars removed the machines after six months because they were not generating enough money to cover vendor fees.

World News

SOCIAL GAMING MIGRATES TO SMARTPHONES

Smartphone users are driving significant changes in the way people are playing social casino games. Eighty-five percent of social casino gamers play on smartphones, while PC has ebbed to its lowest market share at 49 percent.

Those are key findings from "Social Casino Consumer Insights," an analysis of the category conducted by SuperData Research.

Additionally, 27 percent of gamers exclusively play on a mobile device, and the share of the social casino audience that only plays on PC has declined from 15 percent in 2016 to six percent this year.

The popularity of slot games has spurred the growth of smartphone and tablet usage among social casino players: 74 percent of smartphone users and 72 percent of tablet users play slots. Player preferences have shifted from apps that contain a portfolio of casino games to games that are simple and quick to start. As a result, developers are adapting to consumer demand and focusing on single-genre apps like slots or poker.

PC users are the most willing to spend on games, playing an average of 69 minutes per session, and spending $79.45 a month on games. Comparatively, mobile players play 57 minutes per session and spend $39.87 per month on games.

Other findings in the report:

- The lifetime value of those who play slots on smartphone is $324.
- Casino-style players on PC have the highest lifetime value of all players at $623.
- Social casino play is a secondary activity for 93% of users. Players watch TV or stream content while playing games. Developers can capitalize on this overlap by timing in-game events to primetime TV slots, when users are most likely to be watching.
- Tablet slots games have the highest conversion rate (8%) of all social casino game types.
- Women represent the majority of the smartphone and desktop audiences, 73% and 72%, respectively.
- 55% of social casino players have visited a real casino in the past 12 months

AUSTRALIA IMPLEMENTS STRONGER, UNAMBIGUOUS, ENFORCEABLE REGULATIONS – SO UNLICENSED ONLINE POKER WEBSITES TO LEAVE

Online poker is illegal in Australia, but it barely existed when online gambling legislation was first written in 2001 and, according to gambling experts, it has been operating in something of a "grey area" ever since. Some of the more reputable global poker providers, including PokerStars, Poker Party and 888Poker, once sponsored by cricketer Shane Warne, have been freely providing accounts to many thousands of Australians for years. Under the new laws, which have bipartisan support, any ambiguity will now be removed. While it is not

an offence for Australians to gamble online, unlicensed operators providing interactive gambling services to Australian customers will face massive new penalties – $1.35 million a day for individuals and $6.75 million a day for organisations

Poker service 888Poker told its Australian users earlier this year that their accounts would be closed and they should withdraw their funds. PokerStars is expected to withdraw from Australia once the new laws take effect.

GAMIFICATION MARKET TO REACH $23 BILLION, RESEARCH FIRM PREDICTS

A new market research report estimates that the global gamification market will reach nearly $23 billion by 2022. The research firm, P&S Market Research, said the gamification market will grow at a CAGR of 42% during the next five years.
North America has been the largest contributor to global gamification revenue, but developing regions, including Asia-Pacific, Latin America, the Middle East, and Africa, are likely to experience faster growth compared with the developed regions of North America and Europe.

In Southeast Asia, the burgeoning market for mobile phones, tablets, and laptops has spurred interest in digital gaming. Every week, more than 50% of Southeast Asian internet users play online games, predominantly on social sites.

Passion for gaming, especially in Southeast Asia, is creating a major opportunity for the global market in learning technologies. Gamification has a significant impact on learning compared to traditional methods; it makes learners feel more motivated by delivering points and rewards for achievements. Researchers at the University of Colorado studied the impact of simulations and games on adult learners. They found that gamification offered 14% higher skill-based knowledge, 9% higher knowledge retention rate, and 11% higher factual knowledge compared to conventional learning methods. The global gamification market has been experiencing growth spurred by the initiatives of some major companies, including

Gigya Inc., Microsoft Corporation, Lithium Technologies Inc., Knewton, Badgeville Inc., Kuato Studios, BigDoor Inc., SAP SE, Bunchball Inc., and Cisco Systems Inc.

US FIRM VANTIV TO BUY BRITISH RIVAL WORLDPAY FOR £9.3BN

SAZKA GROUP A.S., CZECH REPUBLIC, INTENDS TO ACQUIRE SOLE CONTROL OF

CASINOS AUSTRIA AKTIENGE SELLS CHAFT

ARISTOCRAT BUYS ISRAELI ONLINE GAMING COMPANY PLARIUM

RETAIL LEAVES THE STORE, MAKING EVERY CONSUMER TOUCH-POINT A SHOPPING EXPERIENCE, AND OPPORTUNITY TO BUY

On-demand services are redefining consumer expectations for speed and convenience. Consumers who are constantly rushed with a shortage of time need a retail experience that is efficient and convenient. This is leading retail to move beyond omnichannel to become limitless. Consumers will expect everything, everywhere – not just information content like video and social media, but also shopping content like fitting room mirrors and virtual reality shopping – to become directly shoppable.

The Shoppable Universe is a trend identified by the Foresight Factory who analyses data showing that the use of Augmented Reality (AR) and Virtual Reality (VR) is likely to appeal to lottery players in particular. In 2016, 14 percent of global consumers used AR apps, in which their phone overlaid information on images of the real world, at least once a month. For global weekly lottery players, this rose to 22 percent, with weekly lottery players in the U.S. and China leading the way at 33 percent and 47 percent respectively. When it comes to VR, 53 percent of

global consumers have used or are interested in using VR. This increases to 68 percent for weekly gamblers, including lottery players, and is particularly high in the U.S. (80 percent), South Korea (88 percent) and China, India and Indonesia (>90 percent).

The home will also become a key retail space as smart devices make purchasing decisions for the consumer. Weekly gamblers in particular are likely to follow this trend: 59 percent globally are interested in a service that automatically buys and delivers basic household supplies – over 10 percent more than for all consumers. Weekly gamblers in India were significantly more likely to be interested in this (87 percent). Following from this, as incentives for consumers to seek out brands decreases, there will be an expectation from consumers for brands to go directly to them.

Speedy and seamless ways to buy lottery products, whether via a social media feed or through shoppable interfaces in the home, will boost impulse buys during moments of boredom and constitute just one constellation of touchpoints within the expanding Shoppable Universe.

PADDY POWER CEO BREON CORCORAN STEPS DOWN

Shares in bookmaker Paddy Power hit a 21-month low after the unexpected announcement that chief executive Breon Corcoran is stepping down. Corcoran is being replaced by Peter Jackson, the recently appointed chief executive of global payments group WorldPay and a director of the merged company Paddy Power Betfair. The news comes just 18 months after the £7 billion merger of Paddy Power with betting exchange Betfair. The merger has largely been deemed a success, and Mr Corcoran's leadership has been seen as instrumental in that.
The news reports make it sound like Corcoran has instrumental to the success of the merger, that he is highly respected and the decision to leave is totally his own and made for personal reasons.

TATTS, TABCORP MERGER UPDATE

The proposed merger between Tatts Group Ltd. and Tabcorp Holdings Ltd. is progressing as both parties announced their intentions to release FY17 financial results in August. The Scheme Booklet for the proposed deal is expected to be made available to Tatts' shareholders in September, with a shareholder vote on the matter scheduled for October.

The merger, expected to be completed by year-end, must pass regulatory approvals. Tatts has joined as a party and, with Tabcorp, will oppose applications brought by the Australian Competition and Consumer Commission (ACCC) and CrownBet Pty Ltd (CrownBet) for judicial review of the Australian Competition Tribunal's decision to authorize the merger. The Full Court of the Federal Court of Australia will hear both applications on August 28-29.

The effect of the ACCC and CrownBet applications is that the deadline by which conditions relating to the proposed deal must be satisfied or waived will automatically extend to December 31.

Rollo Redburn

of new gaming concepts that can be developed. Does MUSL have new games in the pipeline that might appeal to the next generation of consumers, some of whom were raised in a world of highly interactive Mobile games?

Rollo Redburn:

As you know, there are multiple vendors around the US and the world improving these offerings almost daily. Whether video, or mobile, or more player-interactive, the governing authority in each jurisdiction addresses the legality of these platforms / concepts. Some of these game concepts are allowed in only a minority of Member Lotteries due to local regulations or restrictions, and for that reason it can sometimes be difficult to adequately dive into. The Board keeps an open door regarding conversations about what is possible. Whatever surfaces as viable options may be more of a long-term solution. ∎

Stéphane Pallez

new initiatives. This initiative was started by three women of the company who now manage the network. It is open to men as well as women. They have organized several events and are very active at proposing changes and new initiatives within FDJ.

Cultural change at FDJ is driven by everyone, not just the CEO, ExComm, and Board of Directors.

Stéphane Pallez:

Yes. That is the goal. We want everyone to embrace the spirit of inclusiveness, diversity, and equal opportunity. The commitment and passion of the CEO and top executives is crucial, but real progress is driven by deep-rooted cultural change which happens only when you have a critical mass of employees, including men, who lead the way. Our strategic plan and agreement to meet certain objectives that reflect progress is an important catalyst, a jumping-off point. But it is the initiative and engagement of FDJ employees who make the difference, and ultimately enable us to accomplish our goals for helping women achieve their full potential.

Men who aspire to be enlightened and progressive leaders become champions of gender equality. It is vital that everyone be a part of the cultural transformation for progress to be achieved.

What do you regard as the top priority for WILL (Women's Initiative in Lottery Leadership)?

Stéphane Pallez:

WILL is a collaborative effort of lottery industry leaders who believe in gender equality, and empowering women and helping women achieve their full potential. I think the first objective is to raise awareness and understanding, and garner the broadest base of support for the mission of WILL. Gender equality should be a fundamental policy for the entire global lottery industry. I think we are progressing towards that. We have tremendous support from all the top female lottery CEOs and executives in the world. There is also support from male

leadership as well. President of the World Lottery Association Jean-Luc Moner-Banet, and President of the European Lotteries Association Hansjörg Höltkemeier both attended the first WILL reception at the EL Congress in Krakow.

Thank you for organizing and hosting this fabulous networking event! Everyone thoroughly enjoyed the first WILL reception, and value the time spent with you and the friendships they made there.

Stéphane Pallez:

It served an important purpose in bringing us all together. Networking and communication will be vital to make WILL be the vibrant and impactful organization that it should be. It was wonderful to meet and visit with colleagues who share a passion for making the world a better place by building an organization that serves the goal of helping women succeed in business. This first step is very important to understand the needs and our common grounds. The next steps will include creating more formal structures for facilitating interaction, the development of mentoring relationships, and the ongoing collaboration needed to channel the energies of WILL members towards the most productive purposes. ∎

Philippe Vlaemminck

fact that revenue from the marketing of the latter is used to finance activities which are non-profit-making or in the public interest, it should also be recalled, first, that, according to settled case-law, although it is a relevant factor that games played for money may contribute significantly to the financing of such activities, such a ground cannot in itself be regarded as an objective justification for restrictions on the freedom to provide services. The latter are permissible only on condition, in particular, that the financing of such social activities constitutes an ancillary beneficial consequence of, and not the substantive justification for, the restrictive policy established."

In order to fight illegal operators State Lotteries need , in the same manner as private licensed operators, a strong marketing strategy that fulfils the criteria of controlled expansion outlined by the European court , but at the same time the Court added that the advertising of exclusive right holders must remain measured. Focusing on potential big winnings and/or good causes are in real life of course necessary, but must be done in a responsible way to channel consumers towards authorized games. How to address this issue in a consistent but at the same time reasonable and logical way? We do not think that there is a reason to distinguish between different types of operators, licenses and/or exclusive right holders. Each of them forms part of the state choice to develop a consistent policy to protect society and consumers. But they do it in a different way by operating mostly different products. Both must be able to actively promote their games in order to fight illegal operators. Announcing big winnings and/or telling people that the profits go to good causes may not be a prohibited means of marketing their services.

In 2010, the Council of Ministers of the EU recalled that contributions of lottery and related services play an important role for society, via for example the funding of good causes, directly or indirectly where applicable, and emphasized that this specific role needs to be recognized in discussions at the European level.

The question is rather how to do it. This brings us to the concept of societal marketing.

The societal marketing concept holds, according to Kotler/Armstrong " Principles of Marketing", that the organization's task is to determine the needs, wants, and interests of a target market and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

Therefore, marketers must endeavor to satisfy the needs and wants of their target customers in ways that preserve, protect and enhance the well-being of consumers and society as a whole. It is less profit oriented and clearly driven by the need to protect the consumer by offering an attractive product with no harm , and at least no negative consequences for society, but by preference also a benefit for society.

It is closely linked with the principles of corporate social responsibility and of sustainable development. However, classic CSR "focuses more on a corporate level and stakeholders", while societal marketing is more concerned about the consumer, society and their long term benefits. CSR, social and environmental concerns need to be integrated into all business operations. Societal marketing fits better in the Shared Value approach of Porter and Kramer , but is only addressing an aspect of it, although important.

What lessons for Lotteries? Well lottery marketers better benchmark their strategy and practices against the basic rules of societal marketing. Providing the consumer the dream of an attractive and possibly innovative game that poses no harm, is low cost and provides lots of entertainment is the best way to satisfy the consumer and persuade her to not look for illegal gaming alternatives. Tell the consumer that her recreational gaming activity is also helping society by adding value to societal and charitable causes. And educate the consumer on the tools that help him avoid harm and related health risks and costs. Facing illegal competitors by appealing to the consumer with a story about socially acceptable entertainment, with a heart for a better world and with dreams of a wonderful future for him/her and for the community/planet where he/she is living. Bring social innovation into the Lottery's business model and centrally embed a modern CSR 2.0 policy into the Lottery strategy. Facilitate the creation of a community of players whose social bond is the shared goal of contributingh to the society of the future. Lotteries must continue to tell their story and conduct business. Societal marketing can help them to do it in an acceptable way and consistent with the EU case law. ∎

Steve Rogers

and Virtual Sports outperforms pretty much every other product in the betting shops in terms of year-over-year growth. Virtual Sports is ever-ready, always on, and isn't seasonal or subject to the uncertainties of actual real-world sports. You don't have to wait for kick-off time, you just play whatever you want whenever you want to play.

The UK is growing, but so is every other market we have entered.

You started by installing Virtual Sports in physical venues. Is Digital now growing faster than land-based gaming?

Steve Rogers:
Land-based has been the predominant revenue channel for us for the last fifteen years. There is no question that that is changing; mobile playing has exploded such that Digital revenues recently surpassed revenues from non-digital wagering. Mobile and online now accounts for over 50% of our Virtuals income and growth is increasing. We have now gotten to the point where we have two different and distinct product roadmaps - physical venues with big screens provide a fabulous Virtual Sports playing experience that is very popular because it is social while Mobile lets you play wherever and whenever you want, 24/7/365 days a year. We expect both channels to continue to be essential in serving the different play and betting styles that inhabit the market-place.

Steve Rogers is CCO Digital Games at Inspired, and has over 15 years experience in the virtual sports sector. Prior to his current role, Steve Rogers was COO of Red Vision, which was acquired by Inspired in 2006. ∎

The fight against illegal operators remains a top priority throughout the world. Illegal gambling is defined in general as gambling services offered to consumers in a jurisdiction where the operator does not have a license to operate. A license to provide gambling services in one jurisdiction does not constitute license to provide those services in other jurisdictions, even within the EU. According to EU laws, operators need to be specifically licensed in the jurisdiction where the consumer resides, in each and every jursidction where they operate.

> A LICENSE TO PROVIDE GAMBLING SERVICES IN ONE JURISDICTION DOES NOT CONSTITUTE LICENSE TO PROVIDE THOSE SERVICES IN OTHER JURISDICTIONS, EVEN WITHIN THE EU. ACCORDING TO EU LAWS, OPERATORS NEED TO BE SPECIFICALLY LICENSED IN THE JURISDICTION WHERE THE CONSUMER RESIDES, IN EACH AND EVERY JURSIDCTION WHERE THEY OPERATE.

To ensure effective regulation of gambling services, the Council of Ministers of the EU agreed in 2010 that the Member States need to be given the responsibility to supervise the provision of gambling services in their territories through regulatory public authorities, established according to national legislation.

The fight against illegal operators has many aspects.

Of course there is the need for strict law enforcement through geoblocking measures and criminal sanctions. But there is clearly another aspect of equal importance - to provide consumers a secure and safe alternative, and thus to properly channel the gambling desire of the consumers.

In order to improve the fight against illegal gambling the governments of France

By PHILIPPE VLAEMMINCK, And BEATA GUZIK, PHARUMLEGAL BRUSSELS
PHARUMLEGAL.EU

and Belgium developed in the Placanica case at the European Court the theory of "controlled expansion" of the activities of the local operator. A policy of controlled expansion in the betting and gaming sector may be entirely consistent with the objective of drawing players away from clandestine betting and gaming to activities which are authorised and regulated. Authorised operators must therefore represent a reliable, but at the same time attractive, alternative to a prohibited activity. Advertising on a certain scale and the use of new distribution techniques can fall within the purview of a controlled expansion policy. This argument must of course apply to both private licensed operators as well as state controlled lottery operators.

In Ladbrokes, the EFTA Court added that this theory of controlled expansion could also be applied when the objective of the state, in this case Norway, was to protect consumers. Also the Court of Justice of the European Union later confirmed the possibility of controlled expansion in gambling with a view to protecting consumers (and not just fighting crime and fraud related to illegal gambling).

The EFTA Court stated that the host State has the right to protect a lawful monopoly by prohibiting the provision and marketing of games of chance from abroad, no matter whether or not these are lawful in their State of origin.

On 8 September 2010, the European Court issued its judgments in the Markus Stoss and Carmen Media cases. The European Court was of the opinion that a measure as restrictive as a monopoly must be accompanied by a legislative framework suitable for ensuring that the monopolistic operator will pursue the determined objective in a consistent and systematic manner. The Court here again addressed advertising and repeated its previous case-law, according to which advertising must remain measured and strictly limited to what is necessary to channel consumers towards authorized channels. "As for the fact that advertising campaigns conducted by the holder of the monopoly with regard to lottery products thus lay emphasis on the

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