



FEATURE INTERVIEWS:

(Counterclockwise from top right)

Luke Weil
Scientific Games Corporation

Paul Sternburg
Massachusetts State Lottery

Mitra Mahabir
National Lotteries of Trinidad and Tobago

Fábio Cleto
Caixa Econômica Federal, Brazil

Francisco Ibarra Arana
Costa Rica National Lottery

Vangelis Apostolakopoulos
INTRALOT de Peru

Benjamin Gonzalez Roaro
Mexico National Lottery for Public Assistance

Erik Dyson
GTECH Corporation

RETAILING TRANSFORMED
BY CONSUMER TRENDS:
HOW LOTTERY MUST EVOLVE TO PRESERVE
ITS POSITION OF MARKET LEADERSHIP
GTECH Corporation

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KEY CONTRIBUTOR TO
GLOBAL LOTTERY GROWTH
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Tifani Chung
Senior Content Manager



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

Thank you!

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From the Publisher

Paul Jason, CEO, Public Gaming International Magazine

Isn't there a point of market maturation, or even saturation, where the prudent business strategy is to minimize operating costs and focus on sustaining profitability and not so much on innovation and growth? Like, maybe when your per

capita sales are already 50% higher than everyone else's? And the number of retailers per cap' is already greater than 1/1000? Well, it's true that like many operators, the **Massachusetts Lottery** had to cut costs and advertising. But that did not stop them from setting ambitious growth targets and figuring out how to accomplish them. It is such a powerful story that I asked MASS Lottery executive director Paul Sternburg if he would please be willing to tell it in his own words. The result is a revelatory glimpse into the true nature of innovation, and the capacity for a grounded vision combined with tenacious project management to make a real impact on the business, and create the products and strategies that excite the consumer and drive sales.

Lottery Expo will be held at the Trump Miami Beach Hotel from October 22 to 25. This will be a three-day event. The first day (23rd) will focus on North America. The last day (25th) will focus on Latin America, Caribbean, Mexico. And the middle day (24th) will be a combination of the two. We are very pleased and honored to welcome a strong contingent of Latin American lottery executives to Lottery Expo. The theme of Lottery Expo is inspired by a quote from Abraham Lincoln: "The best way to predict the future is to create it". All around the world, Team Lottery is taking the initiative to create its own future.

More than ever, lottery leaders are having the vision to embrace the benefits of progressive innovation and collaboration; and the guts to implement the vision even though the reward for accomplishing stretch goals may be small and the consequences for miss-steps large. As the interviews in this issue attest, the change-agenda so necessary for progress can be adjusted along the way, but progress and innovation marches on.

Check out the amazing transformation that Latin American lotteries are undergoing as we speak. Technological platforms and communications infrastructure are being transformed by the movement to wireless communications, not just in the consumer world of B2C, but perhaps more importantly in the B2B context. Entire new networks of POS's are being built on wireless platforms, enabling much broader distributional reach and enabling a lower threshold of POS sales for the store to be profitable. The result is increased sales that result from increased consumer access to lottery products, increased profitability for both retailers and lottery operator, a more efficient business model that channels a higher portion of revenue towards prizes and profit instead of overhead, and a technological platform that is totally next generation. It would appear that in many ways, technological progress is happening faster in Latin America than in most of the mature markets in other parts of the world.

Benjamin Gonzalez Roaro introduced an agenda of innovation into a heretofore conservative market and lottery operation. It is an amazing story and will perhaps become a beacon for how lottery can go from

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



zero to sixty kilometers per hour in record time. Like most stories of great leadership, it requires not just vision, but the guts to implement a change-agenda in spite of the fact that we never have 100% visibility for what the future will bring. Like Mr. Gonzalez Roaro, our other interviewees also speak to our Lottery Expo theme: They are acting to create the future that no one can predict.

Fábio Cleto operates within a rather unique business model. CAIXA is the largest government-owned bank in Latin America, the Brazil national lottery is operated as a division of the bank, and Mr. Cleto is the executive in charge of that national lottery. Not surprisingly, the change-agenda in that framework is subject to a more studied approach. The dynamics of the Brazil National Lottery speak to a wide variety of owner-management issues, and how that in the end, all operators are working to achieve the goal of optimizing funds for public service, protecting the players, and accelerating the rate of progress to keep pace with the market-place and the consumer.

Francisco Ibarra Arana is embarking on an ambitious two-year plan to modernize the distribution of lottery products in Costa Rica. And, like most lotteries in Latin America, Trinidad and Tobago have a long history of lottery. The chairman of the national lotteries of Trinidad and Tobago, **Mitra Mahabir** talks about how and why it is so key to integrate the traditions of a centuries-old gaming culture into new game concepts, melding tradition and contemporary pop culture in ways that resonate with the consumer.

As further preparation for Lottery Expo and our desire to understand the LatAm markets and lottery operators, I asked three of our commercial partners to explore these issues from a real rubber-hits-the-road perspective. **Erik Dyson** (GTECH), **Luke Weil** (Scientific Games), and **Vangelis Apostolakopoulos** (INTRALOT) drill down into what makes this market tick. What are the consumer trends that

are common to all markets including Latin America? And on the other hand, how do the differing consumer markets, gaming cultures, regulatory structures, and business climates drive different approaches towards accomplishing lottery operator objectives? Not surprisingly, the real story defies my impulse to over-generalize with easy maxims!

I want to thank **GTECH**, **Scientific Games**, **Spielo International**, **IGT**, and **Pollard Banknote** for their editorial contributions. The brain-trust resident in our commercial partners is an invaluable resource and we appreciate their willingness to share. As always, GTECH delivers a call-to-action, challenging us to not just recognize the ways in which lottery can be most responsive to transformative consumer trends in retailing, but to take action. Of course, I especially like the tag-line for GTECH's Retail Technology Concept Laboratory: "Create the Future". I asked Scientific Games to give us an analysis of the Latin American lottery market that is based on actual sales performance and trend-line data, to interpret the data and illustrate its meaning with real-world examples, and to help us to understand why LatAm is the fastest growing regional market in the world. Done, thank you. A conversation with executives at Spielo International turned into this apropos eye-opener about how and why wireless for electronic games is totally ready for prime-time. The security and efficiencies of wireless communications are proven, and the benefits to all operators in the supply chain that supports electronic games more compelling than ever. Pollard Banknote and IGT explain how the markets for instant tickets and electronic games are evolving quickly in Latin America and how operators can position themselves to optimize the tremendous growth potential.

Thank you all for your support. I welcome your feedback, comments, or criticisms. Please feel free to e-mail me at pjason@publicgaming.com.

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

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

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Revamping the Game Portfolio & Increasing Sales at a Mature Lottery

By Paul R. Sternburg, Executive Director, Massachusetts State Lottery

The Massachusetts State Lottery is celebrating a milestone this year with forty years of successful operation under its belt. Since selling the first game ticket in March 1972, the Lottery has amassed some astounding accomplishments and numbers that have positioned the organization as an industry leader. Some of these include: generating \$86 billion in sales, awarding \$58.8 billion in prizes, returning \$18.8 billion in net profit to the state, and paying

\$4.9 billion in retailer commissions and bonuses.

What's even more impressive is that for nearly its entire four decade-long history, Massachusetts' sales had increased year after year and often times exponentially. However, that streak came to a screeching halt in fiscal year 2009 as the Massachusetts State Lottery experienced its first significant sales dip with a 5.56 percent decline. Then in 2010, overall sales declined even further with another .43 percent loss. While some of that loss can be attributed to the economic climate, it was largely due to the maturity of the game portfolio. The bottom line is: if your products remain flat, sales will flat line or fall as player fatigue sets in.

With a prize payout percentage at its maximum; a retailer network with deep market penetration; no appetite to jump to higher price points; and, a lack of advertising funds to sufficiently support product promotion, it was necessary to revamp the existing game portfolio in order to reinvigorate player interest and revitalize the Massachusetts Lottery's game sales.

All that being said, how does a lottery get around those challenges and begin revamping a massive game portfolio? In Massachusetts, we simply went back to what has made us one of the most successful lotteries in the country – we returned to the basics. This may sound like a simple solution, but when the basics are ignored, it impacts the product and it impacts sales.

Back To Basics:

We initiated our “basic training” in early 2011 by implementing focus group testing of players and retailers – a practice that Massachusetts had moved away from in more recent years. The retailers were a particularly important group to test because they are our direct interface with the playing public, so their observations on customer behavior and insight into those interactions are some of the most valuable feedback you can gather. This retailer feedback, combined with responses gathered directly from players, provided us with the tools necessary to respond to marketplace desires and give players products that they like/want.

Attractive Sells, Ugly Repels:

When marketing almost any product, it's no secret that attractive sells and ugly repels. This is especially true when it comes to market-



Version 1

Version 2
Reworked play area, inserting pumpkins to further define “lucky numbers” area.

Version 3
Changed fonts to make game title & callouts more legible, changed colors in play area to provide a “pop.”

Version 4
Swapped background color to see how it looked.

Version 5
Again swapped background color.

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ing instant games. As such, we overhauled the creative process and worked to improve designs to create more appealing, attention-grabbing tickets. Keeping an eye for detail and sweating what could be considered “the small stuff,” including making sure that color schemes for games in development meshed well with existing tickets in the marketplace; placement of call outs; size and placement of play areas; and, fonts, winnings symbols and background colors used, as well as the inclusion of bonus areas, all need to be carefully considered and adjusted accordingly to get a ticket to the point where it can be successful. The smallest details can make the biggest difference and sometimes a ticket in development can go through more than a dozen revisions before final approval. For instance, our Halloween-themed ticket “Strike It Witch,” released in September 2011, underwent at least 10 rounds of revisions before reaching the printing press. But, as demonstrated below, it was the evolution of the concept that made it a much more successful and appealing game. The five million ticket order of Strike It Witch sold out of our warehouse in just four weeks.

Instant ticket sales in fiscal year 2011 reached \$3,009,000, or 68 percent of our total sales. During that time period, which extended from July 1, 2010 to June 30, 2011, we released a total of 34 games (31 new/3 reorders). While there was an \$8 million, or .3 percent, decrease from fiscal year 2010 instant sales, it is extremely important to point out that the portfolio was down over \$33 million as of January 2011. However, when our new management team was put in place in February and immediately began making changes to the portfolio to refresh offerings and improve sales, a turn around began and the sales figures demonstrated that the portfolio alterations were working. As a result of the changes implemented, our team saw a \$25 million gain in instant sales over the subsequent five months. And, the strategy continues to pay big dividends – instant ticket sales are up almost \$229 million over last year’s figures with three weeks remaining in fiscal year 2012.

Analyzing the Portfolio:

The third step we took in revamping the portfolio was to analyze the online draw game sales to determine which were performing as expected, which were underperforming and in need of an overhaul/boost to maximize sales potential, and which were in need of replacing with more exciting offerings.

Through that review process, it was immediately evident that

“Cash WinFall,” a niche game with a seven year presence in the marketplace, was suffering from player fatigue and generated just \$30 million in sales during fiscal year 2011. Without delay, we began working on a strategy for a replacement game, and reached out to the surrounding five New England state lotteries with a concept for a regional draw game. Cash WinFall was phased out while the new game was in development and came to an official end in January 2012. “Lucky For Life” launched in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont on March 11. We project that sales in-state (Massachusetts only) for the new game will ring in at \$61 million after a full year in the market.

We also recognized that the Lottery could turn out more robust results from its second monitor game offering “The Daily Race Game.” Sales for the horse race-themed game have plateaued at approximately \$20 million annually; the initial annual revenue projections for the game were \$175 million. We will be replacing the underperforming monitor game in early fiscal year 2013 with a KENOstyle game theme that better resonates with Massachusetts players.

What We Learned:

When an organization’s sales hit a plateau or experience a decline, it typically means that the strategy has gone off course and/or current potential is maximized. If the organization’s leadership team is unwilling to take a look back to the basics or fundamentals that once carried it to success, understanding the obstacles to reach the next level is unlikely. As I stated earlier, if products or strategy stand pat, sales will stay on a plateau, never improve, or just slump.

For an organization that was long a top revenue generator in its industry, the Massachusetts State Lottery’s experience demonstrates how failure to integrate “the basics” can create disconnect with target audiences and greatly affect sales and net profit.

By reverting to our basics, we were able to take stock of what needed to be changed in order to navigate game sales away from further decline, while creating a plan for how to maximize revenue generation in the short and for the long-term. Overall sales-to-date in fiscal year 2012 are a full \$290 million higher than at this point in the previous year. And with just three weeks remaining in the fiscal year, it is likely that the Lottery will have a banner year by surpassing the past profit record of \$951 million in profit set in 2006. ♦



Version 6
Reworked winning symbols to ensure clarity in the marketplace.

Version 7
Further refined winning symbols to ensure there is no player confusion.

Version 8
Defined “bonus” play area to further demonstrate additional opportunity to win.

Version 9
Updated callout to more accurately reflect total of prizes ranging from \$10-\$10,000.

Final Version
Defined “bonus” play area to further demonstrate additional opportunity to win.



**Lotería
Nacional**
para la Asistencia Pública



Benjamin Gonzalez Roaro

Gen. Director, Mexico
National Lottery for
Public Assistance
(Lotería Nacional para
la Asistencia Pública)
Second Vice President
of the World Lottery
Association (WLA)

PGRI Introduction: The Lotería Nacional para la Asistencia Pública (also referred to as Lotenal) is a public company that was created by the Mexico Federal Government for the purpose of generating income for the Public Welfare by selling lottery tickets. The Lotería Nacional has a long history (242 years!) as a beloved institution much admired by Mexican society. The Lotería began in 1770, back in the years of King Carlos the III when Mexico was still a colony of Spain. Known then as "Real Lotería de la Nueva España", it had so much success with new drawing game concepts that it influenced the evolution of public lotteries in Europe. The system of selecting numbers to win a prize became known as the "Mexican model" and formed the basis for the modern lottery now known world-wide as the lotto games. Over the past 242 years of operation, the Lotería Nacional has helped to finance important works for the cultural, social, and economic development of the country, and has earned a special place in the culture and in the hearts of the Mexican people. Benjamin Gonzalez Roaro was appointed directly by the President of Mexico Felipe Calderón in June of 2009. Before that, he presided over the Commission of the Public Function as Sub-secretary of Public Education on ex-President Ernesto Zedillo's administration, and served as General Director of the Institute of Social Security of government employees. Recognizing the need for change to deliver the full value both to the consumer and to funding for Public Welfare, Mr. Gonzalez Roaro immediately embarked on an ambitious agenda to modernize lottery operations.

Paul Jason, Public Gaming: *What games does Lotería Nacional para la Asistencia Pública offer?*

Benjamin Gonzalez Roaro: The Lotería Nacional has always been focused most on the traditional draw games. That is why the majority of our sales, 95%, continues to be in the draw games. When I was appointed to lead the Lotería Nacional in 2009, we increased the attention we give to the Instants category, and electronic games as well. We could see that these gaming categories have been the source of significant growth in other markets all around the world. So without compromising our focus on traditional draw games, we began to develop new Instants products and electronic games to appeal to new consumer groups and build new markets. We operate electronic games but not in casinos. The Lotería Nacional does not offer sports-betting.

What percentage of your sales is in the Instants category?

B.G. Roaro: Remember that we just started less than two years ago with Instants

and so are just beginning to gain traction and build the market. Instants and electronic games are now around 5% of our sales. We project that it will be around 8% of our sales in two years, and that it will continue to grow as a percentage of our overall sales.

Which games have the biggest growth potential? What is your focus in product development?

B.G. Roaro: We are developing a large portfolio of internet-based games. We are offering the traditional games for sale on the internet – people can select their favorite number and buy it online in all Lotería Nacional draws. Additionally, we are developing new games that will appeal especially to the new generation of young adults from 19 to 32 years who like to play games on the internet, and are used to games that have a lot more entertainment value. Also, we are developing a new game model that is played on a touch screen in the store based on the particular interest of these particular types of games. We are analyzing the play styles and preferences of a new generation of internet gamers and reinventing lottery games

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to appeal to the new styles of games that are social, facilitate sharing with friends and family, are longer playing and deliver more entertainment value, and make full use of the medium, like touch screens and the means for real-time feedback with the like/dislike functions we see on Facebook, for instance. We all can see the consumer trend-lines and the direction that gaming is going. The challenge is to recast lottery games to include the kinds of features and gaming experience that appeal to this modern consumer.

As the gaming markets mature, they become more and more segmented. As the market expands, the consumers divide and subdivide into smaller and smaller homogeneous player profiles. We need to create the products that are differentiated to appeal to those increasingly targeted profiles. That is our goal: to build a wide portfolio of products that will have a wide variety of attributes to appeal to all the different consumer play styles. For instance, there is the high-energy player who wants faster action. So we just developed a new electronic keno that will be repeating every five minutes.

Lotería Nacional televises the draws in an especially entertaining way. doesn't it?

B.G. Roaro: We had 2 seasons of a television show in years 2010 and 2011 of a bingo game that we called Lotería Mexicana. The public had to buy their slips with different combinations in our point of sales and every Saturday at 8:30 p.m. It was broadcasted as a live draw with competitions and musical entertainment. In this bingo modality, every number was represented with traditional images of Mexican folklore or historic characters and places. These images helped the game to become a spectacular form of entertainment where each participant had their slip. The game become not only a contest for the jackpot, but also a game that they played in their own home to see who had more winnings. The technological platform detected immediately when a slip was sold and been completed. Then, at that moment, the game stopped and we knew exactly in which state of the country the first prize had been purchased.

Both seasons were important for Lotería Nacional, we obtained important revenues for public assistance. But without doubt, the biggest benefit for the Lotería was the boost to our image and branding for the Lotería Nacional. The television exposure and the games promoted civic and family values

and provided great fun and entertainment for the consumer.

And the internet will be an important channel for the Instants too?

B.G. Roaro: Of course. The internet will be an important channel for all the products, and especially for Instants. To have a true gaming experience, the player needs feedback. They want to know immediately how they are doing, if they are winning, and what the options are to continue to play. Instants are all about instant feedback, so they are fundamentally well-suited for internet games.

Those goals would seem to depend on the rate of consumer adoption of internet and mobile. How will that evolve over the next two years?

B.G. Roaro: That is the most interesting part of this picture. Presently, Mexico has seventy million users of mobile phones. In two years we will be reaching, or more likely exceeding, ninety million. Internet will soon be available everywhere except in the most rural parts of the country. And the government is now planning to establish a system that is easy for even rural areas to have access through a program that is called e-Mexico. The government is installing wireless internet technology in the town plazas and city centers of almost every town in Mexico. This easy access will drive an explosion of internet use and also adoption of mobile technology.

This rapid adoption of mobile would seem to be quite the significant consumer trend, with significant implication for the lottery business. Perhaps you can leapfrog an entire generation of land-based communications technology and move directly into the next generation of wireless internet technology as the primary distribution platform?

B.G. Roaro: Yes. And we have the advantage that the consumer can be on the internet at any time of the day from their home. A problem that we just recently identified is that the consumer is afraid to use their credit cards for online purchases. To solve this problem, we have begun to sell a prepaid card. Next will be the ability to electronically recharge the cards. Enabling the consumer to purchase gaming products with the pre-paid card has the additional advantage of enabling us to track their play patterns. Our analyses will now be able to tell us the penetration in each game and the effectiveness of pro-

motional initiatives. It will also enable us to communicate directly with the individual players, perhaps for customized promotions based on the games they like to play; and also for the purpose of helping the consumer play responsibly. Responsible gaming and corporate social responsibility are of the highest priority for Lotería Nacional. As we enhance the appeal of the games, and increase consumer access to the games, we need to take extra measures to ensure that the problem of addictive gaming does not increase. Properly done, this will all lead to a healthier and more enjoyable consumer playing experience, as well as increased funding for the social services that is the most important objective of the Lotería Nacional.

This is most fascinating. You are on a fast track towards achieving goals that seem out-of-reach for many lotteries.

B.G. Roaro: While I do appreciate your comment, we are working on the same challenges that all lotteries are dealing with. We've just had to fast-track our agenda because we were behind in 2009. We did not have a technological platform that could support any of these initiatives. Implementation of new products, increasing distribution and consumer access, and managing a growing revenue stream was really not possible just three years ago. Or at least not in the fashion that the Lotería Nacional is engaged in now.

How did you decide what to do? Was it a hard decision to invest in a technological platform that supports internet as opposed to investing in expanding the land-based retailer network or advertising or doing other things that may have had a more predictable ROI?

B.G. Roaro: As a matter of fact, it was a difficult decision. We did not have the necessary funds designated in the budget. We had to cut from administrative and advertising budgets and make other tough decisions to free up the necessary funding. That is hard to do because there are no guarantees that the new investments will deliver the ROI within the budgeted timelines. And there are no guarantees that the budget cuts in other areas might not have a more negative affect than projected.

But we knew it was the right thing to do to position the Lotería Nacional for a successful future. We hired a third party to manage the outsourcing, establish new

...continued on page 38

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Vice President of Government Funds
Caixa Econômica Federal

PGRI Introduction: Brazil is the largest country in South America, and the fifth largest in the world, both by geographical area and by population with over 192 million people. In 2011, the Brazilian GDP was at R\$ 5,1 trillion (US\$ 2,5 trillion), which makes Brazil as the sixth largest economy in the world. The national lotteries are a public service that is operated by Caixa Econômica Federal (CAIXA), which is also the largest government-owned bank in Latin America. CAIXA-operated games include Lotto, Instant, and sports-betting. Its flagship national lottery game, Mega-Sena, regularly produces multi-million dollar prizes, is drawn twice a week, and pays 46% of ticket sales to prizes. Total CAIXA lottery sales in fiscal 2011 were R\$ 9,7 billion (US\$ 4,7 billion), of which R\$ 4,5 billion (US\$ 2,2 billion) was contributed to social programs of the Federal Government in the areas of Social Security, Sport, Culture, Public Safety, Education and Health, as well as social projects developed by non-government entities.

Sr. Fábio Cleto is the CAIXA executive who directs the Brazil National Lottery, and has led the effort to modernize the Brazil National Lottery over the past five years.



Paul Jason, Public Gaming: *How does a large financial institution like CAIXA Econômica Federal integrate the entrepreneurial drive to innovate and achieve the great results as it has over the past five years?*

Fábio Cleto: CAIXA is a fascinating object of study because besides operating as a commercial bank, this public company also manages funds, programs and services of the Federal Government, as is the case of the lotteries, and acts as the main financial agent for policies of housing and sanitation projects in Brazil.

CAIXA closed the year 2011 with assets of nearly R\$ 500 billion (US\$ 243 billion). CAIXA ensures seamless integration between all its activities, and adopts the management by processes. The company is structured into 11 vice-presidencies,

among which there is the vice-presidency of Government Funds and Lotteries, which is where I have served since April/2011.

The lotteries are managed and run by the National Superintendence of Lotteries and its National Managements committees. This management also includes activities that are the responsibility of the Vice-presidency of Service, Distribution and Business (which administers the lottery points of sale), Vice-presidency of Information Technology (responsible for managing the systems of CAIXA Lotteries) and the Vice-Presidency of Logistics and Back Office (responsible for managing the contracts and suppliers of lottery tickets and thermal paper rolls), as well as the Executive Director of Marketing and Communications, which is directly linked to the Presidency of CAIXA and responsible for managing the advertising and

marketing of CAIXA lotteries.

CAIXA has more than 62 thousand service points throughout the national territory, of which nearly 20% are lottery points of sales.

Your title is vice president of "Government Funds and Lotteries". Does this division of CAIXA include areas of responsibility other than the Brazil National Lottery?

F. Cleto: I am responsible for funds management, the Federal Government insurances and programs delegated to CAIXA, the main one being the Assurance Fund for Period of Work (FGTS), which was created in the 1960s to protect the employee dismissed without just cause. With this fund, the worker has the chance to form a heritage as well as acquire their own homes, with the resources of their account in the fund. In ad-

dition to protecting the interests of workers, FGTS - which in 2011 recorded assets of R\$ 290 billion (US\$ 141 billion) - finances popular housing programs, sanitation and urban infrastructure, which benefit society in general, especially low income families.

Briefly describe the types of games that CAIXA offers.

F. Cleto: CAIXA Lotteries currently have ten products in its portfolio. There are lotto games (Mega-Sena, Quina, Lotofácil, Lotomania and Dupla Sena), sports lottery games (Loteca and Lotogol), Special lotto game (Timemania) and ticket lottery (Federal Lottery and Instant). The most important game operated by CAIXA is the Mega-Sena, which in 2011 was responsible for 47.5% of sales – with R\$ 4,6 billion (US\$ 2,2 billion) – its main feature is the provision of millionaire prizes.

What games do you expect to have the highest growth potential over the next two years?

F. Cleto: We are working hard to launch new issues of instant lotteries, adopting measures to make this product more attractive by increasing the payout and offering prizes in goods, as well as the expansion of the exchange prizes (reintegro).

As part of the process of having special draws on special dates, which began three years ago with Mega da Virada (held every December 31) and Quina de São João, launched in June 2011 (in the month we celebrate the day of St. John), we will start in September this year the Lotofácil of Independence and plan to launch in April 2013 the Easter Lotomania. With this, we conclude our project of having four special draws each year.

The special draws have distinctive features: no jackpot rollover and millionaire prizes considering the longer period to play, which increase the sales.

Are you introducing any significant new game changes or new game categories over the next two years?

F. Cleto: We plan to launch new lotto games of numerical prognostics with the aim of increasing the offer of attractive products to players. We have also carried out researches and completed projects about new games. We are now just waiting for the right moment to develop and launch.

Does Brazil have an effective means of enforcing laws against unlicensed internet

gaming and illegal slot machines?

F. Cleto: According to Brazilian law, except the federal lotteries, horse betting and philanthropic draws – whose operations are authorized by the Federal Government as an exception - all other forms of gambling and gaming are classified as a misdemeanor. So games like slot machines and bingo, for example, are repressed by police agencies in our country.

Although there are some bills pending in Congress addressing the topic of gambling over the Internet, currently Brazil does not yet have a specific legislation on this type of game.

CAIXA serves a variety of interest groups. Could you explain the "stakeholder" structure? Who defines the mission and financial objectives of the National Lottery?

F. Cleto: The strategic plan of the Vice-Presidency of Government Funds and Lotteries of CAIXA is elaborated in a participatory manner. For the definition of strategic objectives, projects and goals related to lotteries, in addition to listening to the suggestions from the employees, we work in accordance with the guidelines of the Secretariat of Economic Monitoring of Ministry of Finance – regulator of the federal lotteries – and we also analyze suggestions made by the retailers, beyond the proposals of the players that are identified through qualitative and quantitative researches.

Does CAIXA have the authority to decide to launch new games and how the games can be promoted and distributed; or are there strict government oversight committees that make those decisions?

F. Cleto: In Brazil, the creation of new forms of lotteries depends on specific legislation. In the case of creating new products for the games categories that already have their law, prior authorization is required from our regulator, the Secretariat of Economic Monitoring of Ministry of Finance. Once the creation of a new game is approved, CAIXA has autonomy to decide about the distribution and promotion.

When did you start selling Mega-Sena tickets online, what percentage of Mega-Sena sales are online, and what do you project the growth rate of your online sales to be over the next two years?

F. Cleto: The online sales of Mega-Sena was started in April 2011 and in this first

phase of the project, allows an account holder of CAIXA to play through the internet banking of the institution. Currently, the sales of Mega-Sena through this channel represents 0.42% of total sales.

Making a conservative estimate, we calculate that at the end of the next two years online sales will reach 3% of total sales in points of sales. We are working intensively on this project, in order to provide convenience for players.

How about mobile, cell-phones? Are you able to measure the volume of sales made via mobile devices? And what do you project the growth rate to be for the mobile channel over the next two years?

F. Cleto: We intend to make available to players this option to play on federal lotteries, and for this we have studied the necessary procedures for sale of games on cell-phones. Upon the conclusion of this project for sale of games over the Internet, we will be able to dedicate ourselves to that theme.

Anything interesting to report about your plans for "social media" like Facebook?

We consider very important the use of social media because they are an effective way to reach new groups of players. Since November of 2011, CAIXA Lotteries are on Facebook and Twitter, with information on lottery products, revenues and social transfers, as well as calendar and place of the draws.

What is the ratio of retailers to consumers in Brazil? Insofar as it is low, and you want to increase consumer access to the games, do your online and mobile distribution channels offer an opportunity to "leapfrog" a generation of technology based on land-based communications infrastructure?

F. Cleto: The retailers' network of CAIXA lotteries has an important role not only for players but for the general population. Currently there are approximately 11,400 points of sales distributed in 4.761 Brazilian municipalities, in which consumers can play and do financial and banking transactions, and also receive social benefits paid by the Federal Government to needy population. To get an idea of the importance of this network, we emphasize that in 2011, the average number of transactions/day taken in these units was 17.3 million, including games and non-games transactions.

Despite games sales which represent

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**Francisco
Ibarra Arana**
General Manager,
Board of Social Protection
Operator of the National Lottery
of Costa Rica

PGRI Introduction: The national lottery of Costa Rica is operated by a division of the Costa Rican government that manages a wide variety of social services. Its mission is to operate the lottery for the benefit of 300 state and non-state organizations that work to help the most vulnerable groups of society. In the interests of increasing the funds for social services, the Board of Social Protection has embarked on an ambitious plan to modernize lottery operations over the next two years. Implementing a new network of retailer terminals, adjusting the prize-payout structures, establishing new distribution procedures, developing a new technological platform, re-engineering the organizational structure to respond to a more competitive environment, updating and improving existing products and launching new products – these are among the objectives of the Board of Social Protection for the national lottery. It is an ambitious vision. Now begins the job of turning this vision into a concrete agenda and then a reality. The general manager of the Board of Social Protection, Francisco Ibarra Arana, describes the action plan that his team is implementing over the next two years. The name for “Board of Social Protection” in Spanish is “Junta de Protección Social”, which is shortened to the acronym “JPS” in conversation and also in the following interview.

Paul Jason, Public Gaming: *What is the stakeholder structure of the Costa Rica Lottery?*

Francisco Ibarra Arana: The Lottery is under the management of the Costa Rican Board of Social Protection (JPS), which is a government institution. Operating since 1845, JPS is one of the oldest institutions in Costa Rica. The Board of Social Protection began operations with a hospital and thus became the first institution for social protection and security in Costa Rica. Since that time, JPS has added to the number and variety of ways in which it helps the neediest people of Costa Rica. The lottery was first started in 1885, with a draw lottery.

What percentage of your revenue is made up by the draw lottery?

F. Ibarra Arana: Right now there are two games in the draw lottery. The Lotería Nacional is our main game, and comprises 59% of the revenue. The other is called the Popular Lottery, and it comprised 31% of the total revenues in 2011. So, 90% of our business is in the two draw lottery games. Instant lottery is just 2.2% of revenues.

Could you describe the distribution system used to sell the draw products?

F. Ibarra Arana: We have 2,100 street sellers who are selling

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Mitra Mahabir

Chairman,
National Lotteries Control
Board (NLCB),
Operator of the National
Lottery of Trinidad & Tobago



PGRI Introduction: The NLCB operates in a market that has a long tradition of popular gaming and a consumer base with a strong cultural heritage that influences the ways in which the gaming market is evolving. The NLCB needs to stay consistent with that heritage that loves games but is also conservative. Combining a progressive approach to innovation and expansion with a respect for local traditions and attitudes is key to the success of NLCB.

Paul Jason, Public Gaming: *What do you see as the most important goals for the NLCB over the next two years?*

Mitra Mahabir: The revenues generated by NLCB go mostly to the government's consolidated fund. Additionally, the NLCB sponsors a lot of Good Causes, mostly for special programs in education, but also cultural activities and projects to help the needy. There are a lot of social needs in Trinidad and Tobago and our mission is to increase funding to support these needs.

We are focusing on three action areas to improve the business and increase revenues. One, we will improve the distribution system and make the product more accessible to the consumer. Two, we will establish and re-establish in the minds of the general public that the funds generated by NLCB all go to support Good Causes and public services that make us a better society. The public service mission is a vital part of our brand and so we integrate that into all of our marketing communications. And three, we want to focus on developing our portfolio of games. At the moment, we are targeting Instant tickets. Lastly, to reinforce the positive impression that these changes will have, we are rebranding the NLCB to modernize the look and image of our agents and of everything we do.

These are important changes for the NLCB. Our government, the citizens of Trinidad and Tobago, and the recipients of NLCB funding all depend on us to accomplish these goals. We are setting the stage now to develop a model that strengthens the business, and positions the lottery for long-term success. There is an opportunity to develop this industry here, and we are working with our online service provider GTECH, and all of our commercial partners, and our retailers, to build more capability into the NLCB and deliver a brighter future for the people of Trinidad and Tobago.

How much flexibility or latitude does the NLCB have to decide which games are most relevant for your consumer – is there a lot of strict government oversight?

M. Mahabir: We have quite a lot of autonomy in terms of selecting the games and making alterations as we see fit. Our

method is to study and understand the Best Practices used by lotteries from all around the world and apply them to our business here in Trinidad and Tobago. So, that means updating the games to keep them appealing to the consumer, and also the methods of distribution to make them as accessible as possible. Under the National Lotteries Act, we have that authority which is vested in us by the minister of finance. The Minister of Finance appoints a board which does exercise oversight but works hand-in-hand with the management of the lottery to make all those kinds of decisions.

To what extent does the Minister of Finance depend upon the NLCB to advise it on how to evolve the broader regulatory framework, whether the government should expand into new forms of gambling and how it should implement changes to the gaming environment of Trinidad and Tobago?

M. Mahabir: The NLCB is well positioned to understand these issues. As the government operator of lottery, we have a front row seat to see how the industry is evolving and how changes impact the consumer. The minister of finance recognizes that and calls upon the NLCB to assist the government in strengthening our regulatory framework for the gaming industry. For instance, Trinidad has casinos, off-track betting, and horse racing. But there is a pressing need for revamping and strengthening regulatory methods and control. So, the NLCB has been called upon by the government to work with the minister of finance to establish effective regulatory standards and means of enforcement.

Positioning the NLCB as a respected organization that works hard to improve the lives of the people of Trinidad and Tobago is a cornerstone of our mission. As a business, we sell corporate social responsibility and commitment to the support of good causes for society just as much as we sell lottery products. To that end, we work hard to apply the Best Practices that have worked for lotteries from all around the world.

What are some examples of Best Practices that you have applied to the NLCB?

M. Mahabir: We observed that Instants have seen tremendous growth in other mar-

kets, like the USA. As a result of that observation, we have focused on growing that category. Instants comprised 7% of our total sales just three months ago. And now it has grown to 10%. We expect excellent growth to continue and for Instants to have a long and robust life cycle just as it has had in other markets. I don't know if we'll enjoy the twenty year life cycle that others have had because everything changes so much more quickly now. But growing the Instants category is key to our long-term growth strategy.

In addition to the scratch instant games, we have also introduced the pull-tab low price-point games, which has picked up and is doing quite well in this market.

I notice that you have a black ticket.

M. Mahabir: Exactly. That is a specific example of Best Practices methodology. Black was not considered by most people to be an appealing color for instant tickets. Our own experience and analyses would not have prompted us to even try a black instant ticket. But black instant tickets have had huge success in New York, Texas, and other states. So we tried it and now that game is doing exceptionally well here. We're offering prizes of a C class Mercedes Benz and the entire campaign has been very well received in the market.

You have two national lotto-style games. How are they differentiated?

M. Mahabir: We offer a lotto game in Trinidad called Lotto Plus. It works very much like lotto games all over the world. The televised draws are very popular and an important part of this game. Lotto Plus contributes about 7% of our revenue. The most popular game in Trinidad is our other numbers game and is called Play Whe. This game derived from an unregulated and untaxed called Whe Whe, which was, and actually still is, a very popular game. The government implemented Play Whe to channel that underground activity into a regulated and taxed activity. Of course, the goal of turning these illegal gaming markets into a properly regulated and taxed market for the protection of the player and the benefit of funding Good Causes is the start of many government lotteries. Play Whe has now become an integral part of the gaming culture in Trinidad. 65% of NLCB revenues come from Play Whe.

Why is Play Whe performing so much better than Lotto Plus?

M. Mahabir: First, because Play Whe is based on a game that was made popular for many decades in the underground economy, so there was a built-in customer base. It is a game that is very special and in some ways unique. Each number is represented by a symbol. There are animals, people, cultural symbols and icons that we associate with a number. So the game has more meaning for the consumer. The choices they make are based on something that interests them, something more than just a number. We try to appeal to the actual experiences and thought-lives of the consumer. That is the power of symbols and that is what captures the imagination of the consumer and makes the game more interesting and fun. For example, In this game, the number 10 represents a monkey, and 12 a king, and 13 a frog, with the full 36 numbers representing some symbol. You wake up in the morning and go outside and see a frog, you might be inclined to play 13 frog that morning. The consumers feel like their decisions are being guided by their own dreams and life experiences. Those feelings have no bearing on the outcome of course, but it creates the feeling that your decisions are being guided by your own dreams and aspirations. We work hard to keep that model alive. For instance, we have actually produced a book that we distribute throughout Trinidad and Tobago to keep that association resonant in the consumers' minds. It has been a part of our culture for so long and we want Play Whe to continue to appeal to that heritage.

As you go forward, do you think that Play Whe will grow at a faster rate than Lotto Plus? And in that case, won't Lotto Plus eventually become irrelevant?

M. Mahabir: Play Whe is the major part of our revenues and in that sense our most important game by far. And that won't change for a long time. But we are positioning Lotto Plus for a new and different focus and we actually expect it to grow faster than Play Whe. Of course, Lotto Plus is just 7% of revenues so even though the percentage increases will be bigger, the increases in actual revenues will still be less than Play Whe. But to answer your question, Lotto Plus will be a very important part of the portfolio. The strong cultural heritage of Play Whe appeals to the largest portion of the active players right now, which means that we do not want to change it too much. We want Play Whe to remain appealing to

the core players. But all lottery operators need to create new games and try new approaches to appeal to the next generation of consumers, right? That is the role of Lotto Plus. We can innovate with Lotto Plus to appeal to the younger adult without jeopardizing the appeal of our main game for the core player. Too, we want to develop an international association with other lotteries, possibly join a multi-jurisdictional game like Super Lotto. That is a multi-national game that includes many Caribbean lotteries. Of course, the Instants also provide lots of room for innovation to appeal to all different player profiles, young and older alike. We are confident that the Instants category will grow significantly over the next three years and beyond.

Do the police attempt to prevent the distribution of the illegal game of Whe Whe?

M. Mahabir: The best way for us to combat the illegal games is to encourage a greater sense of responsibility on the part of the consumer to play the legal games. We do that by emphasizing the Good Causes that NLCB supports. Additionally, we emphasize that the NLCB is the trusted operator. You know the games are honest and that the winners get paid quickly.

Your strategy is to maintain steady growth in Play Whe, and to take bolder steps to innovate in the Lotto Plus and Instants games to try to bring in new player groups?

M. Mahabir: That's exactly right. We can only expect small incremental growth in Play Whe. The way to increase growth in this established game is to improve distribution, make it more accessible to the consumer. We are presently increasing the number of terminals by 25% and expect this to result in increased sales. Six months ago, we also introduced a third draw. Previously, we had only two draws, one in the morning and one in the afternoon. And we are refreshing the variety of Play Whe games, even while preserving the essential character of the games.

Will you be installing any self-service machines?

M. Mahabir: We don't have any self-service machines in Trinidad at the moment. But there is an opportunity to introduce some of those, perhaps in gas stations and other outlets, but not at our traditional agents that

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Luke Weil

Vice President, International Business
Development – Latin America
Scientific Games Corporation

PGRI Introduction: PGRI is making a special effort to cover Latin America lotteries, to understand how they operate, identify some of the potential opportunities as well as some of the obstacles to growth and how the marketplace is likely to evolve over the next two years. Luke Weil pointed out that Latin America is not one big homogeneous market, but in fact a diverse region with a wide variety of lottery models, gaming cultures and distribution channels. Luke offered to share some insight into what makes this region tick, and how Scientific Games is helping its Latin American customers accomplish their goals and be positioned to optimize the full potential of one of the fastest growing markets in the world.

Paul Jason, Public Gaming: *With fewer retailers per capita in the emerging Latin American market than in more mature markets, how can lotteries increase the number of land-based retailers?*

Luke Weil: Networks of street vendors traditionally served as the main vehicle for distribution of many lottery products throughout Latin America, and programs utilizing them have served as important sources of employment. These network-based social programs should continue, but Scientific Games believes they can co-exist alongside additional points of sale such as convenience stores, supermarkets and prepaid mobile phone “top-up” locations.

How can Latin America leapfrog a generation of transaction-processing and/or communications technology where there is not existing land-based infrastructure?

L. Weil: This is an important question and one we certainly think about. In truth, you can do virtually everything required at the point of sale (except perhaps, printing) on a smartphone—so wireless networks have obviated the need for landline communication. We’re already seeing products and services traditionally reserved for POS terminals

migrating to mobile devices, and we expect that trend for secure transaction processing to continue and to accelerate, particularly in markets lacking traditional lottery system and transaction-processing infrastructure, which can be quite capital intensive.

What are some of the most important trends in Latin America with respect to the games and the ways in which Latin American consumers purchase or access the games?

L. Weil: The trend in Latin America now is to move from traditional lotteries, often with manual draw, to electronic lotteries – especially in Chile, Mexico, Argentina, Brazil, Peru, Uruguay and Colombia. Many Central American countries, though, remain predominantly focused on traditional pre-printed draw games. Looking ahead, we believe the trend will be to use the internet and mobile devices to deploy lottery products and services. We also see enormous potential in instant tickets—“raspados”—which is Scientific Games’ largest business area in Latin America.

What is the timeline for adoption of internet and mobile technologies, etc. in Latin America? What percentage of the population has e-mail addresses and mo-

bile phones? Are there strategies that might accelerate the rate of adoption?

L. Weil: There are roughly 231 million people with internet access in Latin America, or about 41% of the population. That number is growing rapidly, even though 31% of the population lives below the poverty level. Cell phone penetration is nearly 100% in Latin America; in Mexico, Brazil and Argentina, smart phone penetration is already 25%. Clearly, opportunities involving the internet and mobile technologies exist today, and Scientific Games is pursuing them aggressively. We believe these technologies will be key drivers for growth in Latin America in the near future and beyond. By continuing to educate the industry and our customers about opportunities and the value-add Scientific Games can bring, we expect to see increasing adoption of new technologies.

What are the Latin American consumer trends and which games seem to be growing, what are the obstacles to growth and what are some possible solutions, what are the biggest opportunities and what is needed to capitalize on them?

L. Weil: The World Lottery Association

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Latin American Lotteries Key Contributor to Global Lottery Growth

From Mexico City to Buenos Aires, across a region of the Americas where the Romance languages of Spanish, Portuguese and French are spoken, and the cultures are many and vastly different from country to country, there is a growing passion for lottery.

Lottery sales in Latin America were considered one of the major growth drivers for the 13% increase in global lottery sales last year, according to the World Lottery Association. Participating Latin American lotteries recorded an aggregate increase in sales of 15.7% for 2011 compared to 2010.



“Latin America, alongside the Asia-Pacific region, grew faster than any other region globally. What’s most exciting about the region is that you have very robust economic development and at the same time a relatively underdeveloped gaming marketplace, particularly in the area of instant games,” said Luke Weil, Vice President of International Business Development - Latin America for Scientific Games. “There is additional growth potential from the modification of payouts, because the lotteries here have traditionally only paid out 50% in prizes. Now, almost all of the Latin American lotteries are working to increase payouts. In the next 5 to 10 years, we expect to see some very important growth in these countries.”

In countries elsewhere around the world, payout percentage increases have been impactful. Virtually every U.S. lottery has implemented higher prize payouts in recent years as a simple,

but effective strategy that has proven to pique player interest and increase game sales. The highest performing U.S. lotteries now allocate an average of 60% to 75% of total sales for player prizes, depending upon the games, and they manage performance with annual strategic plans as well as category management services.

In 2008, Banca de Quinelas increased prize payouts from 45% to 50% in Uruguay, and the lottery experienced a 45% increase in sales over the next three years. This success factored into regulators passing recent legislation to allow the lottery to increase payouts up to 75% beginning in August 2012. This summer, the lottery has also embarked upon a focused campaign to refresh its games, increase the number of games and expand promotion of the games.

SG Provoloto, formerly, Grupo Provo, now a wholly owned subsidiary of Scientific Games, also experienced an increase in sales when payouts increased. Another strong reason for the lottery’s growth has been incorporating global best practices for distribution and category management services in one of Latin America’s largest and most populated countries.

The lottery moved from four to eight product dispensers as part of a retail development program that expanded Provoloto’s presence at retail locations throughout Mexico and drew more attention to the games.



“As with any retail product, it is all about presenting the lottery’s games in the most exciting way,” said Jeff Sinacori, Vice President of Retail Development for Scientific Games. “We are highly focused on working with lotteries to train their sales force and their retailers based on profit per square foot analysis, best practices in merchandising, shopping pattern evaluation and effective product displays.”



MDI Entertainment’s licensed entertainment brands have been popular in Mexico. Recently, Provoloto launched a “Marvel’s The Avengers™” game based on the popular superheroes’ movie. In a two-month time period, the game sold 1.5 million tickets – generally the amount a game sells over eight months in Mexico. Other licensed products such as Star Wars, Indiana Jones™, Pink Panther™, Huevocartoon®, Flinkstones and PAC-MAN™ have also been successful with Provoloto players.

Provoloto plans to roll-out the instant game Suedazo in Mexico over the next few months. In other Latin American countries, such as Ecuador, Chile, Argentina and Uruguay, lottery players love Suedazo. In fact, the game has become one of the most played instant products in the region because its “win for life” prizes appeal to many cultures where people dream of a better life.

Aisa, a division of the communications company Televisa, also runs a lottery and betting market in Mexico. The lottery offers players both instant and draw games, and several casino halls called Play City.

Over the last 10 years, the lottery in Ecuador has experienced significant growth. The creation of hybrid games, which incorporate an instant component into draw games, has attributed to the growth. The hybrid games, which represent 42% of the games in Ecuador, are popular with players because they provide the excitement of an instant win with the anticipation of winning a big prize when the drawing takes place at the end of the week.

The most recent success in Ecuador is a \$1 instant game called Raspa Bingo – Scratch Bingo – based on the traditional game of Bingo with a prize of \$10,000. In Ecuador, Bingo was a very popular game played at street locations, in some places with up to 300 players. However, in late 2011, new government legisla-

tion banned Bingo outlets and casinos throughout the country. “We saw this as an opportunity to launch the new Raspa Bingo product as an alternative for live Bingo and the success of the game was literally instant,” said Tomas O’Rourke, Brand Manager for Loteria Nacional. “Raspa Bingo is now our number two product in terms of sales. But the key to this is that the ticket captures and delivers the live Bingo experience.”



As for licensed branded games in Ecuador, Erika Carvajal, Brand Manager for Loteria Nacional, said the lottery is exploring additions to its game portfolio, but success will depend heavily on the selling power of the brand. Thus far, the best selling licensed brand games in Ecuador have been car-themed such as Chevy Camaro and the Ford F150 truck.

The lottery’s biggest sales force in Ecuador is the canillitas – or street vendors – who sell more than 80% of total sales for the lottery. Recently, the lottery opened sales distribution channels in supermarkets and pharmacies. The lottery also operates sales venues called punto de raspe – which means point of scratch – and games are sold through its website.

“We have been working with Loteria Nacional to implement worldwide best practices with point of sale in Ecuador, to increase the price points and prize structures of the games, and to fully develop the instant product,” said Weil.

For Operalot in Venezuela, there have been no instant ticket games for about seven years. After unsuccessful attempts to develop the instant marketplace with another provider, Operalot partnered with Scientific Games to launch an instant game in January 2012.

“We sold 90,000 tickets in the first month and by May we were selling 300,000 tickets a month,” said Gabriel Nunes del Arco, an Operalot spokesperson. “We plan to launch a Major League Baseball™ (MLB) game in the next few months that we think will strongly impact the market because Venezuelans are crazy about baseball. MLB will help people here get to know our new instant products.”



Santiago, Chile is home to Scientific Games Latin America, where instant game tickets are produced for lotteries in the region and around the world.

The lottery is also now working with Scientific Games to develop the distribution channel in Venezuela, which Nunes del Arco accredits as the main reason for steady sales increase since the instant ticket launch in January.

Throughout Latin America, Scientific Games has implemented various components of the company’s Cooperative Services Program (CSP), which incorporates global best practices for instant game category management. It is custom-designed for every lottery jurisdiction to optimize performance by engaging players, developing retailers and expanding promotions. CSP programs can include game creation and development, inventory management, inside sales, field sales, warehousing, distribution, retailer recruitment, promotions, advertising, marketing and other services. In 2011, the company’s CSP customers globally experienced an 8-9% average growth in instant sales. Currently, eight of the top 10 instant ticket lotteries in the world participate in a customized CSP program with Scientific Games.

“SG Provoloto is the closest model we have to a full Cooperative Services Program in Latin America,” said Weil. “We are working with other lotteries in Latin America on some components of CSP and have invited them to visit our CSP facility in Florida to see the impact that integrated instant ticket management can have on sales.”

Just this year, two brand new lotteries launched in Peru: Mycrocom, which is part of Mycrocom Venezuela and Windyplan, a Korean company that has begun exploring the lottery business in Latin America.

Based on the exciting growth happening now in Latin America, this is an area of the world that may be making global headlines in the lottery industry over the next decade. ♦

Instant Game Production in Latin America

Where: Santiago, Chile

Who: Scientific Games Latin America
(one of six global printing facilities)

When: Since 2005

What: Capacity - 1.2 Billion Tickets per Year
(2x4 equivalents)

Diversified Product/Service Mix:

- Fan-Folded Instant Games
- Traditional Lottery Games
- Hybrid Lottery Games
- Promotional Games
- Telephone Cards
- Marketing and Sales Support Services

Supplier to lotteries in:

- Dominican Republic
- Chile
- Ecuador
- Mexico
- Peru
- Uruguay
- Venezuela
- Asia-Pacific region
- Australia

More: 115-140 Employees
ISO 9001:2008 Certified
Exceeds all Chilean Environmental Requirements

Erik Dyson

Senior Vice President,
Latin America and Caribbean
GTECH Corporation



PGRI Introduction: I posed a straightforward challenge to Erik Dyson. How can we expand the markets and increase sales in Latin American and Caribbean lotteries? Part of the answer is to be flexible to adapt to and take full advantage of the unique circumstances and opportunities of each individual micro-market. The other part of Erik's answer, thankfully, is to provide lots of detailed examples that illustrate how different solutions have produced some truly great outcomes.

PGRI: *Can you give an overview of the Latin America and Caribbean markets?*

Erik Dyson: While I have not had the experience to work in other lottery markets around the world, what has struck me most (in my five years working in this Region) is that it is in fact a very diverse part of the world that must be carefully analyzed country by country. Starting from the highest level, Latin America and the Caribbean have very little in common with regard to culture, language, and consumer behavior patterns – so they must be addressed in different ways. For example, while we group them together (for business management reasons) we actively work to segment these two very distinct markets with local expertise, understanding, and oversight.

Taking this down to the country level, we also have repeatedly found (in our 28 years working in this part of the world) that great differences exist between countries that are partly the result of the historic development of each country, current sources of economic wealth, geographic location, size and influence of indigenous groups, etc. – so there is truly no “one size fits all” approach that leads to long-term success. What is popular in the Dominican Republic does not necessarily mean it will be popular in Barbados.

Even within countries (regardless of size), we also have found very interesting regional and local variances that drive buy-

ing behavior and preferences. For example, in Mexico, our partner (Pronosticos para la Asistencia Publica) has a very successful daily fixed odds number game, Tris, that sells disproportionately in the southern portions of the country. This is similar to the experience we have seen in other Caribbean countries. And it is different than what we see in the rest of Mexico – that Lotto jackpot games are the most popular.

Finally, our customers span the full spectrum of business models from product sale customers (as we have in Argentina) to facility management operations (which include Jamaica, Trinidad and Tobago, Chile, Mexico, and the Dominican Republic) to outsourced operator contracts (as we have in Colombia and throughout a number of Caribbean islands). Each model has been developed, based upon the local environment and situation, and clearly requires different skillsets and customer engagement strategies.

While we start at the macro level, we then quickly have to work with our customers to drill down to the local level (taking into account the business model) to ensure we are addressing the products to the customer's local preferences and desires.

What are some of the most important trends in Latin America and the Caribbean with respect to the game portfolios?

E. Dyson: As has been widely discussed, lotteries today face the reality that very little

new on-line content has been recently developed to introduce into markets and deliver material growth. With that said, our customers have diligently looked at their game portfolios and made seemingly small changes that have delivered fantastic results.

Our customer in Jamaica, Supreme Ventures Limited, has been at the forefront of engaging their players in order to understand what they want and then coming back with game innovations that are truly appreciated. For example, their core game “Cash Pot” (a one digit fixed payout game), was being drawn twice per day and players expressed a desire to have more frequent draws to fit their changing lifestyles. A third daily draw was introduced which saw a 16.5% increase in sales. Six years later, a fourth draw was introduced that resulted in an additional 10% increase and these increases have been sustained. While not revolutionary, this evolutionary approach to the base business has yielded great results for the lottery and the government.

Another example is our customer, the lottery National Lotteries Control Board in Trinidad and Tobago, which recently made modifications to their popular Pick 2 game that has resulted in sales increases in excess of 43%. They modified the base price, top prize, and subsidiary prizes – to address player comments – and the response has been truly overwhelming.

With regard to instant tickets, I would

point to the example of the introduction of the \$10 price point in the Caribbean jurisdictions that make up the Leeward Islands Lottery Company (which are owned and operated by GTECH). Conventional wisdom had dictated that high price point games were not possible outside of the U.S. and Europe – yet when we introduced this price point we saw sales increase by an overall average of 15% and now this price point makes up 18% of the overall portfolio. This has yet again proven true in Trinidad where we had previously stayed away from higher price point games (the highest was TT\$20). In 2012, we introduced a TT\$50 price point game which resulted in Instants sales increasing by 41%.

These are just a few examples where we have worked with our customers to understand the true customer wants and then developed thoughtful strategies to successfully grow the business. While we have made great progress, I feel that the opportunity still exists to further refine and improve on-line and instant portfolios to benefit all stakeholders.

With fewer retailers per capita in the emerging Latin American and Caribbean market, than in other markets, should lotteries increase the number of land-based retailers?

E. Dyson: While there is always room to grow the number of retailers, I am convinced that retail optimization is where the greatest return exists for our customers. What has intrigued me, as I travel around the different jurisdictions to visit with retailers, is that no retail trade style is guaranteed to be a success. Our best retailers range from dedicated lottery shops (in Argentina) to multi-service kiosks (in Colombia) to “mom and pop shops” in Trinidad and Tobago – in fact, our best retailer in Mexico is a shoe store!

I recently visited some small towns, near the north coast of Jamaica, and saw retailers that average sales greater than \$10,000/week – yet they were little more than small kiosks. The reason they were successful, however, is that the agents truly saw this as their business and actively delivered customer service to the players, day in and day out.

I don't believe the answer is to just put out more terminals to get to some financial metric, but to clearly develop flexible models and explain the value proposition to the specific retail trade style that is being approached. For instance, the conversation with an individual entrepreneur is completely different from the conversation with the manager of a hypermarket. In Colombia, we now have over 800 small stands (at

the entrance to major grocery stores) generating great sales because we have agreed to manage this, on behalf of the store, and take away the operational issues for them.

Also, looking more closely at geographic distribution and consumer traffic patterns is key to the success – we can have two retailers next to each other (with very different customer bases) that can be successful. On the other hand, small towns that may not be able to support sales for a lottery terminal can be viable once we overlay other services (bill payment or cell phone top-ups) to the product offering to achieve wide geographic coverage. For example, we have worked closely with our lottery customers in Chile, Colombia, Jamaica, Trinidad and Tobago, and Barbados to offer cell phone top-ups, over the lottery terminal, to offer as an additional product to retailers and thus make more locations viable.

This type of creative and flexible approach is where we focus most of our time and energy, as we discuss with customers how to maximize their retail networks.

How can Latin America and the Caribbean leapfrog a generation of transaction-processing and/or communications technology where there is not existing land-based infrastructure?

E. Dyson: Interestingly, many countries in the Region were the first to enthusiastically embrace technologies that addressed their needs, even though they were considered “cutting edge” at the time. At first blush, the fact that these markets embraced technological innovation may seem surprising. But when one understands that the legacy communications systems in place did not meet the needs, this is actually completely logical. For example, we have pioneered the use of GPRS cellular technologies in a number of countries (Mexico, Dominican Republic, Chile, Jamaica, Trinidad and Tobago, etc.) that leverages the existing cellular networks. This has allowed us to deploy terminals in far wider geographic footprints, at a reasonable cost, while still ensuring levels of service that our customers require. Given this willingness to embrace innovation, I am confident that the lotteries will continue to welcome creative solutions that allow them to expand their presence in cost effective yet reliable ways.

What is the timeline for adoption of internet and mobile technologies in Latin America and the Caribbean? Are there strategies that might accelerate the rate of adoption?

E. Dyson: Mobile phone penetration exceeds 100% in most countries, yet the predominant method of payment is on a prepaid basis (vs. postpaid models common in other parts of the world). Given this, the migration to cell-phones (for lottery products) continues to be slow and I do not foresee that changing in the short term.

Internet penetration, however, is quickly growing and this seems to be a more dynamic area where our customers are turning their attention. In Chile, our customer (Polla Chilena) has been at the forefront of introducing their products – today they offer a complete suite of on-line games, electronic instants, sports betting, and social games via the Internet. Even with constraints on prize payout, this approach has helped to ensure that they exploit this developing distribution channel as a first mover. This is the model we are seeing others exploring and believe will continue to grow and expand in the coming years.

In Latin America and the Caribbean, what are the obstacles to growth and what are some possible solutions, what are the biggest opportunities and what is needed to capitalize on them?

E. Dyson: The biggest obstacles we face, as we look at growth, also are the biggest opportunities. By that, I mean that many countries still have regulatory structures that pre-date electronic lotteries and most certainly never contemplated distribution channels like the Internet or cellular phones. For example, our newest customer (La Junta de Proteccion Social in Costa Rica), had to have legislation enacted to allow them to change fundamental aspects of their games (payout, distribution of prizes, etc.) in order to have the ability to launch an international bid for a provider of services for their new electronic lottery. This process took many years and during this time they have not been able to capitalize upon this proven segment of the market to generate additional revenues to fund good causes.

Many other jurisdictions in Central America and the Caribbean face this challenge and it takes a concerted effort, by government and other stakeholders, to make the necessary legislative changes to allow them to enter the electronic lottery market. What is most unfortunate is that when no government regulated provider is operating in the lottery space, the market is often filled by illegal operators who pay no taxes, who are not concerned about player welfare, and do not contribute to good causes. ♦



Vangelis Apostolakopoulos

Chief Executive Officer, INTRALOT de Peru

PGRI Introduction: The markets, gaming cultures, and political structures vary widely throughout Latin America. Not surprisingly, so too do the regulatory and taxation models. A model being adopted with more frequency throughout the world is to license the operation of the government lottery to a commercial company. INTRALOT SA is one of the major global suppliers of terminal systems, sports-books, and other gaming products and services to government gaming operators. As its wholly owned subsidiary, INTRALOT de Peru is a licensed commercial operator of lottery, sports-betting, and other games in Peru. Vangelis Apostolakopoulos discusses the huge potential for the industry in Latin America, and the ability of INTRALOT de Peru to contribute to this industry that supports Good Causes – or “Beneficiencias” in Peru.

Paul Jason, Public Gaming: *Could you explain the “stakeholder” structure of INTRALOT de Peru?*

Vangelis Apostolakopoulos: The Peruvian constitution of 1993 guarantees open market conditions in any business segment, including lottery. The Lottery Operations are governed by the government law #21921 established in 1977 whereby: Lotteries can be established by any Non-profit organizations (Beneficiencias) under the control of the state institution of INABIF. There are more than 100 Beneficiencias throughout Peru. Lottery operations could also be established by private operators in partnership with a Beneficiencia.

The games and their payout structures are established by each lottery committee within the scope of every contract signed between operators and their Beneficiencias. Intralot in Peru currently has agreements with the Beneficiencias of the Cities of Huancayo and Jaen. The lottery brands all belong to Intralot, and the contracts with the two Beneficiencias are renewable every 3 years.

How much autonomy does INTRALOT

de Peru have to launch new games, decide how the games can be promoted, and how to distribute the games? Are there strict government oversight committees that makes those decisions? And who defines the mission and financial objectives of INTRALOT de Peru (the government, INTRALOT, or a combination of the two?)?

New games are launched in cooperation with the Beneficiencias that we are working with. Decisions about what games to launch, the payout rates, game rules, and prize structures are made by the established lottery committees with each Beneficiencia. Intralot de Peru defines the appropriate channels and overall retail strategies to secure optimal success for the business and the sale of the products.

Describe the types of games that INTRALOT de Peru offers.

V. Apostolakopoulos: Intralot offers a variety of Lottery and Sports betting games. In the lottery category we currently offer traditional numerical lotto type games (Tinka, Kabala, Gana Diario), Digit games (Super 3 and Fechaza), interactive games and, last but not least, Instants. In the category of sports betting, we offer the traditional Toto game and FOB. However, we are completing the development of new fast-action games such as Kino and Monitor / Virtual games, which will be launched within the next couple months.

What percentage of the revenue comes from lotto draw games, what percentage from Instants, and what from sports-betting?

V. Apostolakopoulos: The numerical games represent the majority of our business. Sports Betting is very promising, and Instants now represent slightly less than 10%.

What games, or game category, do you expect to have the highest growth potential over the next two years?

V. Apostolakopoulos: We expect that Sports Betting will increase its share significantly, when players get more educated, since it is a skill game and the market matures gradually. The Instants market should also increase. The current penetration level of Instants is very low and we are introducing new games that we expect to appeal to

the consumer and drive sales.

Are you introducing any significant new game changes or new game categories over the next two years?

V. Apostolakopoulos: Yes. We are about to introduce Kino and other games through Multi-media visual content for the first time to the Peruvian Consumers. And we are planning to make changes to our Lotto games to make them more attractive to the players. In addition, we are currently exploring the possibility of introducing Racing for Lotteries by offering a number of virtual races.

What is the ratio of retailers to consumers in Peru? How are they compensated (commission rate, etc.)?

V. Apostolakopoulos: The retail market is still very much based on the small businesses which number more than 230,000. The so-called modern retail channel (malls and supermarkets) is growing rapidly and in 2011 has a penetration of around 30-32%. That is still one of the lowest in the region. The retailers are compensated for their sales via a commission scheme over the sales. The average commission rate that they receive is around 10-12%.

Is increasing the number of land-based retailers an important business objective? If so, what is INTRALOT de Peru doing to accomplish that?

V. Apostolakopoulos: Intralot de Peru has its own strong retail network comprised of 1000 POS and in parallel is also operating another 1000 POS through retail agents. Making the products more accessible to the consumer is critical to long-term success. So we are increasing the number of POS's. But we are adding retailers selectively. Just as important as increasing the number of retailers is the goal of improving the efficiency and return on investment from existing POS's. We really want to focus on developing highly dedicated and productive retailers.

When did you first start to sell products online?

V. Apostolakopoulos: We have been testing the online market since late 2008. However, it wasn't until early 2010 that we introduced our new portal and e-commerce platform that has enabled us to promote and sell our games online.

If there are multiple operators, how do you avoid the syndrome of increasing prize-payout percentage to maintain or increase market share, and the coincident margin erosion that results?

V. Apostolakopoulos: Over the past five years, four lottery operators entered and then exited the Peru market. The extensive retail network and the strong consumer brand awareness of Intralot products proved to be very big obstacles for them to overcome. Since 2003, Intralot has been dedicated to building the market and establishing the retail networks, trademarks, brands, and products that will meet and exceed the expectations of the consumers, the Beneficiarios, and all our stakeholders. More importantly, we are always focused on continual improvement. We want to continuously improve the quality of our retail network, the products, and to maintain the high standards of customer service. Our success strategy is to constantly innovate and offer new games which reinforce Intralot's strong presence in the market. The Peruvian lottery market is not big enough to support multiple operators. Insofar as Intralot de Peru serves the market in this fashion, and with continuous investments, it is difficult for any other operator to establish a viable operation in this market.

In my interview with Mr. Nikolakopoulos (Intralot's director of LatAm operations) a few months ago, he said "games that have appeal in many parts of the world are not necessarily popular in Latin America." How do consumer preferences in the Peru market differ from other parts of the world?

V. Apostolakopoulos: Consumer preferences differ widely throughout Latin America. There are many different markets with many different play styles and gaming cultures. For example, the Chilean market is a jackpot driven market; in Argentina and Colombia it is driven by the digit games such as Quinela; in Ecuador the instant games have a good share of the lottery market. In Peru, there are around 700 casinos / gaming arcades, so the Peruvian consumer is very much used to the games and play styles found in those venues, like slot machines. The Peruvian consumers are not as accustomed to lottery and sports-betting games. These segments are still in the development phase. However, at this stage,

the existing lottery market appears to be a jackpot-driven market. Intralot de Peru is developing a broader consumer base by introducing new games that appeal to a wide variety of play styles and preferences.

What is the sales trend-line for online internet sales?

V. Apostolakopoulos: The online channel is becoming more and more important, all over the world. Sales are increasing and we know the trend-line is positive for internet distribution of all products, including lottery games. However, at this point, the percentage of sales that are transacted over the internet remains very low. There is a potential to grow further, but based on current trends and market data about consumer habits and penetration of the Internet, we project that online sales will represent a low single digit percentage for the next couple of years.

What is the growth trend for the mobile smart-phone channel?

V. Apostolakopoulos: This channel is not yet developed in Peru. We are selling our products through the traditional SMS system, but the volumes are indeed very small. Nevertheless, we believe that there is potential in this channel and therefore we are in the developmental phase of creating the necessary tools to make the products available to the consumers on their smart-phones in the near future.

Your website <http://www.intralot.com.pe> includes a variety of social media initiatives. That must mean that the Peruvian consumer is adopting these social media and e-commerce technologies?

V. Apostolakopoulos: Yes. We have been using YouTube, Twitter and Facebook. Facebook has proven to be an especially successful platform for interacting with our consumers. Of the social media platforms in Peru, Facebook has an 82% penetration and is estimated to have around 8 million users. It also is estimated to be on around 10 million computers with internet access. However, the e-commerce is not yet developed as it is estimated that only around 2.5% to 3% of the internet users have actually purchased something online.

Does Peru have an effective means of enforcing laws against unlicensed internet gaming operators?

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Wireless Gaming: The consumer demands it. And now that security is even better than wired gaming, progressive operators are delivering it.

BY BHARAT GADHER, SR. PRODUCT MANAGER,
SPIELO INTERNATIONAL

Over the last decade, consumers have benefitted from the lower costs and large number of secure mobile devices and applications available on the market. They're comfortable with the level of security built into these phones, tablets and laptops. Based on this experience, these consumers, as players, are now poised to adapt to wireless gaming.

As server-based gaming makes its way into our industry, are distributed VLT gaming operators ready to make the most of on-demand networked technology by provide wireless gaming? For these operators, system, device and game security is paramount. Yet the notion of wireless raises questions about just how secure these networks can be.

Operators may not be aware that security advances and on-line diagnostics have the potential to make wireless networks in distributed VLT operations even more secure than wired networks. Additional layers of security are available so operators can offer a state-of-art wireless gaming experience that's tailored to the unique needs of distributed VLT operations, and that's both tamper-proof and economical. This mini white paper offers a brief outline of the extent and multiple layers of security options for distributed VLT gaming operators.

Why go wireless?

Player preference is one of the key drivers of any new gaming technology. By its very definition, wireless gaming offers freedom and mobility to players, so they can sit wherever they like within a retail operation in order to play. Wireless gaming can attract new types of players who prefer using mobile devices over the traditional Electronic Gaming Machines (EGMs).

As well, a wireless mobile program enables retail operators to benefit from more gaming activity on their finite floor space, because of wireless and mobile devices' minimal footprint.

However, traditional EGM-based operations can also benefit from a wireless infrastructure.

In a wireless configuration, floor networks do not need to be laid out in advance, and floor plans can be changed without a need to

rewire the floor. For retailers with small spaces and floors that do not easily accommodate hardwiring, wireless EGMs make deployments and the movement of terminals much easier for new and established sites – saving time and operational costs.

For those upgrading their program to support the higher bandwidth required for Game to System® (G2S®) protocols, it's more economical to upgrade to wireless, rather than wired Ethernet connections between the VLTs and the site controller.

For operators establishing new programs, a gaming program based on mobile devices means significantly lower capital costs, because mobile devices are more affordable per unit than traditional EGMs. Likewise, installation costs are lower, because it's more economical to create a wireless network than a wired one.

Finally, wireless and mobile gaming is perfectly suited to central systems that deliver Server Based Gaming and networked gaming, which allows content to be uploaded instantly on demand. Indeed, wireless gaming appears to be part of the natural evolution of networked gaming.

Wireless: built-in security

Consumers have embraced wireless and mobile products, in part because the devices have proven to be secure. Today, almost every major bank offers secure wireless banking transactions through mobile devices.

This is because strong encryption and authentication standards already exist in WPA2, IEEE802.xx and MAC ID filtering, the set of security standards for wireless local area networks (WLANs) that provide the basis for wireless network products.

These types of safeguards also happen to be the basic building blocks for the gaming industry. This built-in security is the first powerful layer of defense for wireless and mobile gaming programs.

However, existing security technologies do not take the unique needs of distributed VLT markets into account.

In distributed VLT markets, additional security features are required in order to:

- Prevent activation of unauthorized devices
- Prevent activation and use after authorized hours
- Limit use only within the retail site
- Stop tampering, such as changes to game meters and game data
- Enable age verification

Distributed VLT wireless: more secure than wired

Additional specialized security features tailored to distributed VLT environments can ensure a tamper-proof program. These features could include the following:

- Encrypted licensed tokens
- Geo-fencing
- Dongle-based security access for authorized players and retail operators
- An integrated access point at the site controller and centralized management in the data center

Licensed tokens can be generated, distributed and managed between the central system or site controller and the distributed gaming devices, creating a secure private wireless network where only mobile devices with active and authenticated licensed tokens can be activated at a specific retail location.

Geo-fencing of retail boundaries through the use of Radio Fre-

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STRATEGIES FOR INSTANT TICKET SALES GROWTH



Worldwide, instant ticket sales continue to be strong with sales growing by nearly 50% over the past 10 years. Moreover, for lotteries in Latin America, with average per capita sales of approximately \$4, as compared to \$97 in North America, there is ample opportunity to increase Latin American lottery sales of instant tickets for the benefit of each jurisdiction's beneficiary programs.

Pollard Banknote has an established and demonstrated reputation for helping lotteries drive their instant ticket sales, and reach new sales highs. The implementation of Pollard Banknote's Best Practices, a strategic retail and merchandising plan and the integration of new technology are all means by which Latin American lotteries can immediately take advantage of sales growth opportunities.

Pollard Banknote's Best Practices: Attract and Retain Players

The integration of Pollard Banknote's Best Practices is a proven and successful strategy for introducing new products and overseeing the lifecycle of established games or categories to refine and strengthen a lottery's instant ticket portfolio. This includes the use of successful ticket designs, utilizing popular game themes and/or mechanics, proven prize structure strategies, and incorporating premium ticket features, like Pollard Banknote's exclusive Scratch FX®.

Lotteries from around the world have used Scratch FX®, with its eye-catching effects, to successfully launch new products into their markets. Pollard Banknote has printed over 140 Scratch FX® games for 28 lotteries worldwide, generating instant ticket sales of over \$2 billion due to their high impact, rich-looking designs.

When the D.C. Lottery launched Cadillac Riches, it became the best-selling \$5 ticket in the Lottery's history. With a 10-week index of 185, Executive Director Buddy Roogow called it, "a super-charged success on all eight cylinders. The combination of outstanding graphics, a beautiful design, and a hot vehicle won the day!"

The introduction of the Pollard PlayBook™ into North American and European markets is another example of successful product launches, selling 34% higher than other introductions. These multi-play game books provide many opportunities to win, have greater perceived value, and as a result, command higher prices. Don Feeney, Research Director with the Minnesota Lottery said, "In almost 20 years of researching Lottery games, I have never seen players respond so favourably to a game!"

After capturing players' attention and triggering an impulse to buy through compelling ticket design or other feature, it is equally important to retain these players with an entertaining and rewarding experience. Best Practice prize structures feature a generous proportion of mid-tier winnings, enticing top prizes, and exciting play formats that encourage players to play again and again.

The British Columbia Lottery Corporation recently achieved 11.4% growth in instant sales working with Pollard Banknote to incorporate Best Practices to maximize consumer "chatter" through the optimization of the Lottery's prize structures and strategically increase revenues from higher price points.

Additional efforts to emphasize and position a particular ticket may include updating art for a fresh look or to better position a ticket at retail. The New Jersey Lottery scored success by recognizing the popularity of the key number match play format to launch a series of seasonally inspired \$2 tickets. While the ticket layout remains consistent from de-

sign to design for easy identification, the look and game name differs. The Lottery's spring edition achieved a 10-week index of 122 while the four-ticket series fetched a 10-week average index of 118.

Pollard Banknote's Best Practices: Achieving Excellence at Retail

The top-performing North American lotteries have a retailer density in the range of 1:1,200, consisting largely of convenience and grocery stores, gas stations, and tobacco and liquor outlets. Given many lotteries in Latin America primarily employ street vendors to sell instant tickets, there is considerable opportunity for retail expansion in the Latin American market and maximize the impulse purchase quality of instant tickets.

Incorporating Pollard Banknote's retail best practices can help Latin American lotteries achieve meaningful success at the retail level. From offering an optimized mix of games, to installing eye-catching signage at a store's entrance, to ensuring ticket dispensers are visible, easy to access and clean, to ensuring retail staff are knowledgeable of lottery products, there are proven opportunities for a lottery to increase its revenues.

Today Pollard Banknote is performing several pilot projects with our customers to identify tangible and realistic ways to help lottery retailers increase their sales through strategic improvements aimed at optimized merchandising, point-of-purchase materials, and more.

Innovation: Growing and Engaging Your Player Base

Lotteries in Latin America are especially well-positioned to capitalize on product innovations and be proactive in the integration of mobile technology. Working with a partner, like Pollard Banknote, that recognizes opportunities to leverage proven innovations to grow sales in Latin America is an excellent means to attract new players, extend interaction with existing players, provide additional entertainment value, and drive players to retail.

Extending players' entertainment and chances to win beyond the paper ticket was the task at hand when Pollard Banknote worked with the Michigan Lottery with its new \$100,000 Cashword game. This ticket features a QR code that directs players to a mobile app and web-based interactive site, which allows players to continue playing online for additional opportunities to win. The results of this innovative program were immediate with a 52% increase in the Lottery's weekly Crossword category sales.

The power of social media and networking provided the inspiration for Pollard Banknote's new mobile technology-based innovation. Social Instants™, which embraces the rapidly growing use of Smartphones to facilitate player-initiated messaging at the height of their win to motivate others, especially those that they know, to play as well. Winner-driven messaging is the ultimate third-party endorsement and carries significantly more credit than traditional lottery-initiated advertising.

Setting the Stage for Growth

Around the world instant tickets are a growing segment. Lotteries in Latin America are well-positioned to exploit opportunities and enjoy significant growth. Pollard Banknote's best practices and approach to creatively using innovations to attract new players, retain existing players are strategic ways to both improve instant ticket revenues and increase contributions to local good causes. ♦

Global Leadership Translates into Success in Latin America

BY DAN MIKESELL, IGT VICE PRESIDENT LATIN AMERICA

International Gaming Technology (NYSE: IGT) has been the global leader in driving technology innovations in the gaming industry since 1981. The Company's long history of innovation can be seen across the globe from the newest properties in Macau to the hottest resorts in Colombia. The company is committed to bringing gaming operators more value and performance, along with more exciting gaming experiences for players.

IGT has been a major presence in the Latin American market for decades with a significant presence in Mexico, Panama, Colombia, Peru, Argentina, Chile, and the Caribbean with a large technical and commercial team to service these countries' gaming operators. IGT has a strong strategic relationship with the several multinational, multi-country casino operators throughout the region and with the growing number of local casino operators that



are establishing new properties throughout the region. Among these clients are Casino Club, Codere, Cirsá, Latin Gaming, Televisa, Sun International, Silver Entertainment and Thunderbird. These relationships are key as this large and varied casino market continues to grow at a double digit rate in almost all the countries in the region. IGT is equally focused on working with existing casinos to improve their financial performance as it is helping new or existing clients to create exciting and profitable facilities.

Trends throughout the region mirror those of Latin America's global neighbors. Operators are focused on emerging technology, casino systems infrastructure and engaging game play for their casino floors.

Communications technology is a global issue and has become standardized across Latin America, much as it is throughout the world. Like all casino operators, Latin American customers are looking for efficient and accurate transactional processes to implement on their slot machine floors for accounting and taxation purposes, whether to fulfill internal reporting or external taxation needs.

For example, in Peru, in early July 2012 the government enacted stricter enforcement policies for tax collection at casinos. This has resulted in requiring operators to install casino management systems, as well as ensure that their slot machines are connectable to these systems, at all casino properties by July of 2012. Mexico also is imposing stricter enforcement of regulations and taxes, while Argentina and Chile already have systems standards in place. A potential advantage to operators in the region is the ability to adopt current generation or next generation systems to meet these regulatory needs as government requirements make efficient and effective systems management even more important.

While casino systems technology allows for more efficient reporting, operators are mainly focusing on the value casino management products, such as IGT's sbX, as it allows for better floor management and increased game performance across properties. sbX allows opera-

tors ways to differentiate their floors from their competitors. For example, IGT successfully launched sbX at multiple Televisa Resorts' properties in Mexico, which has allowed the operator to easily reconfigure its floors by accessing the more than 300 themes in IGT's ever-growing game library.

Latin American operators are similar to their counterparts in the U.S., Europe and Asia; they are constantly evaluating emerging technology to see if it can enhance their

profitability. For example, mid-sized to larger casinos are researching what type of competitive advantage and sustained cost reduction they will gain by utilizing IGT's cloud technology to access systems management products they need across multiple properties. IGT is seen as a leader in cloud technology in the global gaming industry since launching the IGT Cloud in late 2011. Operators in Latin America are particularly interested in how the addition of cloud based technology will allow for seamless gaming experiences for their players while increasing casino management functionality.

We have found that in certain cities, players are looking for more a life-changing jackpot style of games while others enjoy smaller awards more frequently to extend their play time. At IGT, our ability to provide the thematic content and the math models needed to engage these local players allows us to address needs on a property-by-property basis. We are able to take our library of games and find exactly where our global library applies to a local market. IGT Latin American has a dedicated able to evaluate and implement these changes on the floor resulting in increased profitability per machine for our clients.

There are countless opportunities for growth in every Latin American market ranging from the largest properties to smaller resorts. Where IGT is excelling is in understanding the needs of our local clients and their players, and offering localized solutions to best meet the local needs. For example, IGT is providing hyper-localized content that appeal to players in specific areas. This can be seen at northern Mexico properties where our new Dia De Muertos game is doing extremely well, with as high as four times house average results.

Future trends in the region may see the implementation of Video Lottery Terminal (VLT) mar-



kets as it is an emerging interest and new engine for profitable growth for both operators and governments throughout Latin America. Specific plans for new VLT markets are being discussed by multiple countries. This puts IGT in a unique position because we have such a strong background in VLT markets throughout the world and can bring lessons learned from similar regions to these customers. We also have strong, existing strategic relationships with current operators and will carry that trust and business knowledge into their new VLT operations.

Like the U.S., mobile and online gaming is a possibility in multiple countries in Latin America as governments are treating mobile and online gaming legislation and regulation as a priority. With IGT's experience in both the land and online business, we intend to use our internet gaming platform technology when and if these opportuni-

ties arise help these brick and mortar customers extend their business to new and existing clients in the online gaming spaces.

Throughout Latin America, there is a mature land-based gaming business with small and medium privately-held companies and larger publicly traded entities. These businesses know their local markets very well and know what is needed to cater to their player base. What IGT can offer these customers is the knowledge and experience needed to help them expand into the VLT, mobile and online markets. There is a tremendous amount of innovation available for these customers as they are growing their business on their floors, in potential VLT markets and in the possibly emerging mobile and online sphere. ♦



Wireless Gaming ...continued from page 32

quency Identification (RFID) tags and sensors monitored by the site controller can help to prevent the mobile gaming devices from operating beyond of the limits of the regulated retail floor space.

Retailers know that their staff isn't equipped with the time or expertise to address IT issues among players at their retail sites. For that reason, managing separate wireless access points at each site is out of the question. They also pose additional security risks and add to cost. However, this can be addressed with an **integrated wireless access point** based at the site controller and managed from the central system.

The central system can be **configured to manage wireless network authentication**, as well as authentication of players' use of the mobile device. It could also provide encryption, rogue device detection and containment, malware security software, and limitation of the wireless radio frequency range to the physical boundaries of the retailer location.

For more information: Call 1.800.561.GAME (4263) or 506.878.6000, email lottery.gaming@spielo.com, or visit us at www.spielo.com

Mitra Mahabir ...continued from page 23

prefer to interact with the consumer directly. Frankly, we are most focused on supporting our traditional agents and helping them to increase sales and produce the sales increases we need. Self service machines will be part of our offering within the next 2 years.

Is it hard to recruit additional retailers?

M. Mahabir: No. The consumer demand for lottery is strong, so there are always more retailers who would like to distribute lottery products. We are focusing on developing key accounts, operations with more than one outlet, and businesses that really want to build the lottery business. Those are the kinds of partnerships that work best for us, but also for the consumer and the retailer. The retailer commission is 8%, for on line games and 10% on instants tickets and so this is a good business for them.

One other thing is that our agents also offer the facility to pay bills, like utility bills

and so on. Helping our agents to expand their services like this is good for everyone. That has a ripple effect because as more people visit their agents and buy more products and services from our agents, they will be inclined to participate in our games as well.

Do you happen to know what the ratio of retailers to consumer population is?

M. Mahabir: We have about one retailer to 400 consumers.

That's quite high. Are there plans to implement internet and mobile distribution of lottery products?

M. Mahabir: Possibly. But Trinidad is a traditional and very religious culture, so we need to be very sensitive to our own cultural mores. We do want to grow the business and make the products accessible to the consumers. And we do realize that the internet gives us far better exposure to younger adult seg-

Conclusion

The very nature of wireless technologies naturally raises questions about security for gaming operators concerned about the integrity of mobile and wireless applications. As this mini white paper has shown, existing wireless security standards offer a strong first line of defense.

However, these standards can be enhanced with additional layers of security tailored to the needs of distributed VLT gaming operations, such as encrypted license tokens, geo-fencing, dongle access and an integrated access point at the site controller.

These additional layers of encryption, authentication, and monitoring can provide retailers and operators with the security they need to drive down operational costs, free up floor space, enhance the gaming experience for loyal players, attract new player demographics, and successfully enter a new era of wireless gaming. ♦

ments. So I am sure we will do what is best for the consumer, but we will move cautiously and make sure that we stay consistent with our social responsibilities.

How does being a member of The World Lottery Association (WLA) benefit the NLCB?

M. Mahabir: The NLCB has benefited from the WLA. For instance we embarked on a pre RFP exercise and received valuable assistance from the WLA in terms of the kind of consultant that we should retain to assist us. And we have certainly benefited from the conferences. We receive lots of very useful information from the WLA, and will continue to rely on them for guidance and assistance as we explore ways to evolve our business. And just being a part of the international community of lottery operators, having easy access to the lines of communication and support from colleagues around the world is very helpful. ♦

V. Apostolakopoulos: Illegal internet gambling or internet distribution of lottery products is not a significant problem in Peru right now. However, the Peruvian government is currently looking into the development of a legal and regulatory framework to block the internet gaming operators which do not get properly licensed, pay taxes, and meet the local requirements.

The multi-jurisdictional jackpot games like Powerball and Euromillions and others have been very important sales-drivers in other markets. Do you anticipate joining in a multi-national game in the near future?

V. Apostolakopoulos: In fact, we are open to such initiatives. The consumers in other markets have responded positively to those games and we expect that the Peruvian consumer would as well. We want to meet the needs of our customers and so we would definitely consider joining a multi-national jackpot game.

What do you see as the most important

goals for the INTRALOT de Peru over the next two years?

V. Apostolakopoulos: We see ourselves as market makers, so our prime objective is to develop the market and position lottery and sports betting as consumer products with mass-market appeal. We see ourselves developing the retail network by offering exciting new venues and converting our POS into entertainment centers that engage the players in the exciting new world of interactive games. It is critical that the markets be developed with keen sensitivity to all public policy considerations, with special attention always given to ensure that responsible gaming standards and practices are always fulfilled. Intralot is also playing an important role in the local market through their social responsibility programs and we are very pleased to continue in this direction. Of course, by contributing to the development of the lottery market we are also helping the government to raise funds for the social development of the Peruvian

communities and other Good Causes. Intralot is pleased and proud to be a part of that exciting mission.

I notice that INTRALOT de Peru receives accolades for being a great place to work. How wonderful for you and all of Team INTRALOT!

V. Apostolakopoulos: In December of 2011 INTRALOT de Peru was voted among the "Best Workplaces" in Peru and was also awarded with a special Prize for being the company with the most impressive Growth Rate in the country. We were and are very encouraged by these awards to continue our efforts to have a working environment of a winning team, based on trust and respect, always focusing on offering the most exciting and interesting experiences to our players. (The "Great Place to Work" is a leading independent Institution. Its annual research is based on data from more than 10 million employees, in 45 countries representing over 5,500 organizations of varying sizes, industries and structures.) ♦

increasing growth rates every year, we continue work on the development of virtual channels of sale, such as the Internet, aiming to expand our customer base through the acquisition of new groups of players who do not usually go the land-based retailer.

Is increasing the number of land-based retailers an important business objective? If so, what is CAIXA doing to accomplish that?

F. Cleto: CAIXA, through its Vice-presidency of Service, Distribution and Business, constantly monitors the network of points of sales, with the goal of identifying locations where there is potential for opening new units. In addition, the number of transactions is monitored to identify those units that need to increase the number of terminals to better meet the needs of customers.

The multi-jurisdictional games, like Powerball and Euromillions and many others, have been very important sales-drivers. Do you anticipate joining in a multi-national game in the near future? Do you feel that

introduction of a second super-jackpot game (either national or multi-national) would produce a net win for the lottery, or do you feel that the Mega-Sena brand is so powerful that you prefer to stick with that as the only national super-jackpot game?

F. Cleto: We consider interesting the proposal for a multi-jurisdictional game and we have dedicated ourselves to study the subject in order to identify all the issues concerning to legislation, operating systems and routines involved, besides, of course, the analysis of the impacts that such a game could have on sales of Mega-Sena, our main game nowadays.

You serve on the executive committee of the World Lottery Association and as the Cibelae representative to the World Lottery Association (WLA). How is the mission of the WLA evolving?

F. Cleto: WLA plays an important role among its members by offering them access to certification in Security (SCS / WLA) and Responsible Gaming. Moreover, the

high-level seminars and conventions promoted by that association, offering relevant information on trends in the global lotteries and games and case studies of success, are inputs to the strategic decision making within the State Lotteries. The approach between WLA and CIBELAE has produced very positive results, as it enables the exchange of information and data on our lotteries members. As a member of WLA, CAIXA Lotteries have great interest in knowing more about new products and new sales channels, as this information will be useful to define new projects for the expansion of federal lotteries in Brazil.

What do you see as the most important goals for CAIXA over the next two years?

F. Cleto: Our main objective is to expand our base of players by offering products more attractive and modern, and also through launching new virtual sales channels that offer to our customers convenience, security and agility to purchase lottery products. ♦

our draw or passive products. This is the primary distribution channel. Additionally, we have a relatively small network of terminals, with only 195 points of sales that are retail stores. These are just PC computers connected by the internet to our central system. In this point of sales, we distribute draw products and electronic products.

We recently selected GTECH to install 1,000 terminals in stores all around the country. Additionally, there will be 400 mobile devices used by retailers to execute transactions and sell our products. This will dramatically change the entire way we do business. It will give access to more consumers, making it much easier to buy the products, and making the way we process transactions and manage the business much more efficient and modernized. This will be implemented the first half of 2013. We will go from having 195 retail stores to 1,400 retail POS's, including supermarkets and gas stations.

What about the street sellers? Will they still be selling the lottery products?

F. Ibarra Arana: We want them to continue to sell the lottery products, to serve their customers, and for lottery to continue to be a useful form of employment for the street sellers. But they are afraid of cannibalization, that they will lose a portion of the market to the new network of retail store terminals. They are protesting our plans to implement the network of retail POS's.

What can you do to try to get their support or overcome their concerns?

F. Ibarra Arana: We are creating new games for the street sellers to sell that the retail stores will not sell. They are: Tiempos digitales, a number game that the street sellers don't have now, but they will have the possibility to sell with the new mobile devices, Pega Millones, a lotto game, and a Sportbeating game..

Excellent. So you're providing them with a mobile device that they don't currently have, enabling them to sell more products than they currently sell, and enabling them to sell some products exclusively, that the retail stores will not sell.

F. Ibarra Arana: Exactly. That is the idea. We do need to make the product more accessible to the consumer. And so we do need to modernize with installation of networked ter-

minals in retail stores. But we also want all of our channel partners to be successful with selling lottery products. This is the livelihood of street sellers. We do care about them, we do want them to be able to make their living selling lottery products. And they have their lottery customers, many of whom may prefer to buy from them than the retail stores. So we want to do our best to earn their support and cooperation. This is not so very different from the challenge that lottery operators have in the USA to convince their land-based retailers to support their efforts to sell lottery products over the internet. The best way to minimize cannibalization and channel conflict is to grow the business, increase the size of the pie instead of fighting over the same piece. That is our goal, to grow the business, and give the street sellers the tools and the products to succeed. Good for the street sellers, good for the consumer, and good for the funding of social services in Costa Rica.

Are there other gaming operators in Costa Rica?

F. Ibarra Arana: There is the Red Cross, which operates bingo. And there are casinos and sports betting operations in Costa Rica. But JPS is a legal monopoly with the exclusive right to operate lottery in Costa Rica.

Of course, like everywhere else, we have many illegal operators. They copy our games, like Tiempos, and sell them illegally and have a significant share of the market. We calculate that illegal lottery revenues are more than \$100 million a year. We do expect that our new retail terminal systems will capture a portion of that. Increasing the POS's will enable more consumers to have easier access to buying the games and that will help JPS to regain market share and revenues from the illegal operators. And we will be augmenting the new network of terminals with new and refreshed games and modernized operations.

The Instant category has been growing at a very fast rate in some other markets. For instance, it now makes up well over half the total sales in the USA. Do you project the Instant category to increase much over the next two years?

F. Ibarra Arana: Yes. Our main distribution channel is presently street sellers and they can only carry one Instant product at a time. Implementation of retail terminals will bring lottery into the stores and enable us to

sell a much bigger portfolio of products. So we will expand our portfolio of Instant products as well. When you look at some of the most successful lotteries, like Massachusetts for example, it would appear that a big reason for their success is the wide variety of Instant products they sell. We hope and expect that giving the consumer lots of options at the point of sale will increase sales in general, but especially in the Instant category where the ability to offer a big variety is much greater than in the draw games. Enabling retailers to sell our products, and having a modernized system for processing transactions through a variety of channels, will enable us to increase the entire portfolio of products, refresh the games more frequently, and make those products more accessible to the consumer.

We also hope to add sports-betting to our product portfolio. That will not only increase our overall sales revenue, it will bring in new gaming categories that will give JPS a higher public profile and make JPS more relevant to the consumer.

There is a lot on your agenda over the next 18 months. Undoubtedly it will all add up to increased funding for the social welfare of Costa Rica. Is law enforcement very effective at stopping the illegal operators?

F. Ibarra Arana: Frankly, no. Our police department and authorities don't enforce the laws against illegals because they have more important matters to deal with. They just do not have all the resources they need to stop more harmful criminal activities, so they focus those resources on areas other than the illegal lotteries.

JPS does not participate now in a multi-jurisdiction or international lottery, correct?

F. Ibarra Arana: No. Right now we don't have a multi-national game. We are considering the options and exploring the possibilities and studying a proposition of GTECH. Super Lotto is the multi-jurisdictional game operating in the Caribbean Islands. And so it is possible that we may join a game like that. Our legal department is studying the laws and clarifying the legal restrictions and precisely what JPS is allowed to do by law. We can see the tremendous success of Euromillions, PowerBall and other multi-jurisdictional games. Small countries like Costa Rica would benefit economically by

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technological platforms, acquire the software and hardware, and implement the new telecommunication network.

It must be high anxiety in the beginning and so gratifying to see that your investment was the right choice to make.

B.G. Roaro: The fact really is that the Lotería Nacional had to modernize, and it had to act quickly. The future of the Lotería Nacional would have been very vulnerable in a competitive world where consumers are keen for new innovations and there are lots of operators, legal or illegal, who want to provide it to them.

The platform that delivers the games over the internet, is there much of a difference between mobile or the computer? Or is it all just internet?

B.G. Roaro: The technological platform is the same for both. But the specific gaming applications are different. There may be lots of similarities between the games, and games for the computer can sometimes be modified to fast-track a mobile application. But the mobile gaming experience is obviously different from the home-computer gaming experience and so the consumer wants games that take full advantage of each specific medium. We only have one game for mobile phones right now and it hasn't had the sales success that we hoped for. But it has been a great learning step for us and we have no doubt that mobile gaming is key to the future of gaming and are committed to developing more and better mobile app's.

It sounds like the process is to develop gaming applications for the internet that are delivered over a computer and then those applications are modified to deliver over the mobile?

B.G. Roaro: That is the way that we have done it. But I can't say that is necessarily the blueprint for developing new and better mobile applications. In fact, I suspect that it probably isn't.

You launched your Facebook page less than a year ago and achieved a high level of consumer engagement. How did you do that in such a short time?

B.G. Roaro: We just started our social media initiatives eight months ago. We have a system of awarding points for Facebook friends who play our games. The consumer

responds to these awards systems even when it doesn't have any monetary value. The awards system just makes it more fun for them. Just as importantly though, the awards systems enable us to measure the level of activity and also to focus marketing communications to the individual. It also creates a dialogue, with the player being much more likely to send us questions and feedback. And it enables us to promote a responsible gaming message as well. We have partnered with popular musical groups to promote our Facebook and social media agendas. These partnerships can cost nothing because we promote them on our Facebook pages and they promote the lottery on theirs and sometimes at their live events. We are exploring other ways to create win-win partnerships that cost the lottery little or nothing to do.

I would submit that it is a very small measure of the impact that Facebook actually has on the business. Facebook creates a new level of engagement, with family and friends being able to communicate with each other about their favorite activities. It creates loyalty and brand awareness in ways that no amount of advertising could ever do. It is that heightened level of brand awareness that positions the consumer, especially the younger adult, to respond positively to the advertising and promotion that does entice them to buy the product. Our social media outreach, especially Facebook and Twitter, has been especially helpful at getting the younger adult to think more about Lotería Nacional.

Do you envision yourself creating new types of games, perhaps based on traditional games, but perhaps doing something completely new and different?

B.G. Roaro: At this point we are simply offering the existing products online. But we get lots of real-time feedback from the consumer that will guide our efforts in the future.

Does the Loteria participate in any multi-national games?

B.G. Roaro: We've had several talks with Spain's lottery, exploring the possibility to have a lotto for both of our countries to participate in. But there are some legal restrictions in Mexico that we need to address. We are continuing to look into it and we hope to join a multi-national game because we can see how successful they are in other markets and how attractive the big jackpot games are to the consumer.

How can the World Lottery Association (WLA) be most relevant and helpful to its members?

B.G. Roaro: There are many, many things that the WLA does to benefit its members. Three important things are Certifications, active work to eliminate or minimize corruption in sports-betting, and education and training of their members.

The Certification process applies to Security and Responsible Gaming. The process of earning WLA certification, and progressing through the different levels of certification, improves a lottery's operations. The process itself is a guidepost for helping the lottery operator know what needs to be done and then install the mechanisms to accomplish the highest levels of performance in these two critical areas. Additionally, governments all around the world recognize the value and credibility that achievement of these certifications brings to the lottery operator. As governments expand into new forms of gaming and i-gaming, we hope that recognition of these certifications will inform the process of deciding who they want to operate the games. Authorization to expand into new games and channels will be a tremendous benefit to all the stakeholders of government lottery, especially the beneficiaries which will receive more funding as a result of increased sales.

The WLA has a tremendous Education program with seminars led by the leaders of the industry. Ours is a somewhat unique business. As far as I know, there are not college curricula to teach people this business. The WLA education programs bring the wealth of experience and knowledge of the people who have spent years learning and working in the industry. There really is no substitute for that kind of guidance and wisdom.

A current WLA initiative is to gather data and intelligence from all the members to create an organized foundation for an effective Best Practices template, something the members can really use to measure their performance and hopefully help to identify the best ways to focus their resources.

All regions and markets are different, are unique in some ways. But there are also many commonalities and many things we can learn from each other in spite of, and in some cases because of, our differences. That is what the WLA is all about, providing a ve-

hicle for all of us to interact with each other, to communicate for the purpose of improving our understanding of the business and improving our ability to increase the funds we produce for our beneficiaries.

Can the WLA help it's members defend the interests of lotteries against illegal operators?

B.G. Roaro: Fighting the illegal operators is a big problem for all lotteries. The WLA does help by being a resource that helps us communicate these concerns to our governments, agents of law enforcement, and regu-

lators. By bringing us together, like for the WLA Summit in Montreal in September, the WLA provides a mechanism for members to communicate with each other and learn from others about all matters that relate to our business, including the efforts to support regulated markets and the enforcement of laws.

What do you see as the most important goal for the Lotería Nacional over the next two years?

B.G. Roaro: We need to consolidate and rationalize a much larger portfolio of prod-

ucts. We need to integrate electronic media into the fabric of all the games, and develop new games for new media. We need to get all the different gaming divisions to fuse together to create a more integrated brand for the consumer. And we need to complete the installation of the technological platforms that will support a forward-looking, consumer driven, 21st century business operation. Those are some of the goals of our project to modernize, and we are well on our way towards accomplishing them. ♦

Luke Weil ...continued from page 24

reported that alongside Asia-Pacific, Latin America's lottery growth last year outpaced every other region globally—far ahead of Europe and the U.S. Latin American lotteries had an almost 16% aggregate increase in sales in 2011. Every segment of gaming grew, so virtually the entire Scientific Games' portfolio of products has significant potential in Latin America: lottery systems, internet gaming, gaming machines and systems, and, of course, instant tickets. We are particularly focused on instant tickets—although this product has a large, natural audience in Latin America, to date it is underdeveloped. In the U.S., instant ticket sales have outpaced draw game sales, but in Latin America, instant tickets constitute a small fraction of total lottery sales. We believe the instant prod-

uct in Latin America will succeed using the formula that's generated so much success in the U.S., Europe, China and more recently, Puerto Rico: optimized payouts, prize mixes, distribution, marketing and other aspects of our long-established best practices, including Cooperative Services Programs (CSP) through which we provide many of the other services necessary to successfully manage instant products, beyond the supply of tickets—programs that can grow a lottery's overall revenues as we've demonstrated with our CSP customers around the globe.

How is the Latin American market unique from others, what can mature lotteries learn from the ingenuity being applied to great effect in emerging markets, etc.?

L. Weil: Latin America is unique in the way the lottery market has evolved: it has largely been driven organically by consumers and culture, rather than operators and suppliers – in part because many of these jurisdictions were unregulated for decades. Often, success has come from pairing more traditional games with new technologies and regulatory frameworks. For example, Scientific Games' "hybrid" lottery product, which we first introduced in Ecuador, combines the traditional, pre-printed draw game with raspados, or scratch games, and it has been very successful. So I think this dynamic of combining long-established consumer preferences with new technologies applies to any marketplace. ♦

Francisco Ibarra Arana ...continued from page 37

being able to join with others and be a part of the bigger jackpots that those games enable. Even so, it may be the case that JPS is not allowed to be a part of a multi-national game.

Your two big goals for the next 18 months are to increase POS's and distribution and increase the portfolio of games. And especially increase revenues in the Instant category.

F. Ibarra Arana: Exactly. Another goal that we have is to enhance the public image and consumer awareness of JPS and the traditional lotteries. Right now we only have three offices in the three major cities. But that leaves a large part of the country without a JPS office that is close by. So we are going to expand the physical presence of JPS with more offices. This is important

because the street sellers need to have an easy way to return unsold product. To do that, they need a physical office to return them to. This is another benefit for the street sellers to help them operate more efficiently and we hope these benefits will result in their being supportive of JPS and lottery.

We are also going to add bar coding to our products to improve control over inventory and prize payments. The tickets are printed in our own office and we are working hard to earn ISO 9001 and ISO 14001 certification for safe, reliable, and high quality products.

You have very ambitious plans.

F. Ibarra Arana: Everything we do is for one purpose: Contribute funds to the 300 institutions that the Board of Social Protection

supports in their efforts to help the neediest people in Costa Rica. There are so many social needs, like helping the poor, children who are abandoned, the disabled, people who cannot afford the medical attention they need. That is the real mission of Board of Social Protection, to help these people. That is the purpose of installing new retail terminals, expanding the product portfolio, improving business processes and modernizing our operations, and trying to reduce illegal gaming.

That's a very exciting vision. And it sounds like you're well on your way to accomplishing it. Truly you are taking the steps to turn your dreams into a reality.

F. Ibarra Arana: Thank you. And I hope that God makes you a prophet! ♦

RETAILING TRANSFORMED BY CONSUMER TRENDS

**HOW LOTTERY MUST EVOLVE TO PRESERVE ITS
POSITION OF MARKET LEADERSHIP**

The experience of being a consumer is evolving rapidly, and the impact of these changes on retailing will be transformational. Marketers of consumer products recognize this time of transition as a unique opportunity to reinvent themselves in order to influence a whole new universe of consumer buying habits and behavior. The mission of any lottery is to maintain top of mind relevancy in the hearts and minds of our customers. First, we need to identify the consumer trends that will have the biggest impact on lottery buying behavior, which new technologies will enable us to enhance the retail purchase, and how to deploy these insights into an improved player experience for the consumer. Understanding how consumer behavior will change in response to external forces has never been more critical. GTECH commissioned Ernst & Young to assess how these broad-based consumer trends would specifically impact the lottery business. The Ernst & Young Retail and Technology Trends Report, 2011-2024 identifies 13 trends that will have the biggest impact on lottery buying behavior. Now it is up to us to leverage these insights into the enhanced lottery player experience to capture the imagination of a new generation of lottery players.

GTECH'S RETAIL TECHNOLOGY CONCEPT LAB TURNS CONSUMER TRENDS INTO PROFITABLE RELATIONSHIPS.

To expand the player-base and increase lottery revenues, the retail experience must change to keep up with consumers' expectations of an acceptable modern-day retail transaction. When it comes to their shopping experience, consumers won't stand for 'business as usual'. They are increasingly impatient and more frugal, and now, they are quite accustomed to, and comfortable with, high-tech interfaces. Lottery industry must evolve to keep its products, its distribution, and its buyer-interfaces consistent with the changing dynamics of the retail setting. The day of the traditional purchase interaction at a lottery terminal is being transformed into a customized consumer experience. Evolving with advances in technology that make shopping more personalized, simple and convenient is what will attract and retain

the attention of this modern-day consumer.

Retail sales account for 70% to 100% of lottery revenues. Brick and mortar retail will continue to be the driver of the lottery business and provide us with the knowledge base to transform the consumer experience, enhancing it for both future and current core players. Embracing new, player-friendly technologies at the point-of-sale offers a significant opportunity for increased future sales. GTECH is keeping its customers ahead of the technology curve of the changing retail environment with several initiatives that integrate this understanding of consumer expectations, evaluate current best-in-class retailer technologies, and test state-of-the-art prototypes.

POWER TO THE PLAYER.

DISCOVERING TRENDS TRANSFORMING RETAIL.

To improve the player experience, lotteries must identify which consumer trends will have an impact on lottery buying behavior and which technologies satisfy consumer preferences. Knowing that consumer understanding is critical, GTECH commissioned The Ernst & Young Retail and Technology Trends Report, 2011-2024, revealing 13 trends that will have the biggest impact on lottery buying behavior:

13
TRENDS
emerged that will have
the **biggest impact on**
Lottery buying behavior
to **2024**

- » Broadband coverage
- » Smartphone supremacy
- » Technology savvy population
- » Advanced technology
- » Alternative payment systems
- » Seamless multi-channel retail
- » Changing face of the high street
- » Retailer diversification
- » Location-based services
- » Self-service
- » Social commerce and gaming
- » Personalisation
- » Simplification

The increasingly high penetration of smartphone usage and the demand for greater broadband coverage signal the widespread adoption of digital technologies. Consumers have the same expectations for simplified graphic interfaces and personalized messaging when shopping at brick-and-mortar retailers. According to the study, tech-savvy customers want increased access to self-service devices, simplified purchasing processes and alternative payment options.

Lottery operators want to maximize player convenience by seamlessly aligning with the new generation of retail purchasing standards. While some of the solutions may be technologically complex, they simplify and energize the lottery buying and playing experience. This will be particularly attractive to young adults that rely heavily on their familiar mobile devices and embrace all technologies, but currently do not purchase lottery games.

WELCOME TO THE RETAIL REVOLUTION.

Progressive retailers are responding to consumer demands by adopting standards-based technologies and offering more self-service options, particularly in the large retailer category.

Many retailers are taking advantage of new technologies as a way to more personally interact with customers throughout all aspects of the purchasing experience including personalized product recommendations and couponing. Tablet-based point-of-sale systems are making inroads in place of their proprietary predecessors. Clerks use iPads and other handheld devices to provide a broad range of services to shoppers away from the sales counter.



Retailer Diversification

Retailers such as Target, WalMart, Walgreens, and Amazon will continue to extend service offer to consumers. This offers the potential to extend lottery channels to market.

As large and big box chains continue to take over more of the retail market share, it's imperative that lotteries adapt to the new retail technologies being deployed. GTECH's new technology initiatives are focused on the seamless convergence of technologies and trends to ensure that we enable lotteries to stay relevant in this changing environment.

"The use of key
EMERGING
TECHNOLOGIES is
dependent on changes
in player behavior,
reliable technology
availability, and support
from existing lottery
retailers..."

— Ernst & Young Retail and Technology
Trends Report, 2011-2024.

Commissioned by GTECH

58.5% of the total US population
will have a smartphone by 2016

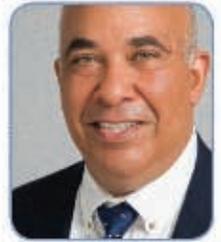


eMarketer estimates the number of US consumers with a smartphone will more than double from 93.1 million at the end of 2011 to **192.4 million**



“Lottery has traditionally been separate from the transaction devices of our brick-and-mortar retail partners. We are proposing that we become more synergistic with retail trends and we are exploring those trends right here in the RTC laboratory today.”

Don Stanford, GTECH Chief Innovation Officer



CREATING THE FUTURE. GTECH'S RETAIL TECHNOLOGY CONCEPT LAB.

Not only has GTECH identified key consumer trends and retail industry best practices, it's developing the next generation of lottery retail solutions. By partnering with cutting-edge retailers and studying the dynamics of their point-of-sale technologies, GTECH is finding new insight and inspiration for ways to improve the retailer-lottery-player relationship.

The convergence of insight and best practices happens at GTECH's newly created Retail Technology Concepts (RTC) Lab. The RTC's mission is to bring to life the trends that are taking hold outside of the lottery space and to explore the possibilities in retail technology to see how they can be adopted for lottery use. Working together, GTECH technologists, marketing experts, and business analysts conceptualize new products and quickly build prototypes specifically suited for the changing demands of tech-savvy players. The lab allows ideas to be dimensionalized and gives GTECH and its customers the opportunity to interact with the concepts in the same way a player would. To that end, GTECH has created a targeted process to evaluate innovative retail concepts, create business cases, and test them in real-world environments through focus groups and field tests.

To date, the lab has hosted GTECH customers Sazka, Camelot, as well as the Nebraska,

Rhode Island and Georgia Lotteries to explore and test these new player-focused prototypes. The feedback has been excellent as lotteries are able to see the retail and consumer benefits associated with future products and services. Ultimately, the RTC concepts currently materializing into prototypes will be eliminated or selected based on which product has the highest potential to positively connect with players and increase revenue for lotteries.

GTECH'S FUTURECAST: LOTTERY ALIVE AND WELL IN 2024 AND BEYOND.

The next-generation lottery retail terminal is not likely to be a dedicated terminal. Clearly, alternative methods now exist in the retail environment for each stage of the consumer experience, including product advertisement, selection and purchase, and offer increasingly popular, personalized purchase and payment options for consumers.

GTECH is doing more than just envisioning the future of lottery at retail – we are innovating to meet the new demands of the retail consumer experience. Blending lottery customer, retail forecast, market research, and expert engineering inputs, GTECH is prepared to enable our customers for the future.



Open the Door to a World of Possibilities

PGRI LOTTERY EXPO 2012 CONFERENCE OCTOBER 22-25 TRUMP HOTEL, MIAMI



LOTTERY EXPO: Unleashing the Power of Brand Lottery

Lottery Expo 2012 will be held at the Trump Miami Beach Hotel, October 22 to 25. Tuesday will have a focus on the North American lottery industry. Thursday will focus on the Latin American lottery industry. And Wednesday will bring us all together for a convention of industry leaders from all across the entire Western Hemisphere, the New World of Lottery. This ambitious agenda begins with a Reception on the evening of Monday October 22 at 5:00 pm; conference sessions will be held all day on Tuesday, Wednesday, and Thursday.

One of our purposes is to bring people together and PGRI receptions are a great place to start – So there will also be Receptions following the Tuesday and Wednesday conference days. Conference program with speakers will be posted as it becomes available. We promise to deliver a uniquely rewarding conference experience. Registration is free for all Lottery personnel. So please join us and your colleagues from all around the world for this special event.

PLEASE GO TO WWW.PUBLICGAMING.ORG FOR MORE DETAILS AND REGISTRATION INFORMATION.

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