FEATURED INTERVIEWS

PAULA OTTO
EXECUTIVE DIRECTOR
Virginia Lottery

ROB WESLEY
DIRECTOR OF SALES
Virginia Lottery

ANGELA WONG
DIRECTOR
Montana Lottery

Draw Game Innovation from the Human Perspective

PLAYERfirst: A REVOLUTIONARY APPROACH TO OVERCOMING INDUSTRY THREATS

FEATURES

Managing Uncertainty as the Key to Successful Innovation

Panel Discussion moderated by **Gary Grief**, Texas Lottery with panelists: **Carole Hedinger**, New Jersey Lottery; **Phil Holmes**, Atlantic Lottery; **Greg Smith**, Vermont Lottery; and **Wojciech Szpil**, Totalizator Sportowy (Polish Lottery)

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INSIDE THIS ISSUE

PUBLIC GAMING INTERNATIONAL

From the Publisher

By Paul Jason, Publisher
Public Gaming International Magazine

The dialogue about innovation tends to equate it with "disruption" of existing business processes and market-place conventions. The June issue of Harvard Business Review has an article on Innovation in which they point out that **"Critics tend to discount 'routine' innovation that leverages a company's existing technical capabilities and business model and extol 'disruptive' innovation, but that is a simplistic view. A company's unique competitive circumstances should dictate the innovation portfolio it pursues."** The stories on the **Virginia and Montana Lotteries** point us towards innovation that arises organically from the particular strengths, circumstances, and opportunities within the existing business model. Costs and risks are minimized. Predictability maximized. Not the kind of "disruption" that makes headlines in the business press. But it is the kind of innovation that works best for our industry. Thinking creatively about new ways to leverage existing commercial relationships, technologies, and business process infrastructures, etc., will be the focus of PGRI Lottery Expo Miami in September.

Congratulations are in order!

- The Fall 2015 recipients of the **Major Peter J. O'Connell Lottery Industry Lifetime Achievement Award** are **Gardner Gurney**, the Executive Deputy Director of the New York State Gaming Commission and the Acting Director of the Division of the Lottery; and **Larry Loss**, the Executive Vice President of the Iowa Lottery. Complete bio's will be in the September issue of PGRI magazine.

- **Hansjörg Höltkemeier,** the Chief Executive Officer of the Deutsche Klassenlotterie Berlin, has been elected to the office of President of the European Lottery Association (EL). I do not envy Hansjörg for the many challenges he faces! The EL and its members occupy the cusp of so many industry issues and evolutionary flash-points. PGRI and EL members and so many friends around the world stand ready to help in any way we can.

- **Friedrich Stickler** for his most incredible career of 44 years in the gaming and lottery industry. Friedrich is retiring from the Austrian Lotteries, and from the presidency of the EL. Thankfully, Friedrich is not retiring from the industry. He now heads the Global Lottery Monitoring System for sports betting (GLMS).

- A brand new award has been created to promote collaboration between all lottery industry stakeholders. IGT, INTRALOT, and Scientific Games vigorously compete for the privilege of serving the lottery industry. Their business interests collide far more often than they align. There are three individuals, though, who recognized an opportunity to set aside differences and work together (along with the industry Associations and companies like PGRI) to produce trade shows all around the world for the benefit of the entire industry. **Chryssa Amanatidou** (INTRALOT), **Gayle Kennedy** (recently retired from Scientific Games), and **Edith McCarthy** (IGT), will be honored with the first **Collaboration Award** for their efforts to promote the spirit of cooperation that is so vital to the success of the government-lottery industry.

Panel Discussion and Presentation topics at PGRI Lottery Expo Miami:

- **Breakthrough ideas on how to develop Lottery's Corporate Accounts**
  We know what we want from our retail partners: more focus on the mission to sell Lottery products! How do we engage big corporate accounts to embrace that mission like we want them to? Lottery's brand equity, connection to countless millions of shoppers, and ability to drive store traffic are under-utilized assets that can deliver value to our retail partners and in turn engage them in our mission. It is starting to happen in a big way. Panelists will discuss successful initiatives to collaborate with corporate account retail partners on cross-sell-promotions and new product design. Panelists will also build on these successes to explore fresh new ideas for how Lottery can develop a stronger, more productive, relationship with its corporate accounts.

- **Building out the multi-state platform for Big-Box Corporate Account Retailers**
  Logistical back-office hurdles have stymied Lottery's ability to develop the full potential of multi-state retail operations. Now, substantial progress is being made to meet the needs of these multi-state retailers. What has been accomplished; how can we lock-in the progress that has been made; what are the current issues that are being addressed; what are the most do-able, actionable things that Team Lottery should do to blow open the doors to successful expansion of Lottery in the multi-state big-box retail channel?

- **Bricks & Clicks: The merging of Interactive and Land-Based Retail**
  Retail and Lottery both recognize that "Interactive" is about is much more about creating the optimal consumer experience than it is about selling products online. How are progressive lotteries leading the charge into an "Internet of Things" future that integrates digital technologies into the fabric of all we do? How are Retailers doing the same thing, and how can we join together to forge the most productive and mutually beneficial pathways to integrate Interactive and Land-Based initiatives?

- **Behavioral Economics Applied to Lottery**
  There is much talk about "convergence" in the industry. The easy access to all forms of gaming is contributing to experimentation by the consumers. As consumers migrate from one game category to another, the need to identify and focus on the attributes that make Lottery most appealing to the consumer is greater than ever. How can Lottery clarify its messaging, its brand, its products and promotions to differentiate itself in this competitive market-place, and carve out its own unique connection to the consumer?

- **Betting on Interactive**
  Everyone is online, connecting with merchants, with information resources, and with each other. Lotteries' huge brand awareness is already driving huge website traffic. How are successful lotteries leveraging this online connection to drive consumer engagement, drive sales , and disseminate information? How are lotteries integrating interactive strategies into every aspect of the business to position themselves for successful long-term sustainable growth?

Join us at **PGRI lottery Expo in Miami** to drill down on these and other issues, to meet with your colleagues (three hosted receptions and two luncheons), and honor the most distinguished service of Gardner Gurney, Larry Loss, Edith McCarthy, Gayle Kennedy, and Chryssa Amanatidou. ∎

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Lottery Expo Conference

September 9,10, and 11, 2015
Eden Roc Miami Beach

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- Behavioral economics is being applied to our industry and providing new tools to connect with the traditional lottery player

- Creative promotional, branding, and product collaborations with retailers, and other consumer brands, are unlocking the value of Brand Lottery in incredible new ways.

- Lotteries and multi-state corporate accounts are finally overcoming the logistical, accounting, and operational obstacles that have impeded the development of the big-box channel.

- And now, more than ever, it's about INTERACTIVE. Lotteries are building out the infrastructure, game content, and strategies that connect the lottery operator to the consumer over Interactive channels. And bridging the gap between Interactive and land-based retailing.

LOTTERY EXPO provides a unique forum for industry leaders to build upon the opportunities opening up to us today. Join your colleagues as they push into new frontiers that will secure a bright and prosperous future for government-gaming.

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DISRUPTION is just another word for OPTIMIZATION

INNOVATING WITHIN A POLITICAL ENVIRONMENT

Business is a "no excuses" culture. Like all business leaders, lottery directors and their teams are expected to deliver results regardless of the obstacles. The nature of those obstacles in the lottery business, though, are quite different from those in the commercial world. The calculus that determines the allocation of resources in the commercial business world, for instance, tends to comply with basic ROI formulae. The expectations in the commercial world can also be uncompromising, but they do they align with a straightforward goal of maximizing shareholder value; and the consequences of success and failure are at least somewhat predictable and rational. None of these things are true in the world of government-lotteries. Advertising budgets are cut even though the ROI from advertising in the lottery business is off-the-charts high. Instead of focused objectives like maximizing shareholder value, Lottery is accountable to a myriad of constituents, often with conflicting agendas. And instead of a board of directors with a singular objective like maximizing shareholder value, lottery operators must strive for balance between Responsible Gaming, revenue-generating objectives, and many other objectives being imposed by legislators, the general media, and various interest groups. Lotteries operate in an environment that delivers little reward for accomplishing stretch goals, and maximum penalty for making mistakes. This makes lottery an environment that is not the most fertile and supportive of innovation.

Further, the results that innovation delivers are rarely short-term. If the timeline is short-term, it is almost always going to be more expedient to improve on what you are currently doing than to invest resources to pursue the less predictable and longer-timeline ROI that innovation provides. Innovation requires a willingness to shift resources away from those areas that would deliver the maximum ROI for the next quarter or even next year, and towards those areas that will position the enterprise for optimal and sustainable long-term success. Complicating this scenario even more, Lottery directors must weigh the pros and cons of resource allocation models in the context that

there are many legislators who do support the lottery, some may not want the Lottery to grow, some may not want the Lottery to even exist.

Since the flexibility to innovate depends upon their support, a key role of the Lottery director is to communicate with the Lottery's political stakeholders.

ENGENDERING SUPPORT FROM POLITICAL STAKEHOLDERS

We are always struggling to find that balance between what is commercially relevant and what is politically acceptable. Lottery directors are in a position to influence the process. The way we frame the issues and shape the message to our political constituents can impact the cut-line for what is politically acceptable. As stewards of an incredibly valuable public asset, we have a fiduciary duty to communicate our mission in ways that engender support, that cause the best business strategies to be politically acceptable. We must shape the dialogue such that our political stakeholders take a broader view towards healthy, long-term sustainability. This may be easier said than done. But this is what we need to do—shape the message such that our political constituents join together with us to embrace our shared role as stewards of a public asset.

Any business has to balance short-term and long-term objectives. Focusing all the resources on driving short-term results is a recipe for going out of business. That's particularly true for monopolies, like government-lotteries. The mission and strategies of businesses the size of government-lotteries must be driven by a vision for long-term sustainability. But how do we communicate this to our political constituents? For one thing, we need to reshape the whole dialogue so that the focus of our political constituents is on long-term sustainability. Without that, the flexibility to innovate is severely restricted. And without innovation, the future of lotteries is vulnerable to the market-changing impacts of those who are innovating.

A useful tool is to reshape the way that we and our political constituents measure "success." Instead of measuring success by results alone, we

Virginia Lottery Plays to Win
with 7-Eleven Partnership

Exclusive Scratch-Off has a Food Service Component
By Melissa Kress, Convenience Store News

ConvenienceStore NEWS

RICHMOND, VA.—The Virginia Lottery is taking its relationship with retailers to the next level, partnering with them to drive business on both sides of the equation. A new partnership with convenience store giant 7-Eleven Inc. is a prime example of this new strategy.

"We have about 5,300 retail partners. I often say lotteries don't really sell tickets, it's our retail partners that do," said Paula Otto, executive director of the Virginia Lottery. Convenience stores account for the majority of the Richmond-based lottery's retail outlets, though it does have a strong presence in big grocery chains, some drug-store chains and, like many other state lotteries, "a fair amount of non-corporate stores"—some of them franchisees of the big names like 7-Eleven and some of them individually owned, mom-and-pop stores.

"Convenience stores are very important to the lottery. The channel represents about 75% of our retailers and about 80% of our sales," Otto said. "7-Eleven is our largest retailer in terms of number of stores under that name, including franchises. They are responsible for approximately 20% of our overall sales."

73%

OF FUEL CUSTOMERS
NEVER SET FOOT INSIDE
THE STORE

Not A Problem

Bring the lottery to them

It is that statistic that makes the Virginia Lottery's recent partnership with 7-Eleven Inc. notable.

This March, the lottery and 7-Eleven launched an exclusive scratch-off ticket that is only available at 7-Eleven outlets and sells for $7—a deviation from Virginia's usual $1, $3, $5, $10 and $20 scratchers.

The partnership is a result of the lottery's quest to do something different while growing its business. In the past two to three years, instead of asking its corporate partners what they can do for the lottery, the lottery has asked how they can help their corporate partners achieve their goals. As Otto explained, they're turning the question upside down.

"We know helping 7-Eleven and our other partners grow their business helps us grow our business. What 7-Eleven told us is that they are putting a huge emphasis on fresh foods. They want to be known as a destination for fresh foods," she said. "We came up with the idea that every 7-Eleven Virginia Lottery ticket would be a winner and the prize would be one of their food items."

Specifically, the bottom of every 7-Eleven scratch-off ticket is perforated and a coupon is attached for a food item.

"It's a way for lottery players to try one of their food items for free when they buy a ticket," Otto said.

The rest of the ticket plays like a regular lottery ticket. It has a prize structure that players would expect for the $7 price point. The prizes include "a very clever top prize" of $711 a day for a year, she noted.

"We've had a lot of fun with the $7 price point and with the top prize," Otto said, pointing out that there are other prizes as well. "Lottery players generally play to win cash. Even though we give away other prizes, like soda or Slurpees or hot dogs, they are generally playing for the cash."

So far, the partnership has been well received. Looking at first-week sales, the 7-Eleven ticket was selling about where the Virginia Lottery expects a $5 ticket to sell—which is the closest price point.

"It's a bit unusual because we are only distributing to 700-plus stores, so it is a little hard to compare to a ticket that is distributed to all 5,300 lottery stores," she explained. "We are really pleased with that, given that it is only selling at 7-Eleven and it is selling at about the same as a ticket that is distributed across the state."

The redemption rate for the food items is about 25%.

Given the success of the 7-Eleven partnership, the Virginia Lottery has since partnered with Home Depot. The pair launched an exclusive Home Depot ticket on April 7. Since the home improvement giant is not a lottery retailer, the Home Depot ticket is for sale at the lottery's traditional retail outlets.

"We, like all other lotteries, are looking for new ways to attract new players. In Virginia, our strategy is to increase the number of people who play the lottery as a way to responsibly grow our revenues vs. continually focusing on loyal players and getting them to increase their spend," Otto said.

"We feel having a partnership with a strong brand, be it 7-Eleven or Home Depot, is good for that brand because it is bringing them exposure to potential purchases they may not otherwise have. And it's good for us because they are strong brands, brands that people like and use every day and it's a way for us to potentially expose those customers to lottery," she added.

The Virginia Lottery started in 1988 and was the 29th lottery in the United States. Today, there are 44 state lotteries, plus Washington, D.C.

Virginia was considered the first southern lottery, according to Otto, and its registers $1.8 billion annually, turning over more than $500 million a year for K-12 public education in the state. ■

ConvenienceStore NEWS

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Paula
OTTO
Virginia Lottery Executive Director

& Rob
WESLEY
Virginia Lottery Director of Sales

PGRI Introduction: The Virginia Lottery is reshaping its relationship with corporate accounts, forging collaborations that result in a big win for the consumer, the retailer, and the lottery. The creative process began by setting aside our lottery-focused agenda and taking a broader view of what the retailer is trying to accomplish. What are their business objectives, apart from selling more lottery products? 7-Eleven, for instance, wants to sell more fresh food items. They have also been asking for a lottery product that would be exclusive to 7-Eleven. So, as Director Otto explains, "We came up with the idea that every 7-Eleven Virginia Lottery ticket would be a winner and the prize would be one of their food items." Now the Virginia Lottery is working on creative collaborations with other corporate accounts. This is innovation that leverages the Lottery's assets in ways that are affordable, actionable, generate a positive ROI, and position the Lottery for building a more productive long-term relationship with its retail partners.

Innovation is one of the Virginia Lottery's five core values. "We combine our knowledge of customer needs, current and future marketplace trends, industry best practices and advances in technology with our passion for creativity. The outcome is the proactive development of new and improved Lottery products and services, partnerships and ways of doing business. Our focus on innovation translates into opportunities for personal growth for our people, increased customer satisfaction and enhanced financial benefits for Virginia's public schools."

Be sure to see the article *Virginia Lottery Plays to Win With 7-Eleven Partnership* that precedes this interview on page 10; and the interview with Gweneth Dean, Director of Marketing, and Jane Allen, Business Development Analyst that follows on page 20.

Paul Jason, PGRI: *How does your "Every Ticket's a Winner" project differ from other product and promotional initiatives?*

Paula Otto: Traditionally, corporate promotions have been very tactical in nature. An opportunity is recognized for a promotion or incentive to drive short term sales, impact consumer behavior in some ways, or otherwise produce concrete and measurable results. It was early last year that the potential to grow our corporate account business by focusing on a longer-term approach became more evident. In Virginia, we have forty three corporate accounts that last year represented 42% of retailers, 49% of our total sales,

and more than 70% of our sales growth. This year, forty four corporate accounts represented 50% of retailers, 50% of our total sales and approximately 80% of our sales growth. In fact, the top ten of those represents a whopping 56% of our total sales growth. We decided that we needed to develop a management strategy that was customized to their needs. We started with a blank slate, setting aside all of our preconceived notions about how corporate accounts should be managed, asking questions and brainstorming without constraints. We felt that the best way to manage corporate accounts was to truly understand what their business priorities

were outside of the lottery first. Taking the time to do that created the foundation upon which we could move to the next step of designing a longer term plan that would drive both their business priorities and Lottery's objectives at the same time. What are their priorities, their concerns, their business objectives? Where does the Lottery fit within their business? How do their store managers and district managers view the lottery and is their compensation impacted by the lottery? If it is, do they clearly see on their P&L what the lottery means to their business? For 7-Eleven, this collaborative process resulted in a product that appeals

to lottery players in a fresh, new way, and delivered promotional value to 7-Eleven that inspires them to be even more committed to Lottery.

What first prompted you to think about it in this way?

P. Otto: Rob and the business development managers who work on corporate accounts took it upon themselves to reimagine the whole corporate account relationship. Many others were and are involved in the ongoing success of the 7-Eleven partnership. But Rob and the business development team conceived of this approach, re-framing the relationship to be one of genuine partnership, starting with the basic question of how can we help 7-Eleven accomplish their broader, non-lottery business objectives.

It actually all goes back to the strategic planning sessions we held as a leadership team seven years ago. We all agreed that we wanted to think like a consumer products company, and not as a state agency tasked with controlling lottery products. Of course, we need to be sensitive to the concerns of constituents that commercial companies do not have. It is integral to our growth plan, for instance, to grow the number of players as opposed to growing the spend of existing players. But the way our products are sold is not unlike Coke or Pepsi or Frito-Lay or the many other consumer products that don't sell directly to the consumer but rely on retailers to be the face to the end-customer.

Rob Wesley: Taking the customer's perspective is not just a good sales technique. Much more importantly, it gets the dialogue moving in an open-minded way that is far more likely to come up with the creative solutions that everyone is striving for. We may think we know the lottery retailing business. And that may cause us to assume we know the retailer's objectives. We don't, not without asking them to explain them. And it is only with their active engagement in the creative process that we can develop the ideas that end up working for everyone.

You created a new product with a new price-point for this project. Were other retailers concerned that this gives 7-Eleven a competitive advantage?

R. Wesley: We certainly had to address that question. 7-Eleven represents about 20% of our business. That's huge. No one else is even close to that. Our other channel partners understand and accept that we need to deliver as much value to the consumer and our biggest retail partner as possible. Of course, that concern also opens the door to develop incentives and promotions that will drive sales in all of our other retailers too. Some of our other retailers are more receptive to new ideas now that they see what is being accomplished with 7-Eleven. So the perception that 7-Eleven is enjoying the benefits of working collaboratively with Lottery isn't

a bad thing. It's a good thing for our other retailers to want us to do more promotional things with them!

Too, the fact that the product and price-point is unique to 7-Eleven defuses the concern that it is taking away from the sales of the other retailers. The product and promotion appeal to consumers who are already going into the 7-Eleven stores. It's not likely to cause the consumer to change their shopping habits and switch convenience stores.

You point out how the concern of retailers who compete with 7-Eleven is turned into a positive. It positions you to tell all your retailers how you'd like to help them sell more Lottery products too.

R. Wesley: Absolutely. Rather than thinking about it as a negative that we need to defuse, we used it as an opportunity to do just what you said and say, Okay, what can we do for you? Let's work together to come up with ways to design a program or a process that will help you drive your business. Let's talk about your non-lottery objectives and see how we might be able to use Lottery to help you accomplish those as well.

P. Otto: We have incentive funds that are available to every single retailer, no matter how big or small. The funding for some incentive programs may not allow for something as scalable as this 7-Eleven project. But our retailers know that we would love to work with all of them to develop innovative ways to drive their business success.

How do the economies of scale work with printed Scratch-offs? How difficult is it to do smaller print runs and smaller campaigns?

P. Otto: We pay for the print run on a per-thousand basis. We estimated how the product would sell by looking at historical $5 and $10 sales. With those projections and knowing the cost of production and prize structures, we had a very good idea about how the whole project would look and knew we were not going to lose

money. We knew the "Everyone's a winner" partnership would make money even though the print-run was limited to a subset of our retailers.

And there are metrics for success other than the profit generated from ticket sales. Doesn't this engender more engagement and support from 7-Eleven for the entire relationship they have with Lottery? Couldn't this be a platform for developing fresh, new, and perhaps even better collaborative initiatives with 7-Eleven, and your other retailers too?

R. Wesley: Exactly. This initiative is only one part of a bigger overall plan with 7-Eleven. This particular idea was conceived as a way to provide 7-Eleven sampling opportunities for their customers on their highest priority products, fresh food and proprietary beverages. The goal, in the long-term, is that the sampling will lead to increased sales of those products. With a redemption rate that is tracking at just under 50%, 7-Eleven is receptive to other ideas for how to work together to find more promotional and cross-sell synergies.

While ROI as measured by sales and net is vital for every product launch, we also value the impacts that are not as quantifiable. This specific 7-Eleven collaboration is just a part of our strategy to position the Lottery for further collaborations and as leverage to get other things done. For example, we got electronic jackpot signs placed in all 7-Eleven stores, as well as significant window signage for the proprietary ticket, which 7-Eleven has never allowed before, at least not in Virginia. Additionally, we needed a better way to manage the inventory of Scratch tickets. A system that would minimize out-of-stocks, facilitate returns of slow selling games and ensure new games were out for sale immediately after launch. Like us, 7-Eleven also wants to make sure the bestselling games are available. But the back office and accounting procedures would get in the way of doing that. So we're working with them on a standardized way to provide train-

ing to their stores and give them the tools to make sure they're not out of stock and have the best-selling games always displayed and available for sale.

Almost all states have 7-Eleven stores. Why couldn't these methods to improve back-office procedures be applied everywhere?

R. Wesley: We are all working together to make that happen. The main barrier is the variety of lottery accounting terms in different states. While the processes may be slightly different for each state, 7-Eleven recognizes the benefits and have agreed to start in Virginia, with the goal of implementing a similar solution in other states. The main thing is that this successful venture with 7-Eleven has elevated Lottery's profile so that they are now quite receptive to our other proposals. They are more willing to work with us to develop ways to get our accounting procedures in sync. They are paying more attention to Lottery and thinking themselves about creative ways that we can help each other accomplish our goals. You know, other consumer products companies are also pitching the retailers on new ideas for how to market their products. We need to be proactive to get their attention and get them enthused about Lottery. Creating this customizable product and promotion required their active engagement and involvement. Getting that is the real success of this 7-Eleven initiative.

How did you fund the cost of the redemption food items?

R. Wesley: We have a budget to fund retailer incentives. 7-Eleven is around 20% of our business and we allocated less than 20% of our incentive monies towards this project. So we did not need incremental money to cover the cost of redemptions.

P. Otto: The math had been done to make sure that we would not lose money on the project. After all, like many lotteries, we do not have a big budget for promotions. We have a very specific number

as a percentage of sales that we use for retailer incentives. We require our sales department to make the ROI case for every incentive program.

But the goal is much bigger than that. We want to take the partnership with our corporate retailers like 7-Eleven to the next level.

It would seem that this promotion enables the retailer to see how valuable the Lottery player can be for their business. Wouldn't those redemptions generate a lot of residual business, customers who end up buying more fresh food as a result of being introduced to it via the redemption? Or end up buying other products while redeeming their fresh food coupon?

P. Otto: Our retailers do know that the Lottery player is valuable to their overall business model. And Lottery sales people continue to emphasize that over and over, as they should. But we need to also realize that Lottery takes more work than other products to sell. Corporate accounts are especially sensitive to that. Their operations are streamlined to rely on easily executed procedures. Retailers are not typically asking themselves how they can channel even more of their staff time towards Lottery. Our challenge is to engage them, to motivate them to allocate more time to Lottery when they are already doing more for Lottery than for their other products.

Lottery has incredibly powerful brands, and the state lottery is itself a powerful brand. We need to do more to leverage the power of our brands to help our retailers. The direct cost of sharing that brand equity with our retailers is small and leveraging the brand in these ways does not diminish that equity. In fact, a well-conceived collaboration increases that brand equity. And it delivers big value to our retail partners. In return, we get active engagement on their part to help us in our mission to increase sales and net funding for our beneficiaries. And the consumer wins because they get more value from their lottery purchase. Everyone wins.

Mega Millions and Powerball have huge brand equity. Why not look for more ways to connect that with retailers and other big consumer brands?

P. Otto: We are. The potential to further monetize the equity of those brands is huge. Partnerships that would leverage those brands to confer value to other consumer brands, to drive store traffic and sales for the retailer, and take more advantage of the increased store traffic when the jackpot rolls up. Both game groups are working on collaborative concepts that we hope will produce shared value that will drive lottery sales.

What are some of the obstacles to forging these kinds of collaborative initiatives, or towards enhancing our relationship with corporate retailers in general?

R. Wesley: Selling at the corporate level isn't about just getting buy-in from the top. That's just the beginning. To make it work, we need to get full support up and down the organizational chart. Nothing will happen at the store level without the support of the store manager. Regional managers and district managers need to be on board for execution at the stores to be systematic and effective. Engaging support from all these different groups only happens if we talk their language and understand their concerns, not just on a corporate level but also on an individual level. How are they compensated or how is their performance evaluated? What are their underlying concerns? How can we make their jobs easier or help them accomplish things in ways that were not necessarily brought up at the top corporate level? And we do need to always make sure that everyone does understand how much money retailers make from lottery, and how vital the lottery player is to overall store performance. Some accounting systems do not separate lottery as a line item so the managers are not always clear on how much lottery they sell. And we are always selling the residual benefits that accrue from the lottery player who is also buying other products. We may feel like we've talked about that so much that everyone must get it by now. But it needs to be repeated again and again.

Having a specific, concrete, actionable proposal was key to engaging the active involvement of everyone. Without that, it's all just talk and retailers feel like they've heard it all before. The fresh food promotion combined with a ticket exclusive to 7-Eleven provided the basis for us all to be working on something together, with clearly-stated action items that required the attention of all levels of the organization, and that needed to be ac-

complished to meet the objectives agreed to by everyone.

I would expect that the success of the 7-Eleven collaboration is inspiring you to explore similar opportunities with other corporate retail partners?

R. Wesley: The obvious opportunity is to recognize that many convenience stores are trying to grow their fresh food category. At one retailer, we had a program we called "Free Ticket Fridays" so that every Friday during the month the shopper receives a free lottery ticket with the purchase of a drink and a fresh food item. There's another retailer who has a fuel card that rewards their gas customers. They call it a "fuel perks card." When a customer signs up for the fuel perks card they get a free lottery ticket. We're working with a grocery account now where we're leveraging their loyalty program to create awareness of our products and lottery vending machine in their store.

The key part of all of these initiatives is to integrate the specific promotion to the longer-term plan. What we are getting in return for giving something away for free is the reinforcement of further progress in other areas of our retailer relationship. In return for doing a "Free Ticket Friday" program, for instance, we might get the retailer to move from in-counter dispensers to on-counter dispensers. Or to give us incremental signage on an ongoing basis. The promotion can include a contest that rewards the stores based on hitting higher sales targets. Rewards or incentives can be based on making sure new scratch game activations are done within the first three days. There's always something, additional to the sales of the promoted product, that we're getting in return for the investment in time and resources that we are putting into these programs.

P. Otto: I'm not the expert on social media, but I can tell you that these promotions also form the foundation for games and contests that are driving our

social media engagement in a big way. The longer-term plan extends beyond retail. Social media is used to build that direct connection to our consumer. And it is also used to drive traffic back to retail.

How do you decide when you've done enough research and it's time to pull the trigger and launch the product or promotion?

R. Wesley: The retailer incentives are based on our conversation with retailers. Many times retailer incentives are more about changing retailer behavior than consumer behavior. The main goal with retailers is to just make sure we have the right product in the right place at the right time. Make sure the tickets are properly displayed and you don't have empty bins. It is more a matter of working closely with the retailers, understanding their needs, and trying different approaches to see what works best. Just because something does not work well in one retail environment does not mean it won't work in a different environment. So testing, analyzing the results, updating or tweaking, and re-launching is an ongoing process.

P. Otto: We certainly mix in some consumer research to get a measure of the consumers' perception of value. How much do they value a free ticket or promotional coupon for a discount on a fresh food item, etc. But even then, there is no alternative to trying different things in new and different ways.

And every real-world iteration generates more data that informs the process of evolving and enhancing your products, promotions, and strategies. The big take-away is that as an industry we have more flexibility to apply creative marketing techniques. They are affordable, actionable, generate a positive ROI, and position the Lottery for building a more productive long-term relationship with its retail partners. ∎

Innovation That Supports the Entire Instant Ticket Value Chain

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7's

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Reveal a BLACK "7" symbol and win PRIZE for that symbol instantly. Reveal a BLACK "77" symbol and win DOUBLE the PRIZE for that symbol.

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High Perceived Value
$12 value for $10

Attention Getting
12x8" or 12x16" format breaks through clutter

Flawless Execution
through sales force and retailer training

EMERALD 7's

WINNING NUMBERS

YOUR NUMBERS

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, regardless of color, win PRIZE for that number. Reveal a BLACK "7" symbol and win PRIZE for that symbol instantly. Reveal a GREEN "7" symbol and win DOUBLE the PRIZE for that symbol.

BONUS

BONUS: Reveal 2 matching amounts in the BONUS area, win that amount.

RUBY 7's

WINNING NUMBERS

YOUR NUMBERS

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, regardless of color, win PRIZE for that number. Reveal a BLACK "7" symbol and win PRIZE for that symbol instantly. Reveal a RED "7" symbol and win DOUBLE the PRIZE for that symbol.

BONUS

BONUS: Reveal 2 matching amounts in the BONUS area, win that amount.

Configurable, Flexible Design
allows for local market customization

High-Impact Merchandising
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SUPER SIZED TICKET!

SUPER SIZED FUN!

VOID

VOID

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Actual Size (12x8")

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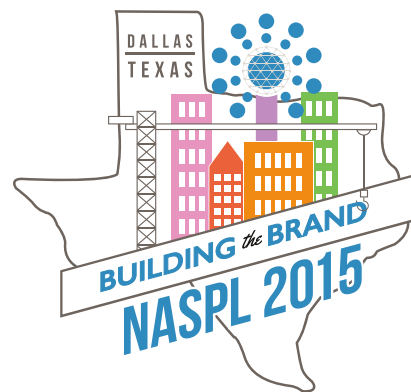
Jane
ALLEN

Virginia Lottery
Business Development Analyst

& Gweneth
DEAN

Virginia Lottery
Director of Marketing

we're game
virginia lottery

PGRI Introduction: Preceding this interview are the interview with Paula Otto (Executive Director of the Virginia Lottery) and Rob Wesley (Director of Sales) and an article that describes the Virginia Lottery collaboration with 7-Eleven. The following discussion with Ms. Allen and Ms. Dean drills down into some of the operational issues that were addressed to bring this project to fruition.

Paul Jason, PGRI: *How did the product development process differ for this 7-Eleven project than for the typical Scratch ticket?*

Gweneth Dean: The objective is typically to focus on the consumer, maximize the appeal of the product to the consumer. In this case, our objective was to make the product appeal to both the consumer and to the retailer, 7/Eleven. The result was the idea of "Every Ticket's a Winner." The ticket had a coupon attached to it for a free fresh food item. It was perforated so the coupon could be removed and used on a different day or given to a friend. The main idea for 7-Eleven is that the lottery player becomes a fresh food customer of 7-Eleven. We wanted a new ticket price-point and we wanted it to be between $5 and $10. This would not be a large print-run, so it was not possible to fund a top prize that would typically be associated with the higher ticket price. We got creative and said let's position the top prize differently and call it "$711 a day for a year." So we were still able to make the top prize appealing in a different way.

Was there more than one iteration of your proposal to 7-Eleven? Did they send you back to the drawing board to change the first iteration?

G. Dean: It's not unusual to have several iterations, but in this case we didn't. They were thrilled with our proposal. They loved the very first ticket that marketing had given us. They loved that the prize of $711 a day for a year created an association with their name.

And they must also love the redemption rate the promotion generated.

G. Dean: They were happy with 25% which is where it started in the first few days after the launch. And they are ecstatic with the 48% that it has been running since then. This promotion cost them nothing and they attracted a lot more consumers to the product category they care most about—fresh food.

In what other ways did 7/Eleven think of this project as benefiting them?

G. Dean: 7/Eleven is always looking for ways to differentiate themselves from other stores. They want their vendors to create unique products, promotions, or shopping experiences just for their customers. And this "Every Ticket's a Winner" spoke to this objective of creating something great for the consumer and exclusive to 7-Eleven.

Did the uniqueness of this project create different kinds of logistical challenges to overcome?

Jane Allen: The new price point required an all-hands-on-deck collaboration involving an integrated effort with IT, finance, security, the Order-Pad system for ordering tickets. There was a long approval process with 7-Eleven. Corporate accounts like 7-Eleven really want the process to begin a year in advance. That means we have more time to prepare for the launch but this kind of project also requires lots of work to coordinate all the moving parts.

G. Dean: Planning in advance is appreciated by all of our retailers. The problem is that consumer demand and tastes change over time. We do our best to plan ahead for promotions, and give our retail partners advance notice, but we always need to be ready to adjust to shifts in the marketplace. That is especially true for the Scratch

products. So, any plan that's a year to 18 months out is subject to change.

What were some of the obstacles to bringing this project to fruition?

G. Dean: From a product development side, creating and positioning the value-perception of the top prize was a challenge. For a normal print-run, the top prize of a $5 ticket is around $250,000. A $10 ticket is around $1 million. We felt that a prize for a normal $7 ticket should normally be between $500,000 and $700,000. But we couldn't fund that amount with such a short print-run. So to get around that we came up with a creative top prize and positioned it differently. That was one of the first hurdles we had when we were talking about developing this game. $711 a day for a year clicked as being something that is both fundable and appealing to the player.

This was a different ticket that did not readily fit into the vending machines. And it's easy to overlook some of the touch-points where you need to plug in a new ticket price. And not all of the stores were clear on how to redeem the cost of their free food item from the Lottery. All are very solvable issues. I'm sure there were other logistical issues, but nothing other than the usual challenges that go with the territory. The main thing was to be clear on the fact that this entire product and launch had two customers. The product must always appeal to the consumer. But this time it also needed to appeal to the retailer, 7-Eleven.

So getting the store clerks to understand how it all works and communicating that to the customers was not difficult?

J. Allen: No. It might have been if we did not have great support from the top down at 7-Eleven. But everyone from Mark Hagen to the staff at headquarters, to the regional and district managers, were all supportive and addressed any issues that arose in a very timely manner. And the store managers were excited to have the product because it boosted their fresh food sales.

You make it all sound so easy! Congratulations for figuring it all out in such creative and successful fashion.

G. Dean: It was a very fun and exciting challenge for us in Marketing. We truly enjoyed the task of creating something completely new. There were lots of details that never came up before. We had to thoroughly think through every step of the customer experience to make sure everything goes smoothly. Decisions had to be made on countless details for it to add up to a winning consumer experience.

We always talk about how Lottery drives residual sales for the retailer. But this initiative really brought home in a concrete and measurable way just how valuable Lottery is to the retail business. 7-Eleven now has crystal clear evidence for just how powerful the connection between Lottery and residual store sales really is. ∎

Making Lottery Available to Entirely New Consumer Groups:
The Montana EZPLAY® Solution

It has been said that the starting point of all achievement is desire. The Montana Lottery had a desire to add a new game style to the suite of games offered, as well as a desire to expand into new territory. It was an evolving undertaking, but after tribulations as well as triumphs, the Montana Lottery has had continued success with Montana EZPLAY®.

The groundwork for Montana's successful line of EZPLAY® instant win games was laid in 2004. That year, the Lottery introduced a product line they called Qwik Tix, which were instant win games sold through clerk-activated terminals. The games were popular and offered a unique way to play for Montana Lottery customers. But there were bumps along the way. Those bumps were important learning opportunities. Revising strategies eventually allowed the introduction of Montana EZPLAY®, which is now the third best selling product line in the total portfolio at the Montana Lottery.

The gaming environment in Montana lends itself well to this style of game play, with its long history of video gambling. Video gambling machines are located in taverns and casinos across the state. There are around 16,000 gambling machines in the state and the current population of Montana is 1.02 million. That means the ratio of gambling machines to people in Montana is 64 to 1. Montana has more gambling machines than any other state in the country, except Nevada.

While video is a popular gaming activity, it has been a challenge for the Montana Lottery to find a product that works well in the tavern and casino market. The Montana Lottery is always revising strategies and trying to find the best fit for players and retailers. The Lottery knew the retail locations and trade styles that should be targeted, and simply needed to find the product that would be the best fit in tavern and casino locations.

Since self-service terminals require money to be accepted prior to a player getting a ticket, the instant win play style was reassessed after the Lottery introduced self-serve terminals. In November 2011, Montana EZPLAY® was introduced at all locations with self-service MP (Multi-Purpose) terminals.

Supporting local businesses and making transactions for lottery products simple, secure, and fast was an important consideration when these games rolled out to the public. This helped the Lottery meet the longstanding goal of having a way to gain access into the tavern and casino locations across the state, and the MP terminals provided a secure

way to administer the game tickets to players.

"Supporting our network of retailers is an important consideration when we roll out new products. We want to ensure that selling Lottery products is fun and easy, as well as secure. We know our retailers are busy and this type of product complements their businesses. The success of Montana EZPLAY® would not be as great as it has been, if not for our retailers," said Montana Lottery Director Angela Wong.

The Lottery introduced Montana EZPLAY® with four games. Sales in the first full quarter reached almost $980,000 and continued to grow. The most popular game in the suite of Montana EZPLAY® games was "Shake a Day." Shake a Day is a $3 progressive game and players win by "rolling" a Full House, 4 of a Kind, or 5 of a Kind. Shake a Day boasts a starting jackpot of $1,000 and the jackpot grows until it is won.

Excitement is palpable when jackpots get big. Sales begin climbing rapidly when the jackpot reaches $3,000. A record-setting jackpot that topped $10,900 was hit in July, 2012. As recently as August 2014, a jackpot win topped $9,500. The game remains the most popular game in the lineup.

The decision to develop a progressive game was based on a desire by the Lottery to create substantial winning experiences. With the population of Montana barely over a million people, players don't often have the experience of winning large jackpots from games such as Powerball. In addition, nearly every tavern and casino in Montana offers a dice game called Shake a Day, and the rules are simple. You pay money for a roll of dice. If you roll five of a kind, you win a progressive. All money paid to play the dice version of Shake a Day must be paid out as winnings. Most importantly, you're only allowed one "shake" per day.

The Montana Lottery expected the game name in a tavern environment would be successful when paired with a growing jackpot. Shake a Day captured the attention of players with the payout percentages around 80%, an average jackpot topping $2,700, and around two jackpot winners a week. To date, the full line of Montana EZPLAY® games has paid out $10,740,754 in winnings.

In 2014 the Lottery introduced a second progressive game called "Three Card Poker." This game's jackpot starts at $500 and continues to grow until it is won, much like Shake a Day. Tickets are $3 each. To meet player demand, we rolled out an additional $5 progressive game on May 10, 2015 to round out the lineup.

YOUR PRESENT NUMBERS

55 41 08 22 37 56 44 32
09 27 19 34 04 29 52 06

HOW TO WIN

Win by matching "YOUR PRESENT NUMBERS" to the presents above. Add up the total number of winning presents and match that number to the PRIZE LEGEND to see your prize value. Match the "STAR" and double your prize.
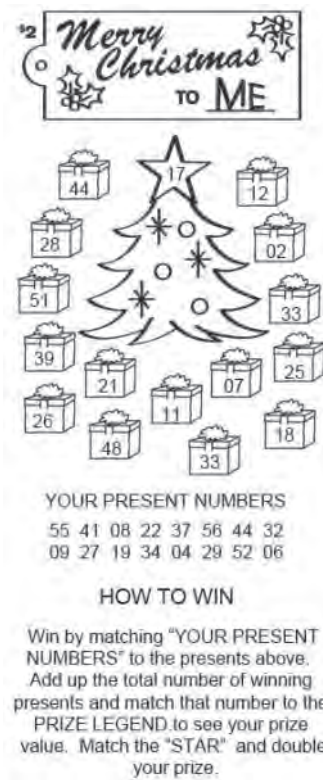
From a retailer standpoint, the small footprint of the MP terminal and the ability to provide secure transactions garnered support by the tavern and casino establishments. In addition, the games offered on the MP complemented the other forms of gaming already present in their locations and did nothing to cannibalize those forms of gaming.

Bob Gilbert, owner of Nickels Gaming Parlour in Helena, offers EZPLAY® in his location. Nickels also offers video gambling and live poker, along with traditional Lottery products. "If you are going to be a gaming operator, be a full service operator," said Gilbert.

"Players want to play the Montana Lottery here and I want to accommodate them. I wouldn't change anything, as evidenced by our success," added Gilbert.

Each year the Montana EZPLAY® line has continued to grow and gain popularity. The MP terminals are often referred to by players and retailers as the "Shake a Day machine." The percent of sales has increased by $2.27 million, or 126% since 2011. The total locations have now reached 283 and the forecasted growth for the next fiscal year suggests that we will see a minimum 2% increase.

Players are receptive to the winning opportunities the games present, and the immediate gratification of instantly finding out if they are a winner. The catalog of games has continued to grow. Currently there are 11 EZPLAY® games on sale with an average payout that tops 80%. Keeping the content fresh, exciting and relevant has been an important facet of the continued success. Anne Charpentier, Online Products and Creative Services Manager, has been instrumental in creating a successful strategy and developing games that support strong sales and continued growth. Her strategy is working.

"Keeping the games fresh and seasonal is a priority," said Charpentier. "Montana EZPLAY® games can offer more traditional gaming themes, but it's important to include licensed property products and an occasional whimsical game, like our Merry Christmas to Me!"

"In addition, offering an effective mix of progressive and non-progressive jackpot prizes at varying price points has kept players coming back time and again. Competing with the multiple keno and poker games available in our state requires us to make this product line innovative and offer products appealing to our knowledgeable gaming public," added Charpentier. ∎

Angela
WONG

Director of the Montana Lottery

Be sure to check out the article **Lottery Initiatives that Reach Entirely New Consumer Groups: The Montana EZPLAY® Solution** on page 22 that precedes this interview with Director Wong.

PGRI Introduction: Angela Wong was appointed to head the Montana Lottery in February of 2011. Under Angela's leadership, the Montana Lottery has had two back-to-back years of record sales.

Angela's professional background includes business, marketing, and public relations experience in both the public and private sectors. Before her 2011 appointment to the Lottery, Angela held positions with the State of Montana for several years. Among them, she was an energy development specialist for the Department of Commerce and a brand manager for the Office of Tourism. In the private sector, Angela has assisted a number of small businesses to develop business/marketing plans. Angela graduated from Carroll College with a Bachelor of Arts degree.

Since its inception in 1986, the Montana Lottery has paid over $497 million in prizes and returned approximately $224 million to the State of Montana. EZPLAY® instant terminal games offer a variety of Lottery and progressive play styles with predetermined odds. EZPLAY® games can be played and validated immediately without waiting for a draw, much like a Scratch game. EZPLAY is a registered trademark of the Ohio Lottery Commission.

Paul Jason, PGRI: *EZPLAY® puts Lottery into age-restricted venues like bars and taverns. That would seem to be bringing in new consumer groups, Adding incremental sales as opposed to cannibalizing or moving sales from one POS channel to another?*

Angela Wong: We have not encountered any issues or concerns with cannibalization. Because the Lottery's terminals opened new locations, we were able to increase sales as we added new locations. Montana EZPLAY® has increased our sales as well as sales for the taverns and casinos. We spent a great deal of time focusing on the consumer group and listening to what the retailer needs to ensure we added the right product for venues that already had a long-established gaming presence.

EZPLAY® also goes into retail stores that are already selling lottery products. Are you finding that it too is attracting new players, or mostly the same people who otherwise would have bought at the clerk-assisted checkout anyway? Does the self-serve style of VLT play bring in new consumer groups even in the retail stores?

A. Wong: Currently, Montana EZPLAY® products are only sold in our tavern and casino locations that have a valid gaming license. Traditional locations, such as grocery or convenience stores, don't sell the Montana EZPLAY® product line at this time. We are in the process of conducting in-depth research at this time and will be exploring future possibilities for selling Montana EZPLAY® in all retail environments based on research findings.

The success of EZPLAY® is wonderful. Montana has 16,000 gambling machines in a market with a population of just over 1 million people. That's a high ratio of EGM's to people, so it would seem to mean that electronic gambling machines are readily accessible to all adult consumers in this market. So how does EZPLAY® carve out market-share in this kind of competitive market?

A. Wong: As we explored venues to place our product lines, we were cogni-

WHAT IS NEXT FOR MONTANA EZPLAY®?

Montana EZPLAY®'s future is bright and will require the continued development of original game content. This content will include more licensed property games which have stood out as top performers. Working with the Lottery's vendors to identify the best possible game themes and licensed properties will optimize sales, and will continue to be a priority for the Montana Lottery.

In November 2011, Montana EZPLAY® was introduced at all locations with self-service Multi-Purpose terminals. Montana EZPLAY® instant terminal games offer a variety of lottery and progressive play styles with predetermined odds. Montana EZPLAY® instant online games can be played and validated immediately without waiting for a draw, much like a Scratch game. Tickets are generated through the lottery MP terminal. The play style is simple and players match their symbols to see if they won. Supporting local business and making transactions for lottery products simple, secure, and fast was an important consideration when these games rolled out to the public. ■

EZPLAY® is a registered trademark of the Ohio Lottery Commission.

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zant of offering something unique with a comparable payout. We wanted to ensure that players had similar winning experiences to traditional gaming machines, of around 80% prize-payout. We also offer a mix of set top prize and progressive jackpot games. Most players in these Montana venues are familiar with a progressive jackpot playstyle. In addition, we are continually designing and exploring prize structures to provide players an enjoyable winning experience, while keeping in mind profitability.

EZPLAY® is now your third highest selling game. But it's still growing faster than the others isn't it? What are the number 1 and number 2 games, and do you think

EZPLAY® will surpass them at some point?

A. Wong: Scratch and Powerball are our top two selling product lines. We are always monitoring sales and exploring tactics to increase the profits and return to the State of Montana. While EZPLAY® is very successful, it has a big gap to fill before it rivals either Scratch or Powerball sales.

Does the success of EZPLAY® cause you to explore other similarly innovative new game-styles and concepts to augment the traditional games sold through traditional retailers?

A. Wong: Absolutely! We recently launched Lucky for Life and are always open to finding new games that are a great fit for our overall portfolio, player

base, and our Lottery. We have worked on improving our Montana-specific games, and are in planning stages for future enhancements across all venues.

What's next?

A. Wong: In the current Fiscal Year we are looking at new branding opportunities for our Montana EZPLAY® games. We know that Montanans have strong state pride, so we are planning on developing a stronger, more localized feel to the Montana EZPLAY® product. This product line is significant and we want to ensure that the lineup has a strong brand presence and recognition. We are exploring logo concepts and hope to roll out a new look this year. ■

RETAIL BENCHMARKING: MOVING FROM SALES FORCE AUTOMATION TO RETAIL INTELLIGENCE

By Lapis Software Associates

The use of Sales Force Automation software ("SFA") to support field operations is widely accepted as an important part of retail Best Practices. Modern SFA systems help standardize procedures, tighten inventory control, and increase field force productivity across numerous industry types, and the benefits to lotteries from the use of these tools are well established. The functionality and feature sets offered by lottery-focused systems have expanded considerably since their introduction just a few years ago. The modern, real-time systems used by many in the lottery industry today provide lottery sales reps (LSRs) with access to a far richer set of information and functionality than that provided by first-generation systems.

Even more important is how well these systems support the demands of today's market. As brick & mortar retail locations face the challenges brought on by changing consumer buying patterns and compete with sales channels such as the Internet for market share, the need to optimize retailer performance is more critical than ever. Even though web-based market share is certain to grow, sale of lottery products at retail remains at the core of every successful, competitive operation.

The latest generations of SFA solutions allow lotteries to maxi-mize retail performance through the use of automated retailer benchmarking, which evaluates the overall performance of each retailer. Whether dealing with a single sole-proprietor shop or members of a large multi-store chain, these techniques allow lottery sales teams to be more knowledgeable about all of their retailers and better informed as to what is—and what is not—working to increase sales at each location.

> Lotteries can apply the same best practices used by major retail chains thanks to specialized lottery retail benchmarking applications

In addition, benchmarking functionality supports collaborative efforts that can be focused on specific areas for improvement and provide specific action items that have been proven to increase sales. Scorecard systems provide retailers with a candid assessment of their current performance, define and prioritize areas of concern and objectives for improvement, create metrics for measuring progress, and support detailed tracking and reporting. These tools also allow retailer-facing lottery personnel to become more informed sales professionals, better prepared and equipped to help every retailer maximize sales and performance.

LOTTERY SALES PERFORMANCE BENCHMARKING: WHAT IS YOUR SCORE?

The benchmarking process generates "Scorecard" data, rating retail performance across a wide range of factors shown to affect sales, from signage and merchandising to sales skills and product knowledge. The resulting scores can then be aggregated and compared to associate specific best practices with consistent top sales performance for each category of location. Most importantly, this

> Scorecard applications provide flexible retail benchmarking functionality that can boost sales by focusing on actions that are proven to work toward improved performance.

performance information can be used to improve retail performance for all retailers because it highlights recent, relevant and specific areas for improvement.

Retail benchmarking and scorecards are familiar concepts to many retailers already, and are rapidly becoming a standard part of their daily operations. Thanks to research conducted across almost every facet of the retail industry and the work of groups such as The Harvard Business School, McKinsey & Company and many other management and investment firms, modern scorecard systems implement well-established criteria to capture and analyze the specific data points that are most critical to performing an accurate evaluation of retail performance.

For years, many of the nation's largest retail chains (such as CVS) have relied upon the benchmarking supported by mobile scorecard applications and similar functionality is now available for use by lotteries. Lotteries like the Kentucky Lottery Corporation have already begun to apply retail benchmarking with encouraging results. Since a retail Scorecard methodology lends itself to flexible automation, LSRs can actively and easily use scorecards as a part of each store visit when these are integrated into the SFA system.

LOTTERY-FOCUSED BENCHMARKING

There has never been a better time for the lottery industry to institute retailer-benchmarking systems based upon their own specialized scorecards. Customizable SFA systems that support this functionality can be implemented quickly and easily. A well-designed system enables LSRs to perform the necessary analysis to generate real-time ratings during their regular visits, with minimal impact on their workload. The information gathering process is handled as an extension of daily retail visit activities, which ensures that all critical data elements are recorded and accurately analyzed as part of the LSRs standard workflow.

A well-crafted lottery scorecard will cover a wider range of retail performance factors, including the proper use of exterior/interior signage, product mix, adherence with merchandising best-practices, lottery product knowledge, and overall sales skills. Each contributing factor is ranked and weighted in terms of its individual importance and degree of impact on the overall goal for that specific store type, with more important aspects exerting a greater influence upon the final score. The results of the combined analysis are then calculated and recorded, and can be presented in the form of a numeric or letter "Score" that shows the retailer—and

the lottery—exactly where that particular retailer stands relative to the targets established by the lottery, as well how their score compares to those of their peers.

> If there is one universal area of agreement among industry experts it is this; when it comes to retail performance, if you do not measure it, you cannot improve it.

As retailers' comfort level and familiarity with the benchmarking process increases, lottery management can gradually increase the scope, detail and frequency of their scoring programs with minimal effort. And as the frequency and depth of benchmarking data collection increases, having access to up-to-date performance ranking reports becomes all the more important as it allows operators to identify trends and problem areas in near real time, enact corrective measures and policies, and adjust benchmark scoring rules accordingly.

Results of the analysis are presented in a clear and easy-to-understand format that lets retailers see exactly where they stand relative to similar stores (both nearby and state-wide), often providing significant motivation to the retailer for improvement. This is especially true when a retailer is able to see the information in the form of a graphic image, which piques their interest further and can often inspire them to action. To generate even more interest and greater retailer investment, scorecards can be tied to the award of prizes and promotional products for participating retailers. Recognizing and rewarding improved retail performance is recognized as a positive and motivating way to strengthen the relationship with lottery retailers, all while raising the bar for performance.

Comparisons showing a retailer's performance relative to their own previous scores are equally valuable, and help to focus specific lottery and retailer objectives toward the targeted goals. Additional opportunities come from the valuable and often frank dialogue that can arise when discussing scores with a retailer who may have questions or voice concerns such as; "Why did the system score me like that..?" "I thought my clerks understood the lottery games better." "I didn't even realize we had so many bins going unfilled." These discussions open the door to the development of specific actions and remedies the retailer can undertake to

improve their performance and increase their overall score. Soon, retailers will be asking, "What's my score?" during each visit.

> **Regular retail scorecard rankings foster valuable conversations with retailers about their standing, and highlight tangible actions retailers can undertake to improve performance and sales**

In addition, the back-office tools incorporated into these system allow management to review, analyze and apply the results state-wide, based upon detailed information that considers a full spectrum of performance-influencing factors, rather than just relying on sales figures for comparison. Benchmarking brings to bear the benefits of having access to two powerful data sources; store-specific as well as market-wide competitive analysis, both continually updated with dynamic, real-time data from the field. Careful analysis of the results will also reveal common characteristics shared by successful retailers, and allow these same practices to be introduced to outlets who need help reaching their full potential.

GETTING THE MOST FROM EVERY LSR VISIT

Thanks to recent advancement in SFA systems and an ever-growing selection of mobile, web-enabled devices that support these systems, LSRs today need devote far less time to "housekeeping" efforts such as updating and synchronizing their information. This allows more time for the activities that increase the effectiveness of their visits. Forward-thinking lotteries are taking advantage of the opportunities offered by modern Sales Force Automation tools by incorporating benchmarking into the field-based systems to provide true "Retail Intelligence" without burdening users and retailers with cumbersome, time-consuming surveys and manual reviews in the process. The best systems appear almost transparent in their data collection process yet yield the most informative and useful results.

Retailers realize the benefits of these systems as well; as they experience issues being identified and resolved quickly, often in real time, they become more open to greater participation in programs such as benchmarking and in the performance-focused discussions that result.

GETTING STARTED

Initial implementation can be as simple as rolling out a limited, pilot program to record and analyze just a few key performance metrics, along with a simple scoring system that provides quick identification of top performers. As the system expands, additional ranking criteria is introduced as required, with the relative score and weighting of individual data items adjusted to support the lottery's strategic goals. In addition, business type-specific benchmarking allows the rankings to be normalized across industry types, allowing every retailer the opportunity to achieve the best possible results within their category.

Pre-defined scorecard templates included as part of most benchmarking systems allow lotteries to initiate a scorecard system quickly, without the need for specialized IT support or additional programming. For LSRs and other users, the learning curve is minimal since the benchmarking activities are implemented as extensions to existing, familiar system functionality.

Now is the time to move from Sales Force Automation to "Retail Intelligence." Increasing the impact of each retailer visit will produce more quantifiable actions by retailers to improve; which is the most direct way to increase sales performance across all products. Using the power of benchmarking to generate Retail Scorecards increases the focus and effectiveness of the lottery-retailer relationship, which in turn motivates members of the Lottery's sales team and their retailers to achieve better results. Best of all, recognizing and rewarding improved retail performance serves as a positive and motivational way to strengthen the relationship with lottery retailers while raising the bar to maximize sales at every location.

When your lottery retailers start asking, "What is my Score?" you will know something exciting is beginning to happen. ∎

ABOUT LAPIS

Lapis Software Associates LLC is a globally-recognized industry supplier providing lottery-specialized applications and retail sales support solutions. Their product portfolio include the real-time gemIntelligence™ sales force automation system, and the gemRetailer™ portal, providing extended retailer access through lottery websites.

Lapis recently introduced gemScore™, the lottery industry's first retail scorecard and benchmarking system.

Find out more by visiting http://www.gemIntelligence.com or calling +1 973 884 4006

gem|SCORE™

How do your retailers SCORE?
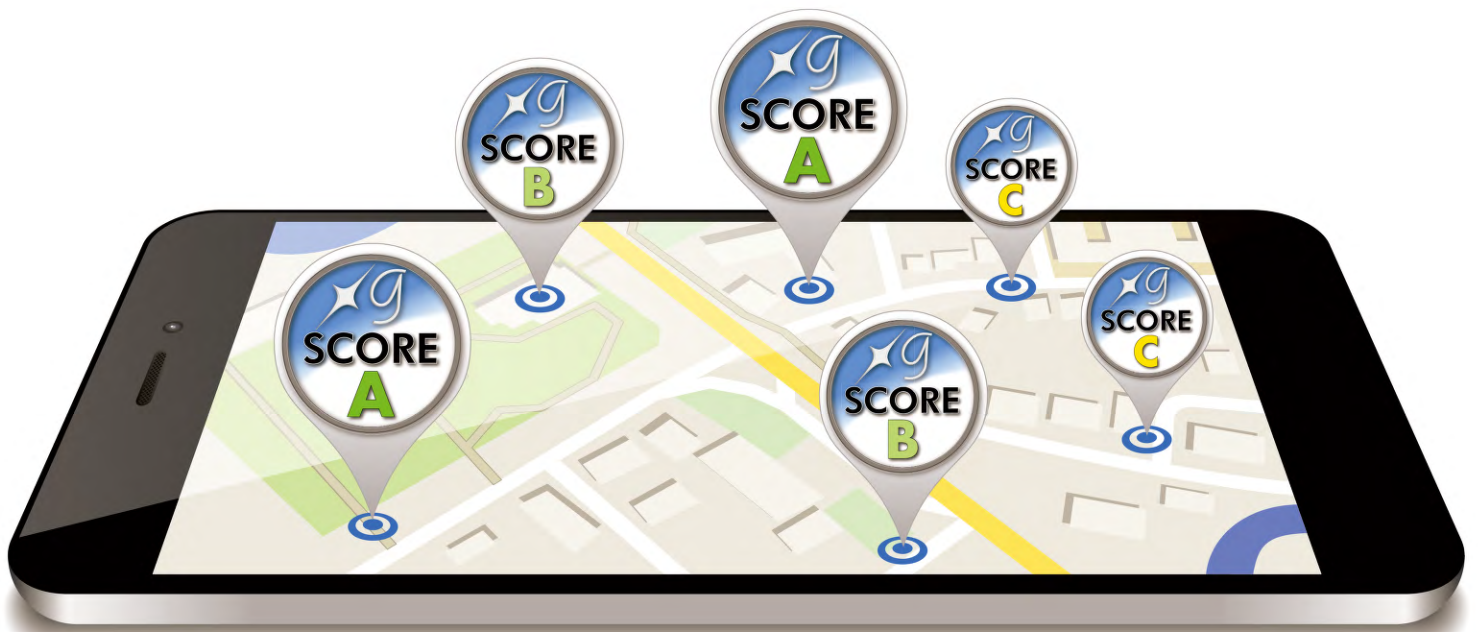
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PLAY-AT-THE-PUMP

The Research is Conclusive:
Increased Awareness = Increased Sales

linq3

The technology is now available to enable consumers to buy lottery tickets at the gas pump. Our understanding of the real-world results has now been augmented by the research.

- The core players typically do not change their buying patterns. They continue to go into the store to buy their lottery tickets.

Chart 1
Population and Draw
Lottery Spending
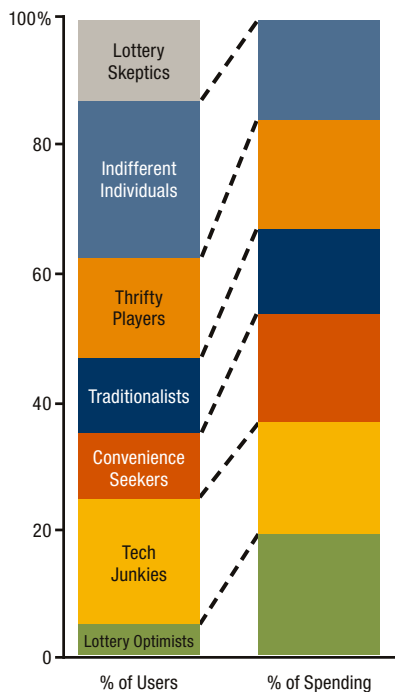
- The consumer groups who do buy at the pump are non-players, infrequent players, and demographics that are under-represented in the community of lottery players. Providing a new POS option brings in new consumer groups and those who were not buying lottery in the store anyway.

- In-store sales increased with the provision of the Play-at-the-Pump option when combined with modest signage that promotes Lottery at the pump. Instead of cannibalizing in-store sales, the additional POS at the Pump functions as a powerful promotional and messaging tool.

Summary of Findings

On behalf of Linq3, a third-party consulting firm on conducted extensive research to measure consumer interest in the option of buying draw-based lottery tickets at the gas pump. The research shows that offering lottery at the gas pump could bring in an incremental $1.5B in lottery sales annually. Not only does selling lottery tickets at the gas pump have the potential to generate additional revenue, the increases are coming from consumers who do not frequently play the lottery or those who do not play the lottery at all. Importantly, buying lottery tickets at the gas pump is particularly appealing to some consumers under-represented in traditional channels, such as women. Selling lottery tickets at the gas pump requires a modest level of consumer education to

make players aware of the option, but the benefit is that it is pulling in new consumer groups more than increasing the participation of core players.

Introduction

According to our research in the United States, roughly 50% of the adult population currently plays the lottery. Within the lottery-playing segment of the market, about 60% play less than once per month. We conducted a study to understand how consumers would react to a new method for playing the lottery. Specifically, we were interested to learn if allowing consumers to play the lottery at the gas pump would increase play among non-playersand those who currently play infrequently.

To evaluate this question, we focused on consumers in California and Missouri. We conducted 4 focus groups to understand how consumers think about the lottery, and then surveyed 4,330 adults to quantify lottery purchase behavior and preferences. We used cluster analysis to segment the adult population in these states into distinct consumer groups and used conjoint analysis to simulate the market.

Consumer Segmentation

We used cluster analysis to sort consumers into 7 distinct segments based on their self-stated behaviors and preferences about technology and playing the lottery:

- **Lottery Optimists**—Will look to play the lottery in any place and at nearly any cost; preferences are towards technology

Chart 2

Q: (Current and Non-Players) How frequently do you purchase draw-based lottery tickets?

	n = 124	n = 335	n = 207	n = 206	n = 310	n = 314	n = 117

Segments (bottom to top): Frequent, Occasional, Infrequent, Non-Player

X-axis: Lottery Optimists, Tech Junkies, Convenience Seekers, Traditionalists, Thrifty Players, Indifferent Individuals, Lottery Skeptics
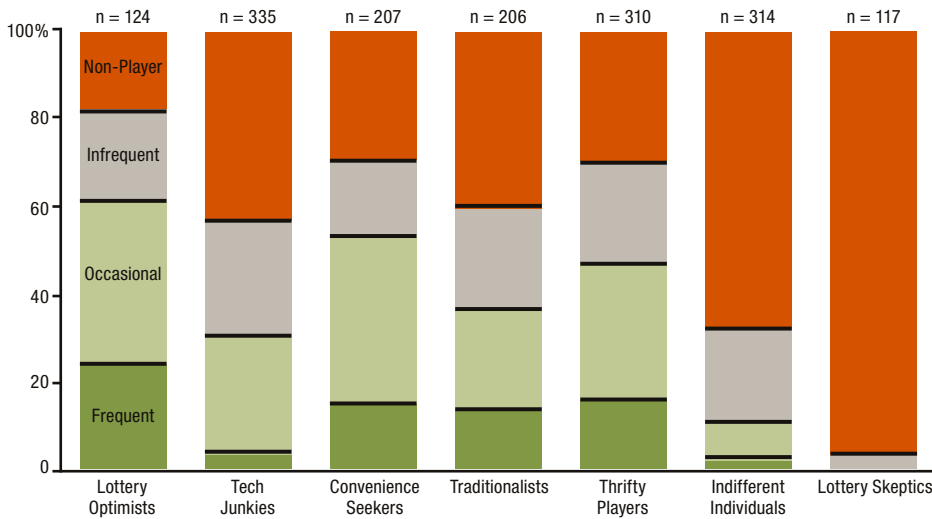
Chart 3

Q: (Current and Non-Players) How interested would you be in playing the lottery using the technology described at the gas pump without stepping into the gas station?

	n = 124	n = 335	n = 207	n = 206	n = 310	n = 314	n = 117

Segments (bottom to top): 1, 2, 3, 4, 5, 6, 7 = Extremely Interested

X-axis: Lottery Optimists, Tech Junkies, Convenience Seekers, Traditionalists, Thrifty Players, Indifferent Individuals, Lottery Skeptics

83%	46%	36%	5%	15%	10%	4%

% 6 or 7

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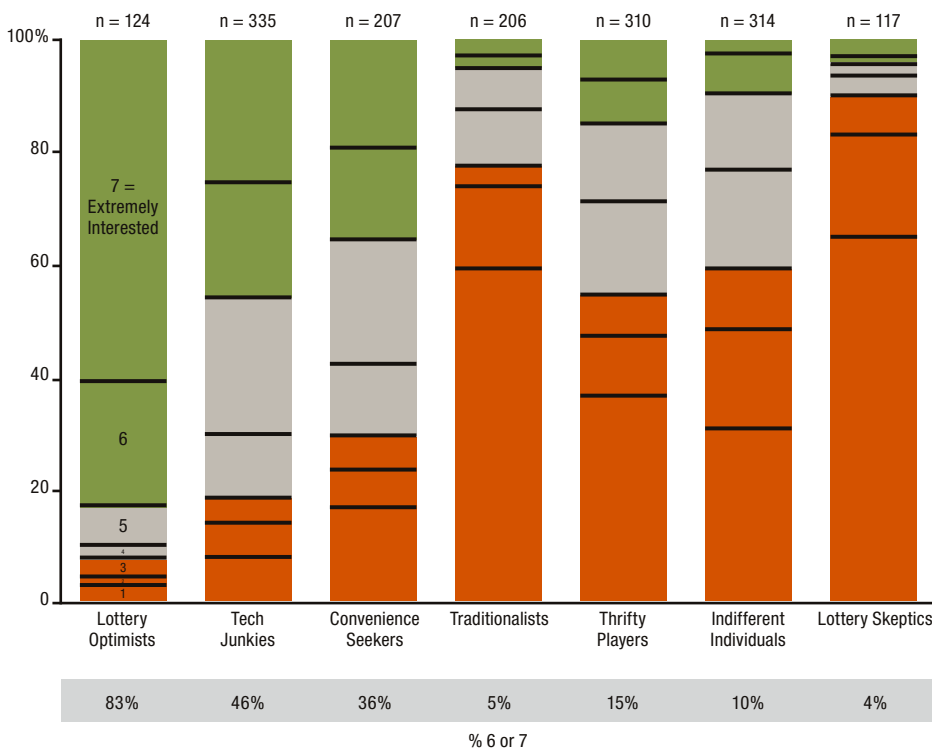
over in-person play; prefer to pick their own numbers

- **Technology Junkies**—Technology oriented; preferences towards quick and seamless transactions; are open to transaction fees for convenience

- **Convenience Seekers**—High willingness to pay a transaction fee for a more convenient purchasing method, but are not technology-oriented

- **Traditionalists**—Not interested in technology or digital forms of lottery play; prefer in-person play and are averse to digital forms of payment

- **Thrifty Players**—Strong preferences against transaction fees and have preferences towards physical tickets over digital ones

- **Indifferent Individuals**—Have a moderately negative overall view of playing the lottery; lukewarm towards technology and transaction fees;

- **Lottery Skeptics**—Do not like the lottery in any form

Chart 1 shows how the adult population breaks down into each of the 7 segments and what percentage of current lottery spend each segment represents. *Chart 2* demonstrates how the segments break down in terms of frequency of lottery play.

Consumer Interest in Buying Lottery Tickets at the Gas Pump

In order to determine if the option to buy lottery tickets at the gas pump could drive incremental sales, we described a scenario to survey respondents where they could now buy lottery tickets at the gas pump. They could play either Mega Millions or Powerball using quick pick play. They could have the option of having their numbers texted to them and winnings could be deposited directly into their bank account. In exchange for this convenience, they would pay a $1 convenience fee. The gas pump would also verify their age to en-

sure it was legal for them to play. We then asked respondents to rate their interest in buying lottery tickets at the gas pump on a scale from 1 to 7.

Interest level in playing the lottery using this new technology varies dramatically across the 7 different segments of consumers. For example, more than 80% of Lottery Optimists were interested (rating of 6 or 7) in buying lottery tickets at the gas pump, while only about 5% of Lottery Skeptics were interested. *Chart 3* shows the results by segment.

Importantly, this segmentation indicates there may not only be a significant opportunity to grow the lottery market by allowing consumers to buy lottery tickets at the gas pump, but it also indicates there are specific segments of consumers the lottery could focus on as it introduces this new technology. These segments include lottery optimists (~80% interested), technology junkies (~45% interested), and convenience seekers (~35% interested). This makes intuitive sense, as buying lottery tickets at the gas pump combines lottery, technology, and convenience, the defining traits of these segments.

Demographically speaking, consumers in these segments with the most interest in this new technology are:

- **Younger**—Lottery Optimists and Tech Junkies in particular are more likely to be under 45 years old than the average consumer

- **More female**—Consumers in these segments are more likely to be female than the average consumer

- **Have children living at home**—Lottery Optimists and Tech Junkies in particular are more likely to have children than the average consumer

- **Technologically savvy**—Consumers in these segments are more likely to be comfortable with things like web applications on their smartphones

Any adoption of playing the lottery at

the gas pump could specifically be focused on attracting these customers. Focusing on these segments may be most effective, since they are the most likely to adapt this technology, and doing so could pick up residual consumers from other segments, as well.

Estimating Market Potential

The research suggests that the lottery market may expand if technology was introduced allowing consumers to buy lottery tickets at the gas pump. The research also indicates which segments of consumers may be most interested in this technology. We still wanted to understand just how big of an opportunity this new technology could be for the lottery.

Using conjoint analysis, we created a market simulation that positioned buying lottery tickets at the gas pump against the traditional method of playing the lottery. Within the 3 high-resonance segments of consumers, ~30% of consumers might choose to buy lottery tickets at the gas pump instead of playing the more traditional way. Delete this chart along with all

reference to increased player-ship with decrease personals info. Not a positive focus

Not only might some consumers prefer to buy lottery tickets at the gas pump, but consumers also indicate that they might purchase more tickets than they had in the past. The increase in tickets purchased using this new technology extrapolates to potentially $1.5B nationally on an annual basis. *Chart 4* explains this increase in purchases.

Turning Interest into Sales

It was encouraging to see that introducing the ability to buy lottery tickets at the gas pump could increase overall lottery revenue and bring new players into the market. However, none of this would matter if consumers weren't aware that this option existed. Our survey suggests this can be accomplished with only a modest effort. The research suggests that even in an advertising-heavy gas station environment, a simple but large and easy-to-understand sign at the gas pump has dramatic impact.

Chart 4
Average Monthly Increase in
Number of Tickets Purchased

$1.5B incremental opportunity nationally

Average

	Lottery Optimists	Tech Junkies	Convenience Seekers	Traditionalists	Thrifty Players	Indifferent Individuals	Lottery Skeptics
Current Monthly Ticket Average	20.9	4.0	9.5	5.9	9.2	1.1	0.3
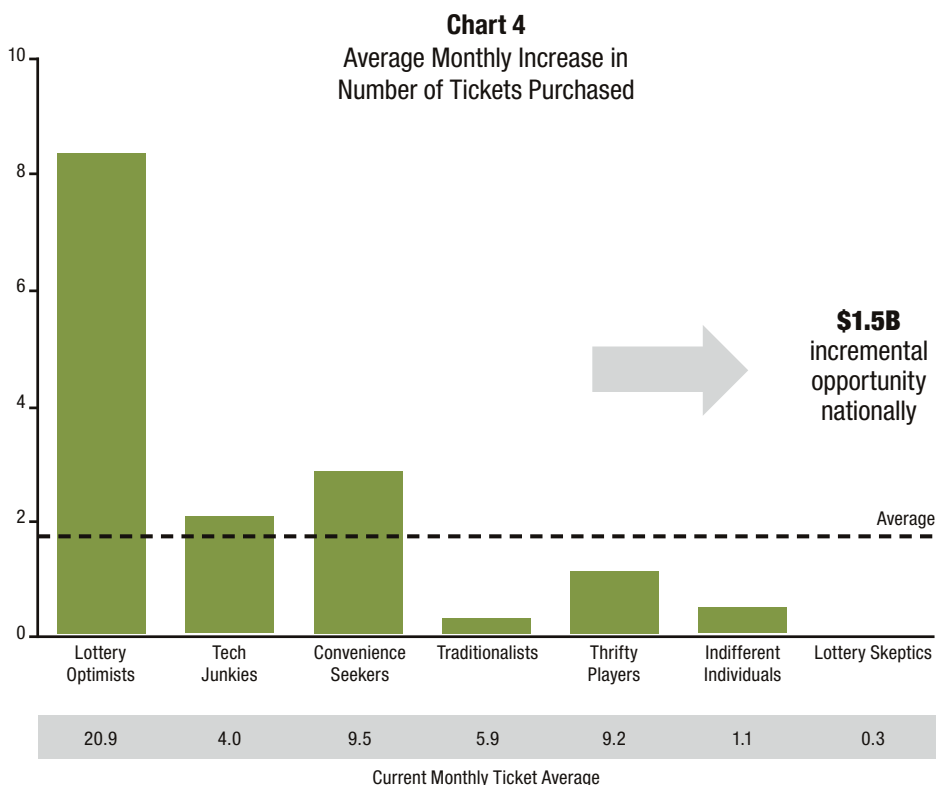
Lottery Promotions are Old School. What can we do differently?

By Fivi Rondiri, Corporate Marketing Coordinator, INTRALOT

In the classic Marketing sense, there are some simple techniques that can help generate a great promotion. For example, a catchy name that fits the theme is often more influential than the promotion itself. Also, a clear call-to-action results in higher participation while "limited promotions" as well as "free" giveaways always grasp the customers' attention.

But is that enough? These are really "old school" techniques. We need to be more creative than that. After all, a creative promotion has better chances to be shared. Below are some inspiring examples:

Encourage Trial

Coca-Cola in 2011 introduced a new self-service dispenser called Coca-Cola Freestyle. Coca-Cola Freestyle encourages individuality and customization by offering more than 100 drink choices. Last February, Coca-Cola Freestyle and Lady Antebellum joined forces to give fans the chance to attend one of the group's upcoming 2015 concerts. To enter the promotion, fans had to simply find a Freestyle dispenser, look for the special Lady Antebellum promo button on the home screen and choose one of the three mixes that each of the group's members created. After fans poured their drink, they had to text the code that appeared onscreen to enter the sweepstakes.

In our industry, self-service terminals have been increasing in popularity among players because of their ease of use and convenience. In addition, these terminals open the door for recruitment of new retailer such as big box stores, bars and restaurants that historically don't sell lottery. Special promotions like the above can be designed to further encourage trial of those terminals and generate excitement.

Take Piece of the Action

Social media nowadays love crazy stories. One day there are two llamas running free on the streets of Phoenix, Arizona and then the other day, there is #TheDress—a photo of a dress that left the world divided. Was it white and gold or blue and black? When Caitlin McNeill shared the picture of the dress, nobody could have guessed that it would go viral and celebrities would tweet about it. Many brands were listening and took a piece of the action. Companies such as Coca-Cola, Dunkin Donuts and even Lego all jumped in and joined the conversation. On the 28th of February, #TheDress reached 11 million conversations.

Not joining such conversations is a lost chance to reach out to non-lottery players. In the social world, we need to be fast to react to new trends as well as new conversations. That is the only way we can modernize ourselves and remain relevant.

Focus on Cause Marketing

On the day Alyssa O'Neill passed away from a seizure, she asked her parents for a simple favor-to buy her a pumpkin spice latte. The mourning family decided to honor her request and take it one step further. They purchased 40 lattes for strangers in a local Starbucks and asked that the baristas scribble her initials #AJO on the cups. The employees were so moved by the gesture that they bought another round of 50 coffees for customers. But the pay-it-forward campaign didn't stop there. The #AJO movement took off on Facebook and Twitter and suddenly strangers started offering up random acts of kindness at cafes, and beyond.

In our case, lottery is all about pay-it-forward. Every time somebody buys a ticket, he/she really pays-it-forward for their community. This is a strong message that we always need to remind our players. More importantly, if we want to target millennials, we need to keep in mind that they consider themselves active participants in today's world, and that they want to make a lasting, positive impact on the future.
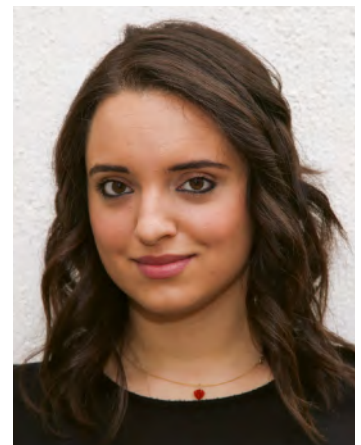
Draw Game Innovation from the Human Perspective

PLAYERfirst: A REVOLUTIONARY APPROACH TO OVERCOMING INDUSTRY THREATS

by Jessica Powell

It's a Challenging Time for the Lottery Industry

Last year, 40 lotteries reported a decline in overall fourth quarter sales, and all 47 jurisdictions were impacted by declines in year-over-year Powerball sales*. Consequently, in the first half of FY15, Powerball sales declined 40% versus the first half of FY14, shattering the financial statements of many lotteries. As a result, lottery directors and marketing teams are constantly debating the solutions to jackpot fatigue. Innovation is the hottest topic at lottery industry conferences. Even with the expected Powerball enhancements, product development groups are focused on reducing their reliance on multistate jackpot games.

With a portfolio of ten Draw Games that depended on Powerball for 44% of its sales, the Hoosier Lottery, like other jurisdictions, was suffering from the softening of the national jackpot games. Our Powerball sales were down 18% over FY14 and 38% since FY13, when Indiana had sales of $141 million. Though Scratch-off games had reached a record 14% increase in validation based sales, the volatility of the Draw Game portfolio unbalanced the revenue mix and threatened our contributions to good causes. The Hoosier Lottery Total Distributions to the state ended up 11.5% YOY, in spite of the decline in sales of the national games; however, further YOY decline in national games has lead to lower than projected transfers to the State in FY15. We knew radical changes to the portfolio were critical to ensuring long-term sustainability and financial growth of the Hoosier Lottery.

PLAYERfirst: How a Group of Pioneers Left Conventions Behind

The traditional approach to product development in the lottery industry was no longer working. Since the 1975 introduction of the first computerized network to sell a Pick 3 wager, Draw Games were primarily based on choosing numbers. With a few exceptions, subsequent differentiation of the games has been limited to odds, prize tiers, payout, pricing, and add-ons. Because we were not introducing unique and powerful enough consumer value propositions, attracting new players to Draw Games was a challenge. At a time when technological innovation was propelling other consumer package goods (CPG) categories to new heights, the high-profit-margin Draw Game lottery category seemed stuck. GTECH Indiana, working on behalf of the Hoosier Lottery, dared to attack the problem by approaching it from a totally new perspective.

To begin rethinking our Draw Game portfolio, we looked to other CPG categories that suffered from the same challenges – a large portfolio of brands, low consumer involvement, impulse purchase in a crowded retail

environment. So how do CPG companies like Pepsi and Frito-Lay successfully manage a portfolio of heritage brands while constantly introducing innovative new products to an already overwhelming display? The answer was surprisingly simple: Forget the product and start with the consumer.

Joining us on the journey to transform the Draw portfolio was Ulli Appelbaum, Founder & President of brand consulting and research firm First-The-Trousers-Then-The-Shoes, Inc. Appelbaum's experience in reorganizing large packaged goods portfolios would ensure that we followed a disciplined process while still creatively challenging the norms of the lottery category. We gave him permission to take us into uncharted territory, even if it made us uncomfortable. With over 100 years of combined lottery experience on the team, it was a challenge to set aside our institutional knowledge and let our players guide our thinking. "Changing the paradigm of the category is easier to do when based on consumer knowledge–hard data–and when the results make intuitive sense. But it take guts for a team with a lot of category experience and a long track record of success to embrace change so willingly," said Appelbaum.

Though we knew consumers played the lottery for many different reasons, we had never validated our hypothesis on the actual emotions players felt. The physical transaction of shopping had been well-documented, but we wanted something deeper. We sought a profound emotional understanding of how consumers felt while playing our games. By hearing from players exactly what led them to buy a lottery ticket, we could gain deeper insights into their psychological motivations and triggers. According to Kary Hacker, our Senior Manager of Product Development for GTECH Indiana, "Once we understood the internal emotional experience of our players, we could better align our game portfolio with the Hoosier market."

A Disciplined, Yet Creative Process

The research side of our project focused on identifying, organizing, and quantifying the emotions and needs players tried to fulfill when purchasing lottery Draw Games. The multifaceted methodology included a blend of focus groups that delved into the emotional stories that led to purchases and interviews to quantify and monetize the findings. "The process," Appelbaum observed, "was a bit like playing jazz – a combination of rigor and discipline in our approach with the flexibility to follow and adapt to the players' insights, wherever this would lead." Over the course of nine months, we conducted 12 focus groups and 2,400 quantitative interviews to unearth 55 emotions, 25 competing behaviors, and 17 purchase triggers. To make the

> › 12 focus groups
> › 2,400 quantitative interviews
> › 55 emotions
> › 14 clusters of need states
> › 25 competing behaviors
> › 17 purchase triggers
> › 6 internal workshops
> › 10 existing Draw Games repositioned

data actionable, we completed 6 internal workshops to better position our 10 existing Draw Games.

The initial consumer research findings provided the first bombshell. Contrary to our preconceived notion that consumers played lottery for the chance of winning, we found Hoosiers played Draw Games to manage, enhance, or momentarily change their moods. In fact, the lottery purchase experience closely resembled buying a Red Bull or riding a roller coaster.

Mapping Mood and Motivation

The outcome of the studies was a "mind map" quadrant diagram subdivided into two core dimensions of social focus and energy. The primary axis defined the social motivations of play and ranged from Me, something you do for selfish reasons, to Us, which makes you feel like part of something bigger. The secondary axis of mood motivation ranged from Energize, which adds excitement to your life, to Restore, which brings comfort.

Even the statistical methodology utilized was unique and innovative. Once the dimensions were mapped, the analytics team at Glass Box Research grouped the feelings and motivators. "The market research industry has traditionally used statistical clustering techniques such as 'kmeans' or 'latent class' to segment people into logical groups based on very tangible constructs like demographics or desired functional product traits," explained Shad Thomas, President of Glass Box Research. "We turned these algorithms on their ears in order to link how players ideally want to feel and what motivates them within the various occasions when they do play."

Since people are complex and human emotions can be a messy amalgam of feelings and desires, players, our findings suggested, often buy a product for more than one reason. So, each emotional cluster comprised several feelings or "need states" such as to Embrace Risk, Feel Proud, and Treat Yourself. Together they represent the entire universe of what drives people play lottery Draw Games. Building from those 14 clusters, the study also revealed and quantified 11 "ideal playing occasions" and the relevant emotions associated with each.

Mind Map Diagram

ENERGIZE (top)
RESTORE (bottom)
ME (left)
US (right)

- EMBRACE RISK
- DREAM — NJ Mega Millions; Gambling at a nearby casino
- ESCAPE — Going to the races to gamble on the winners; Off-track betting
- Gambling online
- Riding a thrilling roller coaster at an amusement park like Six Flags Great America or Busch Gardens
- INVEST IN SELF
- Having your fortune read by a psychic or Tarot card reader; IN Poker Lotto
- Planning a vacation with a travel guide like Lonely Planet or Fodor's or a magazine like Travel & Leisure
- SEEK SECURITY
- Taking an anti-depressant (e.g. Prozac)
- REBEL
- ENTERTAIN SELF
- BELIEVE — Playing a video game like Xbox or Nintendo; Reading a NYT best selling book
- Getting a massage
- Drinking a beer like Corona or Budweiser with friends
- TREAT YOURSELF
- BOND WITH OTHERS
- Reading a fun magazine (e.g. Cosmo for women or Maxim for men)
- Reading a national newspaper such as USA Today or the New York Times to learn about what is happening in the world
- Attending church or religious services and contributing money to the collection plate
- Eating at a favorite restaurant like TGI Friday's with your friends or family
- PROP YOU UP
- Drinking a Red Bull or a 5-hour energy shot to boost your energy
- Shopping for an amazing deal at Dollar General Store
- Shopping at Amazon online
- Wearing something to increase your sex-appeal (e.g. Calvin Klein cologne or Axe body spray for men)
- FEEL PROUD
- Splurging on a sweet candy bar like Snickers
- Drinking your favorite coffee at Dunkin Donuts, Starbucks, etc.
- Sending a Hallmark card to someone you care about
- Tipping your server at a restaurant or bar very well
- Donating money to a Salvation Army "Bell Ringer" during the holidays

Map 1 (top) labels:
ENERGIZE

43% played to "Energize Me"

47% were looking to "Energize Us"

EMBRACE — REBEL, DREAM
Gambling at a nearby casino
Going to the races to gamble
Off-track betting
Gambling online

N Mega Millions
DREAM
ESCAPE
BELIEVE — DREAM
RISK — DREAM
Q1-4 7%
Hoosier Lotto

INVEST — DREAM
Riding a thrilling roller coaster
INVEST — SECURITY
Q2-4 6%
SECURITY — INVEST
INVEST IN SELF
SECURITY — PROUD
SECURITY

Q1-1 15%
REBEL
RISK
Q1-2 12%
Q1-3 9%

Q2-1 13%
Planning a vacation with a travel agent
Q2-2 5%
BELIEVE — SECURITY
Q2-3 17%
Taking an antidepressant (e.g. Prozac)
Q2-5 6%

ME — US

ENTERTAIN SELF
Playing a video game
Getting a massage
Drinking a beer
BELIEVE

TREAT YOURSELF
BOND WITH OTHERS
PROUD
BOND
Q3-1 6%
PROUD — ENTERTAIN
Q3-2 4%
Attending church and religious services
Reading a fun magazine
Reading a national newspaper
Eating at a favorite restaurant

PROP YOU UP
Drinking a Red Bull or a 5-hour energy shot
Shopping for an amazing deal
Shopping at Amazon online
Wearing something to increase your sex-appeal
Splurging on a sweet candy bar
Drinking your favorite coffee
Sending a Hallmark card
Tipping your server
Donating money to a Salvation Army

FEEL PROUD
10% wanted to "Restore Us"

RESTORE

Map 2 (bottom) labels:
ENERGIZE

HOOSIER LOTTERY POWERBALL
DAILY 4
Mega Millions
DREAM
BELIEVE
EMBRACE — REBEL, DREAM
Gambling online
Off-track betting
RISK — DREAM
Q1-4
hoosier LOTTO
INVEST — SECURITY
Q2-4 6%
INVEST — DREAM
Q2-1 13%
Q2-2 5%
SECURITY — PROUD

MEGA MILLIONS with MEGAPLIER
CASH 5
POKER LOTTO
Q1-1 15%
REBEL
Q1-3 9%
BELIEVE — SECURITY
Q2-3 17%
Taking an antidepressant (e.g. Prozac)
Q2-5 6%

ME — US
ENTERTAIN SELF
Playing a video game
BELIEVE
Drinking a beer
PROUD
BOND
BINGO TO GO
Q3-1 6%
Q3-2 4%
Attending church and religious services
TREAT YOURSELF
Eating at a favorite restaurant
Reading a fun magazine
Reading a national newspaper

PROP YOU UP
Drinking a Red Bull or a 5-hour energy shot
Shopping for an amazing deal
Shopping at Amazon online
Wearing something to increase your sex-appeal
Splurging on a sweet candy bar
Drinking your favorite coffee
Sending a Hallmark card
Tipping your server
Donating money to a Salvation Army

FEEL PROUD

RESTORE

All ten of our current games were clumped together in the Energize/Me quadrant, and some games were competing for the exact same emotions. This turned out to be hugely important–the extreme overlap indicated the potential for consumer confusion and sales cannibalization.

Hoosier Lotto, Mega Millions, and Powerball, for example, were all delivering on the relatively small Rebel/Dream occasion. Cash 5 and Quick Draw overlapped into the Dream area but also elicited the emotion of Risk. Poker Lotto and Bingo To Go, which we had assumed would be highly separated because of their relatively low top prizes and specific product positioning, also overlapped into the Dream area. Only Daily 3 and Daily 4 had carved out a unique niche, but even they still resided in the Energize/Me quadrant.

Curating the Ideal Portfolio

Following the research, we began the process of repositioning each of our Draw Games based upon the need states they satisfied. Fitting with our commitment to engagement and relevancy, we called the process PLAYERfirst. We embarked on a series of workshops that plotted out the ideal positioning to give each product a unique, ownable territory to better align product propositions and messaging strategies with consumers' true needs. Each of the Hoosier Lotteries ten Draw Games was aligned against a distinct emotional benefit, functional value, ideal persona, and target segment. A comprehensive brand architecture was then created to ensure consistent messaging across all communications.

The results were immediately actionable for the Lottery marketing team. Brittany D'Haenens, our Advertising Manager, said, "The PLAYERfirst Portfolio Workshop clearly showed us how to redefine the product benefits across our portfolio of games. We were able to easily work the new insights into our creative briefs and make shifts in our messaging strategies." For instance, in future communications, Hoosier Lotto would be recast as "the Hometown Favorite" to leverage the Security/Pride cluster, while Daily 3 and Daily 4 marketing elements will embrace Risk.

The first product concept to leverage learnings from the new study was Bingo To Go. Launched in August 2014, the game was not performing to projections. The initial

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At this point exciting insights were starting to emerge. We found that during 15% of buying occasions, players were pursuing Rebellion and Dreams, while 17% of the time they were seeking Security and to believe in Something Bigger. Some of the findings were surprising. "I would never have imagined that Hoosiers were playing our games for a mix of pride and bonding," said Hacker. In all, 47% of the playing occasions satisfied the Energize/Us emotions, 43% the Energize/Me, and 10% the Restore/Us area. Interestingly, no one surveyed played our Draw Games for the impulsive treats mapped in the Restore/Me

area. "We hypothesize that the emotions and needs in the lower left quadrant of the map are fulfilled by the Scratch-off games, but it is unusual to see such a gap on a map like that," noted Appelbaum.

Do Our Games Deliver on Our Players' Emotional Needs?

Potential new product ideas were already starting to bubble up, but there was much left to learn. Now that we understood what emotions our players wanted to experience, we needed to discover if our current portfolio of games was delivering on these expectations. The results provided our second bombshell.

campaign focused on generating awareness and utilized traditional, rational messages showcasing the matching of numbers to win the top prize of $100,000. The study revealed that Bingo To Go was not clearly aligned with a single playing occasion with corresponding needs and emotions; rather, it was situated between two clusters. Further, the data indicated that, from a consumer perspective, Bingo To Go overlapped with Poker Lotto, and so consumers viewed the two games as delivering the same needs.

Based on these findings, the marketing team decided to reposition Bingo To Go to align with the Bond/Entertain need states. The repositioning of Bingo To Go was supported by a fully integrated campaign, including mass media, online marketing, and point-of-sale messaging all focused on how the game and mobile app could transport players with a more engaging, social, and interactive experience. Sales responded positively during the campaign period, and downloads of the Hoosier Lottery mobile app increased approximately 18%, helping to strengthen relationships with players and provide an engaging consumer experience. While this is still a work in progress, and it is premature to project long-term sustainability, it is clear that at least directionally the marketplace responded to a different approach.

Converting Insights Into New, Relevant Products

Though we were both surprised and disappointed that the current portfolio comprised only 43% of the mind map, we quickly realized that the remaining 57% actually represented a great opportunity for product innovation. "The white space on the map showed us exactly where and how we could attract new and lapsed players while more-relevantly engaging with our current base," explained Hacker.

Knowing that we lacked products that fulfilled our players' desire for a sense of security, pride, entertainment, investment, and bonding, we could attack the process of building games in a revolutionary new way. Instead of starting with discussions of matrices, odds, and price points, we developed creative briefs for the four emotional areas that showed the greatest potential in the study – Pride/Bonding, Invest/Dream, Risk/Entertain, and Entertain/Bond. The briefs formed

PROUD	INVEST
BOND	DREAM

EMOJI LOTTERY
Gives a sense of pride for creating and sharing with your friends

PLAY IT FORWARD
Provides a sense of hope by allowing you to fully believe in something bigger

RISK	ENTERTAIN
ENTERTAIN	BOND

ROCK, PAPER, SCISSORS
A little risk for a medium size reward can be very entertaining

HOOSIER WHODUNNIT
Allow bonding with friends over a weekly form of entertainment

the basis of a full-day PLAYERfirst brainstorming session where more than 60 new product ideas were generated. "Bringing together experienced category experts and inviting them to think along the new consumer occasion clusters led to a breadth of viable ideas that I've rarely seen in a brainstorm like that," acknowledged Appelbaum.

The ideas were sorted, discussed, massaged, and purged. Eleven of the initial 60 product concepts were fleshed out and taken to consumers for input. Based on player feedback, four products were chosen to be more fully developed:

› Emoji Lottery uses popular symbols instead of numbers, allowing players to create picture sentences and share them on social media. This concept leverages player's need to feel pride in his or her personal creation and bond with others through sharing.

› Play it Forward satisfies the Invest/Dream cluster and provides a sense of hope by allowing players the opportunity to make one of their dreams come true or pass the win forward to a local charity.

› Rock, Paper, Scissors allows players to enjoy some simple entertainment for a small risk.

› Hoosier Whodunnit lets players adopt the persona of an investigator and bet on who committed a local, fictional crime and when and how it was committed. This game leverages the Entertain/Bond emotional cluster.

Another round of user testing revealed Hoosier WhoDunnit, with its simple yet entertaining premise, to be the most popular new game concept. Hoosier WhoDunnit will be tested against several other games in August to determine which concept gets added to our portfolio next spring.

As you can imagine, once we get the consumer value proposition, theme, and positioning clearly established, GTECH Indiana will be leveraging its global IGT game development team to create a compelling math model and ensure prize structure, prize payout, and game liabilities are all balanced in a responsible, consumer-friendly, fiscally sustainable manner.

The Benefits of Thinking Differently

Over the course of the nine-month project we experienced some disappointment, discovered industry-changing insights, and charted the course for the future of Hoosier Lottery Draw Games. The PLAYERfirst process was a controversial approach that was sometimes uncomfortable for us lottery-industry veterans. But revolutionary thinking is supposed to be uncomfortable. Throughout it all, we were confident that to effect big changes in the industry, we would have to do something radical. As we navigated the research and built our plan, I kept the following quote from the renowned architect Daniel Burnham in mind: "Make no little plans; they have no magic to stir men's blood.... Make big plans; aim high in hope and work."

Reviewing and rewriting the Draw Game product category from a human perspective and focusing on why people play the lottery helped us identify several unfulfilled need states. The study also helped us realign existing products before considering new or different games in future fiscal years

The PLAYERfirst process not only showed untapped opportunity for differentiation in our current portfolio, it has provided insight into the emotions that future games need to deliver. The study will be beneficial for product planning cycles for years to come," said Hacker.

Do you need PLAYERfirst thinking?

Jessica Powell is Vice President of Marketing at IGT working on behalf of the Hoosier Lottery. Follow Jessica on Twitter @jessicahalterpo to connect to her daily ideas for elevating the lottery industry.

Ulli Appelbaum is Founder & President of brand consulting and research firm First-The-Trousers-Then-The-Shoes Inc. (www.first-the-trousers.com).

*LaFleur's Magazine, September/October 2014

EUROPEAN LOTTERIES CONGRESS
JUNE 8-11 2015, OSLO NORWAY

HOW THE OHIO LOTTERY TURNED HOLOGRAPHY INTO SALES

The Ohio lottery launched its first $30 holographic game using Hazen's 3D Holo-lens® technology.

This custom 40th anniversary pattern featuring the Ohio Lottery Logo was produced with no additional cost vs. stock holographic patterns.

The result was the best selling instant game run by the Ohio lottery in the past eight years!

When compared with plain board games, Hazen's recyclable holographic games will consistently generate higher lottery sales and profits due to their increased visibility and superior performance.

HAZEN
PAPER COMPANY

Call for information:
Bob Hazen at 1-413-538-8204 or Scott Devens at 1-201-327-4414.

See reverse side for additional information.

HIGHER VALUE AND SPECIAL EVENT GAMES ARE PERFECT FOR HOLOGRAPHY

Using holography with higher value instant games will quickly boost your lottery's profits. That's because the cost of the holography will be fully paid for with less than a 3.4% increase in sales.

Because they are "eye catching", holographic games typically generate 15% to 30% sales increases vs. plain board games and have proven to generate sales increases as high as 79%*. Holographic games are certain to increase your lottery's sales and profitability.

$10 GAME
$10 $10   LOTTERY

ASSUMES A 4" X 8" TICKET WITH A HOLOGRAPHIC COST OF 8 CENTS

3.4% SALES INCREASE NEEDED TO FULLY PAY FOR THE COST OF HOLOGRAPHY

75% PAYOUT

Your Lottery Will Win

Additional profit per million tickets sold:

$278,000
With a 15% increase in sales

$636,000
With a 30% increase in sales

$20 GAME
$20 $20   LOTTERY

ASSUMES A 4" X 8" TICKET WITH A HOLOGRAPHIC COST OF 8 CENTS

1.8% SALES INCREASE NEEDED TO FULLY PAY FOR THE COST OF HOLOGRAPHY

77% PAYOUT

Your Lottery Will Win

Additional profit per million tickets sold:

$593,000
With a 15% increase in sales

$1,266,000
With a 30% increase in sales

$30 GAME
$30 $30   LOTTERY

ASSUMES A 4" X 8" TICKET WITH A HOLOGRAPHIC COST OF 8 CENTS

1.4% SALES INCREASE NEEDED TO FULLY PAY FOR THE COST OF HOLOGRAPHY

80% PAYOUT

Your Lottery Will Win

Additional profit per million tickets sold:

$803,000
With a 15% increase in sales

$1,686,000
With a 30% increase in sales

Check out our new PROFIT CALCULATOR to see exactly how much you can grow your lottery's bottom line. Just enter your ticket's size, price, payout percentage, and quantity for your holographic game and you'll instantly see a custom profit chart created for you.

You'll like what you see: visit www.holographyx.com/profit

* The Tennessee Lottery generated a 79% sales increase in a quantitative test that isolated holography as the only key variable. For details, visit: www.holographyx.com/TN

EUROPEAN LOTTERIES CONGRESS
JUNE 8-11 2015, OSLO NORWAY

Twice as many consumers say they would think to purchase a lottery ticket when they see a sign for it.

Moving forward, it will be incredibly important to develop clear signage with any rollout of selling lottery tickets at the gas pump. The research clearly shows that signage, combined with a prompt from the gas pump, significantly raises awareness of the new technology, awareness of the product, and likelihood of a purchase.

Conclusion

The research shows a clear market opportunity for the technology allowing consumers to buy lottery tickets at the gas pump. Given a targeted roll-out focused on technology and convenience, as well as modest on-site advertising, selling lottery tickets at the gas pump has the potential to generate $1.5B in additional lottery spend nationally. ■

Hot off the press from one PATP Lottery:
Lucky ticket purchased with new Play At The Pump service

A $227,196 Cash 5 jackpot win starts the holiday off right for a lucky North Carolina Lottery Player. The jackpot win is the largest so far by lottery players using a new Pay-at-the-Pump option in North Carolina to buy tickets for three lottery games, Cash 5, Powerball and Mega Millions. The new service, called Play At The Pump, allows players to purchase their tickets at the gas pump. It is designed as a convenience for someone who wants to buy a lottery ticket but doesn't have time to go into the store.

The lottery began offering the service in January using a program provided by Linq3, an Atlanta-based company that has developed technology that allows lottery tickets to be sold through gas pumps. The service is available at lottery retailers who choose to offer it to their customers and works in a similar way to buying a car wash at the gas pump. Currently, Play At The Pump is an option at 111 locations across the state, including all Murphy Express stores. Players can use a debit card to purchase 5, 10, or 20 Quick Picks when playing Cash 5 or Mega Millions. If playing Powerball, players can choose 3, 5 or 10 Quick Picks. All plays are for the next available draw. Purchases are limited to no more than $70 a week.

Ticket sales made it possible for the lottery to raise more than half a billion for the state last year. For details on how lottery funds have made a difference in each of North Carolina's 100 counties, click on the "Where the Money Goes" tab on the lottery's website. ■

Lottery Promotions are Old School. What can we do differently?

Use Newest Technology

Just last year, Urban Outfitters, the specialty fashion retail stores, announced that they would use beacons—small devices placed around stores that ping messages at shoppers who have downloaded the retailer's app. Instead of delivering coupons and offers, they decided to focus on in-store experiences. Initially, they decided to focus on: the checkout line, fitting rooms and the entrance. When smartphone shoppers first enter the store, a push notification prompts them to check-in to unlock an offer. Then in the fitting room, they are encouraged customers to take selfies and post them to Instagram for a chance to be featured on the company's website. Lastly, shoppers at the register get a push notification reminding them to shake their phone to show their Urban ID and earn a digital badge.

Beacons are just an example of new technology that we can use in our lottery terminals and/or in our jackpot signs. In general, mobile is still a blue ocean of opportunities for all of us and only a few U.S. lotteries are getting their feet wet with it. In most cases, we know we need to do it but we don't know how. Furthermore, it is unclear how we can monetize it. One thing is for certain though: we need to do it now while taking advantage of the newer technology that our customers already use before it is too late. We also need to be persistent in our efforts to reach new players. If something we try doesn't work "We haven't failed. We now know a thousand things that won't work, so we're that much closer to finding what will." —*Thomas Edison*

At INTRALOT, we strongly believe that innovation can drive change. Our newest self-service kiosk MPNG, the gaming station Gablet, the state-of-the-art vending machine DreamTouch as well as the Lottery Mobile app are just examples of our evolving products and services. Although these gaming solutions can cover a large variety of players' preferences, they are also almost invisible to those who are not core lottery players and don't actively look for them. Unless we promote them. After all, "without promotion, something terrible happens... nothing!"—P. T. Barnum. INTRALOT is prepared and ready to assist our partners develop and implement a wide variety of new promotions designed to reach new players. Let's be more creative by thinking outside of the box! ■
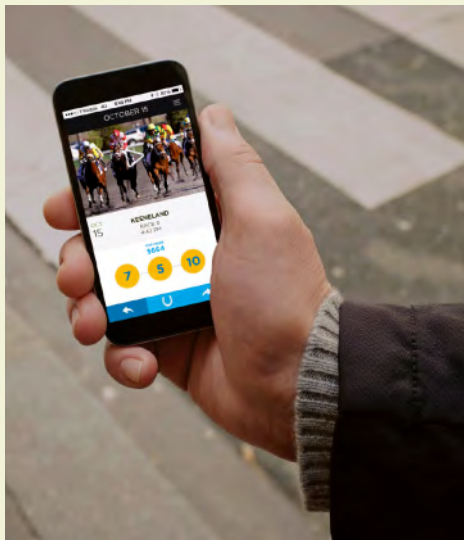
EquiLottery

BRINGING LIVE-ACTION EXCITEMENT TO THE LOTTERY

Both the lottery and horse racing industries hope to find innovative ways to grow their product offerings and, in turn, bring more revenues to enhance their profits. Bringing the live-action excitement of horse racing to the lottery, EquiLottery turns these hopes into realities. Take a moment with us to imagine how EquiLottery can enhance the lottery experience and be a bridge to today's new world of gaming innovation.

A new live action lottery game that also delivers customers an interactive mobile experience, EquiLottery engages the lottery customer like never before while returning more in profits than most lottery games currently in the marketplace. Additionally, this game will expose more people to the excitement and pageantry of live horse racing while increasing overall betting handle. Whether you represent a state government or state lottery, or operate a racetrack, EquiLottery is a clear way to boost revenues for all involved.

With American Pharoah winning the first Triple Crown in nearly 40 years, there's never been a better time to partner lottery with the horse racing industry. Whether it's connecting to a major race like the Kentucky Derby or delivering everyday excitement through the convenience of a smart phone, the live action component of EquiLottery adds a new dimension to the lottery. Imagine delivering a daily 2-minute YouTube video experience to players that appeals to all ages and is particularly relevant to the Millennial Generation.

Many governments are looking for ways to support their local horse industry and protect the agricultural impact it has on their state. Horse farmers participate in many facets of local economies, including buying hay and oats, contracting with industry-related professionals and paying taxes on their farmlands. The racing industry's economic reach goes well beyond the results on the racetrack. Imagine the value a state lottery can add to their state government by delivering a game that fuels these important industries while delivering new income streams to the good causes it supports. And imagine the extended earned media coverage lotteries will receive when launching this intriguing new offering.

We believe lottery games should be simple to play. The simpler the experience, the easier it is to draw players in and keep them engaged. Imagine offering a game without the need for player slips and where the only decision is whether to play. A quick pick only game designed in all facets to simplify the player experience, EquiLottery is among the easiest lottery games for players to pick up and play immediately.

Drawn to shared experiences among friends and the desire to integrate their entertainment dollars with online platforms, the Millennial Generation needs to be approached differently than generations before it. Imagine being able to deliver the kind of interactive online experience these Millennials crave. EquiLottery makes lottery more relevant to this generation by delivering the excitement of a live sporting event to their phones, tablets and computers while giving them the power to share that experience with their friends through multiple social media platforms. For a free limited demo version, visit www.WatchEquiLottery.com/Demo. Future additions will include the ability to create EquiLottery leagues and online purchasing options for lotteries with online sales.

We look forward to talking with you about this new lottery innovation and how it may fit into your current menu of lottery games. Visit www.EquiLottery.Com to learn more. And contact Brad Cummings at (502) 644-1454 or brad@equilottery.com for recent studies and to set up a free in-person or phone consultation. ■

could think of our goal as being to promote business health. Positive short-term results are certainly a component to business health, but they are not the only component. Reframing the mission to be about business health not only provides us with a better internal compass, it also provides us with a foundation that is more likely to resonate with our political constituents. We can explain, for instance, how advertising is not just about driving sales. It is about nurturing a brand image that promotes a positive consumer perception of the business and a healthy and responsible approach towards gaming. These are vital to the long-term health and sustainability of the business. Using a business health framework helps political constituents appreciate that Lottery's goals are aligned with theirs, that we are focused on good public policy and service to society just as political leaders are. The resources we need, like advertising budgets, are put into a broader context that aligns with good public policy as opposed to the narrow focus of increasing sales.

ON THE ROLE OF RESEARCH

One role of research is to validate decisions and demonstrate that due diligence was performed after the results come in and reviews of performance are being conducted. "CYA" if you like. More pertinent, though, is to ask how research can enhance success and drive innovation.

There is much skepticism on the ability of research to foretell the future. Focus groups and surveys that ask participants which product they are more likely to buy, even those that try to isolate product attributes that are most appealing, do not always yield accurate information about how consumers will behave in the real-world. Research does not do much to increase visibility into how a new product or innovation will be received by actual consumers in the market-place. Alternatively, there is a movement to try to integrate research and behavior analyses right into the launch cycle.

"Accelerated incubation platform" refers to a method of systematically assessing results and adjusting the course of actions accordingly. The goal is to forge more productive pathways

for innovation to achieve commercial success. Instead of a two-step process of conducting due-diligence research and then holding our breath and hoping that the research was correct and that the product launch works, the idea is to deconstruct the process so that research and development continues to happen through the entire process, and maximize flexibility to change and evolve along the way. *"If it's going to fail, make it fail fast, make it fail cheap, and move onto the next thing."* This mantra for entrepreneurial success can be applied to the games-of-chance and Lottery business. It was pointed out that while Monopoly Millionaires' Club did not fulfill expectations, it did result in a tremendous syndicated game-show (which Lottery has never had), and provided a platform for further discussion that will lead to more, bigger, and better ideas that will drive Lottery growth. In order to "move onto the next thing," there needs to be forward momentum that invariably includes setbacks as well as successes. A vital component to the "accelerated incubation platform" is speed. It's not just about time-to-market, speed is also about managing costs and channeling resources for optimal impact.

There is also the hope that the platform for innovation become opened wide, to engage multiple vendors, all stakeholders, the players, and the general public. Technological systems and architectures should be open to make it super-easy, efficient, and economical to integrate innovation and third-party products, content, and solutions. The ideal innovation platform casts the widest global net to capture the input from whatever sources can inform the process and drive success.

The challenge is to translate the insights and data derived from research into informed business decisions. That is often where the wheels come off. To assist in that process, the Atlantic Lottery developed what they call a "simulation model" that integrates the impacts of changes on 2,300 different variables. It cost over $1 million. Even it does not spit out black and white, go or no-go answers. But it does provide instant insight into how even minor changes impact the inter-networked constellation of variables. These variables include not just the dynamics of market, economic, game

indexing, consumer behavior factors, etc. They include political contexts and time-lines from concept to commercialization as well. The "simulation model" does not supplant the need for the accelerated incubation platform to manage and adjust course along the way. The two work together hand-in-hand.

THE COURAGE TO BE ENTREPRENEURIAL

Government-lottery operators and the consumers of lottery games generate billions of dollars and euros a year in funding to good causes. Lottery has by far the largest base of engaged consumers in the games-of-chance industry. In spite of economic downturns, it continues to grow. The good news is that there is so much more that can be done to position government-lotteries for long-term success. It takes leadership and, the panelists all agreed, that takes courage. Courage to promote our message to our political stakeholders. Courage to pursue innovation even though the ROI may not be realized for years. Courage to lead.

What is "entrepreneurism?" One example is that of a friend of one of the panelists. "In my life I have lost three genuine fortunes but, fortunately, I've made four." That form of entrepreneurism obviously does not work for our industry. The over-riding focus on preserving the multi-billion dollar revenue streams, the integrity of the brands, the trust of the players, the support of our political stakeholders and the general public ... guides us towards risk-aversion and a conservative approach towards innovation. That's as it should be. But consumer behavior is changing and markets are being disrupted. *Business Health* will not be secured by adapting to the changes that others are instigating. We don't want to follow the market leaders. The responsible and prudent stewardship of the Lottery is to take a leadership role.

Building a sustainable business model requires innovation. In spite of all the obstacles, Lottery is in the perfect position to be the innovation leader in the games-of-chance industry. This is a big topic. Thank you to this wonderful panel of Lottery Industry Leaders for setting the stage for much further discussion. And action. ■

Pulse of the Industry

NEWS

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

Congratulations to Hansjörg Höltkemeier, Chief Executive Officer, Deutsche Klassenlotterie, Berlin, Germany.

Mr Höltkemeier was elected President of the European Lottery Association (EL) at the EL Congress in Oslo. His years of service to the EL, most recently as First Vice President, as well as to the Berlin Lottery, have prepared him well for this role, and has led the European lottery leadership to appreciate and respect his thoughtful leadership style. Mr. Höltkemeier comes into this position in a most interesting period of change. The EL has always been such an effective advocate for the interests of its member lotteries. That's a good thing because there is no shortage of adversaries who are working mightily to undo all the good that is accomplished by the lotteries in support of good causes. PGRI and EL members and so many friends around the world stand ready to help in any way we can!

Hansjorg does have a tough act to follow. For the last six years the EL Association has been led with vision, resolve, and great distinction by Friedrich Stickler, Director of Austrian Lotteries. Friedrich Stickler has served so effectively but the political and regulatory challenges continue to increase. Hansjorg will have his hands full! But it is exciting to see the commitment

of the EL membership to fighting the good fight to prevent the breakdown of regulatory integrity in Europe, and to position its members for long-term success.

Congratulations and thank you to Torbjorn Almlid and Team Norsk Tipping for hosting the 2015 European Lottery Congress; and Bernadette Lobjois and Team EL Association for all of their efforts. Their talent for producing great conference/trade shows combines with super hard work and dedication to produce a fabulous result. Every other year, the European Lottery Association holds its big conference/trade-show event. This year, the EL Congress was held in Oslo. Two years ago was in Tel Aviv, and two years from now (in 2017) will be in Krakow, Poland; and 2019 will be Moscow.

Celebrated farewell to Austria Lotto CEO Friedrich Stickler

Best wishes to industry leader and friend to all, Friedrich Stickler. Mr Stickler leaves the Austrian Lotteries after 44 years, and the presidency of the European Lottery Association after six years, to embark on the mission of leading the Global Lottery Monitoring System for sports betting (GLMS). After years of development, the World Lottery Association (WLA) and the European Lotteries (EL) announce. The GLMS will

provide member lotteries with extensive monitoring of the various betting markets offered by government-authorized lotteries and for-profit-only bookmakers. Commenting on the launch of the GLMS, Mr. Stickler, GLMS President, stated: *"Monitoring constitutes a significant tool to detect fraud and manipulations and is a necessary step for the effective fight against match-fixing and I am confident that the GLMS will provide sport and society with a significant helping hand in keeping sport competitions safe and clean, taking the monitoring work onto a higher level."* VIPs from politics, economy and culture came together to celebrate with Austria's "Mr. Lotto."

Mobile is at heart of digital innovation.

Not only will it soon be the mass-market payment processing medium of choice, Mobile will be the 360 degree link with the customer, the medium for loyalty programs, for 2-way communications that enables consumers to instantly check pricing and availability on any product and also for the merchant to target promotions to its customer when the promotions will have the most impact, for after-sale service, for personalizing the relationship between merchant and customer and for providing other value added services in ways not even understood in this stage of early adoption.

Simplicity and convenience are key, so the adoption of innovation happens only as the convenience quotient begins to exceed the learning curve quotient. But we can know that we are close to that point by watching Walmart as it ramps up its investment in "Endless aisle" and new Mobile shopping apps. Walmart's new "tethering" initiative transforms its "endless aisle" concept into an Anytime Anywhere app.

Its 2016 budget for e-commerce and digital initiatives is $1.5 billion. This even as overall capital spending is being cut-back to $6.1 billion from $6.6 billion. Walmart is doing the heavy-lifting when it comes to educating the consumer, enabling the "fast followers" to shorten the investment ROI time-line.

The operative word, though, is "fast." The time to invest and act is during the "early adopter" stage, which appears to be right now. Actually, the "early adopter" window appears to be closing as the greatly enhanced shopping experience becomes embraced by more and more consumers. And the merchants who will be market leaders three years from now are implementing the changes now, or last year. And it's not just about customer-facing changes. Mobile and digital will yield internal operational efficiencies as well. And we can look for new collaborations to take advantage of new synergies that are revealed in the way consumers buy products and services and interact with merchants.

AND WHEN DOES SOCIAL GAMING BECOME GAMBLING?

THE RISE OF FACEBOOK, ZYNGA POKER, BINGO FRIENDZY, ETC. have leveraged the explosion in "social gaming" to push into the real-money gambling sector. But where does the social element stop and the gambling begin? The lines are blurring such that the notion of "money-games" in the traditional sense changing too? Players on social apps like Candy Crush Saga (Facebook's most popular social game of last year) can play for free. But to get past the initial levels they must purchase more levels or scrounge extra lives from FaceBook friends. But the aims are the same: to spend as much time playing

as possible and to "achieve" as much as you can. And those achievements and missions can be shared with friends on social media.

Dr. Mark Griffiths, Professor of Gambling Studies at Nottingham Trent University, observes, *"that there was very little difference between the behaviour and the psychology of people playing video games and those playing slot machines. Slot machine people were playing for money and video games players were playing for points. In effect, slot machine gamblers were using money as a way of 'keeping score,' even though the games involved money. Every hardcore fruit machine player that I knew in my research in the late 1980s was saying, 'we know that we're going to lose every penny in the long run. What we're trying to do is maximise play on this machine.'"*

In effect, slots players' philosophy was to stay on machines as long as possible for the least amount of outlay possible; an identical approach to video games players. In that sense, social games already deliver paybacks that are similar to slots—more points and longer play-times. Every firm with a popular social game, whether it's Chumba World, Zynga Poker or Candy Crush Saga, has attempted to monetise their games. Chumba Casino is now available to over-18s play casino games for real money via Facebook. The social casino bases its games on sweepstakes in order to pay out real cash winnings. The distinction between online gambling for money and social gambling that requires time and money to progress will continue to blur even more as web-literate youngsters come of age and gambling online becomes ever more acceptable.

NEXT UP: SKILL-BASED VIDEO GAMES COME TO CASINOS

Slot machines have a challenge similar to lottery. Young people brought up on highly engaging video games want something equally as fun and stimulating when they move into the games-of-chance world. By the middle of next year, we will begin to see a new generation of slot machines that combine elements of chance with skill. Regulations for new game-styles are being developed now. Marcus Prater, the Executive Director of the Association of Gaming Equipment Manufacturers, states, *"I truly*

believe this is the dawn of a new era for games on the casino floor."

This potentially puts Nevada on the cusp of what could be a casino revolution, with the introduction of arcade-style video games that would pay out winnings based on a gambler's skill at, say, blasting aliens out of the sky, destroying enemy tanks or driving a virtual race car around a track. The idea is aimed largely at attracting younger people who have been raised on Xbox, PlayStation and mobile game apps and don't get much of a thrill out of sitting in front of slot machines, watching reels of lucky 7s and cherries. And what happens in Vegas is likely to influence Atlantic City, tribal casinos and other gambling spots around the country.

Presently, Nevada law requires that slot machines be games of chance with no skill involved. Everyone has the same chance of winning. Game developers, slot machine makers, lawmakers and regulators are betting new skill-based games could give a bottom-line boost to Nevada's casinos, which have seen slot machine revenue plummet some 20% over the last seven years. Nevada's gambling regulators hope to have the rules drafted and ready for the Nevada Gaming Commission to approve as early as October.

A CHANGE IN IRS RULES REGARDING THE REPORTING OF JACKPOTS

The IRS has proposed a rule that would reduce the size of the winning that would lead to the immediate filing of a tax form (called a W-2G) from $1,200 to $600 The casino industry has been slow to rebound from the economic downturn, with much of the economic recovery taking the form of increased spending on non-gambling services like food, hotel, and entertainment. If people gamble even less as a result of this rule, analysts and consultants warn that it could put a serious damper on gambling profits.

Casino players do not want to divulge more personal information and subject themselves to more financial reporting and auditing. Casino operators would quite rightly point out that just because they like to wager large sums does not mean that they are laundering money, have something to hide or are otherwise doing something wrong. Where should

the line be drawn between a legitimate need to prevent illegality and an onerous invasion of privacy.

Prognosticators tend to be right until they are wrong

There is much happening in Retail and interactive spaces. New transaction-processing and self-serve technologies and countless Mobile apps may not have reached mass-market adoption yet. But they will soon reach that tipping point and the impact on retail and Lottery will be profound. Right now, we are still in the stage when new ideas are tested, new initiatives launched, and prognosticators mistake early feedback for evidence that the reality will not measure up to the hype. But the first iteration of a new idea never ever meets our performance expectations. In fact, it almost always is a surprising disappointment. It always needs to be tweaked or even changed in big ways, and the consumer market needs to be given a chance to warm up to the benefits. The 5-stage syndrome of market adoption, the "diffusions of innovation," described by Geoffrey Moore back in 1991 still apply.

THE REGULATORY DEBATE OVER THE ROLE OF THE FEDERAL GOVERNMENT IN REGULATING THE GAMBLING INDUSTRY

The ongoing saga of legislators introducing bills that federalize the regulation of gambling continues.

Let's just hope that state governors and attorneys general will take action to prevent this usurpation of states' rights. It is hard to imagine how these shamelessly brazen attempts to manipulate federal regulatory policy to the advantage of special interest groups (and to the detriment of charitable causes supported by Lottery) could get any traction. But it's happened before, it is happening in Europe, and so it could happen in the U.S. if nobody stands up to stop it.

It is surprising the degree to which disinformation permeates the whole dialogue about internet gambling. A few weeks ago, there was a story about how the Senior Vice President of NACS (National Association of Convenience Stores) Government Relations Lyle Beckwith asserted there is no such thing

as "intrastate gambling" because the there is no way to control cross-border internet wagering. Mr Beckwith either does not know about geo-location technology, or he thinks that others don't know about it. He writes, *"States looking to put their lotteries online, for example, want to pretend that this constitutes purely intrastate gambling activity, but they're wrong. Unlike brick and mortar casinos and convenience stores that sell lottery tickets, the Internet is accessible any time, by anyone, from anywhere. Herein lies the real states' rights problem. Say I'm in Hawaii, a state that does not allow any gambling. But all of a sudden, I can get online—apparently no matter how old I am—and play another state's lottery from anywhere and everywhere with Hawaii. That means the state of Hawaii has lost its ability to control what gambling goes on within its borders and its citizens can gamble from home, work, the car and even church using their choice of computer, tablet or mobile phone. The rights of Hawaii and every other state in the country to limit the gambling that can be done within its borders are completely undermined by a single state offering online lottery sales."*

Our biggest challenge in the industry may be to just educate and inform and hope that legislators are not swayed by dis-information. Nice touch, though, trying to scare us into thinking that i-gambling is about to invade the inside of our churches. Gotta respect a student of that venerable Music Man, Professor Harold Hill.

"Prohibition" is actually just a lack of regulation.

The reality is literally the opposite of the scenario portrayed by Mr. Beckwith. The article by John Mehaffey It's A Fact: Online Gambling Regulation Shuts Out Offshore Sites explains why regulated jurisdictions do a much more effective job at preventing illegality than do unregulated markets where i-gambling is theoretically "prohibited."

It's a little paradoxical, but illegal off-shore i-gambling websites target U.S. states that "prohibit" internet gambling, and they vacate regulated markets. Illegal gambling websites that were active in Delaware, Nevada, and New Jersey, for instance, left those markets once these states implemented a structure to monitor and regulate the i-gambling industry. But they haven't left the

markets where i-gambling is "prohibited." These illegal i-gambling operators are not deterred by "prohibition," but they voluntarily leave jurisdictions where the industry is regulated.

The article does not explain why this is the case. I suspect that regulated markets allocate the resources needed to create the legal tools and mechanisms and staff-time to enforce their regulations. The legal mechanisms to enforce Prohibition are shaky to begin with, and the resources needed to attempt to do it are not being allocated. In any event, *"Offshore sites have already shown a willingness to respectfully bow out of regulated states. It is time for new jurisdictions to take them up on that offer."*

On the Restoration of America's Wire Act (RAWA)

There are two new bills being considered that would take away the rights of states to regulate and tax internet gaming and i-lottery of any form. They are known as the Restoration of America's Wire Act (RAWA). However, they do not actually "restore" anything. What they really do is re-write and change the Federal Wire Act of 1961. The Wire Act of 1961 prohibits the use of electronic transmission in the conduct of sports-betting. The U.S. Department of Justice has confirmed that the Wire Act is intended to apply to sports-betting and not to other forms of gambling, like internet gaming. That would seem to be self-evident since i-gaming and i-Lottery did even not exist in 1961.

The goal of these two bills is to re-write and extend the Wire Act to prohibit most forms of online gambling and Lottery. Both of these bills include language the explicitly prevents lotteries from selling even traditional lottery products online; and they include no "carve-out" for those states (Nevada, Michigan, Illinois, Delaware, Georgia, New Jersey) that have already legalized and regulate the online gaming and lottery industries.

There is language that appears to stipulate that these bills are not intended to interfere with the conduct of Lottery's on-premises retail businesses. Transmission of information "ancillary to such sales" in land-based retail stores is not prohibited by their bills.

Clock ticks on Pojoaque gambling in U.S.

This could be a bellwether legal case that sets the stage for clarifying the rights of states versus Tribes to regulate gambling. Tribes are presently required by federal law to have a "compact" or agreement with the state in order to operate. The problem is that the federal laws requiring this compact do not clearly state the terms and conditions that different interest groups must comply with. The end result is that U.S. states have all negotiated different "compacts" with the Tribes offering casino gambling. Some states receive literally no share of the profits or revenues. Will the federal government force a shut-down if the Pojoaque Tribe refuses to comply with the state's terms for revenue-sharing?

FANTASY SPORTS IS EXPLODING IN POPULARITY

Participation in Fantasy Sports

totaled 56.8 million people in 2014, up about 40% from 2013. Over $20 billion was wagered on Fantasy Sports in the U.S. alone. That is over $450 annually for every Fantasy Sports player.

Yahoo Fantasy Sports lets users compete for money

The argument that fantasy sport is a game of skill, not chance, has allowed it to be exempt from the Unlawful Internet Gambling Enforcement Act of 2006. The new Yahoo Daily Fantasy product launched on browsers and mobile devices in 45 states where virtual sports wagering is considered legal, which is every state except for Iowa, Arizona, Louisiana, Washington and Montana. Users can pay up to $600 a day, and Yahoo gets 10 percent of each contest entry fee. Yahoo describes this as "contest entry fees," not gambling.

Why isn't Fantasy Sports regulated as gambling?

There is a reason Nevada's gaming industry has avoided getting involved in the $20 billion-a-year online fantasy sports business. Most believe the growing activity constitutes unregulated gambling.

Sports fans pay a fee to enter single-day or season-long contests that pay out millions of dollars in cash prizes. There's consideration (the wager), there is chance (uncertain outcome), and there is prize (cash winnings). That's why Nevada gaming regulators have cautioned the industry to keep its distance.

Gaming Control Board Chairman A.G. Burnett has never issued a directive to avoid fantasy sports. *"Gaming licensees need to do an analysis on the legal ramifications,"* Burnett said. *"They need to understand the legal issues if they step into that arena."* Burnett pointed out that the fantasy sports leagues operate despite four federal laws covering gambling and sports betting—the Unlawful Internet Gambling Enforcement Act, the Wire Act, the Illegal Gambling Business Act, and the Professional and Amateur Sports Protection Act.

The thing is, Fantasy Sports does not fall under the rule of any of these because it has been classified as something other than gambling, i.e. not gambling. And the Unlawful Internet Gambling Enforcement Act (UIGEA), which makes it illegal for banks or financial institutions to allow transactions for online wagering specifically exempts fantasy sports, online state lotteries and horse racing.

What is meant by "game of skill?"

The rationale for exempting Fantasy Sports from the regulatory and taxation classification of gambling is that it is a game of "skill." But, to my knowledge, there is no legally precise universal definition for what constitutes a "game of skill."

Some jurisdictions state that if there is any element of chance involved, then it is classified as a game of chance. Even then, it is not exactly crystal clear. What is crystal clear is that even if there is an element of skill that influences the outcome in Fantasy Sports, there is a large element of chance involved. So, to justify the classification as not being gambling because it is a "game of skill," without defining what is meant by "game of skill," is sloppy to say the least.

Big-Data poised to revolutionize the sports-betting industry

Big-data allows bookmakers to predict the outcomes of sport events with shocking accuracy, leaving the recreational gambler at a distinct disadvantage. Look at the statistics' competition that took place during the last football (soccer) World Cup in June 2014, between Baidu, Google, and Microsoft.

The results were astonishing: Google correctly predicting the outcomes of the last 14 out of 15 matches—and lost the contest! Both Baidu and Microsoft had a perfect 100% accuracy score. If this kind of big-data driven modeling can predict the outcomes of sporting events, it would seem that would deliver a distinct competitive advantage to those applying these tools to the sports-betting industry.

Won't Sports-Betting fall under the control of a professional class of Big-Data driven quants relying on highly sophisticated, capital-intensive systems to predict the outcomes of sports-betting contests? How will this impact Fantasy Sports? On the other hand, if there emerges a professional class of sports-betting that is all based on statistics and math and data-crunching computers, why would the individual sports enthusiast want to participate? It would seem like there needs to be someone on the other side of the bet.

Coincident to the previous article on professionalizing the entire sports-betting industry: Nevada just legalized the creation of out-of-state sports-betting investment funds

Out-of-state residents now have access to Nevada's licensed bookmakers through sports betting investment funds. Sounds like they don't even need to follow sports at all to make money on sports-betting. What does it mean to the average individual sports-better when the "gamble" becomes an investment for your competitors? Insofar as these investment funds are "comparable to traditional mutual funds," that would appear to turn the activity of predicting the outcomes of sporting events into a bona-fide business—potentially a big business with the potential for big profits.

The profits will need to come from the players on the other side of the bet, the indi-

vidual sporting enthusiast. The more capital these funds attract, the more resources will be brought to bear to build sophisticated models and data-crunching applications to optimize the profit, hedge the risk, and minimize the loss. And teams of "research" analysts to unearth beneath-the-radar information (not to imply that anyone would ever trade on inside information). These investment funds will carve out a decisive edge over the recreational sports-better. These trends in capital formation that turn gambling into investing would seem to have the potential to change the whole complexion of the sports-betting world.

The lawsuit in the U.S. Federal Court of Appeals "NCAA, et al v. Governor of New Jersey, et al" could potentially determine the future of regulation of the sports-betting industry in the U.S. A ruling is expected soon. In fact, the decision may have been made by the time you read this.

A win for New Jersey could remove the federal prohibition of sports betting as it applies to New Jersey. More importantly, a win for New Jersey would potentially, or likely, include a judgement about the constitutionality of the Professional and Amateur Sports Protection Act of 1992 (PASPA). Insofar as PASPA is ruled to be unconstitutional as it applies to New Jersey, presumably that ruling would apply to the rest of the United States.

One of the terms of PASPA that is difficult to rationalize is that it allows sports-betting in four states and prohibits it in the other 46 states. The result is that Nevada enjoys the benefit of a federally sponsored monopoly on sports-betting. That amounted to $3.9 billion being gambled on sports in 2014. The even more interesting figure would be the amount wagered illegally on sports. Even subtracting the social sports-betting that will not likely ever end up under any kind of regulatory structure, the amount wagered illegally on sports in the U.S. is conservatively estimated to be at least $50 billion a year which is ten times the amount being wagered legally in Nevada today. So an over-turn of PASPA would unlock huge value for this industry, and tax receipts for the government.

A win for sports leagues would preserve the ban on sports betting outside of Nevada, Delaware, Oregon, and Montana in place since 1992. Unlike the Supreme Court, which releases decisions before it recesses for the summer, federal appeals courts work year-round, and release decisions when they're ready. New Jersey lawmakers have been arguing for years that PASPA that allows four states to offer sports betting and prohibits the other 46 states from offering sports betting is patently unconstitutional. In fact, as important as this case is, a decision against New Jersey's rights to offer sports-betting will not mark the end to litigation over the right for states to legalize and regulate sports betting. The case for states' right was already rejected in 2013 by the U.S. Third Circuit Court which upheld the constitutionality of PASPA in that decision.

Interesting side-bar that illustrates infighting between various interest groups can produce a result that nobody wants: NBA Commissioner Adam Silver has come out in favor of sports betting but the NBA is a party to the suit to prevent New Jersey from offering sports betting. The reason is that Silver wants there to be a federal regulatory framework that governs sports betting in all the states. The problem with that, of course, is that gambling has always been regulated and taxed on a state-by-state basis. This article details the history of New Jersey's battle to secure the right to legalize and regulate sports betting.

Why is the NBA suing to prevent legal sports betting if Commissioner Adam Silver has come out in favor of it?

The thinking is that NBA Commissioner does want to see PASPA repealed, but that he wants to see a federally administrated regulatory framework as opposed to a state-by-state administrated regulatory rollout.

Gambling has always been regulated and taxed on a state-by-state basis and is expected to continue that way. There will always be some states which do not want to allow any form of gambling. And no state wants to have their public and regulatory policy dictated to them by the federal government. So hopefully, the advocates for regulation over prohibition will see the light and support the rights of states to continue to do the regulating and taxing of the gambling industry.

FIFA (Fédération Internationale de Football Association) soccer officials charged in long-running global corruption scheme

"The indictment alleges corruption that is rampant, systemic, and deep-rooted both abroad and here in the United States," Attorney General Loretta Lynch said, citing *"at least two generations of soccer officials who, as alleged, have abused their positions of trust to acquire millions of dollars in bribes and kickbacks."* Swiss officials arrested seven of the indicted individuals in Zurich, while U.S. federal law enforcement officers early Wednesday morning conducted a search at the headquarters of the continental confederation under FIFA in Miami, Florida. Separately, the Swiss Office of the Attorney General announced that it has opened criminal proceedings against unnamed person in relation to the 2018 and 2022 World Cup bidding process. The guilty pleas of four individual and two corporate defendants were also unsealed Wednesday.

Nice timing: Bloomberg Businessweek featured the dethroned head of FIFA (Joseph "Sepp" Blatter) on the cover of its April 30 issue with an extensive expose on Blatter and FIFA operations. That was three weeks before the indictments came down on FIFA leadership in Switzerland and the U.S. The question this article raises is, what took them so long?

Canadian legislators considering a bill that would allow single-sporting event

Bill C-290 is an act to amend the Criminal Code and *"allow for wagering on the outcome of a single sporting event, which is currently illegal in Canada."* The proposed legislation would repeal a section of the Criminal Code that prohibits betting on a single race, fight, sporting event or athletic contest. If passed, provinces would then be allowed to make the change to allow gamblers to bet on one game at a time rather than multiple games.

APPLYING BEHAVIORAL ECONOMICS AND COGNITIVE SCIENCE TO THE BUSINESS OF UNDERSTANDING CONSUMER BEHAVIOR

The popularity of vintage video arcade games like Pac-Man, Donkey Kong, Q*bert, Defender is coming back.

Video gaming arcades started to lose popularity around 15 years ago. Young people moved onto a completely new generation of much more sophisticated, challenging, and diverse set of smart-phone and console games. So beginning around 2003, arcade owners got the idea to combine nightclubbing with video games. There is a nostalgia trend, about people growing into the phase of life that includes more pressing responsibilities and yearning for the simpler days of having time to play video games. There is another aspect of this trend towards combining video arcade games with drinking establishments. Venues like drinking establishments appeal to the consumer desire to meet and socialize. But the activity of meeting and socializing is greatly enhanced by adding activities like games. *"A lot of people appreciate having another stimulus at a bar besides drinking as much as they can,"* explains the owner of one of these bar-cum-arcade establishments. The future, though, will likely involve games that encourage more social interaction than video-monitor games. Putting lottery gaming machines into age-restricted entertainment establishments would seem to be a good first step. Creating game-styles that promote social interaction would be a good second step.

How do we do that? Academia is beginning with re-assessing some of our basic assumptions about human behavior. The tenor of the academic research is aptly captured by the title articles in the May issue of Harvard Business Review *From Economic Man to Behavioral Economics* and *Fooled by Experience.* Traditionally, the premise of classical economists was that people base decisions on rational assessments and self-interest. Since irrational behavior is harder to measure and model, it was treated as an aberration and

there was little attempt to understand and analyze the drivers of irrational behavior. It was only in the last decade or so that it came to be recognized that the irrational component to our thought process was not aberrational but in fact integral. Books like Daniel Ariely's *Predictably Irrational: The Hidden Forces that Shape Our Decisions* (and precursor to Ariely, Nassim Nicholas Taleb's *Fooled by Randomness* and *Black Swan*) dig into the way humans actually think, how we process information, base decisions on that information, and ultimately behave. The literature now recognizes that "cognitive bias" is not aberrational but quite fundamental to how we behave. Dan Ariely delivered a great keynote speech at the EL Congress in Oslo. And he has a great website www.danariely.com.

Investment flowing into research in Cognitive Science and Behavioral Economics

From Hudson Alley to Silicon Valley, investors are captivated by startups leveraging research in cognitive science to apply to the business of understanding consumer behavior. The timing of the success of these new behavioral science ventures is coinciding with recent investments from academia into the expansion of cognitive science programs. Gaining insight into the underlying reasons why consumers behave the way they do is expected to impact not just the nature of advertising and promotion, but also product design.

Some key take-aways of the book *The Gamification Toolkit: Dynamics, Mechanics, and Components for the Win*

Gamification is the science of using game design elements and techniques to motivate and engage people. It involves understanding psychology, design principles, and how data is leveraged to constantly improve the process. We're engaged by games. We respond to some of these game elements not because it's some cool new idea that someone came up with, but because it relates to our basic human drives—our motivation for mastery, our desire to be connected to something broader than ourselves, our desire to connect with others, our desire for achievement, etc.

The idea is not difficult to grasp, but it is

not so easy to implement. The techniques are powerful indeed, but how they are used and applied can be complicated. Clarifying the profiles of the population that you want to engage, defining the objectives, designing a systematic process and approach, integrating feedback loops to drive process enhancements, isolating and deploying the specific game elements … all this requires a serious understanding of the science and management of the project. The biggest pitfall in using gamification is thinking that all you have to do is drop in some gamifying elements.

The adoption of gamification tools seems to comply with the cycles associated with the adoption of technological innovations. Lots of hype in the beginning (which was about four years ago for gamification). Consultants and practitioners apply the ideas and they fall short of expectations. Then a lull during which pundits pronounce the new innovation to be dead or at least over-hyped. Then the innovation is refined and improved and it starts to gain traction again as its benefits become more apparent. As more research is done, as more data becomes available, as "best practices" are identified and implemented, the results become more predictable and the innovation becomes more actionable. Academia has struggled to find a place for this topic because it falls in between the borders of different fields (Marketing, computer science, organizational behavior, management, etc.). The "Gamification Toolkit" at least keeps this powerful idea on our radar where, I would submit, it certainly deserves to be.

"Lean retailing" describes the method of using store venues as idea labs, a vehicle enabling the observation of consumer response to new products and promotions. Physical stores provide the ideal testing ground for new ideas, enabling retailers to isolate tests to specific markets, provide controls for comparison, and gain an empirical perspective that is not so easily acquired in the online world. Walmart and Amazon are migrating from opposite sides of the distribution channel mix towards the brick-and-click model. ∎

SEASON ONE OF MONOPOLY MILLIONAIRES' CLUB AMPS UP EXCITEMENT FOR LOTTERY AND SETS TV GAME SHOW RECORD FOR $5 MILLION IN PRIZE MONEY

Susan Campagnone (in hat) of Rhode Island celebrates her $1 million win on the MONOPOLY MILLIONAIRES' CLUB game show.
PHOTO CREDIT: Ronda Churchill

Concluding its first season with record-setting winnings and an order for more episodes, MONOPOLY MILLIONAIRES' CLUB™ awarded more than $5 million in cash and prizes to contestants and audience members, including two $1 million grand prizes.

SEASON TWO SLATED TO AIR SEPTEMBER 2015

MONOPOLY MILLIONAIRES' CLUB™, the new high-stakes, big reward television game show hosted by actor/comedian Billy Gardell and taped in Las Vegas on the largest soundstage in Nevada, concluded its first season, 12-episode national syndication run with record-setting winnings and an order for more episodes. Season two will begin taping late summer and fresh episodes will air on 150 TV affiliates covering more than 95 percent of the

U.S. lottery television homes in September. Accompanying the multi-state lottery instant game, the MONOPOLY MILLIONAIRES'CLUB TV Game Show, produced by Scientific Games, is the first national prime time game show to feature lottery players as contestants, offering the opportunity to win up to $100,000 each and the possibility to risk their winnings for a chance to win a $1 million grand prize.

During its premiere run, MONOPOLY MILLIONAIRES' CLUB awarded more than $5 million in cash and prizes to contestants and audience members, including two $1 million grand prizes to lottery players from Georgia and Rhode Island. This sets a record for the fastest any television game show in history has given away this level of money and prizes. "We are very gratified by both the player and TV viewer support that the show has garnered, and look forward to the start of season two and the opportunity to set new records in game show prizing," said Steve Saferin, President of Properties Group and Chief Creative Officer for Scientific Games.

The first 12 episodes of MONOPOLY MILLIONAIRES' CLUB were produced in conjunction with 22 state lotteries including Arizona, Arkansas, Florida, Georgia, Indiana, Iowa, Kentucky, Maine, Maryland, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New

Mexico, New York, North Carolina, Pennsylvania, Rhode Island, South Dakota, Tennessee, Washington D.C. A total of 520 lottery players from these states were awarded five-day, four-night trips to Las Vegas to attend tapings of the game show at the more than 48,000 square foot state-of-the-art set. Each lottery player had the chance to become a contestant on this exciting new game show featuring the iconography of the classic Hasbro board game MONOPOLY®.

Contestants from each participating state lottery also had the opportunity to appear in special local segments of the game show, playing fast-paced games similar to those on the national game show. Hosted by Todd Newton, these segments alone awarded nearly $600,000 in cash prizes throughout the season. ■

MONOPOLY MILLIONAIRES' CLUB brings the iconic board game to life on a giant, state-of-the-art custom built soundstage on the legendary Las Vegas strip.
PHOTO CREDIT: Ronda Churchill