

This Issue's Featured Interviews



Sarah Taylor
Hoosier Lottery (Indiana)



May Scheve Reardon
Missouri Lottery



Gerry Aubin
Rhode Island Lottery



Greg Smith
Illinois Lottery

Lottery Industry Lifetime Achievement Award 2018 Recipients



Andy Davis
*Tennessee Education
Lottery Corporation*



Becky Schroeder
Idaho Lottery



Gary Gonder
Missouri Lottery



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From the Publisher

Congratulations to Becky Schroeder, Andy Davis, and Gary Gonder for their selection as the recipients of the 2018 Major Peter O'Connell Lottery Industry Lifetime Achievement Award. Andy Davis and Gary Gonder will be honored on March 28 at the upcoming SMART-Tech Conference in Miami. Becky Schroeder will be honored at the Lottery EXPO conference in New York City on October 24. See their biographies on page 10.

May Scheve Reardon and **Mark Hichar** address the issue of sports-betting. The turnover of the illegal sports-betting market in the U.S. is more than double the sales of traditional lottery products. The impact on the entire games-of-chance industry if the U.S. Supreme Court lifts the federal prohibition against sports-betting will be massive.

Sarah Taylor was invited to present to an international community of top lottery marketing executives at the European Lotteries Marketing Seminar in London. It was a mind-expanding presentation which she agreed to turn into an interview about the ways that digital communications platforms have transformed the field of consumer research.

The Rhode Island Lottery operates casino gaming as well as traditional lottery. Operating in multiple gaming sectors, and in an intensely competitive regional market-place, **Gerry Aubin** manages a lot of moving parts in a no-nonsense straightforward manner that makes it all seem easy. I asked Gerry to explain how he has maintained stability and steady growth over the course of his twenty + years career as lottery director.

The Illinois Lottery is on its way again. **Greg Smith** shares some of the plans in place for the Illinois Lottery to move past the instability of the last few years and into a new era of decisive action-plans implemented by partners who are all pulling in the same direction.

My discussion with **Antonios Kerastaris** at the ICE Gaming Show in London revealed a new frontier for enhancing value to the consumer: strategies that focus on *integration* of technologies, consumer touch-points, gaming devices, and communication channels to make the player journey more easily navigable, more intuitive, more ... holistic.

For all the focus on sophisticated data-driven models that drive corporate strategy and operations, how do large enterprises stay connected to the real world of consumers who walk into a

corner store and decide whether to buy a lottery ticket? That is the topic of many discussions I have had with **Tom Stanek** that have now been turned into an interview.

A few months ago, I got in trouble for referring to Lottoland as an "illegal operator". Lottoland does operate without proper license in some jurisdictions. But the fact is they are also properly licensed and therefore operating legally in other jurisdictions. Now for another wrinkle in the definition of "legal": If an operator is not properly licensed to do business but is operating out in the open for all to see and claim to not be in receipt of any advisory from legal authorities to cease and desist, does that make them "legal"? Some online operators hold the position that until and unless they are advised otherwise, they are operating "legally" regardless of whether they have proper license. Most of us in the government gaming industry would say that to operate without proper license is in fact to be operating illegally. The argument may be semantic legalese. But there are hundreds of millions of dollars of lottery tickets being bought from online operators which are operating without proper license. Of course, in the real-world, all this philosophical discussion does not change the fact that lack of action to stop the operators without license means that they will continue to operate.

Thankfully, governments are beginning to take action. The UK Gaming Commission (UKGC) is taking multiple steps to reign in the activities of online operators. When Lottoland was told they can't take bets on the outcome of the EuroMillions draw, they protested that they weren't taking bets on the UK EuroMillions draw, they were taking bets on the Spanish EuroMillions draw! Of course, it's the same game so the UKGC said this transparently silly work-around is not acceptable. The UKGC is taking aggressive action against others like William Hill for overly aggressive promotions that entice consumers to sign-up for free bonus plays, encourage problem gamblers to over-spend, propagate false and misleading advertising, make it very difficult for players to withdraw their money, and otherwise appeal to players to play irresponsibly.

In another good sign of progress, Austria has decreed that it is perfectly appropriate to employ "IP blocking" to prevent access to websites that are not legal. This is an important breakthrough. IP blocking and enlisting the cooperation of merchant banks are two tools vital to the prevention of illegal online selling and re-selling of lottery products.

Paul Jason, Publisher
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Honoring individuals who have distinguished themselves throughout their careers with important lottery industry contributions.



Andy Davis
Chief Financial &
Information Systems
Officer, Tennessee
Education Lottery
Corporation

Andy Davis was recruited in October 2003 by the Tennessee Education Lottery Corporation to be part of the diverse and experienced executive team that led a rapid and successful start-up.

As Chief Financial Officer, Mr. Davis is responsible for planning, organizing and directing the corporation's financial activities. This includes general accounting and reporting; accounts receivables; retailer and product accounting; budgeting and financial planning; treasury management, and purchasing activities, which include soliciting qualified minority firms to participate in the lottery's non-major procurement bid opportunities.

Additionally, Andy serves as Chief Information Systems Officer and is responsible for planning and directing the corporation's information systems activities, including operational oversight of the gaming systems' operations, electronic drawing systems and operations, in-house data processing, local and wide-area networking and telecommunications, and software planning and testing.

Mr. Davis' professional experience spans more than 30 years in the auditing, accounting and information systems areas. He has 24 years of lottery experience, serving 14 years with the Tennessee Education Lottery Corporation, and 10 years with the Georgia Lottery Corporation. During his tenure in Georgia, he served in varying senior management capacities, including Senior Vice President of Finance and Information Systems, Senior Vice President of Operations/Management Information Systems, Vice President of Finance and Vice President of Internal Controls.

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Becky Schroeder
Chief Operating
Officer, Idaho Lottery

Cutting-edge innovation is at the heart of Becky Schroeder's Idaho Lottery career since becoming Information Technology Director in 1992; back when lotteries still functioned with green screens, command lines and green bar printers. Born and raised in northern Idaho, Ms. Schroeder began her IT career in Coeur d'Alene.

Ms. Schroeder was promoted to Deputy Director of Administration and Chief Deputy in 2007 and graduated from the nationally accredited Certified Public Manager Program the same year. Her achievements include implementation of Scratch ticket automation in the early '90s - one of the first states in the industry. An Information Technology focus was key to the successful launch of many early Scratch games with merchandise and cross promotions, negotiated directly with Hasbro, PepsiCo, Maritz and others.

In 2007, Ms. Schroeder managed the conversion of all Idaho Lottery system functionality to new-to-the-US-market-place gaming system vendor, Intralot, and she recently did it all again in 2017 with a new multimillion dollar Gaming System contract, featuring all new servers, data migration and a statewide upgrade of all retail equipment.

Ms. Schroeder directed technologies used for the 2009 Special Olympic World Winter Games Scratch ticket, a North American first, where winners donated portions of their winnings to benefit these Games from the retailer terminal. Seeing an opportunity a year ago for both a cost saving benefit for the State of Idaho and more streamlined workflow and team interaction, Becky led a headquarter lease renegotiation and directed

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Gary Gonder
Chief Branding Officer,
Missouri Lottery

Gary Gonder is a 27-year employee of the Missouri Lottery, where he has served in various executive roles, including Chief Branding Officer; Chief Operating Officer; Communications Director; and Interim Executive Director. During that time, Mr. Gonder was part of a dedicated team of employees who increased Lottery sales and profits from \$220 million and \$66 million, to \$1.2 billion and \$310 million, while reducing the operating percentage from 12% to 4.5%.

Before the Lottery, Mr. Gonder worked as the Director of the Missouri Film Commission, where he marketed the state as a location for feature films and commercial productions. Earlier he worked at Cunningham & Walsh Advertising in San Francisco as shipboard editor aboard the Royal Viking Sky and Star cruise ships.

Mr. Gonder has helped introduce many Lottery innovations, including founding the Missouri Alliance to Curb Problem Gambling (an industry first), which combined public, private and non-profit organizations and their resources to address education, prevention and treatment of problem gamblers in Missouri. Gary co-produced more than 300 episodes of a weekly, award-winning 30-minute "Fun & Fortune" Game Show; converted the Lottery's mechanical draw system to computerized draws; and introduced the first My Lottery player's loyalty program and mobile app.

Gary has served on numerous industry panels and committees, including the MUSL Powerball Automated Draws and Game Show Evaluation committees, and the Product Development subcommittee, as well as NASPL's Continuing Education

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Women in Leadership Roles Generate Strategic Business Benefits



Rebecca Hargrove

Chief Executive Officer,
Tennessee Education Lottery Corp.

Senior Vice President,
World Lottery Association (WLA)

Chair of Corporate Social
Responsibility Committee, WLA

Chair of Women's Initiative in
Lottery Leadership (WILL)

The evidence is piling up: businesses that have women in senior leadership roles are outperforming peer organizations on such important dimensions as profitability, Corporate Social Responsibility (CSR), and individual growth and development.

Researchers with McKinsey & Co., the Harvard Business School, and the global executive search firm Heidrick & Struggles have discovered connections between superior organizational performance and the numbers of women and minorities in leadership positions. These studies affirm the axiom that promoting women and minorities into executive positions is not simply the “right thing to do,” it is also the best thing to do.

In early 2018, McKinsey & Co. found that organizations in the top quartile for ethnic and cultural diversity on their executive teams were 33 percent more likely to experience above-average profitability than companies in the bottom quartile. Additionally, for those organizations in the top quartile for gender diversity, there was a 21 percent likelihood of superior performance. One researcher said the benefits can be attributed to the fact that cultural and gender diversity can help firms make better decisions and decrease the chance of making errors.

One important way to increase diversity in leadership roles is to improve mentoring opportunities for women and minorities. According to research conducted by Heidrick & Struggles, three in four survey respondents said their most impactful mentoring relationship was important to their career development. But with the existing gender and cultural disparities in leadership, it may be problematic to find appropriate mentors. Sixty-one percent of mentors surveyed were men and 39 percent were women.



WOMEN'S INITIATIVE in LOTTERY LEADERSHIP



The comparative lack of formal mentoring programs represents a great impediment. Only about one-fourth of survey respondents said their organizations offer formal mentoring programs.

The worldwide financial consulting firm KMPG has identified seven strategic business benefits that derive from applying a formal process to the goal of creating mentoring relationships:

1. Developing new leaders
2. Retaining your best talent
3. Increasing diversity
4. Improving employee satisfaction
5. Transmitting corporate culture
6. Recruiting new talent
7. Producing “deep sensors” (listening capabilities to assess the mood of the organization)

Mentorship programs help women build networks, develop negotiating skills, and learn to appropriately and effectively promote their talents and experiences. Female proteges also can broaden their

perspective, build social capital, navigate organizational politics more strategically, and acquire the confidence to speak up when it matters most.

Another interesting benefit generated by women executives is enhanced organizational performance on measures of Corporate Social Responsibility. CSR can represent numerous organizational behaviors, including actions on human rights, ecology, anti-corruption, legal and regulatory compliance, cultural and ethical accountability, and broad-based philanthropy.

Researchers at Harvard Business School found that having gender-inclusive leadership can influence the level of philanthropic investment that corporations make in CSR. Gender-inclusive leadership also affects the quality of CSR initiatives. By spotlighting gender issues in their CSR strategies, leaders position their organizations for sustained growth, and the benefits extend beyond the company to the communities in which they operate.

Margie Warrell, author of *Make Your Mark* and Ambassador for Women in Global Business, says women who seek a mentor should:

- Identify an ideal mentor.
- Establish clear expectations for the relationship.
- Include men in their mentoring network.
- Deliver value in return – doing what they can to support their mentor.

As we approach the quarter point of the 21st century, businesses are striving to evolve their practices to sustain growth. Today's levels of performance won't cut it—we all need to stretch to find new and better ways to improve. There is one undeniably successful approach to carry forward: hire, train, mentor, and promote women into senior leadership roles so they can make their unique mark for the benefit of all.

With this in mind, we recently launched our own Lottery industry program to promote mentorship for women, which we call Women's Initiative in Lottery Leadership (WILL). With more involvement from industry leaders, the program will continue to develop to its full potential. So please visit womeninlotteryleadership.com to learn more and get involved. ■

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Gerry Aubin

Director,
Rhode Island Lottery

A Diverse Set of Stakeholders Work Together to Produce Stability, Sustainability, and Growth

PGRI Introduction:

In November of 1973, a constitutional amendment was passed in Rhode Island to allow lotteries to be operated by the State. The Rhode Island Lottery was established by legislation passed in March of 1974 with the first lottery ticket sold in May of that same year. In an effort to offset the declining attendance at the State's two pari-mutuel facilities, one dog-racing track, and one jai alai fronton, legislation was passed in June of 1992 to allow VLTs to be installed to attract more players. In September of 1992, under the operational control of the Lottery, 1,292 VLTs were installed and thus were born the first "Racinos" in the U.S.

Gerry Aubin is the third Director to lead the Rhode Island Lottery, appointed to the position in May 1996. Prior to overseeing the State's Lottery, Gerry served 21 years as a police officer for the City of Providence, Rhode Island, retiring as Deputy Chief of Police, and then served as the Director of the Rhode Island Municipal Police Academy.

Under Gerry's leadership as the Rhode Island Lottery Director, revenues increased more than fivefold, growing from \$455 million to \$3.7 billion, and net transfers to the State's General Fund increased from \$90.4 million to \$362.7 million.

During Gerry's tenure as Director, the Rhode Island Lottery has progressed from offering five instant games a year to more than fifty. In addition to overseeing the increase in the number of monitor and on-line game offerings, Rhode Island's Video Lottery program has grown, with the number of VLTs increasing by more than 3,500 since he became Director. Upon becoming Director, Gerry developed a new model for the License Agreements with VLT Technology Providers, which has since been copied and implemented by many other States.

The sound practices employed by the Rhode Island Lottery earned consistent recognition by the Government Finance Officers Association of the United States and Canada for achieving the highest standards in government accounting and financial reporting. In doing so, the Rhode Island Lottery became the first State agency in Rhode Island to receive the Comprehensive Annual Financial Report (CAFR) Award and has been successful in receiving this award for twenty-one consecutive years.

Gerry has also served as Chair of PowerBall® Group, president of the Multi-State Lottery Association (MUSL), president of the National Association of State and Provincial Lotteries (NASPL), Chair of the Development Committee (MUSL) and currently serves as Chair of the Security Committee (NASPL).



Paul Jason:

Rhode Island implemented the first Racino model almost twenty-six years ago. Was it a disadvantage to be the first?

Gerry Aubin: Being the first meant that there were no existing operations or set of best-practices to model after. But in many ways, there is an advantage to being first-to-market. Think about all the moving parts involved in putting VLTs into gaming facilities like horse-racing, dog-racing, jai alai, etc. With no precedents to predetermine our course, we perhaps had more flexibility to clarify the objectives and the pathways to achieve them. The terms and conditions that we determined were most favorable to the State were basically accepted because there weren't competing models. The methods of implementation and operation were not subject to as much debate because there weren't other examples to represent alternatives. One result is that the percentage of revenues that we turned over to the State was higher than is typical today. And the Racino model was a life-saver for the State's dog racing and jai alai facilities so they were happy to accept whatever plans we thought worked best.

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Sarah Taylor

Executive Director,
Hoosier Lottery (Indiana)

Modernizing the field of Research and Development

PGRI Introduction:

It wasn't too many years ago when the field of R & D was straightforward. You determine how and why the consumer behaves the way they do, their likes and dislikes, and try to build products and marketing strategies that appeal to your audience. The cost of failure was extremely high. Extensive testing and research was conducted to ensure that the massive costs of producing TV and other traditional media campaigns was effective. The time it took to launch a new game with this traditional marketing fanfare, and then measure market response, made it imperative that everything be done to ensure the game itself was optimized before launch.

Digital hasn't changed the need for deliberate and thoughtful planning to minimize unprofitable allocation of resources. But it has blown up the old model and replaced it with new tools that transform the connection that Lottery has with its customers. The following interview is a follow-up to a fabulous presentation made by Sarah Taylor to an audience of lottery professionals at the EL/WLA Marketing Seminar in London.



How has the business of Research and Development changed over the last three years?

Sarah Taylor: While we continue to use traditional research methods to gain insights into the business, we are also evolving our methods to better connect with players and potential players. Online is the most effective platform to reach large numbers of consumers. It's not expensive for us, and it's easy for the players to respond online. And it is invaluable to us because we get incredible feedback on a wide range of topics that help guide the direction of the lottery. An example of how these new tools enable new methods for research is our online panel of engaged players, "Hoosier Lottery Insiders." We reach out to this group once every 4-6 weeks with questions related to our business, from product development to responsible gaming to marketing ideas. I think this is the tip of the iceberg as to the potential for this kind of online engagement of players to impact the whole field of R & D. Digital channels are opening up entirely new vistas for interacting with players.

I am especially excited about the potential for developing highly interactive relationships with our players. Not just questions that elicit feedback that helps guide

our business, which in itself is valuable.

I envision an interactive dialogue that transforms the relationship between Lottery and consumer. Instead of buyers and sellers of products, we become a highly dynamic and inter-networked family that shares ideas and aspirations, disagrees about things and talks about it and maybe even "hugs it out" in the virtual world ... we function like a family or a team or social network which establishes shared interests and goals and are constantly working together to achieve those goals. Of course, one of those goals will always include optimizing the entertainment value and accessibility of the Hoosier Lottery's games. The highly structured way we go about trying to understand our players' likes and dislikes will evolve to be more fluid and flexible and be redefined to unlock new dialogue threads and open-ended avenues for communication and will deepen the bond of our relationship with the player. This will be key to building the sustainable business of the future.

Are off-line surveys and focus groups still used?

Sarah Taylor: We still use traditional off-line focus groups about once every 18 months to pulse-check upcoming product ideas. In person focus groups can be tricky; you don't want a strong personality to lead to "group think" and so we're really careful to use these groups as directional support for our ideas. But they do provide us the opportunity to capture emotional nuances, reactions and key drivers that can get lost in an online survey. Most recently, we used focus groups to help us clarify opportunities to turn

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May Scheve Reardon

Executive Director, Missouri Lottery
Chair of the Government Relations Committee,
NASPL



Why Sports-Betting Matters to ALL State Lotteries

The Supreme Court has now heard the arguments for and against the constitutionality of PASPA (Professional and Amateur Sports Protection Act of 1992) and the federal prohibition of sports-betting. They are deciding the role that the federal government should, and should not, play in the formulation and execution of regulatory policy as it applies to sports-betting. Of course, the role the federal government plays in all other forms of gambling is that all games-of-chance are illegal according to federal law until and unless it is regulated by the state. That leaves it up to the states to decide whether and how to regulate games-of-chance – ALL games-of-chance except sports-betting. Adding to this peculiar circumstance is that PASPA made an exception of four states, allowing four states to offer sports-betting and prohibiting the other 46 states from regulating sports-betting. This is a most curious situation that some think will be rationalized with the Supreme Court ruling, which is expected sometime before June.

The underground sports-betting market in the U.S. is estimated to exceed \$150 billion. Many think it is much higher than that, which makes it more than twice the size of the traditional lottery business. And the amount wagered legally is less than 5 percent of what is wagered illegally. So, a Supreme Court decision that opens the door to legalizing and regulating a \$150 billion-plus market would transform the games-of-chance industry. That poses three big questions for operators of state lotteries.

■ **What can be done to influence Lottery's political constituents to grant the state Lottery the right to offer sports-**

betting? The benefits to Good Causes supported by Lottery would be huge.

■ **How will the explosion of sports-betting onto the games-of-chance marketplace impact the industry in general and individual lotteries? This question applies to everyone, whether your Lottery is authorized to offer sports-betting or not.**

■ **What is the strategically effective course to set for lotteries to drive sustainable growth in traditional games, in light of a games-of-chance industry re-shaped by sports-betting?**

It is likely that many U.S. lotteries will not be granted the right to offer sports-betting. This is unfortunate. Globally more than 70 percent of government lotteries offer sports-betting. Sports-betting is a tremendous source of funding for Good Causes all around the world. Perhaps just as important, sports-betting is the gateway to the next generation of consumers. The 20-somethings who are into sports-betting today are going to grow into the mature lifestyle that is more receptive to lottery games. Just like other young adults, sports-bettors eventually find they have less time to indulge in time-consuming activities, like sports-betting, and become prospects for migrating over to lottery games. It is important for lotteries to do what they can to influence our political constituents to look favorably on the lottery as the agent to offer sports-betting.

One reason why our state policy-makers should look favorably on lotteries is their excellent track records for balancing the need to meet the demand for recreational gaming with the need to minimize social costs and problem gambling. In fact, Responsible Gaming in sports-betting is a big

piece of the picture that has not been given adequate attention.

For those who are authorized to offer sports-betting, there is quite the steep learning curve. Thankfully, there is a wealth of best-practices to draw upon. And our primary vendor partners all have deep experience in the business of sports-betting. The resources to guide us are there, the blueprints for success in sports-betting are well-known, and our commercial partners can help us get there.

But whether we are in the sports-betting business or not, the community of lottery operators needs to understand the implications of the potential impacts to our businesses. We need to make it our business to understand the legal and regulatory issues involved, how we might liaise with our political constituents on this topic, and how we might strategically guide our businesses during this time of change. Legalization of sports-betting will re-shape the entire games-of-chance industry, and we need to prepare for that.

For those who may not be authorized to operate sports-betting directly, maybe there will be a pathway towards partnering with those who are operating sports-betting. Lotteries have one of the most valuable and proprietary assets in the industry. As an industry, we should think about creative ways to leverage our massive retail network into new revenue-generating services. Providing a lottery's network of consumer touch-points for sports-betting operators may be one of those services.

None of us knows exactly how all of this will unfold. It's not too soon, though, to sort out the issues and prepare our own game plans for how to win in the games-of-chance marketplace. ■

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Gregory Smith

Executive Director,
Illinois Lottery

Onward and Upward: A New Era Begins at the Illinois Lottery

Paul Jason:

With all the changes taking place at the Illinois Lottery now, and in the near future, it may be helpful to begin with a description of the current state of affairs.

Greg Smith: Northstar's tenure as private manager ended on January 1, 2018. The termination agreement reached in September, 2015 was extended through to that date to allow for the completion of the procurement process for a replacement manager. Camelot Illinois began their tenure as private manager on Jan 2, 2018 after reaching agreement with the State for their private management contract. Northstar's primary subcontractors for the gaming system and iLottery platform (IGT), and instant ticket printing (SGI), remain in place until the transition to Camelot's primary subcontractors can be completed (estimate by the end of 2018). Camelot's primary subcontractors are Intralot (gaming system), Camelot Global (iLottery platform), and SGI (instant ticket printing).

After a couple years of uncertainty, it seems like the Illinois Lottery has an action-plan going forward. What are some of the component parts and next steps you will take to set a positive course for growth and prosperity for the beneficiaries of the Illinois Lottery?

G. Smith: We do not want the experience with our first private manager to define the private management approach going forward. We now have more realistic revenue and profit projections in place, a stronger and more detailed contract, and aligned incentives that should strengthen

the partnership between the State and the new manager – Camelot Illinois. No guarantees for performance exist but we will work to create a smooth path, and see if they can successfully execute their plan. We have had essentially flat sales for four straight years, so all parties believe that good potential for growth exists.



Changing from one private manager to another is something that no Lottery has ever done before. Are there some learning lessons that might be of interest to your colleagues, things that might apply to broader issues of governance that apply to all lotteries?

G. Smith: For starters, try to avoid changing private managers, gaming vendors, and developing a new i-lottery platform over a 15-month period. They are intense projects, and it is an incredibly heavy lift for the Lottery staff while simultaneously doing their regular work.

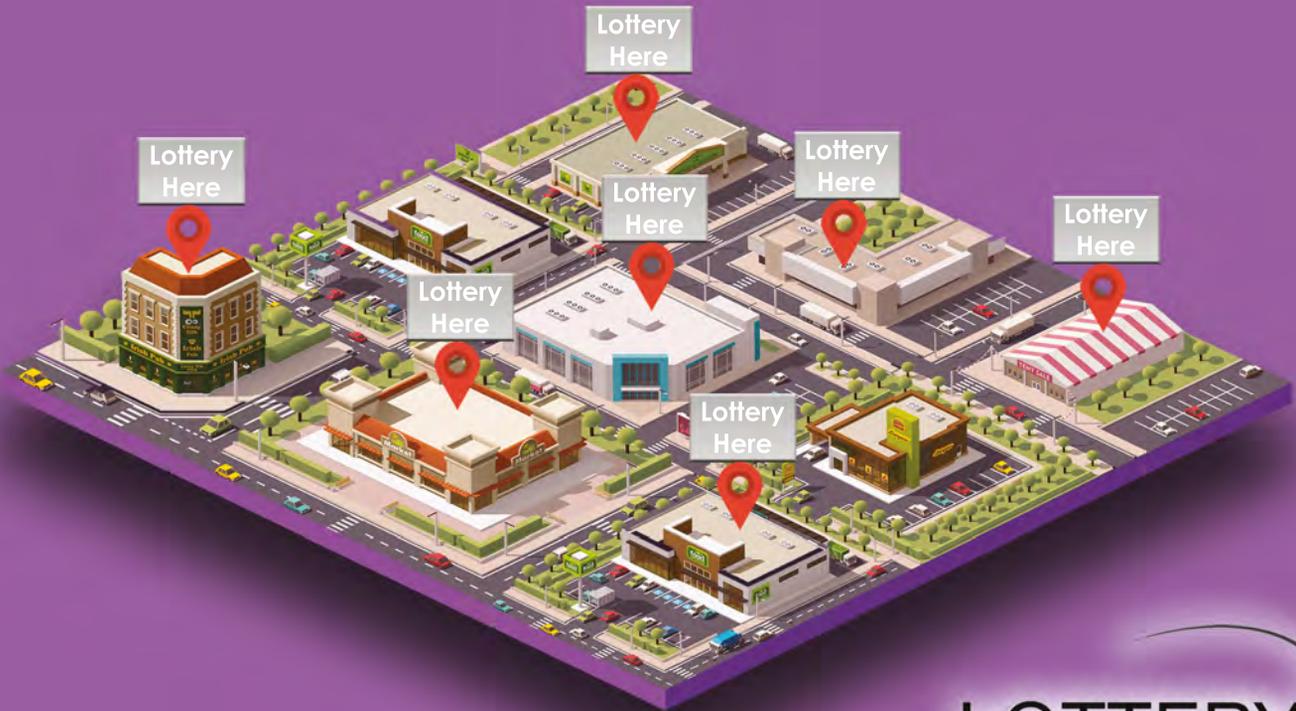
Setting clearly established roles and responsibilities of all parties is critical. While this seems incredibly basic, issues arise weekly

that require reference to who does the work and who is a party to the decision making. The gaming systems are not all designed the same by the various gaming vendors, but they have strongly similar output. We spent significant time on drafting and reviewing specification documents used on system and process development. We needed to replicate what existed as best possible and allow for potential modification in the future. Just like with the contract negotiations, putting the time in up front should create better alignment and more clear understanding of execution and performance by all parties – Lottery staff, Manager staff and subcontractors.

We all know the thought that exists among lotteries – don't be the first to do something. Let another state blaze the trail and learn from their missteps. Illinois was the first to try private management, and now the first to change managers. We have looked at how NJ and IN approached private management, but also know that state statutes and collective bargaining agreements may not allow for adjustments to be made. We have learned a lot from the issues that arose over the past six years and seek to avoid repeating them. Ideally, our agreement and partnership with Camelot Illinois will enable that to occur. The private management approach is quite different than State run models, and the transitions are complicated. Focusing on this work is important but we also had to make sure Lottery customers and retailers were attended to. After stepping up in

Continued on page 32

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Connecting with Millennials:

Why the future business model of lotteries depends on standing for more than just winning



Jon Duschinsky

Founder and Chief Executive Officer,
The Conversation Farm

And Driver of Human, Social,
Environmental and Financial Profit
jonduschinsky.net

Every night at bedtime, I settle down next to my kids and read them a bedtime story. Together, we take a journey together to worlds of adventure, or fantasy, with naughty children and ghoulish characters, or small houses on prairies.

But why do we do this? Why do we attach such importance to the ability to disappear down the rabbit hole?

Stories offer a unique moment of connection between us. They give us the chance to become absorbed in worlds with no boundaries and dream about what might be.

And so as children, we can learn about life through the (often exaggerated) characters in the books we are read by our loved ones. We can explore our own personalities through the eyes of the characters we journey with, and we can develop and hone what is arguably the most important human skill of all – the ability to empathise with others – through the safety of the imagination.

Empathy (or the awareness of the feelings and emotions of other people) is where our reptilian instincts of childhood meet modern day emotional intelligence. It is how we work out what others stand for and whether we want to stand with them, and as such is as important to a six year old as it is to a sixty year old.

The professions of marketing and advertising have been built on this simple insight: build empathy and people will take action.

“ Me, Me, Me has been replaced by MeToo. It is not about me. It is about us. ”

And so have lotteries.

You've been asking people to stand with you by buying lottery tickets.

But what is it that you stand for?

The answer is simple: getting rich.

And this has been a remarkably effective thing to stand for: in 2015, lotteries in Europe generated combined income of \$86.4bn. To put that number in some context, it is more than the GDP of Kenya, Luxembourg or Tunisia.

But herein lies the problem.

The average lottery player in Ontario, Canada is 50 years old and only a paltry 20% of those who play are under 35.

Rich is a pitch that works for baby boomers, and to a lesser extent Gen Xers (who are now in their forties and early fifties), but it doesn't resonate with Millennials.

The Millennial generation (those born between 1980 and 2000) is the largest generation pool in US history. According to Goldman Sachs, “they have come of age during a time of technological change, globalization and economic disruption and have a different set of behaviors and experiences than their parents”.

These different behaviours and experiences include taking longer to marry, a greater focus on health and wellness and a natural affinity to the digital world, which shapes how they communicate and make purchasing decisions. It also includes lower wages than at any time in the last 50 years and unprecedented levels of debt.

And these factors all contribute to a fundamental shift in values.

Millennials are choosing to leave the Me, Me, Me world, with its trappings of wealth and ownership behind. They know that for most of them, owning a house is out of reach, so they are happy to rent and be mobile. With the advent of ride-sharing, they don't need their own car (only 30% consider car ownership a priority). Their entertainment comes not from racks of CDs and DVDs but from streaming services, paid for by monthly subscriptions. And anyone who has tried to retain millennial talent will affirm that they care more about making a difference than building a firm's bottom line.

Me, Me, Me has been replaced by MeToo.

And lotteries haven't kept up. What lotteries stand for is yesterday's dream.

Continued on page 38



SHEM'S



Antonios Kerastaris

Chief Executive Officer, INTRALOT Group

The Holistic Player Experience

PGRI Introduction:

More games, more ways to access the games ... increasing consumer options is good. Increased complexity, not so good. How do we reconcile the consumer appetite for more options, more interesting game content, more access-points ... with the desire for ease of use, familiarity, and comfortable player experience?

Our discussion with Mr. Kerastaris (at the INTRALOT booth at ICE Totally Gaming) explores INTRALOT's solution to this conundrum.

Paul Jason:

Your booth seems to be arranged to highlight the way different devices, channels, and media work together to make it easier to navigate all the different gaming categories.

Antonios Kerastaris: Digital Technology has dramatically changed not only consumer habits but also the business model in many industries. In Lotteries the application of technology makes the product more visible, more appealing, and more accessible to the consumer. It also allows the gathering of information and affects the way the consumer experiences the products and play in general.

In the pre-digital era product-development teams used to survey consumers to try to discern what the players want. Then product-development would propose ideas to technologists and manufacturing for how to create products that appeal to the players. The problem is that the desires and guidance expressed by consumers is limited to what they can imagine. In the digital era new possibilities arise in such fast pace that ideas conceived and solutions developed by engineers, scientists, and technologists can't even be imagined by consumers. Focus groups and surveys are not helpful without

presenting the ideas conceived in the lab for consumers to express their opinions.

We are now equipped with a wealth of solutions that are based on technology, new ideas for how to improve products and methods of delivery that the consumer can't even imagine. Product development is now driven by these technology-enabled solutions instead of being driven by consumer surveys and focus groups.

That's why there are lots of technological innovations in your booth (here at ICE Gaming Show in London) that are not in the market-place yet?

A. Kerastaris: Exactly. We are presenting a new world of technology-enabled products and solutions which are now being subjected to testing by the real-world market-place where consumers reside and decide.

At INTRALOT we have designed the next generation of products introducing broader technological developments that address efficiency and customization issues through modular, scalable, and parametrical technologies that offer flexibility and fast go-to-market, reduced costs, and no compromises in reliability and security.

Of course, in the end it is the consumer who decides what works and what doesn't, what is relevant and appeals to them and what doesn't. We just have to show it to them to understand it. Then we must apply systematic testing of new technology-enabled solutions to discern consumer preferences.

This is the way to build economies of scale through reliable technologies and business practices based on these technologies, either driven by sophisticated data analytics models or thin-client solutions.

But it is crucial to integrate field experience in order to deliver a product that will be appealing to the consumer. With additional guidance from the market-place, we fine-tune the solutions so that they earn broad consumer acceptance. We are showing what is technologically possible, hoping to stimulate the imagination of the consumer to think about what would be amazing to actually have. We need to show the consumer what is possible and then analyze their response. Of course, closing the loop and clarifying what is relevant to the consumer is the most crucial step of the whole process.

What are some examples of new technology that is stimulating new ideas?

A. Kerastaris: The defining characteristic of our approach is integration. What you see in our booth is a holistic approach towards creating a games-of-chance environment that enables the consumer to easily navigate through a rich portfolio of gaming options

“ Our goal is to make it easy to migrate among different gaming categories and to create a seamless player journey from mobile to desk-top to self-serve play-station to retail POS. ”

and ways to access those options. There is innovation in many of the products themselves. But the thing we are most enthusiastic about is the way we convert a complex variety of games and access-points into a user-friendly player experience that at the end of the day creates familiarity and comfort for the player. Even though technology enables the solutions, the measure of success is how it enhances the overall player experience and how it creates efficiencies for the operator. Our goal is to make it easy to migrate among different gaming categories and to create a seamless player journey from mobile to desk-top to self-serve play-station to retail POS. The distinctions between product, content, distribution, and access-devices should be invisible to the consumer. It is all one seamless customer

journey that maximizes options and access to content while minimizing complexity and confusion. The protocols, commands, and visuals should create a singular holistic environment that is comfortable to dwell in and makes the entire experience intuitive.

The player can focus on the enjoyment of the game instead of the manner and methods of navigating a complex system.

A. Kerastaris: The consumer wants lots of different things, some of which can be contradictory. Delivering the experience that meets these different needs is where technology-enabled innovation really takes over. As you point out, reconciling these different consumer impulses makes it easy for the player to enjoy the games, to focus on and embrace the playing experience in



INTRALOT iconic pavilion at ICE Totally Gaming Show in London



Antonios Kerastaris

a holistic way. That makes the games more exciting, and the variety of games to choose from becomes attractive to the player instead of an obstacle to enjoying the playing.

This has implications for the retailer and lottery operator as well. The holistic system that integrates seamless navigational properties right into the player experience makes everything more efficient from an operational point of view. New games can be launched, distributed, and integrated into the portfolio with much less training and lower costs.

Corporate enterprises have always been organized by functional disciplines. Nobody is an expert in everything, so people specialize. You have operations, finance, manufacturing, marketing, product development, etc. But with integration and creating a holistic world ... doesn't that create a need for somebody to have the broad overview? How does integration happen when everybody is specialized?

A. Kerastaris: The unifying factor is the player. We can all refer back to the player as being the one who drives our focus and

actions. Whether we produce something ourselves or we get it from a supplier and integrate it, producing a better product or gaming experience or interactive channel or anything we do – in the end, it's all decided by the player. We need to understand how the parts work together. But in the end, whether it is a new game, a new POS strategy, a new terminal, a new interactive initiative – the player decides what works. And unlike product development and those of us in the business of creating great player experiences, the player does not deconstruct products and experiences into component parts. We need to realize that the whole is not equal to the sum of the parts. Understanding the component parts may provide little insight into the overall holistic experience. That is why we need to fully understand the playing experience from the player point of view.

But the player experience in sports-betting is so much different from that of the Lottery.

A. Kerastaris: The game maybe different but the fundamental approach of the sports betting platform and infrastructure can be exactly the same as in Lottery in terms of the customer experience. It is a different game, a different demographic group, but the way we think about the customer journey, our relationship with the retailer, the ways to optimize the POS and messaging to produce a positive player experience ... we are dealing with the same issues for all gaming categories. In both cases, the platform must support positive messaging that resonates with the consumer from the moment they approach the store. The navigational properties must provide familiar visuals and protocols throughout the entire player journey.

Retailer motivations and priorities do, however, differ with product categories. Lottery can make up a relatively small portion of retailers' sales in non-exclusive stores. They sell other products and the ability of Lottery to bring people into the store to buy those other products goes into the calculus of the retailers' assessment of Lottery's ability to drive profits. It's important for us to realize that and leverage it to enlist greater retailer dedication to Lottery. Sports-betting shops, on the other hand, typically make 100% of their revenue from sports-betting. That's why the combination of margins and turnover must yield more than the commissions made by Lottery retailers. So the value these two sectors seek from the gaming operator is quite different.

Are you hoping that lotteries in the U.S. will be authorized to offer sports-betting in the near future?

A. Kerastaris: Of course I do hope so and to date we are closer to this possibility than we were a year ago. It would be a great new product category for Lottery. INTRALOT is uniquely positioned to help our customers launch it quickly and with minimal costs because sports-betting can be added to the same central system and delivered with the same terminals that are used for Lottery. It would be a massive addition with very little cost or effort. Through the kind of technology we've been discussing here it would be a matter of weeks for us to be able to offer reliable betting products and services through a Lottery retail network in the US with practically no additional Capex.

Sports betting is perceived as lower margin product than Lottery. How would you go about that?

A. Kerastaris: It is a lower margin but it is not low. The main difference is that in sports betting there is the element of proper risk management. The payout will vary based on the quality of the odds, while in Lottery it is pretty much fixed payout. That's a big difference that requires the proper trading experience and toolkit.

Congratulations for the appointment to provide next generation technology to the Illinois Lottery. Are there differences between this partnership and other commercial partnerships that INTRALOT has in the U.S.?

A. Kerastaris: We are very excited to have the opportunity to work with Camelot in Illinois. There is tremendous upside and we look forward to achieving that together with the Camelot Group and the Illinois Lottery. We have a lot of ideas on how to grow sales and we already have established a very good chemistry and common thinking with both the Lottery and Camelot. With Camelot we've had enormous success working together in Ireland already. I am also excited for this opportunity to demonstrate that the Private Management model can work, and should be considered by others who are looking for innovative ways to optimize performance for Lottery. We're very excited to have a chance to prove that we can do a great job in Illinois. ■



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Tom
Stanek

Senior Director of Global Retail Sales and Marketing,
IGT

From the conference room to the corner store:

Turning lottery business intelligence into action at retail

PGRI Introduction:

For all the focus on sophisticated data-driven models that drive corporate strategy and operations, how do large enterprises stay connected to the real world of consumers who walk into a corner store and decide whether to buy a lottery ticket? I put this question to a person who has spanned both worlds. For a decade, Tom Stanek worked for IGT in Texas, leading a team of 230 sales and marketing staff tasked with maximizing sales for the Texas Lottery. Now managing IGT's corporate Retail Sales & Execution Team, he combines that feet-on-the-street perspective with the mission to integrate business intelligence from a variety of sources to optimize retail execution for lotteries and their retail partners around the world.

Paul Jason:

How would you describe your "global-to-local" mission?

Tom Stanek: We know that consumer play-styles, behavior, and gaming cultures differ from market to market. Retailers and business methods also differ from region to region. These differences provide a rich canvas for learning that allows us to better help our lottery customers. IGT's unique experience as a lottery operator around the world servicing hundreds of thousands of retailers gives us a strong basis to understand what works and what doesn't. My mission for IGT is to analyze that information and insight, and turn it into practical strategies that enhance retail execution and performance, ultimately driving revenue growth for lotteries and their beneficiaries.

It's a dynamic process. We apply our experience combined with business intelligence to create strategies that fit our customers' unique circumstances. The models are flexible and the approach is agile. We identify the attributes that make each situation unique and work to maximize each retailer's potential.

How do markets, retailer business cultures, and consumer shopping behaviors vary throughout the world?

T. Stanek: First, there are far more commonalities than there are differences. But we do need to be clear on the differences, because it's the local culture, shopping

behaviors, and values that offer the best opportunities for lotteries to connect with consumers. For example, in Poland, it's expected that 23% of the population will be over 65 by 2030. The country's Żabka convenience store chain adjusted its strategy to adapt to the changing consumer landscape as the population ages. Or, to take another example, in Nutter Fort, West Virginia, the distribution systems need to ensure that retailers have enough product during the annual blackberry festival. The lotteries have the most intimate knowledge of their own marketplace, consumer, and gaming culture. We work closely with them to help integrate what they know to work in their local markets with the successful initiatives we've identified globally. This draws on all our informational resources, combining IGT's research and development, our wealth of business intelligence, decades of operational experience, and a database of performance metrics from markets all around the world.

What is an example of how your experience in a jurisdiction outside the U.S. informed your approach to a challenge within the U.S.?

T. Stanek: A great example is in-lane sales. It's just getting started in the U.S., but European lottery operators have been selling in-lane for well over a decade. That's years of testing numerous point-of-sale (POS) approaches and merchandising methodologies to find the best ways to sell

lottery products in the in-lane environment. This has involved a lot of time-consuming and costly trial-and-error, field-testing, and analysis. While there are differences between European and American consumers and retailers, there are enough important similarities that we can apply what we've learned to minimize the costs and the learning curve for lotteries that are just starting on that journey.

It's imperative to make every step of the check-out process easy and convenient for the consumer, and that applies just as much to the U.S. markets as it does in Europe. So how exactly do you do that? We know from our experience in Europe how to integrate a lottery promotional POS into an in-lane process to optimize for speed and convenience, and be player-agnostic to other lottery draw game purchases. There are ways to merchandize the products for optimal overall shopping speed and convenience. And we can integrate interruption-points into the consumer's pathway that capture attention and appeal to the lapsed and casual player without creating inconvenience or inefficiency in the in-lane purchase process. Instead of reinventing the wheel, U.S. operators can apply some of the best practices established in Europe, New Zealand, and other markets. Might some of them need to be tweaked for application in the U.S.? Of course, but what a fabulous head-start.

When it comes to merchandising lottery, communicating with the consumer, and integrating the most effective POS into the in-lane process, the devil is in the details. We have a crystal-clear picture of how it's done to maximize sales growth. We are helping lottery customers do that right out of the gate, with no wasted time or resources.

“ Instead of reinventing the wheel on the in-lane purchase process, U.S. operators can work with us to apply the methods established as best practices in Europe, New Zealand, and other markets. ”

What are some of the things you saw in the field in Texas that gave you insight into consumer and retailer behavior, or the retailer priorities that don't necessarily get talked about in the headquarters of multi-billion-dollar corporations?

T. Stanek: Throughout the decade I was in Texas, I witnessed firsthand the struggles retailers had with the operational issues, inventory control, and accounting methods that are unique to the lottery industry. I think the industry can earn retailers' enthusiastic commitment to selling lottery by addressing these concerns and helping them be more successful without overloading retailers with cumbersome solutions.

Think about how the industry currently supports multi-state retailers. Lotteries talk to them through many different voices: Each has a corporate account director who takes care of major accounts. Major multi-state retailers, though, don't want 44 different key account managers. They want one. When Speedway is dealing with a consumer packaged-goods (CPG) company, they don't work on a state-by-state basis. They have one person or one support team they can call. IGT wants to help lotteries handle this more like traditional CPG companies, so that lottery operators and the wider community of commercial partners are using collaborative systems that enable more efficient service and support.

Lottery has tremendous untapped capacity to help retailers drive store traffic, increase dwell time, enhance the shopping experience, and otherwise help retailers achieve their broader business objectives. Lottery is also somewhat unique for the role it plays in drawing consumers into the store. We want to help lotteries leverage this ability to enlist retailer support and enhance lottery's brand profile within the store.

Amazon transformed the world of digital commerce. How will Amazon's entry into the world of land-based retail impact the lottery industry?

T. Stanek: Retail and lottery are both at a crossroad right now. The move of an online giant like Amazon into physical stores is certainly a factor and a catalyst for change, and I have an optimistic view on it. There's an opportunity to evolve with the modern consumer, based on trends that point to a bright future for land-based retail.

Not only is retail the channel that connects lottery to its customers, retail is now coming back as the preferred choice for the next generation of consumers. In 2017, worldwide retail sales actually increased by more than 6%. And e-commerce represents only 10% of total retail sales. It might seem like we're buying everything online, but the fact is that 90% of purchases are still happening in stores (Worldwide Retail and Ecommerce Sales: eMarketer's Estimates for 2016–2021, 2017). MarketingLand.com published a survey indicating that 65% of Gen Zers (born after 1995) prefer to conduct their shopping in-store. Compared to Millennials, this is a big shift toward retail. That's why convenience stores are actually coming back. The number of physical store openings in 2017 was more than 50% greater than in 2016. That's huge, and the implications are quite important for lottery.

So, retail is the place to invest resources for optimal impact on lottery consumers. To be sure, it's vital for lottery to develop an omnichannel relationship with players, carving out a presence in all consumer touchpoints, and certainly including digital



**Sales Tools
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IGT's Retail Sales & Execution Team works with lotteries to drive growth in three focus areas, shown.

and mobile devices. But retail will continue to be a major purchase point of lottery for the next generation of consumers.

You mentioned that Gen Zers prefer shopping at land-based retail stores. But they probably don't mean the retail store of their parents' generation, do they?

T. Stanek: Good point. The expectations of young people keep raising the bar for merchants to transform the retail shopping experience. Change is being driven by the consumer, and retailers are embracing the challenge to meet their needs. We think of this as a tremendous opportunity for us to deliver innovative solutions to improve retail execution and ensure that lottery's brands are represented in the best way possible.

Now more than ever, retailers are more receptive to new ideas on how to meet their customers' needs. And lottery already has a great relationship and great profile within the retail environment. There has never been a better time to share new ideas with retailers about how lottery can better drive store traffic, provide entertainment value for customers, and add to their bottom line. That's core to my team's work.

“**The challenge to optimize the shopping experience for each customer has led to an explosion of creative solutions. There's a fabulous opportunity for lottery to lead the charge to modernize POS and methods of operation.**”

In this climate, all the major CPG marketers are also jockeying for position. They would love to carve out a higher POS profile for themselves. To avoid losing ground, lottery needs to take the lead in transforming operations and the consumer shopping experience.

If the resurgence of retail is driven by desire for social interaction among some younger groups of consumers, then why the trend towards self-serve and the clerk-less store?

T. Stanek: The kind of social interaction they want doesn't have to do with processing transactions at a cash register. What they're looking for is continuous social interaction among their network. Simply experiencing a new product or

a personalized in-store experience will trigger their desire to share that experience. Retailer resources will shift over to having clerks assist shoppers in other, more meaningful ways, or maybe having staff provide other social amenities or entertainment value.

We think about this as an opportunity for lottery to create a new and different role for itself. Instead of being a product to purchase we want people to see it first and foremost as a game to play. We want to help customers leverage that quality of lottery to enhance the retail environment with a fun and social game-playing experience.

What do you see as the biggest opportunity in the industry? And what has surprised you most since coming to corporate, responsible for global retail operations, instead of focusing on Texas alone?

T. Stanek: The global picture reveals how consumer-facing solutions, like personalization and convenience, are transforming retail operations. The challenge to optimize the shopping experience for each and every consumer has led to an explosion of creative solutions that appeal to more focused consumer profiles, narrower slices of the

consumer market. The number of retailers measuring patterns of customer behavior in brick-and-mortar stores is growing at an unprecedented pace, and they're drawing closer to understanding and personalizing the consumer experience, aligning to troves of data available in the ecommerce world.

Of course, this phenomenon of fracturing the mass market of consumers into smaller and smaller target groups applies to all industries. For retail, it represents a fabulous opportunity for lottery to be a part of the solution, to be the change-agent that leads the charge to modernize POS and methods of operation.

The solutions are largely operations- and execution-driven. It's all about finding more efficient ways to deliver personalized

service and a faster, easier, more convenient shopping experience. New store layouts, clerk-less stores, shared footprint models, new ways that consumers are identified and connected to their loyalty/member/player-club digital accounts, new ways to process transactions, capture data, retain customers—all represent a massive change in retail.

Lottery absolutely has the inside track, the most favored status with its retail partners. But we have to re-earn it every day, and we will lose it if we don't take a prominent role as part of the modernizing solution going forward. We want to help lotteries partner with retailers and execute at the level of their expectations. This turns what used to be a risk into an even bigger opportunity.

Are lotteries willing to make these investments to modernize?

T. Stanek: The industry needs to continue building a broad-based foundation of stakeholders who work together to define a course of action, with clear plans for how to execute with project management discipline and timelines. We're involved in solutions such as standardizing and automating retail accounting practices, which would include all lotteries in the nationwide marketplace as well as other suppliers and our retail partners. For lotteries, there will be up-front costs to modernize, but the long-term ROI is extremely positive, while the costs of not investing are potentially fatal. Making the investment is the only way to stay relevant at retail, and the upside is truly exciting for the future of lottery and its beneficiaries.

Retailers are not a homogeneous group. The needs of large, multi-state retail operations are different from the independents. Corporate retailers are open to partnering with lotteries, particularly if lotteries can deliver competitive opportunities that help them drive foot traffic. Maybe a state does a lot of business with a certain retailer. We can offer that retailer an exclusive that opens the door to additional promotional materials—that's something a lot of retailers will actually pay for if you give them a solution. Then there will be different eyes and more eyes on the lottery brand.

That's just one example, and we're working along these lines to make sure that the partnerships continue to grow and that we're leveraging every avenue of the retailers' communication channels, which will continue to make lottery much more attractive than a lot of other products out there. ■

The Lottery has always worked well with the Governor's Office and Legislature, with the common goal of maximizing revenue while maintaining the trust and best interest of the citizens of Rhode Island. We do that by adhering to the highest standards of security, integrity, responsible gaming, and other performance objectives.

The Lottery does not own and manage the physical facilities. Where do the Lottery's operational responsibilities begin and end?

G. Aubin: Private interests own and manage the facilities. They maintain the physical environment that allows the State Lottery to install and operate VLTs. The Rhode Island Lottery controls all aspects of the games themselves. The facilities ownership side of the business may undergo disruptions as investors buy and sell their way into and out of the business. But the lines of responsibility are so clearly drawn that there is never any confusion or dispute over who is responsible for what. The facility owner/managers provide the physical space and restaurants and overall consumer experience – basically everything except the games. It is clear what their obligations are, and it is always in the interests of the private partners to maintain and operate a well-run facility because the alternative to that is costly penalties which they want to avoid. By law, the Lottery has the ability to impose an administrative penalty of up to \$1,000 a day for any infraction. To date, we have not had to impose a fine, and I don't foresee that ever happening, because our partners are all very responsive. When there is an issue, they fix it immediately.

We work closely with our partners - the facility managers and the technology providers - in a highly collaborative way. I believe that the establishment of clear lines of responsibility and authority frees us up to work in a spirit of mutual respect and cooperation.

The Lottery has licensing agreements with technology companies to provide VLTs, other gaming equipment and communications infrastructure, and the central system provider. So, with the Lottery dealing directly with the VLT vendors and central system provider, there is no space between the Lottery and direct control over all aspects of the games. The Lottery decides what the payout percentages will be, the kinds of promotions to run, the kinds of CRM and player engagement tools to



Gerry Aubin

deploy, and everything that has to do with the games. We consider the recommendations of the technology providers on games to be deployed, but we decide. The facilities managers have no control over the games.

How do you determine which games to lease?

G. Aubin: We don't lease games from the Technology Providers. We have a License Agreement that allows the Providers to install their VLTs, and they receive a percentage of the Net Terminal Income. That percentage is set by Statute and is currently 7%. We provide a free market environment for the games to compete with each other. Revenues taken in by the game are used as the measure of player engagement and performance. During the first quarter of each calendar year, we conduct an evaluation of all games. The under-performing games are removed and replaced with either new games or more of the top-performing games. We may exercise discretion to keep an under-performing game if it is serving a strategic purpose, like meeting the needs of an under-served demographic which we are trying to attract. But otherwise, it is all by-the-numbers.

We, the Lottery, as the operator tasked with the responsibility for ensuring that the games offered at the facilities, as well as the traditional Lottery games in Rhode Island, meet the highest standards of performance based on a variety of metrics that include social responsibility as well as financial targets. But we also appreciate

that our partners are in the business to make a profit. Insofar as there are sensible actions that increase efficiencies, enhance the consumer experience and non-gaming revenues for the facility, enable our technology providers to reduce their costs, etc. ... as long as the expectations of the State of Rhode Island come first and are always met, we want to do what we can to help our partners succeed as well.

We also respect the fact that the process of needing approval from us can be a more cumbersome process than it is in the world of private casinos where proposals to innovate can be acted on quickly. We appreciate all the efforts of our partners and do our best to clear a path to innovate and modernize. Our partners and the Rhode Island Lottery all want to maximize profits for our respective stakeholders. Our goals are aligned in the sense that the way to maximize profits for each of us is to work together and operate efficiently, effectively, and deliver the best consumer experience possible. Key to achieving the Lottery's and the State's goals is for us to help our partners achieve their goals.

How much flexibility do you have to adjust for changing market-place dynamics and consumer tastes and preferences?

G. Aubin: Having full operational control of the gaming facilities, we establish our own rules and procedures to ensure that changes are in the best interests of all stakeholders. That being said, it is also in the best interest

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Northstar's final months to ensure continuity until Camelot was prepared, we need to step back and let Camelot to do their job.

Implementing a private management model involves a lot of time, costs, and uncertainties? Is it worth the effort? Do you project that in three or five years, the answer to that will be "Yes, it was worth it"??

G. Smith: Yes it takes a lot of time and expense, and a fair amount of uncertainty exists under all management models, including the state run model and public benefit corporation model. Private management creates another layer of required oversight as the State ultimately maintains control over all decisions. We all seek to develop confidence and trust in our staff, and a private manager is no exception in this regard. But the State cannot just say "... only tell me the important items and move forward on everything you think is right."

The change process for private managers following below average or poor performance gets implemented more slowly, and that can be costly to the State in two ways: (1) the expense of changing out a full company, and (2) likely stagnation of sales and profits during the transition. In my opinion, it is much easier to change leadership and direction under the other management models than with private management. It is important to remember that there are a number of situations where the Manager can choose to walk away from the engagement – slower growth may not reward their investment sufficiently.

I project that we will know the answer in 3-5 years, but do not know what the answer will be.

How does your role as director of the Illinois Lottery, with its private manager structure, differ from your role as director of the Vermont Lottery, with its more conventional model as a state agency?

G. Smith: They are barely comparable. I have always held the notion that directors of smaller lotteries (like VT) have to be more involved in greater detail than directors of larger lotteries, largely due to staff size. My experience in Vermont was critical to developing my knowledge base to achieve success in IL, especially during the private manager transition and the technical transition (changing gaming vendor). I cannot afford to dip too low into details myself without becoming a bottleneck and slowing things down. That said, I do need to ensure that

someone with the Lottery or the Manager is digging into the details and reporting back to me. The questions that need answering during a transition of manager or gaming system are the same whether you have 20 – 40 staff members or 200 – 400.

Once we are done with the private manager transition I need to fade back a bit and let Camelot take full responsibility for their assigned duties. While I might do things differently, we need to let them run their plan as long as it is not detrimental to the Lottery or the State.

How has your management style and strategic thinking changed since assuming this role that involves liaising between a gaming commission, a state legislature, governor's office, the Illinois Lottery staff, and the private manager?

G. Smith: Certainly the Illinois Lottery, with private management, almost \$3 billion in annual sales, and the political climate in the State has required me to "up my game". Illinois has proven itself as progressive with its lottery: first to offer special benefit instant games for organizations like veterans and Special Olympics; first to use the private management model; and first to sell lottery draw games online in the U.S. Most U.S. lotteries face competing agendas for growth in profits, responsible gaming, and addressing or responding to the goals of their State Legislature and Administration. I firmly believe that a well thought-out strategy with clear explanations can succeed even with resistance from various factions. Probably all of us working for lotteries and vendors are 75% identical in thought or approach to successfully operate a U.S. lottery. The remaining 25% comes down to which levers to hit, and in what order. If the industry is growing and your lottery is not, you need to re-evaluate your plan. I have found that mixing input from vendors (industry point of view) with the State's knowledge (boots on the ground) yields the best plan that can withstand most pressures and conflicts.

Anything specific to describe as to plans to expand into new games, new channels of distribution, other kinds of action-plans to increase sales?

G. Smith: After spending 2+ years terminating Northstar, and then transitioning to Camelot-Illinois and all of their subcontractors, I would describe IL as behind in offering or successfully applying some industry basics like 2nd chance drawings & extended play online game offerings, cross channel and game promotions, and

evaluating our portfolio of daily number and draw games. Camelot-IL will bring forward their plans to improve sales in all channels, improve existing games or offer new games, and work with retailers on best practices for product placement and POS use. That is clearly their responsibility. The Lottery will work with the Administration and Legislature to provide a clear playing field on which to perform. We will make progress on those basics, and hopefully see results in growth in sales and profits for our beneficiaries. Personally, I think there is great potential here, and believe that Camelot-IL and their subcontractors feel similarly.

And to wrap up?

G. Smith: The next 12-18 months for the IL Lottery, Camelot-IL and its subcontractors will be packed full of meeting transition milestones, getting used to working together, and limiting the impact on players and retailers. All stakeholders will benefit if we can provide a smooth, consistent playing field on which the plan can be executed. And, while doing all of this, we must maintain and improve our responsible gaming effort to protect those who need assistance. If we can do all of this we will have a very good story to tell. ■

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Gary Gonder continued from page 10

and Responsible Gaming committees. Mr. Gonder has helped host several NASPL events in Missouri and has actively presented at numerous NASPL, WLA, PGRI and La Fleur's conferences on a wide variety of topics, including Branding, the Customer Journey, Retailer Modernization, Winner Awareness, Crisis Communications, Responsible Gaming and Underage Prevention.

Mr. Gonder hopes his legacy at the Missouri Lottery will be having led employees and stakeholders to discover the power of living the "why" in the Lottery's purpose.

Gary holds bachelor's degrees in advertising and photojournalism from the University of Missouri School of Journalism and a Master of Public Administration from the University of Missouri College of Business and Public Administration. Mr. Gonder is a graduate of NASPL's first Lottery Futures College, the BC Lottery's Erehwon Case Studies Program and is a NASPL Powers Award recipient. ■

\$5.4
BILLION
LOYALTY DOLLARS



**Scientific Games' Loyalty Plus™ program was first launched by the
Arkansas Scholarship Lottery in 2009.**

Since then, the program has expanded to 14 different lotteries with a total of 1.7 million members who have entered an astounding \$5.4 billion worth of tickets. Even better – all those entries become a wealth of back-end data that can be used to further drive sales. And that's a real plus.



Because Real Counts

The Most Wonderful, Promotional Time of the Year

In many U.S. states, March and April bring warmer temperatures, rain showers and spring flowers. But for lottery product managers who work months in advance of the holiday season, spring days are filled with cool new holiday game designs, visuals of snowflakes and elves, silver and gold specialty inks, shimmering paper stock, and solutions to boost bottom line sales.

Creativity is in the air, and part of that means promotions.

"Holiday games typically have a shorter peak than most instant products, so what better way to maximize revenues during the selling cycle than with a promotion that brings your game top of mind to busy consumers who are being bombarded with every imaginable offer at this time of year," says Amy Hill, Vice President, Digital Content Studio for Scientific Games.

Hill, who has been developing and managing online promotions for seven years – and has nearly three decades of experience working with lotteries – gave us a look at some of the most successful promotions of holiday 2017.

Very Merry Second-Chance Drawing

Well-known for award-winning – and record-breaking – holiday promotions the last few years, the Pennsylvania Lottery launched its 10-week *Very Merry Second-Chance Drawing* 2017 holiday promotion in late October, featuring the *Very Merry* interactive mini games and three top prizes of \$100,000.

Registered members of the Lottery's VIP Players Club could enter non-winning, holiday-themed *Scratch-Offs* and *Fast Play* games, as well as winning or non-winning tickets for designated draw games.

Based on player feedback from previous drawings, the Pennsylvania Lottery created separate entry channels for each of the three qualifying game categories. A total of 49 second-chance prizes totaling \$1 million were offered, ranging in size from \$5,000 to \$100,000.

Tickets could be submitted manually online or by scanning the ticket with the mobile app developed by Scientific Games. Upon submitting tickets, players could play one of three *Very Merry* interactive games, *Cookie Drop*, *Hidden Elf* or *Stocking Shuffle*. These non-determinative, play-for-fun games did not award extra entries, but showed the number of entries initially awarded upon ticket submission.

The Lottery supported the promotion with a website homepage banner, as well as posts and photos on social media. Players could share the promotion using the hashtag #VeryMerry.



And the results of the promotion were also very merry! More than 14.9 million tickets were entered into the promotion, representing more than \$54 million in retail value. In fact, the six eligible instant holiday games performed well with an average fiscal index of 130. During the promotion, the Pennsylvania Lottery's mobile app was installed nearly 72,000 times and the interactive mini-games were played more than 3.4 million times (averaging nearly 13,000 daily active users).

Secret Santa Promotion



"Woo hoo for you" quips the Iowa Lottery's new slogan, and this year's holiday promotion did not disappoint. *The Secret Santa Promotion* launched in early October and ran for 12 weeks, featuring an interactive game and ticket scanning entry via the mobile app. A total of 11 holiday instant games were eligible for entry into the promotion, which offered seven player's choice drawings. Membership in the Lottery's VIP Club was required.

Players could submit tickets manually online and through the Iowa Lottery's mobile app developed by Scientific Games, or by scanning the ticket with the mobile app.

Players could then play the *Secret Santa* interactive game, a hidden object game that took them to a quaint Christmas village with a dozen game play scenes. They had 60 seconds to find six hidden objects listed at the bottom of the play screen. The faster the player found all six objects, the higher their score. After completing a game, the results screen summarized the player's score and achievements earned. Players could earn bonus points for finding the present in each scene with the Lottery's logo inside. Each week, a new scene became available with all 12 scenes available after the 12th week, and previously unlocked scenes could be played for-fun.

With each qualifying ticket submitted, players were given the choice to apply those entries to one of two second-chance prize drawings: *The Secret Santa Drawing* where prizes were truly secret (not announced ahead of time) or *The Not So Secret Drawing* for those who don't like surprises (prizes were listed on the Lottery's website).

The Iowa Lottery supported their holiday promotion with a website homepage banner as well as social media, encouraging players to post with #SecretSantaPromo. Santa delivered in this promotion! More than 790,000 tickets were entered, generating \$3 million in retail sales with the eligible holiday instant games indexing well. With the addition of the interactive game, which was played nearly 35,000 times (nearly 400 average daily active users), the Iowa Lottery's 2017 holiday promotion performed better than the year prior, driving a 9.2 percent increase in unique entrants and a 22.6 percent increase in new VIP Club members.

Willie's Holiday Bonus Second Chance Promotion

It was holiday bonus time for players in Arizona, with the Arizona Lottery's 14-week holiday promotion "making even more winners", as the Lottery's second-chance web page promotes. *Willie's Holiday Bonus Second Chance Promotion* launched in early October 2017, featuring an interactive game, ticket entry scanning via the mobile app and three prize drawings for the opportunity to win up to \$25,000. Six non-winning holiday instant games were eligible for the promotion. Participants had to have a registered Arizona Lottery account.

Branded with the Arizona Lottery's longtime mascot, Windfall Willie – a prospective miner who retired then made a comeback in 2017 as the Lottery's chief fun officer – the



promotion was destined for success. Players could submit tickets manually online and through the Lottery's mobile app developed by Scientific Games, or by scanning the ticket with the mobile app.

Upon entering a ticket, players were given the chance to play *Willie's Winter Wonderland* interactive game. The hidden object game took them to a quaint Christmas village with a dozen game play scenes. They had 60 seconds to find six hidden objects listed at the bottom of the play screen. The faster the player found all six objects, the higher their score. Players could earn bonus points for finding the present in each scene with the Lottery's logo inside.

With each eligible ticket submitted, players were awarded entries into one of three second-chance prize drawings for the chance to win \$10,000 (drawings one and two), or \$25,000 (drawing three). Players also had the chance to win instant prizes ranging from \$25 to \$500 (paid in the form of a VISA card) upon entering the promotion.

Well, Willie struck gold with the promotion! More than 329,000 tickets were submitted, with 18,000 players engaging in the promotion. The Arizona Lottery's mobile app weekly installations increased 6.9 percent during the promotion period, and more than 8,900 new accounts were registered with the Lottery. *Willie's Winter Wonderland* was played nearly 102,000 times (nearly 400 daily active users). The six eligible instant games indexed very well fiscally, with more than \$31.6 million in total sales.

Holiday Cash & Dash 2017 2nd Chance Promotion

Built around the popular *Warehouse Dash*® event offered previously by the Maryland Lottery, this year's *Holiday Cash & Dash 2017 2nd Chance Promotion* was by all accounts a great success. The 12-week promotion launched in late October, offering players a second-

chance opportunity to win a *Warehouse Dash* shopping spree or one of more than 200 other prizes.

The ultimate 90-second winner experience, *Warehouse Dash* takes thrill to a whole new level with players racing through a warehouse to fill their shopping carts with as much merchandise as they can fit before the buzzer rings. The events take place in Chicago with winners receiving roundtrip airfare (winner and guest), hotel, spending money, dinner reception and more.

The Lottery's holiday promotion featured the *Dasher's Dash* interactive game, ticket entry scanning via the mobile app, and 12 prize drawings. There were five eligible holiday instant games, and participants in the promotion had to have a Maryland Lottery *My Lottery Rewards* account.

Players could submit tickets manually online and through the Maryland Lottery's mobile app developed by Scientific Games via their *My Lottery Rewards* account. For easier entry, they could scan the ticket with the mobile app.

With each ticket entry players were given the chance to play the *Dasher's Dash* interactive game, a hidden object game that took them to a quaint Christmas village with a dozen game play scenes. They had 60 seconds to find six hidden objects listed at the bottom of the play screen. The faster the player found all six objects, the higher their score. Players could earn bonus points for finding the present in each scene with the Lottery's logo inside. Each ticket a player entered unlocked a new location, and previously unlocked scenes could be played for-fun.

The Lottery supported the promotion on social media, promoting the *Dasher's Dash* interactive game, as well as previous *Warehouse Dash* winners.

And there were lots of second-chance prizes! A total of 262 winners were selected to win an estimated total of \$590,000 in experiential prizes, cash and instant game tickets. Twelve weekly prize drawings awarded the *Warehouse Dash* and \$500 cash (1 winner/week), \$1,000 in cash (10 winners/week) and \$300 in instant game tickets (10 winners/week). Additional prizes came in the twelfth and final drawing, with five players winning \$10,000 and five winning \$5,000.

The Maryland Lottery's mobile app was installed nearly 18,000 times during the promotional period, with *My Lottery Rewards* members increasing by 5.6 percent. *Dasher's Dash* was played more than 200,000 times (1,055 average daily active users). The five eligible instant games had an average fiscal index of 122, generating more than \$27 million in total sales.



Holiday Dash Promotion

The New Mexico Lottery ran its *Holiday Dash Promotion* from early October through early March, featuring an interactive game, ticket entry scanning via the mobile app and two prize drawings. Four holiday instant games at the \$1, \$2, \$5 and \$10 price points were eligible for entry, and players had to have a VIP Club account to participate. Players could submit tickets manually online and through the New Mexico Lottery's mobile app developed by Scientific Games, or by scanning the ticket with the mobile app.

After each ticket entry, players were given the chance to play the *Holiday Dash* interactive game. The hidden object game took players to a quaint Christmas village with a dozen game play scenes. Players had 60 seconds to find six hidden objects listed at the bottom of the play screen. The faster the player found all six objects, the higher their score. After completing a game, the results screen summarized the player's score and the achievements earned. Players could earn bonus points for finding the present in each scene with the Lottery's logo inside. Each ticket a player entered unlocked a new location, and previously unlocked scenes could be played for fun.

All four eligible holiday instant games earned players entries into one of the two promotion drawings, each awarding 10 players with 5,000 points. The \$1 and \$2 holiday games also earned players entries into the Points and Rewards Drawings, a loyalty promotion Scientific Games manages for the New Mexico Lottery.

The Lottery supported the *Holiday Dash Promotion* with digital ads (mobile and desktop), digital billboards, radio traffic liners, a website homepage banner and an ad on the interface of its mobile app. Additionally, the New Mexico Lottery's Facebook page promoted *Holiday Dash*, and offered players multipliers like "10x Entries in December".

When the promotion wrapped, the Lottery's VIP Club membership had increased 10.5 percent, and more than 68,000 tickets had been submitted into the promotion.

"We're showcasing these five 2017 holiday promotions this spring because while each was branded uniquely to the Lottery, they all featured a holiday interactive game for players' enjoyment and instant games that performed well," says Hill.

"All of these successful promotions also offered players the ease and convenience of scanning tickets with the Lottery's mobile app, so the promotion was always in hand and integrated with their accounts. And each promotion was well-promoted on the lotteries' social media platforms."

Hill shared that the average promotional period was 14 weeks, with an average of 5.4 second-chance drawings. The eligible instant games featured in the promotions had an overall average fiscal index of 113. The Pennsylvania Lottery was the only jurisdiction to include draw and *Fast Play* games, in addition to holiday instant games in its promotion.

"These 2017 holiday gift promotions exemplify the flexibility of our interactive solutions. We understand one size does not fit all, and our team is experienced and dedicated to offering our customers options to fit their specific requirements and objectives," she adds.

With the many different components that must all come together to ensure a successful holiday promotion by October, it's never too early to start planning. And in the fresh spring air, the possibilities of growing holiday sales are green with promise. The most wonderful, promotional time of the year will be upon us again before we know it.

NEW MEXICO
LOTTERY



Andy Davis continued from page 10

In 2015, Andy received The North American Association of State and Provincial Lotteries (NASPL) Powers Award, given in recognition for outstanding performance by a lottery or vendor employee.

He received his Bachelor of Business Administration Degree with a major in Accounting from Mercer University's School of Business in Macon, Georgia. He is a licensed Certified Public Accountant. ■

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Becky Schroeder continued from page 10

the resulting tenant improvements, space reallocation and an entire remodel of Lottery offices in Boise.

In 2013, Ms. Schroeder was honored to be nominated and selected as a Women and Children's Alliance (WCA) sponsored Tribute to Women and Industry (TWIN) recipient.

The Idaho Lottery Team is proud to be nimble enough to pursue cutting edge initiatives, and brave enough to go for them!

Becky is proud to be a part of that team. ■

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Jon Duschinsky continued from page 22

Tomorrow's dream is not about one person getting rich - it is about strengthening community. It is not about the McMansion and Swarovski encrusted swimming pool tiles - it is about the massive social and environmental issues (overlaid with huge amounts of personal debt) that our societies are facing. It is not about me. It is about us.

And while the full impact of this transformation hasn't yet hit lottery bottom lines, let's not forget how quickly seismic shifts can and do happen in today's world (remember Kodak, anyone?).

Lotteries can and should see the growing power of millennials as an opportunity to stand for something else. Something bigger.

Some in the private sector have already started gently embracing this.

The Postcode lotteries give 50% of their ticket price to charities, which is almost double what national lotteries in Europe give. But their key-differentiating factor is not that higher figure. Rather it is that neighbourhoods win together. So Postcode lotteries stand for community and growing together. And they are expanding, with revenue growing every year. In the Nether-



lands, nearly 20% of the population play the Postcode lottery regularly, a very respectable number for a non-state lottery.

For a generation that needs to feel firmly connected to the world around them and their influence upon it, lotteries need to offer something more than a quick win. And part of the answer may come from technology.

New, socially driven cryptocurrencies are emerging that deploy fully transparent blockchain technology to enable funds to be transferred directly to those in need, with no risk of corruption, no fees and no technical requirements above those of the ubiquitous cellphone with a data connection.

Instead of sitting on your couch feeling helpless as you watch the desperation of those living in Syria, imagine you could safely and securely send \$50 to a family hiding in a basement in East Ghota, so they can buy the food they need, and maybe even a spot on a bus or taxi out of there at the next cease-fire. Supporting others through a digital currency means we can not only give quickly and easily, but track how and when those funds are used in real time.

Donations are already being made via bitcoin, litecoin and Ethereum, and the world's first charitable giving cryptocurrency, Giftcoin – which enables an end-to-end transparent donation facility – launches

just next month. It will become a central hub for digital donations, bringing like-minded people, grass roots organisations and beneficiaries together to create change.

Social change as we know it is about to be revolutionised, as technology disintermediates the non profit sector in the same way as it has done with hotels, airlines, taxis and more.

The need for lotteries to stand for stronger communities has never been stronger.

The future is collective. And the opportunity is huge.

What if playing the lottery was not about one's own personal gain, but a way to leave a legacy in the community? What if lotteries began to seek out people who play because they know that their few seconds of dopamine hit is actually a by-product of a much more meaningful way of impact those in need?

What if lotteries began to inspire people to be losers, rather than winners?

For at the end of the day, when we sit back with our children and open up the storybooks, we invite them to a world where everything is possible, and where the only true winners are those with the strength to recognise that we is more important than me. ■

Let the Games Begin:

Sports-Betting Leader Kambi Moves Into Virtual Sports

Kambi's agreement with Virtus Sports enables Kambi to offer a high-quality and complementary virtual sports betting product to operators

The realistic sports-playing experience of Virtual Sports is the next huge frontier for the games-of-chance industry. First, technology has gamified the whole category that engage the sports-betting and gaming enthusiast. It's new, it's exciting, and it is taking the industry by storm. Second, the format enables a variety of betting styles, including the random-generate outcome of Lottery. This is key for a game category that needs to reach new and younger demographic groups. The twenty-something player-profile that loves sports-betting is still the same profile that grows into the thirty-something that migrates to Lottery. Engaging a more diverse player profile is the key to a sustainable future for Lottery, and that is the promise of Virtual Sports. Let the Games Begin!

Kambi has made a strategic investment in gaming start-up Virtus Sports, an agreement which will enable Kambi to offer a high-quality virtual sports product to its growing customer base. Founded in 2014 and with offices in Malta and the UK, privately-held Virtus Sports delivers betting opportunities across a wide range of virtual sports, including football, horseracing, greyhounds and motor sport. As part of its investment, Kambi will integrate Virtus Sports' 3D virtual sports product into the Kambi Sportsbook platform, in turn making it available to Kambi's network of operators.

Kambi

Virtus Sports' high-quality virtual sports portfolio will complement Kambi's current offering and provide its customers with further opportunities to engage with players. Developed for online and retail channels, the games are fully customisable

so operators can, among other options, incorporate their own branding, modify game content and adjust pay out margins.

Kambi chief executive, Kristian Nylen, said: "Despite being in its early stages of development, Virtus Sports has shown an ability to produce high-quality and engaging virtual sports games.

"Through this investment, not only will Kambi close a product gap by integrating the games into the Kambi Sportsbook, but we will also support Virtus Sports' ongoing product development and sales to the wider market," he added.

Virtus Games founder and CEO, Andrea Brecevic, commented: "We are delighted the management team at Kambi has recognised the potential of the Virtus Sports' business and the high-quality production of our games. We are very excited about our games being made available to the Kambi network and look forward to releasing additional sports and other product enhancements very soon."

Kambi Booth at ICE Totally Gaming Show in London



Even if the PASPA is Struck Down, the Wire Act will still Prohibit Sports Bets from Crossing State Lines.

Will this Prohibit Intrastate Online Sports Betting?



By Mark Hichar,

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

By the end of June, 2018, the U.S. Supreme Court is expected to rule in the case of *Murphy v. NCAA, et al*¹ At the core of the case is the Professional and Amateur Sports Protection Act (“PASPA”),² the federal law that makes it unlawful for states to operate, promote, license or authorize sports betting, and also prohibits non-state operators from conducting sports betting pursuant to state law. The key legal question to be decided is whether PASPA “commandeers” states to maintain state-law prohibitions on sports betting in violation of the 10th Amendment to the U.S. Constitution (which reserves to the states or the people the powers not given to the federal government). If the Court upholds PASPA, it still may rule in favor of New Jersey by holding that PASPA is not violated by New Jersey’s 2014 law which repealed the State’s sports betting prohibitions, but only to the extent applicable to Atlantic City casinos and New Jersey horse racetracks.³

Even if PASPA is struck down completely, however, the Wire Act⁴ will remain intact and unaffected. The Wire Act prohibits the transmission of sports bets, and information assisting in the placing of sports bets, across state or international borders, using the internet or other wire communication facility. An exception exists for information assisting in the placing of sports bets if the information is transmitted from, and is received in, a state or foreign country in which betting on the particular sporting event is legal, but no exception exists for the bets or wagers themselves.



Several states around the country anticipate PASPA being struck down and are preparing for that possibility. As this writing, five states – Connecticut, Mississippi, New Jersey, New York and Pennsylvania – have passed laws that would authorize sports betting if PASPA is struck down or amended. Several other states have sport betting laws pending before their legislatures. Pennsylvania’s law⁵ expressly authorizes slot machine licensees to conduct sports betting. It provides:

The [Pennsylvania Gambling Control Board (“PGCB”)] may authorize a slot machine licensee to conduct sports wagering and to operate a system of wagering associated with the conduct of sports wagering at the slot machine licensee’s licensed facility, . . . or through an Internet-based system.

The [PGCB] may authorize a sports wagering certificate holder [i.e., a slot machine licensee which obtains a sports wagering certificate] to conduct sports wagering and to operate a system of wagering associated with the conduct of sports wagering as a form of interactive gaming authorized by the Commonwealth.⁶

As long as the federal Wire Act exists, however, state online and mobile sports betting systems can operate only on an intrastate basis. This means that sports bettors will be required to initiate all online and mobile bets from within a state in which such sports betting is lawful, and their bets must be received, accepted and processed by an operator using servers and other equipment located within that same state.⁷ Because internet information packets and mobile transmissions generally travel via the most efficient route existing at the time of transmission, unless a sports betting operator uses a private closed-loop system (which is impractical given its cost and inconvenience) it is possible that sports bets will travel across state lines on an intermediate basis before returning to the state where such bets were initiated and later accepted. As discussed below, such intermediate routing of sports bets may violate the Wire Act.

Whether the intermediate routing of sports bets across state lines violates the Wire Act depends on the interpretation given the Act by applicable law enforcement bodies, and ultimately by the relevant courts. In Nevada, for example, where intrastate mobile sports betting exists today, “wireless phone transmissions . . . including those used for mobile sports wagering — often travel through routers in Arizona, California or Utah because of the network topology and function.”⁸ There, the relevant enforcement bodies and regulators apparently do not take the position that the intermediate routing of sports bets across state lines constitutes a Wire Act violation. (There are no reported court rulings on the issue pertaining to Nevada’s intrastate sports wagering.)

It is not clear that this would be the case in other jurisdictions, however. Indeed, before the U.S. Department of Justice (“DOJ”) issued its 2011 Wire Act opinion (opining that the Wire Act applies only to sports betting), the DOJ took the position that betting of all types (not only sports betting) was covered by the Wire Act, and

“that the acceptance of wagers through the use of a wire communication facility by a gambling business, . . . from individuals located either outside a state or within the borders of the state (but where transmission is routed outside of the state) would violate federal law.”⁹ While the Unlawful Internet Gaming Enforcement Act (the “UIGEA”)¹⁰ contains an express exception for intermediate routing, the Wire Act contains no such exception, and the UIGEA states that “[n]o provision of [the UIGEA] shall be construed as altering, limiting, or extending any Federal or State law . . . prohibiting, permitting, or regulating gambling within the United States.”¹¹

Thus, there is a significant risk that courts outside Nevada would hold the intermediate routing of sports bets across state lines to violate the Wire Act. In 2009, when the DOJ considered the Wire Act to apply to all wagering (not only sports wagering), I wrote on this issue as follows:¹²

[T]he DOJ may still take the position that transmissions beginning and ending

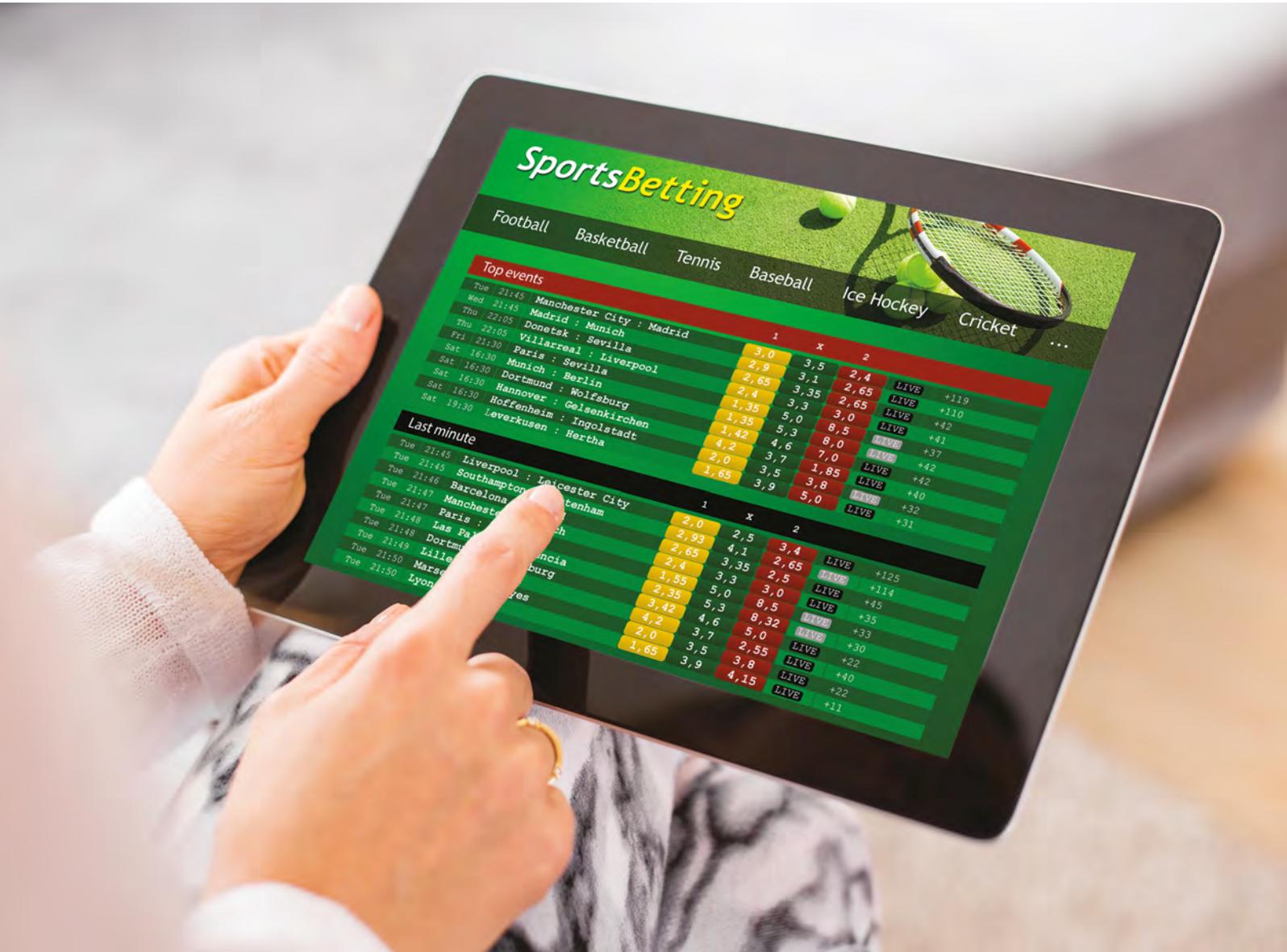
in the same state, but routed out of the state, are “interstate” transmissions for purposes of the Wire Act and thus unlawful if such transmissions make up a bet or wager....

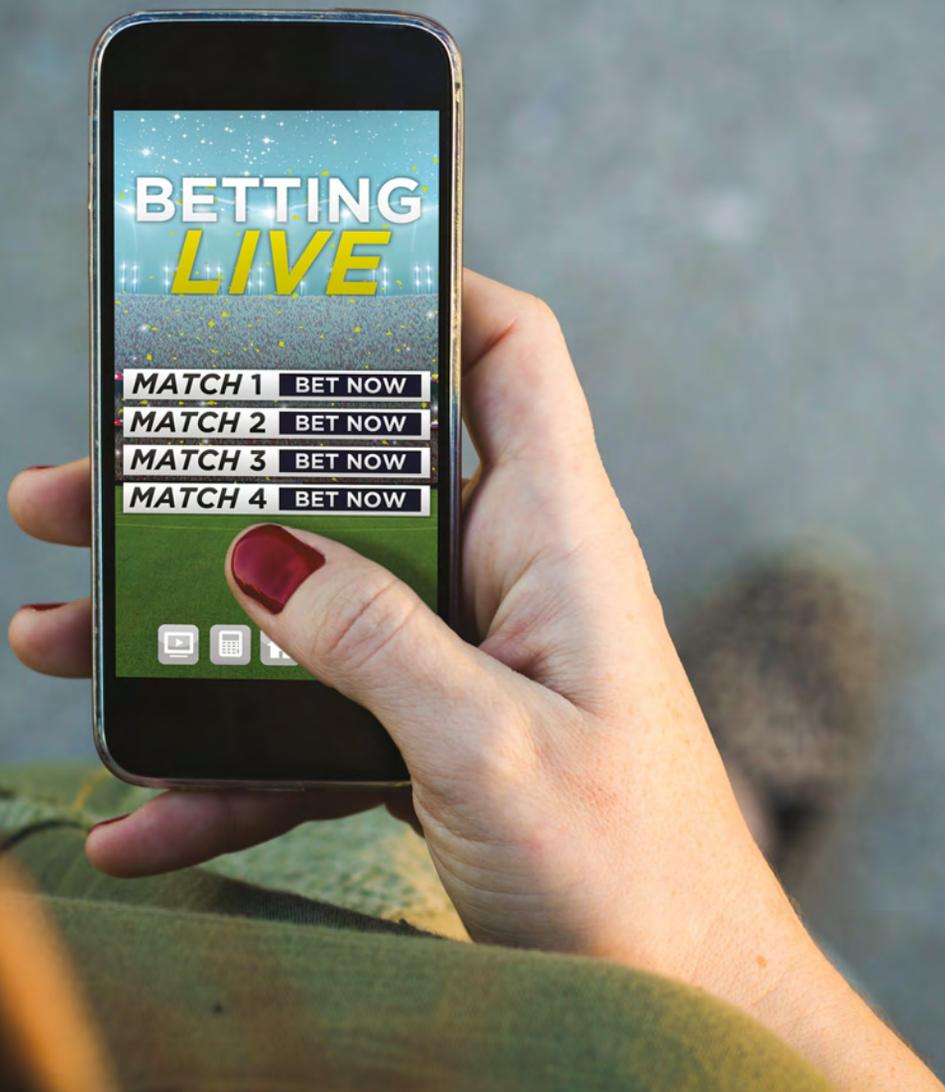
Although no reported case is directly on point, the DOJ’s position is supported by case law. In *Yaquinta v. United States*,¹³ at issue was whether the Wire Act applied to the use of a wire transmission facility to carry information assisting in wagering on horse races, where the messages were initiated and ended in West Virginia, but were routed through Ohio. All defendants knew that the transmissions traveled through Ohio. In West Virginia at the time, pari-mutuel wagering on horse races at licensed racetracks was lawful, but off-track wagering on such races was not.

The defendants argued that the congressional intent expressed in the Wire Act was not to make criminal the use of an interstate wire transmission facility to

carry messages beginning and ending in the same state “no matter how many other States the electrical impulses, carried by the wires, traversed,”¹⁴ but rather was to prohibit certain interstate wire transmissions that began and ended in different states. The court rejected this argument, stating that “the intermediate crossing of a State line provides enough of a peg of interstate commerce to serve as a resting place for the congressional hat, if that will serve the congressional purpose.”¹⁵ The court thus held the Wire Act applicable to the wire transmissions at issue.

The 10th U.S. Circuit Court of Appeals reached a similar conclusion in *United States v. Kammersell*.¹⁶ The defendant was charged under 18 U.S.C. § 875(c), which prohibits the transmission “in interstate or foreign commerce [of] any communication containing any threat to kidnap any person or any threat to injure the person of another,” and at issue was whether a threatening





“instant message” between two points in Utah, but routed through other states, constituted a transmission “in interstate or foreign commerce.” The 10th Circuit affirmed the lower court’s holding that the transmission was in interstate commerce, notwithstanding the fact that the transmission originated and was received in the same state. The defendant’s threat “was unquestionably transmitted over interstate telephone lines,” and thus fell “within the literal scope of the statute and [gave] rise to federal jurisdiction.”⁸¹⁷

Yaquinta and Kammersell provide support for the view that a gambling operator’s wire transmission of sports bets between points in the same state, but where the transmission is intermediately routed out of the state, constitute interstate transmissions for purposes of the Wire Act. Courts today could come to that same conclusion, particularly those in the 10th Circuit, where *Kammersell* was decided. (The 10th Circuit includes Colorado, Kansas, New Mexico,

Oklahoma, Utah and Wyoming.) However, it would be contrary to the purpose of the Wire Act to use it to prohibit online sports bets transmitted between two points in the same state, and incidentally routed outside the state, where the state has expressly legalized online sports betting within its boundaries. It was true before the DOJ’s 2011 Wire Act opinion and remains true today, that:

There has been no reported case of enforcement of the Wire Act against gaming operators transmitting wagers or information assisting in the placing of wagers, between points in the same state, where the underlying wagering was expressly authorized by the laws of the state. This is not surprising, because to do so would be contrary to the intended purpose of the Wire Act.

In *Yaquinta*, there was no question as to the culpability of the underlying conduct. The wagering at issue was illegal under West Virginia law. At issue

was only whether the wire transmissions constituting the illegal conduct were in interstate commerce so as to make applicable the federal statute. This is different from a situation where the underlying wagering is legal in the state in which the wire transmissions begin and end. In such a situation, the conduct clearly would be legal under applicable state law if it all occurred within the state—i.e., if the wagering-related transmissions never crossed the state’s boundaries. To make such conduct illegal merely because the wagering transmissions, although sent and received in the same state, were routed outside it, would not serve the purpose of the Wire Act. As stated by the court in *Yaquinta*, the purpose of the Wire Act is:

to assist the various States . . . in the enforcement of their laws pertaining to gambling, bookmaking, and like offenses and to aid in the oppression of organized gambling activities by prohibiting the use of . . . wire

communication facilities which are or will be used for the transmission of certain gambling information in interstate...commerce. ...¹⁸

Moreover, and more to the point, the court stated: “[T]he objective of the [Wire] Act is not to assist in enforcing the laws of the States through which the electrical impulses traversing the telephone wires pass, but the laws of the State where the communication is received.”^{19,20}

In addition, if the state through which the transmissions were intermediately routed attempted to prohibit such digital traffic through their state, even though it only traveled through the state and was not initiated, received or processed there, such action could violate the “Dormant Commerce Clause” of the U.S. Constitution, which bars states from discriminating against interstate commerce and favoring in-state economic interests over out-of-state economic interests.

In summary, a business that accepts online sports bets initiated and received in a state in which such betting is legal, but intermediately routed through a state in which such betting is illegal, may be held to violate the Wire Act, depending on the relevant court’s interpretation of that law. However, this form of intrastate sports betting appears to be happening in Nevada without challenge from regulators or law enforcement, and if a court were to hold that the Wire Act prohibited such conduct, such would be contrary to the Wire Act’s stated purpose. As I wrote before:

Had the underlying wagering in *Yaquinta* been legal, it seems unlikely that the prosecution would have been brought, and if it had been brought, it seems unlikely that the court would have found the defendants guilty under the Wire Act, even if the wagering-related information constituted actual bets and wagers (as opposed to mere information assisting in the placing of bets and wagers). If the underlying wagering had been legal in West Virginia, there would have been no need to assist the State in the enforcement of its laws, and using the Wire Act to prohibit communications that began and ended in that State, and assisted in wagering authorized by that State, would not have served the purpose for which the Wire Act was enacted.²¹ Moreover, use of the

Wire Act to prohibit intrastate wagering (except for the routing of transmissions) expressly authorized by a state would actually thwart that state’s laws, directly contrary to the stated purpose of the Wire Act. The Wire Act should not be used toward such ends inconsistent with its intended purpose.²²

from David Marshall Nissman, United States Attorney, District of the Virgin Islands, to Judge Eileen R. Petersen, Chair, Virgin Islands Casino Control Commission.

¹⁰ 31 U.S.C. §§ 5361 – 5367.

¹¹ 31 U.S.C. § 5361(b).

¹² “The Wire Act Should Not be Used to Prohibit Internet Gambling Carried out Under the UIGEA Intrastate Wagering Exception,” by Mark Hichar, *Gaming Law Review and Economics*, Vol. 13, No. 2 (2009), pp. 112-113, https://www.researchgate.net/publication/247565503_The_Wire_Act_Should_Not_Be_Used_to_Prohibit_Internet_Gambling_Carried_Out_under_the_UIGEA_Intrastate_Wagering_Exception (last accessed February 8, 2018).

¹³ 204 F. Supp. 276 (N.D. W.Va. 1962).

¹⁴ *Yaquinta*, 204 F. Supp. at 277.

¹⁵ *Id.* at 278.

¹⁶ 196 F.3d 1137, 1139 (10th Cir. 1999), cert. denied, 530 U.S. 1231, 120 S. Ct. 2664, 147 L. Ed. 2d 277 (2000).

¹⁷ 196 F.3d at 1139.

¹⁸ *Yaquinta*, 204 F. Supp. at 279 (quoting from U.S. Attorney General Robert F. Kennedy’s letter to the branches of Congress dated Apr. 6, 1961).

¹⁹ *Id.* at 279. Subsequent cases have established that the Wire Act is violated by the knowing sending of interstate wire transmissions assisting in wagering, where the underlying wagering, although legal in the state where the transmission is received, is illegal in the state from which the transmissions are sent. See, for example, *Martin v. United States*, 389 F.2d 895 (5th Cir.), cert. denied, 391 U.S. 919, 88 S. Ct. 1808 (1968).

²⁰ *Hichar*, at p. 113.

²¹ As noted above, the *Yaquinta* court determined that the out-of-state routing of communications beginning and ending in the same state was sufficient to consider the communications “in interstate or foreign commerce” for purposes of the Wire Act, “if that will serve the congressional purpose.” *Yaquinta*, 204 F. Supp. at 278 (emphasis added). If the communications at issue in *Yaquinta* had related to wagering expressly authorized by the state, then applying the Wire Act to prohibit such communications would not have served the congressional purpose, and the court’s statement suggests it would have decided the case differently.

²² *Hichar*, at p. 114.

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¹ Formerly, “*Christie v. NCAA*,” before Phil Murphy succeeded Chris Christie as Governor of New Jersey on January 16, 2018. *Christie v. NCAA*, et al., 832 F.3d 389, 396-397 (3rd Cir. 2016), cert. granted, 2017 U.S. LEXIS 4279 (2017) and consolidated with *New Jersey Thoroughbred Horsemen’s Association, Inc. v. NCAA*, et al., U.S. Sup. Ct. Nos. 16-476 and 16-477. Respondents are the National Collegiate Athletic Association, the National Basketball Association, the National Football League, the National Hockey League and Major League Baseball.

² 28 U.S.C. §§ 3701 – 3704.

³ N.J. 2014 P.L. c. 62, § 1.

⁴ 18 U.S.C. §§ 1081, 1084.

⁵ 2017 PA Act No. 72.

⁶ Pa.C.S. § 13C11(a).

⁷ The Pennsylvania Gaming Law enacted in 2017 provides: “Except as provided in this part [of the Law relating to sports wagering], all individuals wagering on sporting events through authorized sports wagering must be physically located within this Commonwealth or within a state or jurisdiction with which the board has entered a sports wagering agreement.” Pa.C.S. § 13C11(a)(3)(i).

⁸ See: Howard Stutz, *Las Vegas Review-Journal* May 20, 2015, at <https://www.reviewjournal.com/business/casinos-gaming/analysis-net-gambling-bill-accidentally-criminalizes-some-nevada-sports-bets/>, quoting Las Vegas gaming attorney Greg Gemignani. (Last accessed February 6, 2018.)

⁹ Letter dated May 13, 2005 from Laura H. Parsky, Deputy Assistant Attorney General, U.S. Department of Justice, Criminal Division, to Carolyn Adams, Illinois Lottery Superintendent. See also, letter dated January 2, 2004,



WILLY WONKA™ CHOCOLATE TOWER

A DELICIOUS
SECOND-CHANCE DIGITAL GAME

For those who haven't tasted *WILLY WONKA Chocolate Tower*, it's a Scrumdilyumptious digital lottery experience to rival some of the top social games available to players today.

What began as an innovation challenge to the Digital Content Studio at Scientific Games has come to life as a highly successful digital second-chance game that has been played more than one billion times by lottery players over the last year.

The *WILLY WONKA™ Chocolate Tower* was created to help lotteries to extend the play value of the multi-state instant linked game, *WILLY WONKA GOLDEN TICKET™*, which launched in March 2017 and has topped \$520 million in retail sales with 828 million tickets printed.

Thus far, eight of the 14 U.S. states participating in the instant game have added the digital game.

WILLY WONKA Chocolate Tower takes players on a chocolate-filled bonus second-chance opportunity to reveal entries into drawings for a chance to win trips to Las Vegas where the luckiest will take part in a *BILLION DOLLAR CHALLENGE™* for the opportunity to win cash prizes from \$1,000 up to \$1 billion.

BILLION DOLLAR CHALLENGE

"The *WILLY WONKA™* brand and theme has become one of the most popular slots on casino floors, so naturally I thought it would translate well to a lottery scratch-off ticket," said Michael Smith, Director of Gaming for the Arkansas Scholarship Lottery. "And we did not want to miss an opportunity to offer a linked game with a second-chance for a *BILLION DOLLAR CHALLENGE* for three lucky Arkansas Scholarship Lottery players. We felt a game like this was a fantastic opportunity to bring in new players."

Smith shared, "*WILLY WONKA GOLDEN TICKET* was one of the best-selling \$10 games in our history, which was a great way to start

off our fiscal year. Our Player's Club membership increased 115 percent when the game launched compared to the previous eight weeks. Arkansas players have entered nearly a half million tickets into the *BILLION DOLLAR CHALLENGE* second-chance drawing to date."



With *BILLION DOLLAR CHALLENGE* events in 2018 and 2019, it's the first time in the U.S. that lottery players have the opportunity to win up to \$1 billion on a second-chance offer.

"*WILLY WONKA Chocolate Tower* is a fantastic digital experience that encourages a player's interactive relationship with a lottery," said Amanda Saferin, Director of Product Marketing & Brand Integration for Scientific Games.

CHOCOLATE!

The game is simple, yet satisfies the craving for "chocolate" – or just one more chance to play and reveal *BILLION DOLLAR CHALLENGE* drawing entries. Players click on a chocolate bar from the "tower" of chocolate to remove it, and surrounding bars of chocolate in all different sizes then shift to fill the void. As chocolate bars are removed, they unwrap to reveal the player's number of entries into the *BILLION DOLLAR CHALLENGE* promotion. An *EVERLASTING GOBSTOPPER™* balances at the top of the tower, and the speed of the game increases as the player advances through levels. The game ends when the *GOBSTOPPER* falls off the tower.

"*WILLY WONKA Chocolate Tower* really enhances the player experience, and the fun nature of the licensed property makes it the perfect fit. This interactive game has resonated well with our players," said Michael Boardman, Director, Lottery Operations, Maine State Lottery. "We wanted to add even more value for our



players, and knew that offering a second-chance opportunity to enter the *BILLION DOLLAR CHALLENGE* promotion was definitely going to generate excitement.”

Boardman said retail sales of the printed *WILLY WONKA GOLDEN TICKET* instant game have been very good – it was the Maine State Lottery’s highest indexing \$10 game in 2017 – and the Lottery has decided to move forward with a second game.

DIGITAL ENGAGEMENT

The number of entries into the *BILLION DOLLAR CHALLENGE* promotion is pre-determined based on the *WILLY WONKA GOLDEN TICKET* instant game ticket entered online either manually or via scanning through the Lottery’s mobile app.

“Although the outcome is pre-determined, the game still engages players with an element of skill,” said Saferin.

“The Digital Content Studio’s game development team creatively worked chocolate bars into a unique play style called a ‘physics tower’. Not only does the game enhance the licensed property theme, it also demonstrates our game developers’ ability to continually come up with new ways to offer play styles that engage lottery players while staying within the parameters of a pre-determined reveal.”

it took about six weeks to build the digital game, followed by two weeks of QA. Before each state launches its game, QA takes place again.

WILLY WONKA Chocolate Tower was one of Scientific Games’ first digital lottery games with prizes – in this

case, second-chance entries into the *BILLION DOLLAR CHALLENGE* promotion – scattered throughout game play.

CREATIVE INNOVATION

“Players are really enjoying this game as you can see by the number of second-chance entries, and we are ecstatic about the way it’s all turned out,” said Will Reeves, Director of Creative & Game Design for Scientific Games’ Digital Content Studio, who designed the game and managed its development. “Yes, it’s a pre-determined game, but we explored beyond the digital interpretation of instant scratch tickets and came up with a very entertaining digital experience for players that extended the value of instant tickets purchased at retail.”

With more lotteries signing on to participate in the *WILLY WONKA GOLDEN TICKET* linked instant game, Scientific Games is readying for the first *BILLION DOLLAR CHALLENGE* event in Las Vegas in April 2018 and a second event in 2019 has been added.

The instant linked game won 2nd Place in the 2017 Global Gaming Awards for “Land-Based Product of the Year”. Most recently, the game was highly commended at the 2018 Gaming Intelligence Awards in the “Game of the Year” category at ICE in London, which spans all global gaming sectors.

Nothing is better than the thrill of playing a scratch and win instant game – especially when there’s a tower of chocolate waiting for you to extend your experience online.

WILLY WONKA & THE CHOCOLATE FACTORY and all related characters and elements © and ™ Warner Bros. Entertainment Inc. (s18)

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around the performance of our \$1 and \$2 games. Like most lotteries, we are seeing declines in these price points. These players helped shape some of our game designs for our upcoming business plan. Players were even asked to design their own Scratch-off game based on what was most important to them. And overwhelmingly, they told us that having multiple play areas or chances to win were key drivers, even at these price points.

But digital technology has expanded the range of options for how surveys and focus groups are conducted. The Hoosier Lottery's online panel of currently engaged players is leveraged for quick insights into a wide range of topics from game concept testing to responsible gaming awareness. The potential for online interaction to transform R & D is almost unlimited.

In addition to finding new ways to reach our players, we have made it easier for them to provide us that feedback by moving to device agnostic online survey tools that can be taken via mobile or on a computer.

How is the Hoosier Lottery applying some of the methods of Big Data to discern consumer/player trends and sharpen your messaging, product development, portfolio management, and marketing strategies?

S. Taylor: We monitor data constantly with a much higher level of precision and granularity. As a result, we know more about our players, the market reaction to new game concepts or promotions or messaging or POS merchandising ideas, game performance and effectiveness, retailer level performance, media performance, and so on.

As I shared at EL/WLA, our approach to data utilization is focused on first identifying barriers, gaps, and opportunities, and then determining the best way to gather insights and trends. And we recommend this as a starting block for anyone contemplating how to get on the big data bus.

This approach has allowed us to be focused, yet nimble, and to efficiently and effectively respond to the needs of the business. For example, through our media monitoring, we constantly adjust digital buys in-flight based on performance allowing us greater efficiency of our spend while reaching players who respond to our messages.

When there has been player or retailer confusion related to a product, we have quickly addressed it to ensure our

marketing and communication efforts helped overcome educational barriers.

This ability to adjust course so quickly is quite a quantum leap from how product and marketing launches used to be done. The model used to be that the cost of launching a new product was so high, and the ability to change course so restricted, that you did whatever amount of testing, incurred whatever amount of R & D costs, to minimize the risk of failure. And you had to work really far ahead. In the digital world, we have two things going on that completely change that picture. One, we have instant feedback that enables us to know how to adjust course. Two, the cost of modifying the messaging and even the product is manageable. In the old world,

“ Digital technology has expanded the range of options for how surveys and focus groups are conducted. ”

consumers would be surveyed to measure the impact of a TV or radio or billboard campaign long before a campaign launched. We are now able to be much more nimble with our product plan; we can more quickly make changes to our launch plans and messaging in response to market demand.

What are some of the trends in play-styles and general consumer behavior that are shaping your product and market planning going forward?

S. Taylor: The Hoosier Lottery is facing a juxtaposition of being a brick and mortar reliant business in a world where players are increasingly dependent on digital technology. For us, this means continuing to layer our marketing efforts with a strong retail foundation – and an equally strong digital base.

Consumers expect brands to communicate to them with personalized content. So we will continue to evolve by tailoring communication to players based on their preferences and behaviors identified across multiple channels – including our myLOTTERY loyalty database, website, and paid digital buys. These paid digital buys include an increase in spend on Mobile.

In terms of product development, we were the first in the world to launch the Now & Later category with the game Black Pearl. This new category brings together Scratch-off and Draw game experiences, on one ticket. Players are looking for added value and this game was a response to the

opportunity to create more value for our players. Now and Later gives players the chance to experience both sides of our portfolio, with an instant portion on one side that feels like a traditional Scratch-off experience and a Draw portion on the other side of the ticket. Players scratch to reveal their draw numbers and can choose when they would like to enter our nightly Black Pearl Draw, based on their Draw numbers. (Sarah: could I bother you to add a couple more sentences about Black Pearl and how it works. To my mind, combining the player experience of Scratch-offs and draw games is a powerful concept and I want our readers to understand it. Is it an “instant-reveal” of a draw? How does that work? Had the draw already taken place?)

What are some of the most promising games or initiatives that you are launching over the next 12 months?

S. Taylor: We are in the final stages of our fiscal year planning. But I can say that I am excited about partnering with the property “The Voice” in the fall. Attracting light/lapsed and new players is always on our minds given our mature brand. I'm excited to bring this property forward and offer players a great Scratch-off game with a really fun 2nd Chance opportunity – a chance to see the finale of The Voice. Connecting with contemporary Pop culture is key to being relevant to the modern consumer. It always has been, of course, but it will be even more true for the next generation of consumers!

We have also had a lot of success optimizing our Scratch-off portfolio with the introduction of exciting prize structures that offer many cashable at retail winning experiences for our players. I expect that we'll continue to launch additional games like these across multiple price points. Examples include our Cash Blowout and Winfall games which have quickly become core games within our portfolio. These games offer strong mid-tier prize structures with winning experiences that players can bring back to their retailers to cash. This gets our retailers buzzing about these games with players and sales of these games have remained consistent. So much so that we've launched them across multiple price points, most recently as a \$30 game. ■

Measuring Player Visits at Lottery Retail

E-Commerce Style Insights Now Available to Lottery Marketers



Jon-Paul Bussoli

Vice President Technology
Carmanah Signs, a Division of STRATACACHE

Carmanah Signs, the Lottery & Gaming Division of STRATACACHE, is proud to introduce the newest member of the STRATACACHE in-store marketing technology family: Walkbase.

Walkbase advances the Lottery Industry's player experience strategies by enabling personalized shopping experiences through real time mobile tracking, analysis, and action.

Walkbase Overview:

Retail Traffic Measurement & Insights

Walkbase provides bricks & mortar retail with consumer behavior insights that, until now, were only available in the realm of e-commerce. Walkbase anonymously measures lottery player behavior in real time, providing a retailer visit database for both ongoing insights and instantaneous calls-to-action.

The Walkbase system works by placing a Walkbase sensor at each retailer in a lottery jurisdiction. Powerful long term insights are then developed based on each anonymous consumer's retail visit patterns. As the visit data of each player builds over time, lottery marketers gain information and insights to drive deeper engagement and optimize the retail footprint.

In addition, because Walkbase works in real time, player engagement can also happen in real time. For instance, a content change on digital signage can be triggered while the consumer is still in-store.



The Walkbase solution has been designed from the ground up to be fully compliant with both US and European consumer privacy legislation. Walkbase measurement does not require any action by the consumer, and does not require download or use of the Lottery's app on their phone. Walkbase is a proven solution that is working today at retailers and in international airport terminals.

How Walkbase Works

At just 2" (5 cm) in size, Walkbase sensors are easy to place at retail. Walkbase sensors locate an individual's smartphone in real time by sensing the WiFi pings automatically sent out by that smartphone.

When the Walkbase system identifies a new consumer for the first time, the sensor assigns a unique "Walkbase ID" which ensures the consumer remains anonymous. From that point on, the Walkbase system is able to gather a variety of valuable in-store behavioral insights across all Walkbase enabled lottery retailers.

Marketers gain access to extensive reporting and analytics tools, including metrics such as heat maps, repeat visits, dwell times, and path analysis. Campaigns can be created for dashboard and email reporting purposes. Additionally, player engagement rules (i.e. calls-to-action) can be created and managed within the Walkbase system.

The Walkbase system can incorporate other STRATACACHE retail technologies, such as cameras that anonymously measure age range and gender, increasing the depth of insights for lottery marketers. Additional data, such as retailer sales data or weather data, can also be integrated into the Walkbase reporting and analytics tool for even deeper insights.

A Lottery can choose to gain additional individualized player insights by integrating the Walkbase App SDK into its lottery mobile app. Walkbase data can also automatically trigger real-time smartphone push messages to in-store players who have the Lottery's app.

What Does This Technology Mean for Lottery Marketers?

Lottery marketers can now learn from an evergreen database of individual, anonymous player insights. Individual player personas are developed based on visit time, visit duration, frequency of visit, and cross-site visits, while aggregate retail optimization insights are gleaned from a store's overall foot traffic (including reports on high/low traffic periods).

Examples of Lottery insights and actions provided by Walkbase include:

- Determining whether high traffic periods result in higher Lottery revenue
- Increasing investments where consumer traffic is highest
- Changing digital sign content when a player with known preferences is in-store
- Identifying potential monitor game sites by measuring customer dwell times
- Using real time visit data to trigger in-person customer intercepts at retail

What benefits would your Lottery capture with the real time retail visitor database the Walkbase platform provides?

Carmanah Signs VP Technology, Jon-Paul Bussoli, will be speaking at PGRI SMART-TECH 2018 in Miami, March 27-29. Bussoli will present on real time audience measurement at retail and how this technology can help lotteries thrive in the evolution taking place at retail. 

of society that we manage the business for long-term sustainable success. That means modernization to compete in a dynamic and competitive marketplace, innovation to meet the needs of the modern consumer, and to anticipate the tastes and preferences of the next generation of players.

We are currently in the process of planning the relocation of our gaming facility in Newport to a brand-new facility being built in Tiverton. This facility, with an anticipated September 1 opening, will have 30 table games and a 1,000 VLTs. This new casino could be described as a boutique facility compared to Twin River, which has 129 tables and 4,200 VLTs. As you know, the casino gaming market is dramatically different than it was back in 1992; and the competition will only be increasing in the coming years. We work closely with our partners to ensure that we deliver the very best experience to our players so they will be excited about returning to play at Rhode Island casinos. Our competitors in contiguous states are doing the same, which means the consumer benefits, as we all seek to raise the standards of performance.

Do the payout percentages in casinos in Connecticut and Massachusetts differ from those in Rhode Island casinos?

G. Aubin: We're all similarly competitive - we need to be in order to attract the players. Nobody has very low payout percentages, because if the player loses money in a short period of time, you end up with an unhappy player who doesn't come back. It is important to deliver value to the player. A payout percentage that enables the player to spend more time on the machine produces a much better player experience. And time-on-device is not just the source of value for the player, it also delivers profit for the facility, the Technology Providers, and the State. Long-term sustainability will be greatly enhanced if we do our best to deliver a positive player experience.

Keep in mind that it is very rare that all the VLTs are fully occupied. Even on busy weekend nights, there is almost always at least 10% or 15% of the VLTs that are unoccupied, so we can afford to let players enjoy the playing experience for as long as they want; and the higher payout/longer time-on-device model results in a satisfied and loyal customer.

The same logic actually applies to scratch tickets. Instead of offering just simple scratch-off to reveal numbers that win or

lose, it's important to include games with extended play that prolongs the playing experience.

Do you think that the consumer is migrating across different game categories more than they did 20 years ago?

G. Aubin: Yes, I believe that more people who play the traditional lottery products are now going to casinos and vice-versa. And we often cross promote to different player groups to encourage the consumer to try new games. One recent example of cross promotion would be our promotion marking the 25th anniversary of Powerball, which was designed to bring traditional lottery players into the casino. Players purchasing a Powerball ticket receive a voucher that can be entered into a second-chance drawing to win tickets to the Lottery's celebration event featuring John O'Hurley. Do you remember the guy who played Mr. Peterman on the show Seinfeld? That's John O'Hurley, and the Lottery is hosting a performance by him as well as a drawing for \$25,000. This event will take place at Twin River Casino. We have already had a tremendous number of entries on this drawing. Our facility partners are providing the space, the staging and sets, and everything we need to host the event. We provide the prizes as well as extensive promotional support with our website advertising and radio and TV spots. This is a current example of how we're cross promoting. We will likely be increasing this type of cross promotion as the players' response has been very positive. We want players to engage with us on as many different levels, and with as wide a variety of games, as they are willing. Clearly, leveraging Lottery to attract new consumer groups to casinos benefits our casino and technology partners as well as generate new revenues for the State's General Fund. I also believe it expands the market without cannibalizing the sales of traditional lottery products.

What's new and innovative in the casino gaming business?

G. Aubin: There is a new playing experience called "stadium gaming". Instead of a the traditional table game setup with a live dealer interacting with a handful of players - in stadium gaming, the player sits at an individual monitor, which displays a dealer and the game. The player's bet goes into a bill acceptor at the individual monitor. There are no chips to rake or cards to handle. One benefit of stadium play is that it enables the novice to play alone, without worrying about being observed

and judged by other players as could be the case with a traditional table game. So, it is a great way for new players to learn the games at their own pace. It is also fun for the experienced player, because stadium gaming offers a wider variety of betting options along with the feeling of playing in a game with lots of players with little to no interaction. It's great for the facilities because it is less costly, more secure, and easier to manage than traditional live table games; and it offers a fun new playstyle for consumers looking for something different. It is becoming very popular, especially with young adults. We expect to launch stadium gaming in October.

Are you able to launch sports-betting if the Supreme Court removes the federal prohibition?

G. Aubin: While that's a question for the lawyers, the Rhode Island Lottery is authorized to operate Class III Gaming which is the category of gaming that sports betting will be if it is allowed. The Twin River facility is renovating their building to accommodate stadium gaming, and will allow for the necessary room needed if sports-betting is allowed. We are also looking at "skill VLT games", which are in the early stages of development. As they gain market acceptance, and we understand best practices for this new product, we will certainly be looking into that as well.

Are there operational synergies between casino and traditional lottery?

G. Aubin: Only insofar as they are all games-of-chance and need to be managed properly to ensure they comply with the highest standards of security, integrity, and responsible gaming. Not so much from a marketing or operational POV. As described above with the Powerball promotion, we run some cross-promotions; but generally, the two sectors are managed by two separate groups in the organization, and there is limited overlap between the casino and traditional lottery management teams.

The Lottery allocates more of its human resources to the traditional lottery side of the business even though it doesn't generate as much revenue as the casinos. With a broad base of stakeholders that includes 1,200 retailers, along with a broad base of consumers who love to play the lottery, traditional lottery is a part of the fabric of society that continues to have great potential to grow and prosper. ■



Thank you
to our Sponsors!

Spotlight on the Leaders of the Government-Gaming Industry

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





International Game Technology PLC (IGT)
www.IGT.com

A global leader in lottery and gaming, IGT is uniquely positioned to modernize play by leveraging a substantial investment in innovation and a wealth of premium content, player insights, operational expertise, and leading-edge technology. Our gaming platforms and solutions anticipate the demands of players and enable them to experience their favorite games across all channels and regulated segments, from lotteries and gaming machines to interactive and social gaming.

IGT has a well-established local presence and relationships with governments and regulators in more than 100 countries around the world. We help our customers create value by adhering to the highest standards of service, integrity, and responsibility. IGT has more than 12,000 employees and approximately \$5 billion in revenues, and is listed on the New York Stock Exchange under the ticker symbol IGT.

Lottery – We enable our customers to drive profit growth and deliver innovation in all aspects of lottery, from the player experience to lottery and retail management.

Gaming – We develop and deliver dynamic systems, gaming machines, and other technology-packed innovations to gaming venues around the world.

Interactive – We provide new game and system solutions for mobile, web, and retail that support the growth of casinos, lotteries, and online operators.

Betting – We create the technological and real-time operational solutions for all aspects of customers' sports betting operations.

Marco Sala, Chief Executive Officer,
International Game Technology PLC

Marco Sala a.i., Chief Executive Officer,
North America Lottery

Renato Ascoli, Chief Executive Officer,
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INTRALOT
www.Intralot.com

INTRALOT, a public listed company established in 1992, is a leading gaming solutions supplier and operator active in 52 regulated jurisdictions around the globe. With \$1.64 bn turnover and a global workforce of more than 5,300 employees in 2016, INTRALOT is a robust corporation uniquely positioned to offer to lottery and gaming organizations across geographies flexible, stable, and secure gaming products and services. INTRALOT handles an average of \$29 bn of wagers per year and has installed and operates more than 300,000 of its proprietary terminals around the world. INTRALOT entered the US market in 2003, owning a production facility in Mason Ohio and winning 13 contracts in 12 States nationwide to provide online systems and services, warehousing and distribution of instant tickets and VLT/COAM monitoring. In January 2018, INTRALOT signed a new contract with CAMELOT for the Illinois State Lottery to provide technology services in line with the Private Management Agreement (PMA) held between the State of Illinois, the Department of the Lottery and CAMELOT Illinois LLC.

INTRALOT has recently invested in a next-generation portfolio of intelligent products and services to support Lotteries' modernization in the digital era that focus on the players' modern needs while offering entertainment experiences through all distribution channels, across all verticals (Lottery, Betting, Interactive, VLT). The new "All about the Player" product design strategy addresses modern consumer trends and harnesses IT potential for big data analytics and a personalized playing experience. INTRALOT adopted a global growth strategy designed around synergies with local partners that aims to expand our market penetration capacity and diversify our product portfolio in local markets.

As member of the UN Global Compact, INTRALOT is a global corporate citizen committed to sustainable development, and is an active proponent of the principles of responsible gaming, possessing the WLA Responsible Gaming Framework Certificate.

The company maintains the highest security certifications. INTRALOT is the first international vendor in the gaming sector that has been certified according to the WLA Security Control Standard in 2012, and has been awarded with its renewal in 2016. Moreover, the Company has been certified with the ISO 27001 for its Information Security Management System (ISMS) and maintains the ISO 20000-1 certification on Information Technology Service Management.

INTRALOT contributes decisively to the future developments of the industry being a member of the major Lottery and Gaming Associations around the globe: Platinum Contributor of WLA, Premium Partner of European Lotteries, Top Sponsor of North American Association of State & Provincial Lotteries, Star Contributor of CIBELAE (Lottery Association for South America and the Iberian Peninsula), Gold Sponsor of Asia Pacific Lottery Association, Member of Gaming Standards Association and Gold Member of the Association of Gaming Equipment Manufacturers.



Linq3
www.Linq3.com

Linq3 is a technology solution provider that holds regulatory approvals and state licenses that allow it to generate and distribute lottery tickets through a proprietary technology platform. This platform uses existing point of sale (POS) devices at major retailers across the United States. The company has offices in Atlanta, Ga. and Long Beach, Ca.

U.S. shoppers will soon be able to purchase jackpot games such as Powerball and Mega Millions at grocery retail checkout and have the numbers sent to their mobile device, making playing the lottery more convenient and fun. This unique innovation is the result of an exclusive partnership between lottery technology provider Linq3 and Blackhawk Network, a global financial technology company and a leader in connecting brands and people through branded value solutions. The program is subject to individual state lottery approval and is expected to be available in select states at participating grocery retailers starting in late 2017.

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

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

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



Pollard Banknote Limited
www.pollardbanknote.com

For more than over 30 years, Pollard Banknote has been a full-service instant ticket partner that lotteries trust to provide high quality products and related services. The company serves over 60 clients worldwide, providing value-added strategic marketing and management services for both traditional instant games and the emerging interactive space. Pollard Banknote has an established presence in both North American and international markets, with the privilege of serving 26 NASPL/WLA lotteries as a primary or sole supplier of instant games. The company’s successes are grounded in its unrivaled ability to form strong partnerships with its customers, focusing on maximizing player engagement, sales and proceeds for good causes.

As the only vendor that specializes in instant games, Pollard Banknote is able to focus on pushing the boundaries of how a traditional ticket looks and plays. The company is a proven innovator, having introduced important, revenue-generating product innovations to the lottery industry. Pollard Banknote continues this trend by constantly introducing fresh and innovative print features, as well as digital products and services that send players back to retail, effectively bridging brick-and-mortar products with the Internet.

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

Pollard Banknote and NeoGames, a leading global Internet lottery provider with expertise in online and mobile products, have partnered to form NeoPollard Interactive. NeoPollard Interactive leverages the strengths of both companies to develop, implement, operate and maintain innovative iLottery solutions.

In 2017, Pollard Banknote acquired Diamond Game, a company that designs, produces, and services games, gaming systems, and tickets for various North American lotteries and charitable and other gaming markets. This acquisition, as well as the more recent acquisition of International Gamco, has helped Pollard Banknote expand its role in providing pull-tab tickets, bingo paper, and now Diamond Game- and Oasis-branded electronic ticket machines, to charitable and other gaming markets in North America.



Scientific Games Corporation
www.scientificgames.com/lottery

As a world leader in gaming entertainment, Scientific Games' mission is to empower our customers by creating the world's best gaming and lottery experiences. Our casino, lottery and digital games reach players wherever they are, whenever they want to play, and in any channel they choose: retail, casino, digital or sports.

For more than 84 years through our acquired companies, Scientific Games has delivered what customers and players value most: trusted security, creative content and innovative technology. Beginning with the world's first slot machine, the "Bally Baby" in 1936, to our development of the world's very first secure lottery instant game in 1974, and our revolutionary SCiQ™ lottery retail ecosystem in 2018, we are a trusted business partner to more than 1,500 customers around the globe.

Headquartered in Las Vegas, Nevada, with over 10,000 employees worldwide, Scientific Games serves our customers from manufacturing and commercial facilities on six continents. We offer a fully-integrated portfolio of technology, platforms, content, and services for gaming and lottery industries.

Scientific Games' history of success has been driven by our highly experienced professionals who are committed to excellence. Our products have been developed by some of the world's top game designers, mathematicians, marketing research analysts and product managers.

We are an industry leader in developing and applying market research, analytics and consumer insights to gain a deeper understanding of player demand and preferences. As a result, we continue to generate new ideas and innovative gaming solutions that provide players with exciting experiences – and retailers with operational efficiencies.

Scientific Games is committed to corporate social responsibility, and we work closely with our customers, governments, regulators and industry associations to support player protection and responsible gaming.

We drive the global lottery and gaming industry forward by maximizing our customers' performance with a proven portfolio of products, technology and services featuring:

- Instant, draw and hybrid games
- Sports betting
- Interactive games and promotions
- iLottery (eDraw and eInstants)
- Licensed brands
- Loyalty programs + online rewards store
- Gaming systems technology
- Retail point-of-sale technology
- Mobile apps
- Internet platform + CRM
- Retail development programs
- Managed services

Visit www.scientificgames.com/lottery



ABACUS Solutions International
www.lotteryeverywhere.com

Lottery Everywhere by Abacus
 Abacus offers lotteries the opportunity to reach 100% of their potential players in-store with the Abacus In-Lane Solution. Implementation of the Abacus In-Lane Solution means that potential players are exposed to the opportunity to play lottery at every till point as they're checking out their shopping – unlike the current 5% of shoppers playing at a dedicated in-store terminal. Abacus manages the integration of the lottery's existing or new games into the retailers' EPOS systems from start to finish, making it easy and painless to implement. Abacus is the leading supplier of in-lane solutions with more than 25,000 lanes live in Europe.

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

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

Our fully managed service offering includes:

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

Contact: Simon Butler, CEO
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Carmanah Signs
www.CarmanahSigns.com

The retail environment is rapidly evolving. The need to increase sales and appeal to younger players, while delivering engaging and informative experiences, is key for lotteries. Carmanah Signs combines a deep understanding of the Lottery Industry with globally leading retail optimization expertise, helping lotteries engage with their players and grow sales.

A leading supplier for over 20 years, Carmanah Signs (Carmanah) is the Lottery & Gaming Division of STRATACACHE—the world’s leading provider of digital signage network software, hardware, and services. Together, STRATACACHE and Carmanah have over 2.1 million connected media players and 140,000 wireless jackpot signs at retailers around the world.

An active member of the global lottery community, Carmanah serves 51 lottery customers in four continents. Carmanah focuses solely on solutions for the Lottery Industry, providing everything from digital signage software and hardware (media players, screens, tablets, networking equipment, and jackpot signs) to services (content creation, scheduling and distribution, network monitoring, and technical support).

Carmanah is a long-time associate member of five global lottery associations (WLA, NASPL, EL, APLA, and CIBELAE), and is an ongoing sponsor and content contributor to numerous Lottery Industry events. The team includes professionals with a breadth of experience and deep roots in lottery, including team members from vendor, agency, and lottery backgrounds. Carmanah is the only digital signage provider committed to the Lottery Industry at this level.



InComm
www.incomm.com

Leveraging deep integrations into retailers’ point-of-sale systems, InComm provides connectivity to a variety of service providers that allow consumers to conduct everyday business at more than 500,000 points of retail distribution. Whether those consumers are activating prepaid products, paying bills, enjoying real-time discounts through a membership card, purchasing digital goods in-store or adding funds to an online account, InComm is there to provide unique gift-gifting opportunities, cater to on-the-go shoppers, deliver added value through loyalty programs and serve cash-based consumers. With 246 global patents, InComm is headquartered in Atlanta with a presence in more than 30 countries. Learn more at www.incomm.com.



Lazlo
PlayLazlo.com

As the U.S. Lottery industry entered the new century, digital formats, gaming systems and the internet became the primary source for shopping and entertainment for younger consumers. Research has indicated that younger audiences are less likely to engage in lottery offerings and believe lottery is something that doesn’t fit their lifestyle. New game styles, new promotional strategies, and new distribution platforms are required to attract a younger generation of players.

Lazlo™ provides a digital content delivery platform powered by Mobile CryptoImaging™ (CI), a patent pending technology that allows Lazlo to transform the existing paper lottery wager into a highly secure, trackable and redeemable digital ticket on mobile phones. All lottery transactions are anonymous and are tendered at lottery retail locations.

Lazlo brings the lottery industry a new business model that provides lottery with a new product distribution channel, motivates retailers promote lottery and leverages the marketing support from consumer package goods companies.

The Lazlo team includes professionals with vast experience in lottery, technology, retail, consumer products and marketing. Lazlo provides exciting game content, attracts new audiences and delivers products in a manner that is easy, safe and secure for lotteries, retailers, brands and consumers.

Vision
Leadership
Teamwork





Worldpay.com
gaming@worldpay.com

Payment products and services for Lotteries that extend well beyond a physical location.

With the successful closing of the merger of Vantiv and Worldpay in January, the new Worldpay now represents the largest payments company in the world and the global leader in payments processing technology and solutions for our merchant customers.

We operate reliable and secure proprietary technology platforms that enable merchants to accept a vast array of payment types, across multiple channels, anywhere in the world. Cashless Gaming has become a reality across the regulated gaming space, improving player convenience and operator efficiency. We connect the dots with a single, highly-secure platform for all points-of-sale, optimizing your payments environment to providing valuable player-level analytics and enrich the lottery playing experience.

We are pioneering innovation in the U.S. Lottery market through partnerships with the leading technology companies, including IGT, Intralot, Linq3, NeoPollard Interactive, and Scientific Games, along with world-class point of sale providers, Verifone and Ingenico.

The newly combined company moves over \$1.5 trillion on an annual basis, processing over 40 billion electronic transactions, operating in 146 countries while supporting over 126 currencies and over 300 different payment methods. No matter where people play the lottery — in-person, online, or via their mobile devices — our comprehensive solutions support player choice in payments across all your channels of engagement, responsibly generating incremental profits for good causes.

Our Vivid Data Engine™ brings true science to the world of payments combining demographic, financial and lifestyle data to give you a view of your customer through a single lens made possible only by Worldpay.

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Leaders in Modern Money



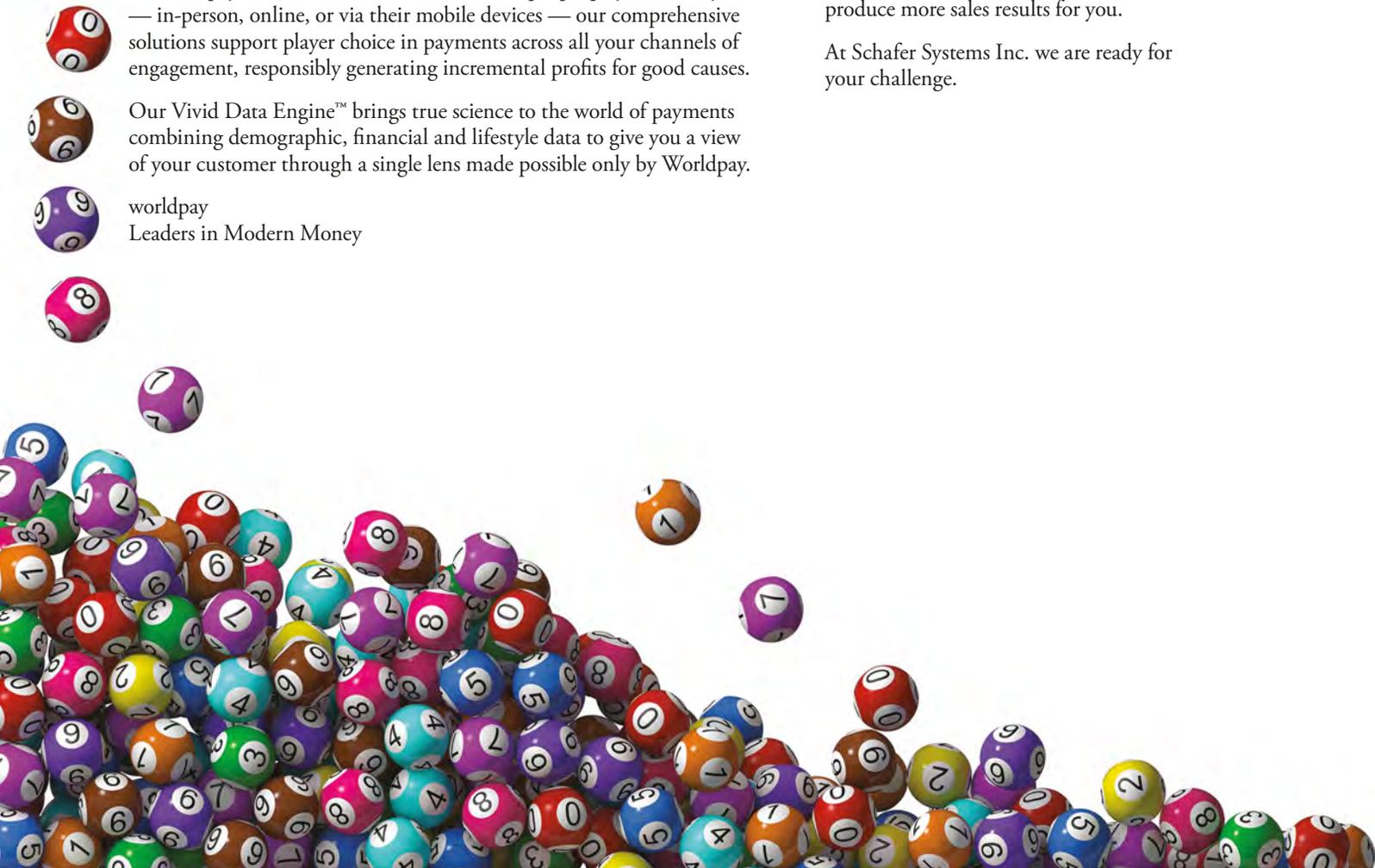
Schafer Systems Inc.
schafersystemsinc.com

Schafer Systems Inc. is the leading provider of plastic products for dispensing and point of purchase items for lottery products. Founded in 1986, Schafer Systems is worldwide currently working with all U.S. lotteries and over 69 International clients and is constantly adding to its portfolio of products and clients.

At Schafer Systems Inc. we are committed to our clients and their unique needs in creating products to emphasize brand recognition and loyalty toward their customers. Starting with our sales team taking the time to get to know you, your team and your need for new products. To the expert engineers using a wide variety of design and manufacturing processes to produce your custom design. All the way to our production team to get your product just the way you are expecting it and our warehousing and shipping teams committed to exceeding your expectations.

Product design, quality, and durability do make a difference on your bottom line and we understand that. The business of Schafer Systems Inc. is to understand retail, branding, and customer engagement to ensure we are producing the highest quality products that produce more sales results for you.

At Schafer Systems Inc. we are ready for your challenge.





PGRI LOTTERY EXPO 2018
OCTOBER 23-25
New York City
Conference Hotel TBA

- **Conference Info & Details:** www.PublicGaming.org
- **News website:** www.PublicGaming.com
- **View video-recorded presentations:** www.PGRItalks.com
- **e-mail:** Pjason@PublicGaming.com

Lotteries Reshape the Games-of-Chance Industry

PGRI Conferences are about pushing fearlessly into a future that is rich with opportunity. It's about keeping up with a consumer that expects more than ever, and with a competitive environment that is changing rapidly to meet those expectations. Team Lottery is already setting the highest standard for the entire games-of-chance industry and is bracing to raise the bar higher. It has all the tools to make it happen, and the courageous leadership to show us the way.

Lotteries are building out the infrastructure, innovative game content, and strategies that connect the lottery operator to the consumer across an increasing variety of distribution channels and consumer touch-points.

And that is a good thing because now more than ever, Lottery must prepare for industry-wide disruption. What can Lottery do to be the ones who anticipate the future and lead the way?

Lottery Expo provides a unique forum for industry leaders to address the most challenging issues, and intriguing opportunities, that face our industry today. **We hope to see you there!**

Visit PublicGaming.org for updates and conference info



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District Manager, Florida Lottery

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Executive Director, Idaho Lottery

Gerald Aubin

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Executive Vice President & General
Counsel, Tennessee Lottery Corp.

Marty Zuniga

Community Relations Manager,
Missouri Lottery

Program for PGRI SMART-Tech Miami



Basic Agenda/ Schedule

**Tuesday March 27;
5:00 to 7:00 pm:
Reception**

**Wednesday March 28
8:30 am to 5:00 pm:
Conference Sessions**

**Wednesday March 28
5:30 to 7:30 pm:
Reception**

**Thursday March 29
8:30 am to 1:00 pm:
Conference Sessions**

**Thursday March 29
1:00 pm to 3:00 pm:
Lunch and reception**

Public Gaming Research Institute

SMART – Tech 2018

Preliminary Draft Program

March 27, 28, 29 at the Conrad Hilton
Boutique Miami Hotel

SMART-Tech Miami 2018 is off to a great start and will be a refreshed, updated conference event. PGRI is partnering with the leadership of the Florida Lottery to set the highest standard for delivering a uniquely great program and overall conference experience.

Strategic Innovation: Charting a Course between Disruption and Stability

The headlines all proclaim the wonders of *disruption* - “disrupt or be disrupted” being the business mantra du jour. But does everyone want to be the next Uber? If you are a start-up with nothing to lose and everything to gain, it’s easy to be the bold change-agent disruptor. If you are a multi-billion-dollar business with dominant market share and millions of loyal customers who love your product, the posture should probably be more measured and strategic. How do we chart a course of positive, purposeful innovation while

preserving stability and maximizing the life-cycle value of current products, and current operational and distributional infrastructures?

- Receptions on Tuesday and Wednesday nights, and Thursday afternoon in Level 25, the beautiful top-floor lounge of the Conrad Hotel
- Luncheons Wednesday and Thursday to be in the Lisbon Ballroom
- All conference sessions in the Conrad Main Ballroom
- Double Platinum Sponsor: IGT
Platinum Sponsors: INTRALOT, Linq3, Pollard Banknote, Scientific Games
Silver: Carmanah Signs, InComm, Lazlo 326, Schafer Systems, Vantiv Entertainment, Reception Sponsor: Abacus Lottery Solutions, Hospitality Sponsor: IGT

Tuesday, March 27

5:00 to 7:00 pm:
Opening Night Reception,
Upper Pool Terrace

Wednesday, March 28

Main Park Ballroom 2nd Floor
7:30 to 8:30 am:
Continental Breakfast

Program for PGRI SMART-Tech Miami

8:30 am

Paul Jason

Chief Executive, PGRI,

Opens the conference sessions

Bright Futures

Welcome to the Sunshine State!

Jim Poppell

Secretary, Florida Lottery

Keynote Speech:

Gordon Medenica

Director, Maryland Lottery

IGT Update: Commitment to Customer First

Jay Gendron

Chief Operating Officer, Lottery, IGT

The Big Leap Toward Lottery Modernization at Retail

Randall Lex

Vice President, Retail Solutions, Scientific Games Corp. *and*

Mark Hagen

Senior Category Manager, 7-Eleven

10:15 am

Coffee Break

10:30 am

Real Time Audience

Measurement at Retail

Jon-Paul Bussoli

Vice President Product development, Carmanah Signs

Retail Disruption & Stability

Jennifer Westbury

Executive Vice President, Sales & Customer Development, Pollard Banknote

Keno Revolutionizes the Games-of-Chance Market-Place in New Hampshire

Fivi Rondiri

Corporate Marketing Manager, Intralot USA

Panel Discussion:

Retail Marketing, Merchandising, and Optimization

Retailers are modernizing Signage and Touchpoints both inside and outside of the store; and modernizing the physical retail environment in many other ways: Digital Menu Board; Digital Play-Stations, Mobile Apps, Social apps, Digitizing the POS,

in-lane sales. Lotteries are meeting the expectations of the modern consumer for digital tools that personalize the messaging and enhance the shopping experience. How can Lottery apply these Point-of-Sale tools to “up-sell” and otherwise get the attention of, and engage the shopper in the store? How can technology and POS tools be used to make it easier for the consumer to understand the portfolio of different products and make their selection? What else are progressive Lotteries doing to modernize, support their retail partners, and engage their players?

Moderator:

Kevin Gass

Vice President, Lottery Gaming, BCLC Canada

Panelists:

Alice Garland,

Executive Director, North Carolina Education Lottery

Terry Presta

Executive Director, Kansas Lottery

Mike Purcell

Deputy Director Sales, Florida Lottery

Nat Worley

Vice President, Marketing & Retail Execution, IGT

Jarrold Cummins, the Kroger Co.

12:30 pm to 1:30 pm

Lunch

1:30 pm.

Presentation: Update on the iLottery Success Story in Michigan

Shannon DeHaven

Deputy Director of Digital Operations, Michigan Lottery

Panel Discussion: Forging the Digital Connection with Consumers

Progressive U.S. lotteries are leveraging the massive traffic they have on their websites to build the digital relationship with the players that is the foundation for long-term success. Consumers now expect seamless hand-offs between technology and in-store visits. Heightened expectations for enhanced shopping experiences are driving the need for lotteries to leverage all consumer touchpoints in unprecedented ways. Building digital relationships with players through website traffic, loyalty programs, and second chance promotions is part of the process.

Integrating that with in-store digital vehicles like Branded Gift Cards and Player Payment and awards solutions and further digitizing the retail shopping experience is another part. What is being done to optimize the potential of these efforts? What are the measures of success? How can lotteries’ digital connection be used to drive retail foot traffic, and how can that be leveraged to further drive retailer commitment and increase lottery sales?

Moderator:

Jeff Anderson

Executive Director, Idaho Lottery

Panelists:

Jamie Davison

Vice President, Digital Gaming and Innovation, Atlantic Lottery

Shannon DeHaven

Deputy Director of Digital Operations, Michigan Lottery

Jessica DiOrio Dunn

Senior Director, Business Planning and Customer Engagement, Scientific Games Corporation

Andrew Leeper

Creative and Brand Strategy Coordinator, Texas Lottery

Fivi Rondiri

Corporate Marketing Manager, Intralot USA

Presentation: Beyond the Dollars: Maximizing Impact for our Beneficiaries

Gregg Edgar

Executive Director, Arizona Lottery

3:00 pm.

Coffee Break

Innovations Driving Results

Teresa Immel

Director Sales & Marketing, Schafer Systems

Christopher Granger

Business Development Manager, VISA Inc.

Mark Smith

Chief Marketing Officer, Linq3

4:00 pm

Panel Discussion: Multi-State Collaboration

A cornerstone to modernization is to work together to standardize business process, procedure, and technologies across jurisdictional boundaries. Significant progress

Program for PGRI SMART-Tech Miami

has been made, and the industry is on the cusp of important breakthroughs. How are costs, responsibilities, and authority allocated when the costs and benefits vary by jurisdiction? What are the governance issues that need to be addressed? How are these being applied to implementation of API and to further meet the needs of multi-state retailers? How might the community of lotteries share resources for nation-wide (or at least multi-jurisdictional) branding, messaging, advertising, and promotion, and capture and organization of data for NASPL Matrix, etc.?

Moderator:

Tom Delacenserie

President and CEO,
Kentucky Lottery Corporation

Panelists:

Gerald Aubin

Executive Director, Rhode Island Lottery

Andy Davis

Chief Financial & Information Systems
Officer, Tennessee Lottery Corp.

Jim Poppell

Secretary, Florida Lottery

Paul Riley

Vice President, Innovation
& Transformation, IGT

Terry Rich

President & CEO, Iowa Lottery

PGRI Lifetime Achievement Award for Decades of Distinguished Public Service:

Andy Davis

Chief Financial & Information Systems
Officer, Tennessee Lottery Corp.

Gary Gonder

Chief Branding Officer, Missouri Lottery

5:30 pm – 7:00 pm

Reception at Level 25, Conrad Hotel

Thursday March 29

Lisbon Ballroom

7:30 to 8:30 am:

Continental Breakfast

8:30 am

Panel Discussion: What are the implications for Lottery and the broader games-of-chance industry if the federal prohibition of Sports-Betting is lifted?

Moderator:

Paul Jason

Chief Executive Officer
PGRI Public Gaming

Mark Hichar

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

Vernon Kirk

Executive Director, Delaware Lottery

May Scheve Reardon

Executive Director, Missouri Lottery
And Chair of the Government Relations
Committee for NASPL

Lynne Roiter

President & Chief Executive Officer,
Loto-Québec

Keynote Speech:

Gregory Smith

Executive Director, Illinois Lottery

Tim Richardson

SVP of Financial Services, InComm

Presentation: Make Your Retailer Partnerships Work

Mark Castellana

Senior Vice President,
Partner Development, Lazlo326

10:15 am

Coffee Break

10:30

Presentation

Michelle Carney

Vice President, Strategic Customer
Initiatives, IGT

Kevin Gass

Vice President Lottery Gaming,
BCLC Lottery

Panel Discussion: Creating the next generation of Instant and Draw-Game Products

How are Lotteries integrating the new play styles of the modern consumer into the traditional lottery games? How can the product be modernized to put the impulse back into draw games, excite the core players, and attract new consumer groups? How can Product Life-cycle Management drive sales? How about integrating social networking into lottery gaming? Is optimization of current portfolio taking a back to basics approach?

Moderator:

Rebecca Hargrove

President & CEO, Tennessee Education
Lottery Corp., Executive Vice President,
World Lottery Association (WLA)

Panelists:

Bill Breslo

President, Diamond Game

Michelle Carney

Vice President, Strategic Customer
Initiatives, IGT

Bret Toyne

Executive Director, MUSL

Rebecca Hargrove:

WILL (Women's Initiative
in Lottery Leadership)

Invitation to World Lottery Summit in
Buenos Aires, Argentina

12:30 pm to 3:30

Luncheon, Reception, &
Networking Time in the Lisbon Ballroom



Pulse of the Industry



NORTH AMERICAN NEWS



Mark Michalko named North Carolina Lottery Executive Director

The N.C. Education Lottery Commission named M. Mark Michalko, a 30-year gaming industry veteran with both U.S. lottery and international gaming experience, as the new executive director of the N.C. Education Lottery.

The appointment of Michalko, vice president and managing director of International Game Technology's operations in Europe, the Middle East and Africa, came as the commission concluded a search to replace the current director, Alice Garland. Garland is retiring at the end of March after more than seven years as executive director.

Michalko becomes the third executive director of the N.C. Education Lottery and assumes the top job as the lottery completes its 12th year of operations.

Michalko's experience with two state lotteries, his perspective from working on both the customer and supplier sides of the gaming industry, and his leadership skills singled him out from other candidates.

"Mark's decades of service in the lottery industry, both nationally and internationally, brings a wealth of experience to the N.C. Education Lottery," said commission chair Courtney Crowder. "He's a proven leader. We're looking forward to our lottery benefiting from that experience, leadership, and his commitment to excellence."

Michalko served early in his career as an attorney with the Ohio Lottery and was the founding executive director of the California Lottery. During his career in the gaming

industry, he has been involved in the launch of new gaming companies, product innovations, international market launches, and strategic alliances. He has worked with IGT since 2012, and assumed his current role in 2017.

While based out of IGT's London office, Michalko chose to make his home in Chapel Hill. He received a bachelor's in government and political science from John Carroll University and a law degree from the Cleveland-Marshall College of Law. Michalko will join the Education Lottery on March 26.

The Education Lottery has grown into a \$2.4 billion business, increasing sales every year of operations and raising now more than \$600 million a year for education. In December, the lottery's commitment to building the best practices in responsible gaming into all of its operations earned it the highest level of responsible gaming certification recognized internationally.

Laura Solano retires as executive director of the Colorado Lottery

Laura Solano has been on administrative leave from the job for months. The acting director of the state lottery is Brendon Reese. Solano was named director of the lottery in 2014.

Michigan's legislature assessing the merits of bills that will change the rules for gambling online within the state

Rep. Brandt Iden, R-Oshkosh, said he wants to set up online gambling through the existing casinos in the state.

IGT Awarded 10-year Contract with the South Carolina Education Lottery

IGT was awarded the lottery system and other services contract with the South

Carolina Education Lottery to provide a new draw-based central system, new lottery terminals, a back-up, multifaceted communications network, and ongoing services. The Contract will run for 10 years from the "go live" date of May 13, 2018 and is the result of the State's competitive procurement.



Under the terms of the Contract, IGT will provide the SCEL with industry-leading tools including components of IGT's Aurora™ platform. Aurora Open Retail, a new retail solution software architecture, will enable the SCEL to support multiple types of retailer solution devices in an efficient manner, improving time to market. Additionally, the SCEL will receive Aurora Navigator user interface and a new set of back-office components for lottery personnel who will have the ability to customize the look and feel of the interface to meet their exact needs, help them better manage their business, and enhance productivity.

The SCEL will also receive IGT's Altura™ Flex draw-based lottery terminal which features a highly-configurable platform derived from the successful Altura GT1200 product, and a smaller footprint. A new reader for play slips is designed to reduce maintenance cycles and improve throughput. A high-resolution wide-screen retailer display will enhance the ease of use and productivity of retailers.

Pollard Banknote receives 10-year contract extension from the Western Canada Lottery Corporation ("WCLC")

Pollard Banknote contract with the Western Canada Lottery Corporation for the production of instant lottery tickets and provision of related services has been extended for 10

years, to April 29, 2028, lengthening the total duration of the agreement to 15 years. Based on average annual sales, this extension will increase the estimated value of the entire contract to more than \$130 million.

Scientific Games Awarded Contract to Provide Arizona Lottery's Administrative Systems Technology

The Arizona Lottery's administrative systems will be integrated with its new, advanced gaming system and retail technology launched successfully by Scientific Games in 2016. The Company also provides the Lottery with lottery instant games, as well as a second chance program and future mobile functionality.



"The Arizona Lottery trusts the innovative systems solutions that Scientific Games has customized for our business," said Gregg Edgar, Executive Director of the Arizona Lottery. "Integrating the Lottery's administrative system with our new gaming system supports our objectives to continually improve productivity and accelerate responsible growth to increase our contributions to state beneficiaries."

As part of the new administrative system from Scientific Games, the Arizona Lottery will benefit from a flexible back-office platform aligned with its business priorities, a fully integrated suite of applications and a proven application architecture and platform. Additionally, the Company has proven implementation, customization and ongoing updates to its agile systems technology for lotteries around the world.

"Scientific Games' systems technology makes it easier and more efficient for the Arizona Lottery to manage their business. By integrating solutions from our recent acquisition of Lapis Software Associates, the enterprise system improves the Lottery's engagement with retail partners, offers faster and more convenient experiences for Arizona players, including prize payments," said Patrick McHugh, Senior Vice President, Lottery Systems for Scientific Games. "The new enterprise system ensures the Lottery's visibility, control, and financial auditing continue to operate with the highest level of efficiency and integrity."

Scientific Games is the fastest growing lottery systems provider in North America and the leading lottery systems provider in Europe. The Company provides games, technology, and services to more than 150 lotteries globally, including most North American lotteries.

theLotter.com continues expansion in Canada: "We Used to See Canadian Men Play US Lotteries, but Increasingly it's the Women Who Find Us"

theLotter.com website sees demographics change after woman wins \$30M US lottery jackpot. theLotter's spokesman Austin Weaver: "Canada continues to be our strongest growth market in 2018. After last year's 60% growth, the figures for the first quarter of 2018 look even more promising. An entirely new trend we're seeing as well is the massive increase in the number of women who buy online US Powerball tickets from Canada. One possible reason for this is that our two most recent multi-million-dollar jackpot winners were both women - a Panamanian woman won US\$30 million in Florida through us, for example."



Meanwhile this week, US news outlets reported on 'Jane Doe', the winner of the largest Powerball jackpot in history. The woman, who had scooped up a staggering US\$560 million, was so scared after her win that she hired bodyguards. This week, news came out that she's suing the New Hampshire Lottery Commission to "maintain her privacy and to have the trustee of a designated trust be the public face of the winning ticket."

Weaver also notices that many female lottery winners are keen on anonymity: "Thankfully theLotter is experienced in handling such privacy-related requests. Our Iraqi US jackpot winner's identity was kept secret by the Oregon Lottery to protect his safety. But at theLotter we also refrain from publishing surnames of winners if those winners prefer to remain anonymous. It's standard courtesy for us."

theLotter.com, a messenger service which legally purchases lottery tickets for overseas players, has helped people win \$115 million

Cdn. since 2002: late 2015 an Iraqi client won the \$6.4 million US jackpot in Oregon. In the wake of his prize collection in Oregon, theLotter established a large operation in that state from which it safely and securely purchases its clients' US lottery tickets!

Most recently, theLotter has helped create lottery millionaires in Canada, El Salvador, Russia, Ukraine & Australia, and a Panamanian pensioner won \$30 million in a US lottery! All big winner stories can be found here. SOURCE *TheLotter.com*

Arizona Lottery Wins Big, Lands 10 ADDY Awards, Recognizing Premier Creative in Advertising

"We are incredibly honored to receive this recognition for our industry-leading creativity and innovation," said Executive Director of the Arizona Lottery, Gregg Edgar. "We worked tirelessly with our advertising partner, OH Partners, to bring originality and trailblazing creative to our campaigns and products. It was a thrilling process to develop these campaigns and it has been a privilege to see our players excited too."



The Arizona Lottery landed 10 ADDY awards for campaigns including Ultimate Millions Scratchers® ticket, Royal Millions Scratchers ticket, Cardinals Scratchers ticket, Holiday Scratchers ticket and Welcome Back, Willie. These campaigns were recognized in the direct mail, public transit ad, 60 second local television, 30 second local television, integrated advertising campaign, copywriting, photography and video editing categories.

The Lottery was among the few most awarded brands across a variety of categories for this year's awards. The agency is committed to elevating the brand and producing industry-leading work in order to maximize its growth and brand awareness.

OH Partners is the Agency of Record for the Arizona Lottery and conceived, directed and executed the recognized work. To learn more about the Arizona Lottery, visit www.arizonalottery.com.

Possible Outcomes from the Supreme Court Sports-Betting Case

The U.S. Supreme Court decision in the New Jersey sports betting case is expected to be released in the next few months, and when it is, it will probably be like most other court opinions: very difficult to read, to parse, and to understand. So here is a helpful overview of how Supreme Court decisions usually are written.

With the exception of “plurality” decisions, which are rare, Supreme Court rulings must garner the support of at least five justices. All nine justices participated in the New Jersey sports betting case, so the resulting vote could be 5-4, 6-3, 7-2, 8-1, or 9-0.

One of the justices in the majority is then assigned to write the decision for the court. If Chief Justice John Roberts is in the majority, he makes the assignment and can assign the ruling to himself or to another justice. If the Chief Justice is in the minority, then the most senior justice in the majority would assign the decision. Justices Anthony Kennedy, Clarence Thomas, and Ruth Bader Ginsburg — in that order — are the three most senior justices.

In some cases, a specific justice is not named as the lead author for the majority. These are called “per curiam” decisions. The majority decision reflects the controlling ruling of the Supreme Court. In the pending sports betting case, the majority decision will determine if New Jersey — and other states — will be able to allow sports wagering.

In addition to the majority decision, individual justices are permitted to write a “conurrence” or a “dissent.”

Concurrences are written if one or more of the justices agree with the result in the case, but would have reached the result using a different rationale.

A dissent is submitted if a justice in the minority wants to explain why the majority is incorrect.

Based on the oral argument in the New Jersey case, one plausible outcome could be this: The court votes 6-3 in favor of New Jersey, finding the partial federal sports betting ban in the Professional and Amateur Sports Protection Act (PASPA) to be unconstitutional. Roberts and Kennedy, Thomas, Stephen Breyer, Samuel Alito and Neil Gorsuch

constitute the majority. Roberts assigns the drafting of the opinion to Breyer. Breyer’s resulting decision favors New Jersey and other states seeking to legalize sports betting, but the ruling stop there: it makes clear that the underlying rationale only applies to PASPA and should not be construed to attach to anything broader, such as federal enforcement of marijuana laws.

Gorsuch, Alito and Thomas all agree with Breyer’s decision, but would further reinforce state rights vis-à-vis Congressional power. Together, the three right-leaning justices submit a separate concurrence to explain why the PASPA-related decision should have broader implications.

Ginsburg, Sonia Sotomayor and Elena Kagan collectively write a dissent in support of Congressional power over sports betting, but make clear that their dissent does not extend to issues like federal immigration policy.

Of course, the court could simply dismiss the case if a majority of the justices determine that the lawsuit contains some defect making it a poor vehicle for a conclusive decision about the constitutionality of PASPA or the permissibility of New Jersey’s “partial repeal.” If this happens, the lower court’s decision in favor of the five sports leagues who initiated the case will remain in place.

The court also could schedule the case for re-argument at a future date, with instructions that both sides file briefs to address an additional issue that was not adequately addressed before. An example of such an issue could be the concept of “equal sovereignty” between the states and PASPA’s mandate that Nevada and a few other states be exempt from the law’s restrictions.

The New Jersey defendants could try to prevent a Supreme Court decision from being released at all. A rule - #46 - allows the parties to settle the case prior to a decision. Although former New Jersey governor Chris Christie opened the door to settlement talks before the oral argument hearing, there were no public comments from sports league executives expressing a willingness to discuss a resolution.

Whenever the Supreme Court releases its decision, Christie’s name will no longer appear in the case heading.

Lawyers for New Jersey recently notified the court that “on January 16, 2018, Philip D.

Murphy succeeded Petitioner Christopher J. Christie as Governor of New Jersey.” The caption of the case will now be Murphy, et al. v. NCAA, etc.

97% of Expected the \$10 Billion Wagered on March Madness to be bet Illegally

The American Gaming Association (AGA) estimate



States Rev Up Sports Betting Legislation during Wait for Supreme Court Decision

A U.S. Supreme Court ruling that could eliminate the federal ban on sports gambling in 46 states is not expected for a few more months, but that timetable has done nothing to deter numerous legislatures from taking action to legalize betting in their states.

Proposals that would open the door to legal sports betting are under consideration in 15 states, including most recently in West Virginia. Connecticut, Mississippi, New Jersey, and Pennsylvania already have enacted laws that permit some forms of sports betting. Those measures may be altered by the Supreme Court’s pending decision.

Rhode Island has taken a bold step. Gov. Gina Raimondo’s \$9.38 billion budget includes an assumption of \$23.5 million of new revenue from sports gambling.

If the high court rules in favor of former New Jersey Gov. Chris Christie, who brought the landmark case, it would invalidate the 1992 Professional and Amateur Sports Protection Act banning states from authorizing or licensing sports betting. Four states -- Delaware, Montana, Nevada and Oregon -- met a deadline to approve sports betting before the federal ban took effect.

New Jersey argues that the federal ban violates the 10th Amendment, which says that any powers not granted to the federal government become the purview of the states.

The additional money that sports gambling could generate for state coffers is alluring. Other legal forms of betting constitute a \$28 billion industry in the United States. Sports betting could increase that by \$41

billion -- including \$3.4 billion in taxes to state and local governments -- according to the American Gaming Association, which supports lifting the ban.

A factor that clouds the revenue projections is the continued expansion of casinos. There is growing evidence that the market is oversaturated, which has led to stagnant gaming revenues for states. So, adding sports betting to the revenue stream could curtail the revenue drop-off, but it is likely to lead to the same oversaturation seen in other types of gambling.

Global online iGaming operators who joined the American Gaming Association (AGA) just this month:

bwin.party, Paddy Power Betfair, PokerStars, PokerStars Casino, BetStars and Full Tilt. Moving in for the land grab that may be unleashed with Supreme Court decision on sports-betting

WORLD NEWS

A rounding error in the cost of doing business? William Hill to pay £6.2m penalty package for systemic social responsibility and money laundering failures

Systemic senior management failure to protect consumers and prevent money laundering will result in William Hill Group (WHG) paying a penalty package of at least £6.2m. A Gambling Commission investigation revealed that between November 2014 and August 2016 the gambling business breached anti-money laundering and social responsibility regulations.



Senior management failed to mitigate risks and have sufficient numbers of staff to ensure their anti-money laundering and social responsibility processes were effective. This resulted in ten customers being allowed to deposit large sums of money linked to criminal offences which resulted in gains for WHG of around £1.2m. WHG did not adequately seek information about the source of their funds or establish whether they were problem gamblers.

WHG will pay more than £5m for breaching regulations and divest themselves of the £1.2m they earned from transactions with the ten customers. Where victims of the ten customers are identified, they will be reimbursed. If further incidents of failures relating to this case emerge, WHG will divest any money made from these transactions.

WHG will also appoint external auditors to review the effectiveness and implementation of its anti-money laundering and social responsibility policies and procedures and share learning with the wider industry.

Neil McArthur, Executive Director, said: "We will use the full range of our enforcement powers to make gambling fairer and safer.

"This was a systemic failing at William Hill which went on for nearly two years and today's penalty package -- which could exceed £6.2m -- reflects the seriousness of the breaches.

"Gambling businesses have a responsibility to ensure that they keep crime out of gambling and tackle problem gambling -- and as part of that they must be constantly curious about where the money they are taking is coming from."

Examples of WHG's failures include (all figures are approximate):

A customer was allowed to deposit £654,000 over nine months without source of funds checks being carried out. The customer lived in rented accommodation and was employed within the accounts department of a business earning around £30,000 per annum.

A customer was allowed to deposit £541,000 over 14 months after the operator made the assumption that the customer's potential income could be £365,000 per annum based on a verbal conversation and without further probing. The reality was that the customer was earning around £30,000 a year and was funding his gambling habit by stealing from his employer.

A customer who was allowed to deposit £653,000 in an 18 month period activated a financial alert at WHG. The alert resulted in a grading of 'amber risk' which required, in accordance with the licensee's anti-money laundering policy, a customer profile to be reviewed. The file was marked as passed to managers for review but this did not occur due to a systems failure. The customer was able to continue gambling for a further six months despite continuing to activate financial alerts.

A customer was identified by WHG as having an escalating gambling spend with deposit levels exceeding £100,000. WHG interacted with the customer seeking assurance that the customer was 'comfortable with their level of spend'. After receiving verbal assurance and without investigating the wider circumstances the operator continued to allow the customer to gamble. In our view that interaction was inadequate and did not review the customer's behaviour sufficiently to identify if their behaviour was indicative of problem gambling.

A customer exceeded deposits of £147,000 in an 18 month period with an escalating spend and losses of £112,000. WHG systems identified the issue but its only response over a 12 month period was to send two automated social responsibility emails. Our view is that this action alone was not sufficient given the customer's gambling behaviour coupled with the severity of the losses.

All operators are advised to read William Hill International: Regulatory Settlement for further details and lessons to be learned. Our approach to enforcement. More information about how we regulate the gambling industry.

Useful statistics on the gambling industry Earlier this month the Commission wrote to all online casino operators to raise concerns about the sector's approach to anti-money laundering and social responsibility. Journalists can contact our press office on 0121 230 6700 or email: communications@gamblingcommission.gov.uk

Regulators Investigate Withdrawal Policies of Online Gambling Firms

The Competition and Markets Authority (CMA) is investigating the withdrawal policies of several online gambling firms. Concerns have been expressed about potentially unfair obstacles that may be placed in the way of betters who wish to withdraw their money.



The CMA highlighted three areas of concern:

1. Daily, weekly, or monthly limits on withdrawing funds that appear unreasonably low
2. Potentially arbitrary short deadlines on the time customers have to verify their

identity as a condition of withdrawing funds, sometimes causing forfeiture of consumers' funds

3. Dormancy terms that allow firms to confiscate funds or impose excessive charges after a certain period of consumer inactivity

The United Kingdom Gambling Commission (UKGC) announced its support of the CMA investigation.

Recently operators were told to take "immediate steps" to comply with consumer protection law, following a joint UKGC and CMA investigation.

Three operators, Ladbrokes, William Hill and PT Entertainment, a Playtech subsidiary, agreed to change the way in which bonus promotions are offered, ensuring players can always access their money.

2018 Amendment Austrian Gambling Act:

"In the fight against illegal internet gambling, the 2018 Amendment to the Austrian Gambling Act marks a further important step in ensuring the protection of young people and players," declared Austrian Finance Minister Löger, commenting on the draft law sent for review today. Through the future implementation of a blocking procedure for illegal IP addresses (so-called "IP blocking"), illegal internet gambling will be significantly reduced. In addition, a provision will be incorporated into the Austrian Gambling Act to the effect that contracts previously concluded between players and illegal providers are null and void. This will enable players to claim their stakes back retrospectively.

"Since unlicensed providers of online games of chance are offering such games in Austria without having the required national permits, significant objectives of public interest are being endangered," adds Löger. According to market studies, the number of illegal gambling sites is estimated to number around 2,000. Most of these illegal gambling sites do not comply with the strict Austrian standards aimed at protecting young people and players, nor do they fulfil the duties of diligence in relation to money laundering and the financing of terrorism.

"So far, we have already taken numerous measures to protect young people and players, which began with connecting legal gambling machines to the data processing centre at the Austrian Federal Computing

Centre. In addition, through their own controls, the financial police are providing very significant support in the fight against illegal gambling machines. Through the 2018 Amendment to the Austrian Gambling Act, the Austrian Finance Ministry is resolutely continuing its efforts to provide the greatest possible protection for young people and players in Austria," concludes Löger.

World Lottery Summit 2018, BUENOS AIRES - ARGENTINA! Gaining the edge in the new world - it takes you to tango! Visit worldlotterysummit.org and world-lotteries.org



Dear WLA members, Are you ready to experience the biggest lottery event in the world?

The World Lottery Summit 2018 (WLS 2018), will be held November 18 - 22 in Buenos Aires, Argentina. For more information about WLS 2018, please go to the official website www.worldlotterysummit.org where you will also find the latest on the Advertising and RG Awards and the Volunteer Program, as well as practical information about Buenos Aires. Online registration and links to discounted conference hotels will be available shortly.

The WLS 2018 business program has been built around exciting and enlightening topics relevant to our industry. A team of seven world-class speakers are keynoting the event. Keynote speakers of this year's summit will include:

Everyone is also encouraged to start posting your comments about the WLS program to our LinkedIn, Facebook, Twitter pages marking your comments with #worldlotterysummit.

Visit worldlotterysummit.org and world-lotteries.org

Veikkaus' year 2017 meets projections and expectations



During its first year of operations, Veikkaus invested especially in the smooth functioning of the gaming operations, integration of the game systems and ways of operating, as well as the development of responsible gaming tools. The new Veikkaus

was born when the three former gaming operators Veikkaus, RAY, and Fintoto were integrated at the beginning of 2017.

Turnover EUR 3 230.9 million. Profit EUR 1 021.3 million.

A new veikkaus.fi online store was launched in 2017. All the games were united under one game account.

Veikkaus has over 2 million Loyal Customers. Slot Machines, Instant Games, and Skill Games are especially popular among our customers.

Of the turnover, 58% come from the retail sales network, 42% from the digital channels.

The share of identified gaming of all playing of Veikkaus games went up to 40.6% (+1.6 percentage points). Increasing identified gaming is one of Veikkaus' core strategic objectives.

– Identified gaming helps us to offer our customers even more responsible tools for gaming management. Last year we renewed the Veikkaus Card, which now enables our customers to play identified even on slot machines, says Sarekoski.

In 2017 we also adopted tools for the management of online gaming, which are unique in an international setting; and the Loyal Customer Programme, which has two million members, was supplemented with new features supporting responsible gaming. Further, Veikkaus made a decision to launch a strategic project, which aims at as extensive identification as possible on decentralised slot machines starting from 1 January 2023.

Kambi Group plc signs with innovative gaming company Casumo

to deliver a gamified sports betting product that leverages Kambi's market-leading operator empowerment technology. Casumo's rapid growth has been built on its incorporation of social gaming features, such as player achievements and leaderboards, into real-money games to create entertaining gaming experiences.

Kambi

As part of the multi-year deal, Kambi will provide its Sportsbook and technology services, including open APIs, to Casumo to build a sports betting experience with gami-

fictionation at its core. The new sports product will primarily target casual bettors and the millions of sports fans who have never placed a bet, with a focus on offering players fun and playful betting opportunities.

Kambi's Sportsbook will be integrated into Casumo's proprietary platform ahead of the initial release of a football-focused mobile product, the result of a close collaboration in product and technology between the two companies.

The deal is further evidence of Kambi's Sportsbook flexibility, with the platform fully adaptable to a wide variety of operator requirements and player demands.

"As one of the fastest growing and most innovative operators in Europe, I'm delighted to welcome Casumo to the Kambi network," Kristian Nylen, Kambi Chief Executive, said. "A combination of the Kambi Sportsbook and Casumo's gamification expertise will attract a different player segment than what we've been used to, further strengthening the Kambi network. Moreover, this deal illustrates the flexibility of the Kambi technology, with Casumo widening the spectrum of operators currently adapting our technology to meet their own specific product and marketing requirements," he added.

Daniel Durrans, Head of Sportsbook at Casumo, commented: "We're delighted to have signed this deal with Kambi. This is an exciting and collaborative partnership across product and technology. Casumo is creating a brand new, more intuitive product experience for sports, built on Kambi's leading sportsbook platform."

GLMS and Lotteries join forces with the Council of Europe and key stakeholders to keep crime out of sport



Following the success of the KCOOS project which sought to promote the Council of Europe Convention on the Manipulation of Sport Competitions and support states with the implementation of its provisions, the CoE together with key partners and stakeholders, including the INTERPOL,

the Lotteries (GLMS-EL-WLA), Ethisport, RC3 and Partners and a number of states, including France, Switzerland, Norway, and Cyprus, launched today the follow-up project which will seek to go even deeper and further and have a world-wide impact.

The KCOOS+ project will seek to provide an indispensable contribution to assisting active stakeholders to get in contact and form networks. It will ensure that all relevant ministries are sufficiently informed of the gravity of the phenomenon and its links to criminal offences and thus raise awareness of the priority to sign, ratify and implement the Convention. Additional support will be provided also to states in terms of the setting up of national platforms, as well as structured communication and cooperation processes. GLMS will be an associated partner of the project, while EL and WLA will be also contributing financially.

Links:

The text of the Council of Europe Convention of the manipulation of Sport Competitions can be accessed [here](#)

Website of the Keep Crime out of Sport Project+ can be accessed [here](#)

The 1st version of the KCOOS Guidebook can be accessed [here](#)

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Lotto Betting Companies Challenge New Restrictions in UK

Several lotto betting companies in the United Kingdom may challenge new laws that would prohibit them from accepting wagers on the outcome of EuroMillions lottery draws.

According to regulatory requirements that will take effect on April 6, gambling operators in Great Britain would be considered to be in breach of their licensing conditions if they offer bets on EuroMillions draws. Existing gambling legislation in the UK prohibits the operators from accepting bets on the outcome of The National Lottery and on the EuroMillions UK draw. So as a work-around, operators accept wagers from UK-based customers on the outcome of EuroMillions draws in other countries. It is the same game and the same draw, so this solution would seem to violate the same laws

that prohibit accepting bets on the outcome of EuroMillions draw.

Lotto Betting Group formally requested the UK government to suspend the approval process for the new regulations before the UK parliament. The group includes Lottoland, an operator that has been critical of the government's plans on this issue. Lotto Betting Group said the new regulations would breach EU rules that provide businesses with freedom to provide services across the entire EU and described the UK government's decision to introduce the legislation as "unreasonable."

The Department for Digital, Culture, Media and Sport has stated that betting on EuroMillions draws outside the UK is "clearly contrary to the spirit" of section 95 of the Gambling Act of 2005 – the legislation that prohibits betting on the outcome of The National Lottery and on the EuroMillions UK draw.

The government also has said that enabling bets on non-UK EuroMillions draws "poses a potential threat to good cause returns," but it has admitted that the "current evidence base is not conclusive on the future impact on lottery revenues (and therefore the returns to good causes) attributable to betting on lotteries."

Tabcorp Revenue increases driven by Lottery

Tabcorp Holdings has published the final trading statement of Tatts Group Limited as the companies undertake actions to combine their operations in 2018.

Tabcorp

Tatts reported a 19% increase in period revenues (ending December 31) generated from ordinary activities of AUS \$ 1.37 billion.

Tatts revenue increases were driven by its lottery division, which recorded a strong run of 18 jackpots above AUS \$15 million mark and the resultant boost in ticket sales. ■

10 THINGS

U.S. LOTTERIES NEED TO KNOW ABOUT

1. PASPA

Professional and Amateur Sports Protection Act of 1992

It is unlawful for a state or state-owned entity to "sponsor, operate, advertise, promote... a lottery, sweepstakes or other betting, gambling, or wagering scheme based on... one or more competitive games in which amateur or professional athletes participate and moreover bans states from licens[ing] or authoriz[ing] by law or compact" any such gambling activities.

The U.S. Supreme Court's overturn of PASPA would bring major changes to the U.S. gaming market.

Exempt: Oregon, Montana, Delaware and Nevada

This federal law is currently under review by the U.S. Supreme Court from case filed by the State of New Jersey challenging the constitutionality of the law.

Even if PASPA is overturned, the Wire Act would continue to impose limitations on interstate sports betting and would require careful navigation in the context of mobile and internet intrastate wagers.

2. Lotteries Regulate 70% of Legal Sports Betting Globally

\$135B in Legal Sales (2016)

60+ Countries Worldwide Allow Legal Sports Betting

9 of Top 10 Countries for Sports Betting Sell Thru Lotteries



3. U.S. Sports Betting Current Situation

\$150B Estimated Illegal Sales per year

\$4.9B Legal Sales in Nevada (2017)

7% CAGR in Nevada since 2005

4. U.S. Lotteries Are Naturally Positioned to Regulate the Sports Betting Channel

220,000

U.S. Lottery Retailers
Large Distribution Network

Brand integrity, responsible gaming controls and distribution networks are valuable to maximizing regulated sports wagering

\$22.5B

U.S. Lottery
Contributions to
Beneficiaries (2016)

70%

Global Legal Sports
Betting Regulated
by Lotteries

5. Scientific Games: Market Leading Sports Betting Supplier Globally

25+

Lottery Sports Customers
Local sports solutions teams across the globe on 4 continents

20+

Years Experience
with a history of successful sports solutions and customer growth

100%

Regulated
Scientific Games has only conducted business with lotteries and operators in regulated sports betting markets

SPORTS BETTING

6. Sample U.S. Consumer Acceptance of Sports Betting



Majority Approve

of legalizing betting on pro sporting events, versus 1993, when a federal law went into effect banning the practice in most of the country and 44% of Americans approved



34x Larger Illegal Market

- 2018 Super Bowl
- \$138.5M or 3% of total bets placed legally in Nevada
- \$4.6B or 97% of total bets placed illegally across the U.S.



35x Larger Illegal Market

- 2016 NCAA Men's Basketball Tournament \$262M or 3% of total bets placed legally in Nevada
- \$9.2B or 97% of total bets placed illegally across the U.S.

7. Current U.S. Legislative Action Sports Impact to the U.S. Lottery Industry

CALL TO ACTION:

If PASPA is overturned or modified, the U.S. gaming landscape will change. Lotteries must educate stakeholders in advance of legislation, or risk future funding for beneficiaries.

19*
ONLY 3*

STATES with Sports Bills Pending

STATES with Sports Bills that Include Lottery

8. "Legalized U.S. sports betting will dramatically change the gaming landscape. If lotteries do not participate, they will face significant threat to future beneficiary funding from increased gaming competition."

– Pat McHugh, Senior VP Global Lottery Systems, Scientific Games



- Now offering #1 global sports betting platform
- 2 billion+ sports bets in 2016
- Trusted supplier to 150+ lotteries globally
- Fastest growing lottery systems supplier in U.S.

10. U.S. Sports Legislative Best Practices to Responsibly Regulate & Maximize State Profits

- Structure to successfully compete against illegal sports betting through broad regulated product distribution, and efficient tax and operating structures
- Open all regulated channels including lottery retail, internet and mobile
- Prohibit gaming entities not benefitting lotteries from accepting bets on lottery games

Open the sports betting market by legalizing an activity that state residents engage in on a regular basis, keep statutory framework simple and set sports betting details in regulations, eliminate illegal operators through a proper tax and regulatory structure, bring substantial tax revenue to the state, block black market operators, and institute consumer protections.

*As of press time. Subject to change based on state legislative activities.

2. and 3. Source: GBGC 4. WLA, NASPL 6. Source: August 14-21, 2017 Washington Post-UMass Lowell poll of 1000 adults. "AGA: Americans to Wager More than \$4.6 Billion Illegally on Super Bowl 52" | AGA, 30 Jan. 2018. www.americangaming.org/newsroom/press-releases/americans-wager-more-46-billion-illegally-super-bowl-52. "AGA: March Madness Betting to Total \$9.2 Billion This Year" | AGA, 14 Mar. 2016. www.americangaming.org/newsroom/press-releases/march-madness-betting-total-92-billion-year.

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600

INTERACTIVE PRODUCTS
LAUNCHED

600 interactive products launched by Scientific Games

Mobile apps. Interactive games. Second-chance drawings. Websites. Ticket scanning. These aren't demos, these aren't concepts. These are real and working, enhancing the player experience and maximizing our customers' sales.



Because Real Counts