

# A Global Games-of-Chance Industry in Flux



Sarah Taylor



Younes El Mechrafi



Andreas Kötter



Callum Mulvihill



Rebecca Paul

Lottery companies around the world operate in highly diverse local markets, but there is still much that they can learn from each other about common challenges and solutions. That was the theme of the international panel discussion that brought together senior lottery executives from four continents at the North American Association of State and Provincial Lotteries (NASPL) Annual Conference in October 2023.

**A**s the panel moderator, **Sarah Taylor**, the Executive Director of the Hoosier Lottery in Indiana, noted in her opening remarks, “We might not all align perfectly in terms of the products that we offer and policies that we operate under, but objectives do align on our support of good causes, and so we have much to learn from each other.” The international panelists offered important insights into the major issues facing the worldwide lottery industry on topics ranging from the challenges of illegal operators to changes in the political climate and attitudes toward games-of-chance and the emergence of different operational and regulatory models

in our industry.

In addition to Sarah, the esteemed speakers on the panel were:

**Younes El Mechrafi**, Chief Executive Officer, la Marocaine des Jeux et des Sports (MDJS)

**Andreas Kötter**, Managing Director, WestLotto (Germany) and Chair of EuroJackpot

**Callum Mulvihill**, Chief Commercial Officer, The Lottery Corporation (Australia)

**Rebecca Paul**, Chief Executive Officer, Tennessee Education Lottery Corp. and President of the World Lottery Association

**Younes El Mechrafi** began the discussion by highlighting the good work that the Moroccan lottery had done in the wake of the country’s devastating earthquake this year. Nevertheless, despite the positive contributions made by lotteries across Africa and the inter-country collaboration facilitated by the African Lottery Association, Morocco and other African nations still face major challenges from what Younes described as “the cancer of illegal betting.”

He explained, “On November 7, Morocco will host a meeting of the Copenhagen Group, which is an association of national platforms struggling against illegal lotteries. The Copenhagen Group is under the umbrella of the Council of Europe which created the Macolin Convention: a unique legal instrument for fighting illegal betting and protecting the integrity of sports.”

Younes also highlighted how illegal operators that had been shut down in Europe have now moved into African markets, illustrating how such problems can spread into new jurisdictions that may have thought they were protected and emphasizing the importance of collaboration to combat such challenges.

Thanks to Australia’s position within the Asia Pacific Lottery Association, **Callum Mulvihill** was able to share insights

informed by the experiences of countries across that diverse region. Indeed, the current managing director and CEO of the Lottery Corporation (Australia), Sue van der Merwe, also acts as chair of the Asia Pacific Lottery Association.

Speaking about Australia specifically, Callum explained how its market is “very similar to the Canadian market. The Australian market consolidated beginning in 2007 so that today we effectively have two operators: the Lottery Corporation and Lotterywest. The Lottery Corporation operates the lotteries in seven out of Australia’s eight jurisdictions, with the state of Western Australia being the only jurisdiction that has a government-run lottery.”

Callum also highlighted a key contrast between the Australian and American markets. “We’re very heavily draw-game focused: 90% draw games and 10% instant products, which is probably a playership mix that many people in the American market would find hard to believe. But Australia has a very rich history in draw games. When our big Powerball game gets up to a jackpot of \$150 million, that creates a bit of lottery hysteria in Australia, with one-in-every-two adults buying a ticket, even though \$150 million might sound like quite a small number for American lotteries which have enjoyed jackpot sizes much bigger than that.”

With his dual role as the Chief Executive Officer of WestLotto (Germany) and Chairman of the Eurojackpot Cooperation, **Andreas Kötter** brought an informed perspective on the state of the gambling market in his home country and across Europe. “Germany is made up of 16 states and each has its own lottery company,” he said, “and what we are seeing in Germany is increasing liberalization as the market opens up to multiple operators acting worldwide, and we have a liberalized market for online sports betting, slot machines, and casinos”.

Andreas highlighted how the lotteries in Germany’s 16 states have “16 different sizes, 16 different IT projects etc. and therefore often different opinions, but we all share the need to fight illegals and we all face the same changing market”. He also highlighted the scale of the illegal gambling in Germany. “On average, around 25 % of lottery sales are generated through online channels, with meanwhile

already around 40 % of total lottery-sales coming from legal resellers. On top of this, it is estimated that there are at least 3 to 4 million customers who take part in illegal lotteries in Germany alone. Most of these customers do not even know that they are playing illegally.”

Speaking about the situation across Europe, Andreas informed about the networks that exist between different countries in Europe: “The European Lotteries is an association like WLA and NASPL, which represents 70 lotteries from 40 different countries, which is huge. That’s 40 different regulatory regimes, 40 different gaming cultures, 40 different game portfolios, etc. And we have two major product-based international cooperations in Europe, one of which is Eurojackpot which brings together 33 companies from 18 nations and the other one is EuroMillions which is offered in 10 countries.

As the President of the World Lottery Association (WLA) and the longest-serving lottery CEO in the world, **Rebecca Paul** is well-qualified to speak about the importance of learning from colleagues internationally. She highlighted the great value that she had taken from similar sessions throughout her long career, which has included founding the lotteries of Florida, Georgia, and Tennessee.

“In 1988, I had the opportunity to go to my first international conference. And I was blown away by how much you can learn from other parts of the world. Sometimes folks in the US think they’re the best at everything, or that we do not have much to learn from others whose cultures and regulations are different from ours. And to be sure, there are things in the US that we’re very, very good at. But there are folks in Germany and Morocco and Australia that are better at some things than we are. The diversity of perspectives they bring can stimulate fresh, new ways to think about things. The things that you can learn from colleagues around the globe are eye-opening.”

“For instance,” Rebecca explained, “some places in the world may not have had access to some of the newest technology. So, they compensated with ingenuity and creative solutions, like developing better marketing techniques and moving more quickly into mobile gaming. In some ways, more mature lotteries are learning from the strategies

and methods originating in emerging lotteries. If you bring the best things from different countries together, you become better. Having the opportunity to learn from colleagues across the globe has been one of the most beneficial things for me in my career.”

Rebecca highlighted opportunities to learn from colleagues internationally as one of the benefits of joining the WLA and encouraged anybody who was not already signed up to do so. Other benefits that she mentioned included the WLA’s certifications in responsible gaming, its reciprocal agreements to protect vulnerable communities, and its critically important security standards.

Sarah then invited the panelists to talk about their approach to maximizing support for their beneficiaries. Callum explained the Australian model. “The vast majority of the funds our lotteries generate go back to the respective state governments. We pay A\$1.8 billion in state taxes a year. We do try to augment that from our marketing funds and our own paying prizes to support a wide range of charities. But the vast majority of our money is channeled into state governments and ultimately services for the community such as hospitals.”

In Germany, there are different models for distributing money to beneficiaries. Andreas discussed three. “One is to give money directly to good causes. The second is to set up a foundation and channel the money through it. The third is the one that we at WestLotto use: we give the money to the state government, but it is kept separate from the main budget, and the parliament votes on how it is allocated. So, we know exactly which beneficiaries get what funding, which allows us as a lottery company to really highlight good examples of how the money goes back into society”.

The situation in Morocco was different again as Younes explained. All lottery-generated funding there goes directly to “a specialist national fund for sports development to be spent by the Minister of Sports according to government policy.”

Returning to the issue of illegal operators, Andreas stated that resellers are not necessarily illegal unless they are operating outside of their regulated market. In Germany, the closure of online markets

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drove some companies to move to other jurisdictions, such as Malta, where they had to pay virtually no tax. The subsequent reopening of online markets in Germany in the last years tempted some of these companies to come back – this time following the legal approach by obtaining an official license. Even though they pay higher taxes by operating with a proper license, they see compliance with jurisdictional laws and regulations as being the better long-term strategy. Due to the fact that these companies are also listed on the stock exchange, investors were able to benefit from this development as stock prices increased.

Based on this experience, Andreas argued that lottery companies “have to compete in the digital markets with our core product. If we don’t do that, we lose customers to resellers. This can become a problem if the reseller offers an easy way for the player to migrate over to a wider range of products, which could include online slots, scratch cards, or sports betting”. This could also result in the risk of lottery products no longer being the core product for these resellers.

Looking at the same issues from the perspective of the politicians who set regulatory policy, Andreas highlighted the dilemma that they face when illegal operators have already built up a large customer base. “Eventually a tipping point is reached where politicians have to decide whether it would be better to give these illegal operators a license to operate

legally. That way they can be properly taxed and regulated, and the operators can be forced to improve consumer protection standards”.

Finally, Andreas argued that lottery companies should try to educate their stakeholders, arguing that regulators often do not fully understand the issues surrounding illegal operators and need to be encouraged to take action against them. This point was echoed by Younes, who responded, “In Morocco, we have probably the biggest illegal operator in the world. And they make themselves appear legitimate to the public through their advertising. They have done deals with the African Football Confederation so that when there are soccer matches in Africa-wide tournaments, the biggest soccer club in Morocco is on television with this illegal company’s name on their shirts as their sponsor. And law enforcement doesn’t seem to understand why that’s a problem.”

Picking up on that theme, Callum argued that lottery companies need to accept the reality of competition and proactively close gaps in the market themselves because governments may not always protect them. “We’re proud custodians of assets that have grown up over many decades,” he said, “and it’s a wonderful business model that does lots of good things throughout society. Gambling is at its very center, but we have a high social license to operate because we’re low spend and low social harm. But what do we need to do to preserve and protect our businesses and

prevent them going the way of Blackberry when it was faced by the iPhone?”

“Part of it is legislation and regulatory protection,” Callum said, “but all those instruments were cut in the past, and even though they get slightly modernized, it has become as much about competing as it is about regulatory safeguards. We have to accept competition in some way, shape, or form because our legislature and our governments of the day may not be able to help us when we absolutely need it. So, my main message would be this: understand the gaps in your own market and cover them yourself; take control of your own destiny as the instruments of regulatory protection are changing.”

Andreas echoed this call for the industry to be more proactive on a global level, highlighting the challenges presented by new entrants into the market in the digital world. He argued that the industry should take responsibility for setting its own standards “because if we don’t set the standards, others may come in and set our standards for us”. Andreas also highlighted the crucial role that the WLA has played and can continue to play in terms of setting standards for the industry globally.

Referencing future WLA activity, Rebecca informed attendees about plans for a responsible gaming seminar to be delivered jointly by the WLA and Nashville and hosted in Atlanta in 2024, and the World Lottery Summit in Paris in October. Further details will be made available when confirmed. ■

*The Transformation of the Lottery Sector — continued from page 50*

responsible way ( examples are Ghana, South Africa, Ukraine and Uruguay). This requires also more attention to the right, often multidisciplinary, expert advisory & educational services to address the complexity of the issues at stake.

New multi-jurisdictional games like Euro Dreams, new technologies such as AI and blockchain, digital services and more interactive online lottery products also contribute to this transformational approach. New game formats are being developed to appeal to the next generation of players. Lotteries have moved beyond talking about it and on to real and responsible action.

Lottery operators and their societal role are increasingly under attack by illegal

gambling operators. Key to the success of this transformation is to protect the common cultural heritage of Lotteries to operate for the common good in a responsible and legal manner. At the EL Congress in Sibenik, EL took this matter up and will extensively discuss it during a large Public Order seminar in February in Brussels.

In Europe the Belgian National Lottery has been advocating at all institutional levels for the recognition of the important cultural heritage of Lotteries. The festivities around “Bruges 1441” showed how important the role of Lotteries have been for centuries: *“The ingenious plan to organise a lottery with various prizes to collect voluntary contributions and use the proceeds to pay for collective needs*

*proved to be a hit. This historic decision nearly 600 years ago would change the European lottery landscape forever ... and later on conquer the world in this form.”*

During the Belgian Presidency of the EU Council, the National Lottery brings this again to the attention of all EU Member States as it was done in 2010.

Lotteries are a powerful force for integration, participation in social life, tolerance, and acceptance of differences. The financial contributions from lottery services provided by state lotteries play an important role for society. Any transformational approach, to be successful, relies upon these important societal foundations. ■