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PGRI Introduction: Norsk Tipping has a most unique bond with its customer – 100% of its players have a Player card with an electronic ID. What may have started out as a tool to promote responsible gaming and prevent underage play has turned into a powerful tool that connects the lottery to its customer. One result is increased sales. The more important result is increased customer engagement and a sustainable growth strategy based on an ongoing dialogue and mutual trust between lottery operator and the player.

Paul Jason, Public Gaming: Before we get into the unique relationship that Norsk Tipping has built with its players, let's first get an overview of your business.

Torbjørn Almlid: Norsk Tipping was created in 1948. We now offer a wide range of products, including number game products, scratch-offs, sport betting products. We have IVT's (Interactive Video Terminals), and the new family of products we're developing will be even more interactive. We have been expanding our retail network to get our products into different retail sectors. It may be a smaller number of the simpler products in some of these stores. Our goal is to be present where people are, which means that we need to have a differentiated offering to satisfy the need as it spans from the discount segment to the specialized gaming kiosk. . Our Internet and Mobile channels now account for more than 20% of our sales, and the



percentage of sales in those channels continues to grow. In addition we have appx. 3,000 IVT's (Interactive Video Terminals).

Does Norsk Tipping have monopoly control over all the games and channels?

T. Almlid: There is one other legal operator. Norsk Rikstoto operates horse-betting and their turnover accounts for about 15% of the gaming market in Norway. In addition, the traditional Bingo Halls are organized thru local charity and private operators. And then there is the gray illegal market based on the internet , which accounts for about 20% of the market. The Norwegian market is highly regulated to preserve public order, protect the consumer, minimize money laundering, and manage growth in a responsible way. Achieving that is the mission of Norsk Tipping, with the profit being channeled directly back to

the Norwegian people.

What can be done to stop the illegal operators?

T. Almlid: It's not easy. Even banning television advertising is problematic because we can't control broadcasts from foreign countries like the U.K. We do need some kind of international cooperation, a collective effort on the part of all countries to stop these companies from profiting illegally. The regulatory framework has been evolving, but not quickly enough to keep pace with changes in the marketplace and technology, especially as it relates to Internet gaming. The EU Commission is giving special attention to these issues, having released the "Green Paper" that sets out a plan for rationalizing the regulatory frameworks in Europe. While we are not part of the EU, Norway is a part of the European Economic Community and is very much affected by the laws and enforcement pro-

cedures adopted by the Union. The courts all across Europe, including the European Union Court of Justice in Luxembourg, are in a constant state of arbitrating these regulatory issues. We pay close attention to how the courts decide matters in our neighboring countries.

Do you think of the Norsk Tipping mission as being more about generating funds for good causes or channelizing the existing demand for the purpose of protecting the consumer?

T. Almlid: There was much debate about that when the Norwegian government implemented the VLT reform some five years ago. The issue was resolved in much the same way as what you will find in most European jurisdictions. The reason for the monopoly is to promote responsible gaming and manage the growth of the market so that it meets existing demand but does not overly stimulate growth. Raising funds for Good Causes is actually not the justification for the government monopoly. It's all about channeling the players to responsible operators for player protection and integrity.

There are lots of reasons to implement player identification cards, but increasing sales would not be at the top of most peoples' list of reasons. And yet, it's become a powerful marketing tool for Norsk Tipping, hasn't it?

T. Almlid: The Player card was made obligatory two years ago. And last year our sales increased over 8%. That sales increase had more to do with the roll-out of our VLT's. But I can tell you that the Player card did not hurt us, in fact it helped us. We monitored it carefully and can say we saw no attrition, no player loss. And now that everyone is on board, it will absolutely be a sales driver. Players see the benefits and the value of the interaction and information the Playercard can give them.

What are the benefits?

T. Almlid: Most of them are just what you would expect; what you would find in most customer loyalty programs. First of all, it gives the player an easy way to play on all channels and an absolute certainty that all their winnings regardless of size will be paid out to their own player account. Easy access to all information regarding their play on all channels, and direct information based on their preferences is also highly appreciated. So they associate those benefits with their Player card. The card also creates a frictionless transfer of funds; fast and easy, just the way the consumer expects things to happen in this age when they buy i-phone app's, do banking, book flights, and conduct so much business all on their Mobiles and via the Internet. They want our customer-facing business processes to be in sync' with their lifestyle of high-tech speed and convenience. They're no more interested in redeeming hard-copy re-

ceipts than they are interested in buying music CD's. It's a digital world and the Players card is a vital component of the digital relationship that players have with the lottery. By the time we converted to an obligatory system a couple years ago, the players valued their lottery membership and would not want to play the lottery without their player card, first of all based on the fact that they do not need to take care of their play-slip to insure that they would get their winnings

And now you're going to the next step and introducing relationship-building programs that can only be done with the kind of dialogue and transaction-tracking mechanisms enabled by membership i.d. cards. Explain the Grassroots Fund and where you're going with that.

T. Almlid: The Grassroots Fund enables the player to decide which charity should receive a portion of the turnover. Specifically, the player can register 5% of the amount played to go towards supporting a local sport or cultural organization.

That just seems an incredible idea. Most industry marketing people acknowledge that promotion of the philanthropic mission of lotteries doesn't really get the players' attention, or have much impact on buying behavior. But it would seem that if you can get the player to engage in the mission of lottery in this highly personal way, that would make all the difference.

T. Almlid: About 40% of the players have signed up and we just launched it less than two years ago. It does, as you say, create a personal emotional connection. It adds an interactive dimension to the relationship the player has with the lottery. They're deciding where some of the funds are channeled. That is a tremendous feeling of empowerment. And the recipients they choose from are mostly local organizations so that makes it even more tangible, more meaningful for the player knowing that it is helping a cause that's close to home and that they believe in. They may even be personally involved in the organization, or have friends who are. So they share that information on their Facebook page. Their lottery affiliations become a part of who they are, part of what defines them as individuals, much like the music they like or where they go on vacations. That creates more exposure for lottery and it is a really more positive and different kind of exposure than you could ever produce with conventional mass-market advertising.

Is there any consideration for increasing the percentage that the players can assign to their favorite charity?

T. Almlid: We do not have any immediate plans for that, we think that the level of 5% is at a balanced level for the time being. You do need to recognize that this percentage does come from somewhere. In our case, it is actu-

ally treated as a cost of doing business, which does not help our bottom line. But no matter how you treat it from an accounting point of view, the percentage that is going to the charitable organization of the players' choice is going to a Good Cause, but it is also money that is not going to the other Good Causes that also need more funds.

Even so, the means of engaging the players directly in the philanthropic mission that is the basis for lottery would seem a hugely powerful concept. I would hope that everyone can see the value in it and be willing to share the benefits.

T. Almlid: Everyone looks out for their own budgets as they should, but they do all understand that and that's why it will be increased at some point. And keep in mind, it's the Player card system that makes this kind of interactive relationship possible.

That kind of interactive relationship would also seem to provide a broad canvass with which to promote new games and educate the players on exciting new game concepts.

T. Almlid: That's true. It also changes the whole approach to Responsible Gaming, transforming it from a cost center that puts a damper on sales into yet another feature that players actually value. We have built tools that enable the player and the lottery to monitor their playing behavior together. We do have limitations on how much anyone can lose per day on Interactive Video Terminals (IVT's), for instance, but we strive to engage the player in the process of getting the most enjoyment out of the games, and to embrace the opportunity to manage their play responsibly. We help them to understand that it's no fun if you're playing more than you really want to, or losing more than you can afford to lose. The Players Card creates a wealth of options to create a dialogue with the players that improves the overall playing experience. And our public image is improved for having such an effective RG platform, which is something that our political constituents appreciate, and all of our stakeholders can be proud of. I really think there is still huge untapped potential to utilize the Players card to fully connect with our players, build loyalty, and engender a healthy and responsible approach to recreational gaming.

How does a lottery operator go from having no Player i.d. card at all to having 100% participation?

T. Almlid: You do need to begin with a voluntary system and develop your ability to build the programs that resonate with the players and it takes some time to build trust and an open dialogue. It took us years, having started back in the 90's. But it won't take nearly that long now. For one thing, nothing takes that long now. For another, the concept of Loyalty programs

and the cards that go with them have become a well-accepted part of everyone's lifestyle.

Most lotteries do have Internet-based loyalty programs. If they don't, they certainly should. The Players card is a natural off-shoot from that. They work hand in hand. You can use promotional benefits to engage their interest, and entice the players to become more and more involved. It's all voluntary and benefit-driven until you have the support of a critical mass that will embrace the transition to required membership. Or, it will happen naturally, the players all wanting to have the benefits of membership and it may be a logical decision to not require membership at all.

Some people might think that the players would not be receptive to player cards. "Piercing the veil of anonymity" and invasion of privacy concerns.

T. Almlid: This Facebook generation is much less obsessed with privacy than their elders. They are used to sharing all kinds of information with everyone. And the Facebook generation is no longer just the "millennial". It's really everyone, spanning all generations, young and older. Social interaction is something they look for in all recreational activities, especially in gaming. That's why non-money games like Zynga are becoming such an important component to the strategic plans of sites like Facebook. Google and Yahoo are also very actively tapping into that impulse as well.

Congratulations for finalizing the Eurojackpot deal! If I understand it correctly, it basically includes most of the European countries that are not part of Euromillions. So, Eurojackpot includes Denmark, Estonia, Finland, Germany, Iceland, Italy, Netherlands, Norway, and Slovenia. (Euromillions includes Austria, Belgium, France, Ireland, Luxembourg, Portugal, Spain, Switzerland, and the U.K.) When does it launch?

T. Almlid: We just signed the agreement (June, 2011) and we hope and expect to launch in March 2012.

That's huge. How is it different from Euromillions?

T. Almlid: You're right, it is huge; and it is in fact very similar to Euromillions.

There was a lively interaction in a panel discussion at the EL Congress over the appropriate role for commercial companies to play in the operation of the lottery business. Some people expressed the opinion that the commercial community should drive innovation; accelerate the rate of technological change and new game development. Others said that it was the job of the operator to drive innovation and that the operator should not turn that responsibility over to the suppliers. To what degree should the operator depend on guidance from the commercial community for how to progress and evolve their business models;

or should the operator preserve control and think of the commercial community less as partners and more as suppliers of goods and services?

T. Almlid: That was an interesting interchange. But I do not see it as a trade-off. The commercial suppliers do need to drive innovation in the creation of technological solutions; to accelerate the rate of technological progress and game development; and to guide us on the various options and counsel us on the most effective application of new technology, games and innovation in general. We do want the commercial supplier to be invested in our success and partner with us to optimize the performance of the lottery. On the other hand, the operator does need to control the assets that are mission-critical. Those include anything related to the preservation and extension of brand value, and the relationship with the customers. The focus of the lottery operator must always be on the customer and the operator should never turn that function over to its commercial partner. The operator needs to determine the strategic direction and always be the sole face to the customer, the one that stays close to the customer and understands the needs of the customer.

How can we as an industry accelerate the rate of progress and adoption of new technology and ways of doing business?

T. Almlid: I think our industry needs to have a much broader range of suppliers. This is a multi-multi billion euro business. It's huge. Everyone will benefit, including the incumbent commercial community, by engaging more people and more resources in the business of developing the products and systems that will enhance the player experience. There's lots of opportunity for growth in this industry, and for those who create the better products, services, and innovation that improve the way we operate as a business. We need to be more flexible and make it easier for new ideas to be adopted, regardless of where those ideas come from.

Do you feel that the technological platforms and infrastructure are evolving to be inter-operable and to facilitate the deployment of content and systems from different suppliers.

T. Almlid: The gaming industry is evolving quickly and the rate of technological adaptation, new game development, and innovation of business practices all need to accelerate. To do that, we need to remove the barriers to making that happen. For example, technology platforms that rely on different communication protocols impede our ability to deploy the best game content. There is no reason or purpose for that. The industry needs to standardize in those areas where it can in order to help the operator be positioned to always deliver the very best

products and service to the customer. We need technological infrastructures and platforms that support a seamless communication between servers, networks, game content, and all the partners in the supply chains and distribution channels. Open standards and inter-operability are key to enabling that to happen.

As lottery operators, we all depend upon the healthy and productive relationship we have with our commercial suppliers. It's true that a more dynamic marketplace can create competitive challenges for the commercial sector. But it also creates more opportunity for the commercial suppliers that are creating the best products and services. The entire industry will benefit by smoothing a path for the best products to get to market faster. The alternative is that nobody benefits, including the suppliers, because the lack of innovation will stymie progress and lotteries will not be as successful as they should be. Inter-operability and open standards will result in more suppliers, contract terms that will likely be shorter and allow for more flexibility, and more competition. But this is the way of the world, and it is the only way that the lottery industry will grow and prosper.

There is another aspect to this picture. The lottery operator needs to recognize that its most valuable assets include its relationship with the customer and its brand. In my mind, management of those two assets should never be outsourced. Along with a deep understanding of the games themselves, that's where the operator should focus and build its core competency. Almost everything else can be outsourced. As the industry grows, and lottery operators succeed and grow with it, our reliance on our commercial partners for support in all varieties of ways will increase as well. We all just need to embrace the reality that change is inevitable and focus on how we can better serve the customer.

And just as you are focused on serving your customer, the consumer and the player; likewise commercial companies need to focus on their customers which are the lottery operator.

T. Almlid: Exactly. We make it our business to understand the consumer, not to over-control the consumer because that would be an ineffective approach. Likewise, we need our commercial partners to understand us and our needs and work to meet those needs and not try to over-control the lottery operator. ♦