How Can Lotteries Achieve Greater Revenue

By: Tim Nyman, Senior VP, Global Services, GTECH; 2005 PGRI Lottery Industry Hall of Fame Inductee

Since joining the lottery industry in 1977, I have seen many concepts designed to increase lottery sales come and go. Today, the attention of the younger demographic is on flashy graphics, instant gratification, and the anytime/anywhere access to the Internet, mobile phones, and personal digital assistants which poses a challenge for many lotteries. Meanwhile, the established players are seeking a broader spectrum of games which lotteries are trying to accommodate without cannibalizing the current revenue generators. When asked the question, "How can lotteries achieve greater revenue?" I define GTECH's approach as matching players with the right games, channels, and delivery devices to increase revenue and value to our customers.

The three drivers that steer lottery revenue are game content, distribution channels (such as monitor, online, and instant games), and delivery devices (point-of-sale such as the lottery terminal, Internet, or mobile phone). Many hope to find one single method to increasing revenue but a carefully designed combination of these three drivers is best. Most importantly, the amount of contribution from each of the three depends on the jurisdiction when trying to determine the winning trifecta to successfully increase lottery sales.

Lights, Camera, Action

When seeking a solution to bridge the gap between the new and established players, lotteries will have to be agile when negotiating between the two. One way GTECH is vying to capture the hearts and minds of players is to offer familiar brand names. GTECH has just signed an agreement with Universal Studios Consumer Products Group to start a KING KONG game in parallel with Universal Pictures' December 14th release, King Kong, from three-time Academy Award® winner Peter Jackson. The first KING KONG instant game tickets will be available at various times throughout October in New York, Georgia, and California, and online games will be available in New York, the set location for the movie, in November.

Lottery sales promotions are an excellent vehicle to increase lottery revenues. GTECH has a wholly-owned subsidiary, IGI/Europrint, in England that delivers innovative promotional games, contests, and sweepstakes to players around the globe in a variety of media formats. IGI/Europrint specializes in a variety of gaming-type promotions across a wide spectrum of media including magazines, product packaging, television, Internet, and newspapers. For example, since 1996, GTECH and IGI/Europrint together have launched more than 10 television lottery games around the world. Viewers buy interactive game cards from their lottery retailer that are linked to popular television shows and play along at home. At-home players use information generated in the show for the chance to win prizes. The dual experience of working in media promotions and producing lottery game content has given IGI/Europrint an edge in creating lottery sales promotions. Associations like these will give lotteries a larger playing field to capture both established and potential new players.

Take a Walk on Boardwalk

Another way to expand sales among lottery players is to fine-tune existing games in traditional channels, giving players more value for their money. One of the newest additions to the GTECH catalog of games is Pick 'n Play™ which primarily targets existing players. Players actually "pick" the game of their choice by choosing a Play Card. This gives players a perceived notion of control over the game with its instant gratification aspect of the game, engaging graphics, multiple themes, various game choices, chances to win more prizes, and better odds. Pick 'n Play will feature MONOPOLY™ and BATTLESHIP™ as part of the game line up in a continued effort to drive impulse and repeat sales while increasing revenue with familiar brand names. GTECH licenses these well-known game brands from the Hasbro Properties Group, the intellectual property development arm of Hasbro, Inc.

A second example of this strategy that has already been successfully implemented is the Minnesota Lottery's G3® games introduced in February 2004 that brought in revenues of $3.5 million. The G3 instant online games are an example of new content that is successful at a higher price point. G3 games such as Bingo™ and Crosswords are primarily appealing because they combine the online experience with the immediate gratification of an instant win. This exemplifies how new content can be offered through an existing lottery traditional channel, a concept that was not possible with traditional matrix or numbers games.

And They're Off

Social space gaming, played outside of the traditional retail channels, is more appealing to a younger demographic and does not cannibalize existing sales. Since 1991, Keno has delivered more than $6.1 billion in revenues to 12 jurisdictions in the U.S. Restaurants, taverns, and bars clamor to participate in entertaining games such as Club Keno because it keeps customers in the establishments for a longer period of time.

GTECH propelled monitor-based games to the next level with the launch of HotTrax® in Rhode Island in May 2004, which complements existing products in the social space. HotTrax is an auto racing game that creates a perception of competitiveness by allowing players to place wagers on the finishing order of racecars. The HotTrax technology allows the game face to be easily modified from auto racing to any other type of racing activity. This gives lotteries the ability to customize the game to meet their player needs with technology enabling content. The younger players brought up with video and online games tend to be

drawn to competitive games that are visually dynamic and invigorating. With this in mind, these attributes have made this type of game immensely popular among players in the 21 to 34 year-old age bracket.

The Tennessee Education Lottery Corporation is considering launching the newest addition, HotTrax Champions™ – possibly as early as 2006. HotTrax Champions will feature some of today's top race car drivers. The game will showcase the drivers' names, signatures, headshots, and personal messages from the drivers aired between each game.

This social setting also makes way for new games such as WinWave™, the next generation video lottery terminal, just recently launched by Spielo®, a GTECH Company. WinWave offers a sleek new design, a second LCD screen, and a smaller footprint. Developed in consultation with lotteries to meet the specific needs of venues and players, WinWave offers the same full-bodied features as Spielo's traditional terminals with ergonomic enhancements that improve the overall playing experience.

The Wave of the Future

GTECH advances into the near future with two levels of interactive games, NetWin 2 Go™ and NetWin Direct™. The primary difference between the two is that NetWin 2 Go is purchased at your local lottery retailer and NetWin Direct is purchased from your mobile phone or through the Internet. NetWin 2 Go, also known as eScratch, is currently offered by the Kansas State Lottery. To play NetWin 2 Go, players purchase a ticket at the lottery retailer, and then visit the lottery website to locate the NetWin 2 Go link where they enter a unique account number printed on the ticket. The player clicks the link to choose from a variety of play styles, including scratcher, reel, card, sport, trivia, and even popular board games. Once game play is finished, the player returns to any lottery retailer to collect the winnings and/or purchase more NetWin 2 Go tickets.

NetWin Direct on the other hand is currently offered in Europe, where players have access to Internet-based "wagering." NetWin Direct gives players the ability to play NetWin games anytime, anywhere from personal communications devices of their choice, including PCs, mobile phones, and Interactive TV. Other games supported by NetWin Direct include draw and sports betting games. Several European lotteries using this type of system have seen growth rates of up to 50 percent. Considering the growth rates in Europe, a lottery with a loyal customer base wishing to maximize opportunities should investigate what alternative channels of distribution can add to their lottery.

One day we all hope to find that magic answer to continuously grow sales. In reality, there is no single solution to bridge the gap between players, channels, and devices. It's a work in progress. Lotteries and, most importantly, their vendors will continue to research and develop how best to combine innovative game content, sales channels, and delivery methods to achieve the optimal mix. GTECH's mix is what keeps us "Ahead of the Game." ♣