Camelot GLOBAL

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PGRI Introduction: In November 2014 Camelot Global successfully delivered the ambitious technical and business transition programme of the Irish National Lottery, seven months ahead of schedule.

PLI now has a new, modern and flexible technical platform to meet the needs of the new license period and support the growth and strategic plans of PLI. The Camelot Global team in Ireland operate the gaming systems on behalf of PLI and provide technical support, as well as providing Contact Centre support for both retailers and interactive players. A key component of Camelot Global's Irish team is the new iLottery function, which provides PLI with a dedicated and specialist interactive managed service to develop and grow the PLI digital channel. Camelot Global draws on its experience from the UK, where it supports Europe's largest interactive lottery (Camelot UK National Lottery).

I met with Nigel Railton at the European Lotteries Congress in Oslo to discuss how the multi-channel approach results is a win for everyone, including the land-based Retailer.

Paul Jason, PGRI: *UK retail sales have grown even as your Interactive sales have become 20% of your total sales. That's impressive.*

Nigel Railton: Camelot invested and continues to invest heavily in its retail estate. The success of this investment has paid off, for retailers and for us. We were open and transparent with our retailers about our interactive channel and how players would use the channel. For example we flagged to them that a proportion of online lottery players would be new customers for the lottery who have never purchased at retail, and this is down to two main reasons. The Interactive channel would increase player-ship with the end result that more people are buying at retail as a direct result of their exposure to Lottery on the Interactive channels. Our explicit goal is to encourage consumers to interact with us on all channels. We want our players to continue to play lottery at retail, in addition to benefiting our retailers, because the multi-channel player is more engaged, more loyal to Lottery, and therefore has a higher lifetime value to Lottery. We support our retailers because we want them to succeed and be dedicated to promoting lottery. But it also serves our interests to build a connection with the consumer that spans across all channels. Retail will continue to be the most important channel of distribution, by far, but by developing a multi-channel relationship with the consumer is a win for everyone—Lottery, Retailer, and Consumer alike.

The fact is that the tremendous growth in the UK Interactive channel is incremental. Camelot UK has increased sales in both channels over the past five years. Retail sales have grown by 30% during the same period that the interactive channels increased 130%.

There is also the public policy concern, albeit misconception, that Interactive makes it too easy to wager and that might cause vulnerable players to over-spend.

N. Railton: You're right this is a misconception. Player protection is superior on the Interactive channel than it is in retail. The only constraint to buying at retail is age—which that is not uniformly enforced. The player is anonymous, there is no way to communicate with the player, there are no

tools to enable the player to self-govern, and there are none of the advantages that Interactive provides the players with to play responsibly such as spend limits. In the UK and Ireland the Interactive channel is growing its player-base with a larger numbers of active players who wager small amounts of money. Increasing player-ship as opposed to increasing spend of core players has always been the cornerstone of Camelot's mission. That philosophy has translated perfectly to the Interactive channels. Further, geo-location and age restriction technologies work flawlessly in the Interactive channel—we have no incidents of under-age players, or players buying from outside of the UK.

It is surprising, and dismaying, the misconceptions that legislators sometimes have about the online channels.

How did Camelot gain the trust of its retailers to be confident that online sales would not cannibalize its retail business?

N. Railton: Simple, really. First, you commit to the success of your retailers. That means investing in their success, allocating material resources to helping the retailers modernize and build their business. Communication with your retailers is important, but enabling them to grow their sales right alongside the expansion of the Interactive channels requires a commitment of resources. Second, clarify the plan and sell it to the retailers. The sell includes the facts of life that the modern consumer is doing more and more business online and Lottery needs to be where the consumer is. It includes the fact that Interactive brings in new consumer groups that are not currently buying lottery products in the stores and that results in more customers who will end up buying at retail as well as online. Also re-affirming the fact that the new lottery customer will also be buying other products in-store at retail

Camelot's New iLottery Platform can be plugged into host gaming systems worldwide

Camelot Global, working with Camelot's in-house product development team, has developed and built a new revolutionary iLottery platform that can be used with any host gaming system worldwide. The new platform was launched in the UK for The National Lottery (national-lottery.co.uk) at the beginning of September and will be introduced in Ireland from next year.

Camelot has made a significant investment in the new system, which has been developed using the latest methods and technologies, and has the capability to help lotteries in two main ways. Firstly, it will increase participation and revenues, because it allows players the freedom to play anytime, anywhere. The new system provides a suite of products that can be customized to any market and has been designed to give players a tailored experience depending on what device they use to access the site—mobile, tablet, PC. The new platform also delivers a transactional mobile service, allowing consumers to play a selection of Instant Win Games on their mobile.

Secondly, the modern platform can be rapidly enhanced to meet the needs of the individual lottery—significantly improving the speed to market and reducing the costs associated with legacy platforms. The introduction of automation, which improves the quality and timeframes associated with testing, will also allow lotteries to be more agile and responsive to consumer needs—ensuring that they can move at the speed of their players.

Andy Duncan, Chief Executive Designate of Camelot UK Lotteries Limited, said: "The launch of this new platform has been an overwhelming success that was delivered seamlessly by the in-house team. The feedback from our players has also been very positive, with most users loving the new design, layout and functionality—especially the ability to play Instant Win Games on their mobile phones, a first in the UK. The new site has, and continues to, attract new registrations and we have seen a significant uplift in incremental sales from mobile and tablet devices, which is great news for National Lottery Good Causes across the UK."

The launch of the iLottery platform in the UK saw more than six million registered users and over 195 million transactions moved across from the old site in the first 24 hours. The new National Lottery site has also attracted over 20,000 new registrations in the first week.

Nigel Railton, Chief Executive Designate of Camelot Global Services, commented; "We are extremely pleased to announce that we have added iLottery services to our open lottery platform, which can be implemented into the lottery market in any jurisdiction. Achieving a multi-channel experience—incorporating both retail and digital sales—is vital for the future health of lotteries worldwide. This new platform enables lotteries to adapt quickly to consumer demands and gives players the choice to play when they want on any device. Following its successful launch in the UK, we will be installing the new platform in Ireland—to ensure that the Irish National Lottery can also offer a truly integrated player experience. We look forward to working with other lotteries throughout the world to implement our innovative iLottery and in-lane solutions—enabling them to satisfy untapped digital and retail expansion opportunities, and return more money for beneficiaries." ∎

in addition to their lottery buy. But the key component to the sell is that it can't be all talk. Show the retailers what you are going to do to help them be better merchants. Invest in upgrades of signage and POS and the tools we all know contribute to lottery sales and the success of the retailers.

We also believe that Lottery is in the best position to help its retailers integrate digital strategies and technologies in the retail shopping environment. Many lotteries are moving in this direction and we see it as a fabulous opportunity for Lottery to carve out a more relevant space for itself in the retailers' overall business plans. This also highlights the importance of Mobile for players—this channel is already being used to purchase products, for price checking, for learning about new products and new games. Mobile is and will continue to be an integral part of the retail shopping experience. So too, will in-store internet-connected monitors that enable the consumer to check stock, order online, compare products, learn about new games, etc. Lottery operators could be the ones to help retailers modernize in this and many other ways. We need to move quickly, though, because we are not the only retail supplier who see the opportunity to gain retailer support by partnering with our retailers in a more comprehensive way.

Lottery has an enduring, resilient appeal. But we need to improve the consumer experience to retain that appeal. Integrating the Interactive offer into our channel and product mix is a mission-critical enhancement that must be made. Improving the player experience at retail is another. And there is certainly potential to create fresh new and exciting games that comply with Lottery's fundamental game design formats.

Will the proliferation of casinos in the U.S.

impact Lottery?

N. Railton: Of course, they are all games-of-chance. As casinos become easily accessible to consumers everywhere, there will certainly be some cross-over from Lottery play to casino play. Our experience is that Lottery play is actually quite different from casino play. Lottery is all about attracting a large numbers of people, who spend small amounts of money for a much lower likelihood of winning a very large, life-changing amount of money. Casino gambling is completely different—a smaller group of people spending more money on games with better odds but lacking the possibility of winning that life-changing jackpot. However, even though the players differ it would be a mistake to think that Lottery is not in competition with all other forms of gaming and gambling.

Insofar as the player profiles are so different between Lottery and casino gambling, why would the lottery player migrate to casinos?

N. Railton: Casinos, and the introduction of other new gaming options, do not have as big an effect on the UK market as they do on the U.S. market. The consumers in the UK have had easy access to all forms of gaming for fifty years. There is an equilibrium in the market-place as most of the consumers decided long ago what games-of-chance appeal to them. It's different in the U.S. where Lottery has been readily accessible for decades in most U.S. states, but easy access to casino gambling is a relatively new phenomenon. That introduces a dynamic into the U.S. market-place that should not be ignored. Even though the lottery player profile is different from the casino player, we must expect that the consumer will try new options. And that some of those consumers will decide that while they've enjoyed playing lottery, their decision to choose lottery over casino had been based more on the

lack of accessibility to casinos and the lack of knowledge re the entertainment and socialization attraction that casinos have over lotteries.

Currently, Massachusetts is trying to assess the impact that new casinos will have on its state lottery. The Massachusetts Lottery has the highest per capita sales in the country, one of the highest in the world and is highly reliant on higher priced, high payout scratch tickets. Unfortunately, that high degree of market penetration is going to be hard to defend against new consumer options like casino gambling being located in the center of its two major cities. We estimate that the introduction of casinos under consideration will have of a significant impact on state Lottery sales, and aid to local governments.

As the Massachusetts Lottery knows, and others like California (which just delivered a 13% increase in sales over fiscal 2014), the way to compete isn't to try to appeal to the play-styles of the casino gambler. Most U.S. lotteries acknowledge that they do not have the advertising budgets and capital investment to directly compete with the new major casinos popping up in state after state. The way to compete is to continually enhance the lottery-playing experience. We do not want to be the next Words with Friends or Candy Crush or deliver an experience that would appeal to the casino gambler. But we do need to be the best that we can be for the lottery player. And the most actionable initiative that any state Lottery can undertake is to provide the very best Interactive experience they can to their lottery player.

I think that everyone who is reading this agrees that Interactive is a key component to Lottery's future. Many U.S. lottery directors may want to act on that conviction, but are constrained by legislative statutes or a political climate that would be hostile

to iLottery. What can we as an industry do to convince lawmakers to protect the revenue sources for the charitable causes instead of allowing multi billions of dollars of profits to be re-routed from the societal benefit over to private shareholders?

N. Railton: That's a huge holy-grail question, Paul, a massive political issue. Key, really, to the future of our industry. We need to do more as an industry to protect the monopoly positions of government-lotteries, and the rights of jurisdictions to decide what the best regulatory model is for them. This is a global issue. And the dynamics are quite similar all around the world. The evidence is clear that monopoly-lotteries can deliver far more economic benefit to society than commercial gaming operators. And in the most part people recognize that monopoly-lotteries are far more effective at managing the balance between maximizing revenues and minimizing social costs of problem gambling.

The problem is that government-lotteries are not typically tasked with the job of shaping regulatory policy. The community of commercial operators employ lobbyists to promote their interests in the political world and well-funded public relations initiatives to influence the general media and public opinion. The interests of Lottery and the Good Causes that it funds are being out-flanked in the battle for mind-share of politicians and the general media.

I do not have a silver-bullet solution to this problem. But Camelot Global is working hard to educate the shapers of public policy so that they at least make informed decisions. We achieved some measure of success in Massachusetts and New York and are working to replicate that in other states as well. Part of the solution is to frame the dialogue such that legislators are assessing the pros and cons of different regulatory mod-

els as they impact the welfare of their most important constituents, which are the citizens of their jurisdiction. We feel that when this is done in an objective and evidence-based manner, the benefits of the model which protects the interests of Good Causes become apparent.

Very well stated and good in theory.

N. Railton: It's an uphill battle. There is only so much that can be done to combat the sway of well-funded lobbyists and PR campaigns. But the facts are on our side and we, as an industry, need to at least make sure the facts are understood by the shapers of public policy and the general public. And we can do that. We are doing that.

One of the assets that Camelot Global brings to its clients is its experience in markets all around the world. But gaming cultures, history, political environments, etc. differ from one market to another. Insofar as the markets differ from jurisdiction to jurisdiction, what is the meaning of best practices that are derived from the experience in one jurisdiction being applied to another?

N. Railton: It's the 80/20 rule. 80% of the characteristics of the markets and consumer behavior do not vary from market to market. Then there's maybe 20% of the characteristics which do vary, which are unique to the individual jurisdiction. Effective application of "best practices" requires a clear understanding of which characteristics are universal and which are unique to the individual market. For instance, consumer adoption of Mobile as the digital connection of choice is universal. Building that Interactive connection with your player should be a top priority for all lotteries, everywhere across the entire world. On the other hand, Instant-win games may be more popular in Massachusetts than in other markets. So the build-out

of Interactive in Massachusetts may be weighted more heavily towards Instant-win games than it would be in other jurisdictions. Other jurisdictions, like California or New York or Germany, may be strong in the draw-games space and so should include that as a top priority.

To your point, of course it is vital that the characteristics of consumer behavior and market conditions that are unique to the individual jurisdiction be differentiated from those that are universal. It's also vital to recognize that lotteries all around the world benefit by diligent application of best practices in the 80% category that is universal. There is far more commonality to human behavior than there are differences. And the opportunity to improve results by applying best practices to all aspects of operations, retailing, execution, and more is huge.

The UK National Lottery has a strong draw-games player-ship.

N. Railton: Yes, but our instant scratchcards have doubled sales in the last five years. So there is also a place for tapping into what may be a dormant demand for underdeveloped products. The goal is to nurture a balance on your channels and balance on your games. But as you point out, Camelot UK has always given special attention to the draw-games category. For one thing, draw-games deliver a higher return for Good Causes. The draw-games category is under a lot of pressure globally, and perhaps especially in the U.S. Creating the pathways to maintaining growth is a particularly strong skill-set of Camelot Global. It's a top priority and we are succeeding at doing that. ∎