THE FUTURE OF LOTTERIES & SOCIAL MEDIA:
Working on the Natural Alliance?

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Lotteries must appeal to the mass market, a very large and diverse cross-section of consumers. Even though it is not a homogeneous market, we can isolate some of the attributes of lottery to help us understand the appeal of lottery and how we can replicate the mass-appeal of lottery to the online and social gaming spaces.

First, Lottery is one of the lowest risk forms of wager-based entertainment. Ubiquitous POS's make playing the lottery more convenient than any other form of wagering games. And people know that Lotteries operate according to a model whereby the profits are given back to society. Lotteries have carved out a role for themselves in society that is indeed unique. Their brand represents a distinct identity that has served them well for decades. Now, Lotteries are faced with the challenge of replicating that brand in a completely new business and consumer environment: on the internet. The momentum that Lotteries have created for themselves over the past decades of innovative product development and promotional strategy will serve them well in their efforts to re-cast their products and promotional strategies for the online gaming environment.

What all lottery games have in common is that they are developed for both optimal success in the market-place and to be in strict compliance with all the different jurisdictional regulations and laws. Unlike some remote gambling operators, Lotteries never operate on a cross border basis without mutual agreement, and they never violate the laws of local jurisdictions. And all Lottery games are designed and operated in accordance with the highest levels of CSR & security standards . The World Lottery Association (WLA), the European State Lottery & Toto Association (EL), the North American Association of State & Provincial Lotteries (NASPL) have developed a system of certification that measures performance according to benchmarks that are setting a new standard for the industry. These are just some of the attributes that characterize government gaming operators and position the international community of Lotteries to be the gold standard for the broader gaming and wagering industry.

As Lotteries move into Social Media and apply their high standards to application of Customer Relationship Management (CRM) and management of Public Affairs, their vast experience in the offline world and historical reputation for integrity and excellent games will serve them well. It is imperative, though, that Lotteries grasp the full potential of Social Media, and push shapers of public policy to hold operators accountable to the same high standards that have been set by the international community of Lottery operators. Lacking regulations that require high standards of performance in all matters of security, integrity, and Responsible Gaming, Lotteries will be at a distinct disadvantage in a market-place that will be rife with off-shore operators who only do what they are required to do. These off-shore operators are well-funded and sophisticated commercial companies that market more aggressively than Lotteries. Their willingness to operate on the edge of the law or even illegally, doing only what is required and no more, yield lower cost structures than Lotteries incur

for the service they deliver. These lower cost structures enable them to offer higher prize payouts which of course appeals to the consumer and gives them a competitive advantage. These off-shore operators are very creative at finding new ways to get around existing regulations, and to avoid paying taxes which is the biggest cost center of all. They create and launch more new products which both appeal to the consumer and can also fall outside of existing regulatory guidelines. And this is all augmented by the most sophisticated CRM marketing programs which target the individual player and reinforce their strong online connection to the consumer. They are also the first to test the waters of Social Media techniques to bring casino-style games and i-poker to the completely new markets being created by digital media. These techniques and the changing markets are continually testing the efficacy of existing regulation, or rendering it completely obsolete. Gambling regulators often do not know how to deal with many of these issues. However, as the recent debates at the World Lottery Summit in Montreal have shown, the awareness of these issues and the implications to the future of lotteries is spreading. Awareness is the vital first step and hopefully that has been accomplished. Finding the solutions is the next step and it will be much harder to come by.

The convergence of "social gaming" with wagering and games of chance creates profoundly important public policy issues. The original social games were non-money and have been marketed, like any other consumer product, with the goal of maximizing consumption. It could be done that way because nobody was gambling with real money. So you even have social gaming advertisements that proudly proclaim their games to be "the most addictive game ever"! What may be acceptable in the sphere of non-money social games is quite unacceptable for games of chance. What will happen, though, as these non-money social games get monetized? Will the same exacting standards of consumer protection and guards against under-age gambling be applied? It may seem that there is a clear red line that defines and differentiates gambling from non-money social games. But game developers and marketing executives are applying their formidable creative talent to avoid falling under the regulatory umbrella that applies to gambling. And game developers in the traditional gambling space, like for virtual slot-style gaming, are getting creative at recasting their games as "social". These developments should be of great concern to all government gaming operators. If regulators do not update the laws and their approach to the industry, these new "social" game styles could undermine the fundamental business model of government lotteries. Big operators like Zynga are already working hard to cast themselves as good corporate citizens and curry favor from the shapers of public and regulatory policy.

The defining characteristics of lottery include low-risk, non addictive, and helpful to society. These are in fact attributes that make lottery the ideal platform for games that appeal to the consumer who is looking for a social experience more than a gambling experience. Let's leverage our strength and create the games that move lottery directly into the hottest gaming sector for the next generation consumer. ◆

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