

# GAMING

I N T E R N A T I O N A L

**Gary Peters**

Former Commissioner, Michigan Lottery  
On politics of the gaming industry.

**Ray Bates**

Honorary President  
European Lottery  
Association  
On liberalization of  
European Lottery industry.

**PGRI's 2007 Lifetime  
Achievement Award:**

David Gale, Executive Director NASPL

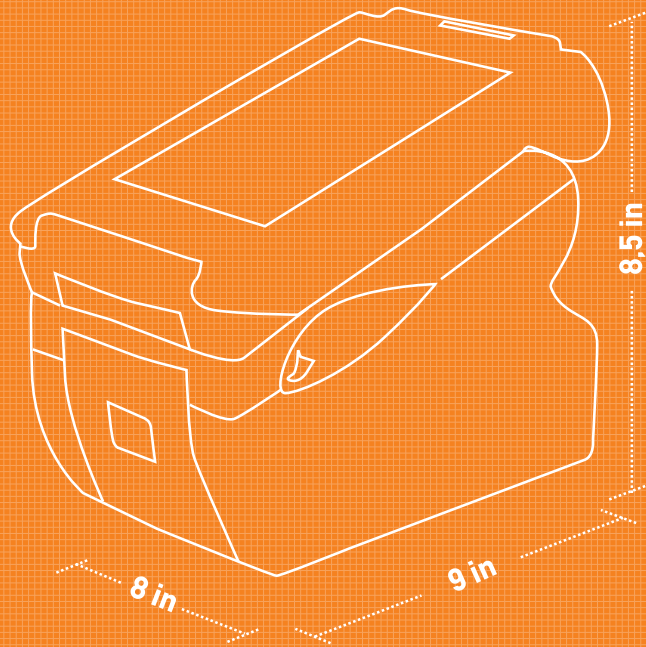
**Stefán Hrafnkelsson**

CEO, Betware  
On game development  
for the next generation.



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Our industry news gets reported here as soon as it hits the wires. If it's lottery and gaming news you need, you can surf the web yourself to find it, or you can come to our website and get all your industry news in one place.

**PGRI's Morning Report** is our weekly electronic newsletter. It is sent out to your e-mail address every Monday morning. This provides you with a brief synopsis of the previous week's industry news. In addition to the news items, our editor, Mark Jason, follows up to get commentaries and quotes from the news makers themselves. Join your colleagues (15,000 of them) and subscribe to *Morning Report*. E-mail your request to subscribe to [sjason@publicgaming.org](mailto:sjason@publicgaming.org).



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## PUBLIC GAMING INTERNATIONAL

PUBLISHER & PRESIDENT  
Paul Jason  
[pjason@publicgaming.org](mailto:pjason@publicgaming.org)

EXECUTIVE VICE PRESIDENT  
Susan Jason  
[sjason@publicgaming.org](mailto:sjason@publicgaming.org)

EDITOR  
Mark Jason  
[mjason@publicgaming.org](mailto:mjason@publicgaming.org)

ART DIRECTOR  
Lisa Robinson

OPERATIONS  
Anne-Lise Stannard  
HONORED FOUNDERS  
Doris Burke  
Duane Burke

CONTACT PUBLIC GAMING  
Tel: (831) 277-2340  
(800) 493-0527  
Fax: (206) 374-2600  
(800) 657-9340

Public Gaming International (ISSN-1042-1912) September 2007, Volume 33, No. 5. Published monthly by the Public Gaming Research Institute, Inc., 218 Main Street, #203, Kirkland, WA 98033, (425) 935-3159. ANNUAL SUBSCRIPTION RATES: United States: \$145. Canada & Mexico: \$160(US). All other countries: \$225(US). POSTMASTER: Send address changes to Public Gaming International, 218 Main Street, #203, Kirkland, WA 98033. SUBSCRIPTION REQUESTS: Send to same address. NOTE: Public Gaming International is distributed by airmail and other expedited delivery to readers around the world. ©2007 All rights reserved. Public Gaming Research Institute.

[info@publicgaming.org](mailto:info@publicgaming.org) • [editor@publicgaming.org](mailto:editor@publicgaming.org) • [sales@publicgaming.org](mailto:sales@publicgaming.org)



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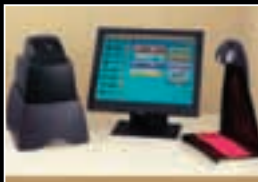
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## From the Publisher

By Paul Jason, CEO, Public Gaming Research Institute

**Congratulations** to the recipients of the 2007 PGRI Lottery Industry Hall of Fame Award: Constantinos Antonopoulos, CEO of Intralot; Reidar Nordby, Jr., CEO Norsk Tipping AS and former President of the WLA; and Jan Stewart, CEO, Lottery West and Sr. Vice President of the WLA. These three were voted in by their peers who are currently members of the Lottery Industry Hall of Fame. Stay tuned to [www.publicgaming.org](http://www.publicgaming.org) or [www.lotteryindustryhalloffame.com](http://www.lotteryindustryhalloffame.com) for time and place of the Award ceremony..

**Congratulations** also to Dr. Ed Stanek. Dr. Stanek will be retiring as CEO of the Iowa Lottery, effective October 31. This after 22 years of leading the Iowa Lottery. Actually, Ed's accomplishments and contributions to this industry extend far beyond his role as CEO of the Iowa Lottery. We can only hope that this is merely a transition and that Ed will continue to be a vital part of the lottery industry.

**Stefan Hrafnkelsson**, CEO of Betware, has an agenda. Stefan is of the opinion that the younger generation will have different wants and needs from us middle-agers. He's even proposing that they will want new and different kinds of games to play and that Internet and mobile will be the media of choice. Stefan contends that we will need to change the games we offer and the manner and methods in which we make them available if we want to get the attention and interest of the next generation of player. That will include games of skill, multi-player formats with social interaction, entertainment seamlessly integrated with wagering, and interoperability between platforms and content, among other things.

**Ray Bates** doesn't have an agenda, other than to cover a whole palette of European issues in a way that only Ray can. He sorts them out, clarifies them, and challenges us to face some facts and consequences that we might like to wish away. We are left with some unanswered questions, to be sure. But liberalization of the markets, diminishing margins being forced on everybody by competitive gaming venues, ever-increasing jackpot sizes making it hard to generate player excitement ... these are some realities that we need to face up to in order to go to the next step of clarifying options, coming up with action plans, and dealing with the challenges in the best possible way.

**Gary Peters** is running for U.S. Congress (see [Petersforcongress.com](http://Petersforcongress.com)). But up until last month, Gary was the Commissioner of the Michigan Lottery. The Lottery's revenues grew from \$1.68 billion in 2003 when Gary was appointed to over \$2.2 billion in 2006. Prior to that, Gary was elected to Michigan State Senate in 1995 and served until 2002. With the perspective of both leg-

islator and lottery leader, Gary shares his thoughts on the politics of our industry, why the lottery should be run like a business, Raffles Games, distribution, and more.

**Connie Lavery O'Connor**, Sr. Vice-President and Chief Marketing Officer of GTECH, is continually raising the bar. What do you do when the bar is already high, standards already superior, and performance expectations already being met? What GTECH does is to identify and isolate Industry Best Practices and strive to apply these in other areas of the business. Simple in concept, but not so simple to execute. GTECH begins with a wealth of customer experience, but even that must be translated into actionable facts and information. GTECH excels at this relatively new discipline of capturing and quantifying all varieties of facts, figures, experience and applying it to all aspects of business planning. Connie delves into some of the ways that GTECH turns data into action and results that benefit the customer.

**Philippe Vlaemminck and Annick Hubert** are applying the insights acquired in wrestling with European legal issues over to U.S. gaming laws and regulations. As counsel to the European lotteries on virtually every case litigated before the European Union and Court of Justice, Philippe has a deep and passionate grasp of the relationships between the push for liberalization, the need to protect societal interests, and national sovereignty vs. the need to participate in an inter-related global economy. Topic number one: analyzing the U.S. versus Antigua Internet gambling case.

**Vickie Munroe**, Director of Product Development for Florida Lottery, details what goes into creating a successful Raffles game. We talk price points, sequencing to create a series of successes that build on each other, finding ways to create a stimulating variety of advertising campaigns. Too, Vicki has served in different product development capacities, has interesting insights into applying lessons learned from one category to another, and also speaks to the challenge of planning for continuity but remaining flexible to adapt dynamically to changes in the market.

Thank you all for contributing! I look forward to seeing everyone at World-Meet '07. Clint Harris, Arch Gleason, David Gale, and the NASPL staff are making this into a most memorable event.

P.S. Don't forget to check out the website [www.publicgaming.org](http://www.publicgaming.org) for all day to day news and lots of op-ed editorial. And sign up to receive the weekly electronic newsletter, "Morning Report".



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## An Interview with Stefán Hrafnkelsson: Game Development for the Next Generation

Betware CEO Stefán Hrafnkelsson talks with PGRI about game development for the next generation, skill and community based games, sports betting, and giving control over content back to the client.

Betware ([www.betware.com](http://www.betware.com)) offers gaming operators a turn-key solution with a gaming platform and a large portfolio of game content, including lotto, sports, instant, and interactive games. Certus is a wholly owned subsidiary of Betware which focuses on the development of skill games for Internet and mobile phones.



Stefán Hrafnkelsson

**Paul Jason (PJ):** According to your website, critical to Betware's 'turn-key' solution is the goal to strike a balance between having something be cost-effective and quickly implemented, along with also being able to customize it to meet the needs of different and unique applications.

**Stefán Hrafnkelsson (SH):** Our vision was to have a platform that would be the same for all of our clients, and we have been living up to that expectation from the very beginning. All our clients use the same platform; but, we found out that this platform was only a part of the total solution. We found out that we were actually customizing everything on top of the platform for each client. So two years ago, we started a project where we packaged our offering into a turn-key solution, but with keeping the flexibility to customize. This was reasserted in the fact that now it is not only the platform that is the same for all clients, but we aim to have the same frameworks and libraries at various levels of computing. Betware also aims to have the

and it is also compatible with other content providers. So with your platform, the customer is not tied to using your proprietary content?

**SH:** They are not tied to that, but this business is such that every platform requires some integration to take place between the game and the platform. So, there are some options. One option is that third party games providers write the game according to our API. The other option is that Betware takes the responsibility of implementing a gateway to a 3rd party developer's games, which

use the same way of wagering (Ingenio has 24 games in their portfolio) so that wagering takes place on the Betware platform.

In the future when Ingenio adds more games to their portfolio, they should run unchanged on the Betware platform as well. We are trying to have our clients reap the benefits – economy of scale and time to market – by being able to buy content from 3rd parties.

**PJ:** So there is a cost to modifying or creating a gateway, but the cost is very manageable.

**SH:** Yes, but in the case of Ingenio it was a rather easy task due to the fact that Ingenio games were very modular and used the exact same wagering service. You never know until you study the architecture of the game to see if it fits the architecture of our platform; so, there is a question mark. Until now, we have been very effective in both, integrating to third parties' central systems and having games run on top of our platform. Our design goals are built keeping in mind the belief that no single supplier will come up with all the best games.

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*I believe that the lotteries and other operators will be the driving force; they want a specific game and they don't want to hear that you can't port it to the platform. In my mind, it is the supplier's duty to support our clients with a platform that does not limit our client's future game portfolio.*

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user interface the same throughout, except we can configure so that each client can customize the look and feel. We have a lot of flexibility now within our solution. The turn-key is a reality and we have started benefiting from faster time to market, lower costs and fewer problems, because we are reusing tested code again and again.

**PJ:** So you can customize the platform to the customer's unique needs

It is extremely important to be able to port all the popular games to the platform.

**PJ:** What if other game developers don't want their games to be implemented on their competitors' platforms?

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# Straight Talk from an Industry Leader with a Center Stage View

An interview with Ray Bates, honorary President of European Lottery Association and former Director of the Irish National Lottery



Ray Bates

I caught up with Ray Bates recently in Budapest where he moderated panel discussions at the EL Congress (as he also does at the WLA conferences), and took the opportunity to get his views on the hot issues of the day, particularly in Europe. After 18 years as Director of Ireland's National Lottery, and with the independence that comes from being a consultant for the past year, I thought he should be able to give some interesting and objective views. Ray was also presi-

dent of the European Lottery Association from 1995 to 2001, is Honorary President of the EL, and has never been accused of being afraid to be provocative, politically incorrect or express an unconventional viewpoint. E-mail Ray at [RayBates@eircom.net](mailto:RayBates@eircom.net).

**Paul Jason (PJ):** *What are the main issues affecting State Lottery companies in Europe...it looks like the threat of liberalization of the market must be near the top of the list?*

**Ray Bates (RB):** It really depends on what type of Lottery company is being operated. We could start by dividing gaming companies into those that offer straight classical lottery games; those that offer classical games plus sports betting; and those that offer classical games, sports betting plus "destination gaming" (e.g. casinos and VLT's). Each of these three categories of lottery has a slightly differ-

*impacted more by liberalization. How is sports betting regulated now?*

**RB:** If you take the example of the UK and Ireland, where there have always been bookmakers, the National Lotteries in both countries have grown up with, and developed their business alongside, active sports betting markets. The UK and Irish National Lotteries are legally prohibited from offering sports betting, so there is no competition in this specific market.

Bookmakers are, in general, subject to different legislative frameworks than lotteries. They are operated by private operators, for private profit. Their only return to society is, in general, limited to the payment of tax. They operate with less public scrutiny, accountability and "answerability" to the public. In most EU countries, sports betting is offered solely by the State Lottery, and subject to the same stringent regulation and controls that apply to all State Lottery operations.

If sports betting operations were fully liberalized, then you would have fierce competition between, for example, UK bookies and State Lottery companies in, for example, the Nordic countries. "Fierce competition" on fully equal footing would result in uncontrolled expansion of the total market size, with the extent of the competitive forces, rather than the State Regulator, determining the eventual size of the sports betting market. A market size developed in this way could have serious detrimental societal effects.

**PJ:** *But, couldn't it be argued that if there is a level playing field, then that at least assures that society enjoys the benefits of the contribution to good causes? Couldn't you legislate that all operators contribute equally to society*

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*It is as hard to imagine Norsk Tipping in Norway being allowed to pay out 85% or 90% in prizes for sports betting, as it is to imagine Stanley Bookmakers being required to pay 10% or 15% betting tax.*

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ent perspective on future developments, as they are each likely to be affected in quite different ways.

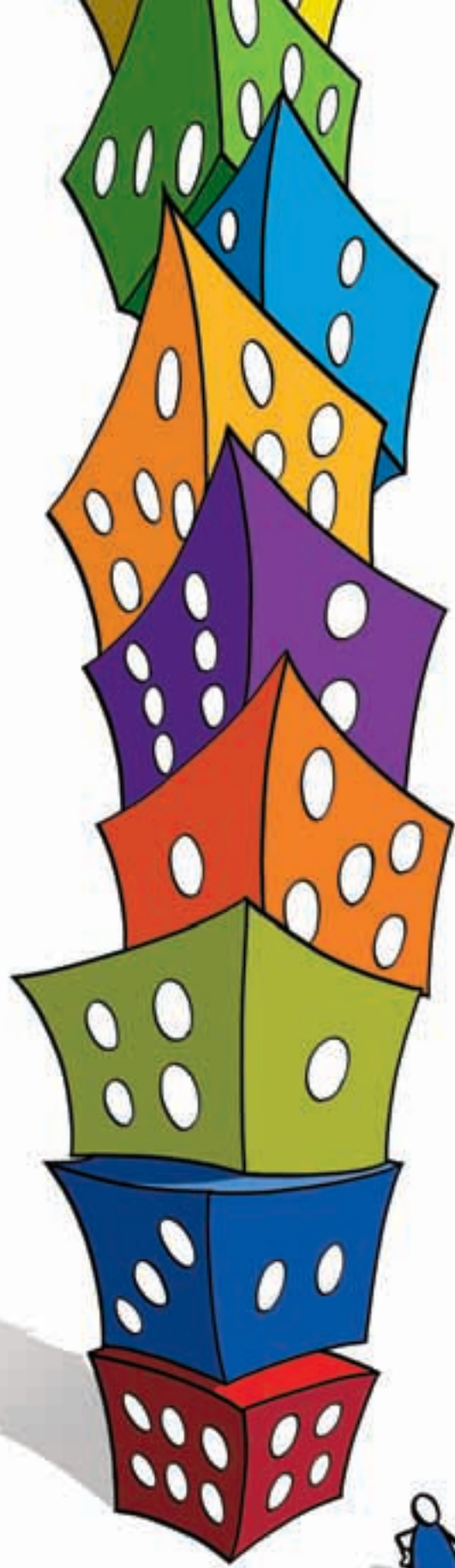
The prospect of a liberalized market will present a far greater threat to the operators of sports betting than it will for those companies offering only the classical lottery games. This arises from the fact that most of the objections to the status quo have their origin with bookmakers operating in the UK and some other EU States. It is also clear, for example, that a fully liberalized market for "gaming machines" or casinos would be a more serious issue for Sweden than it would be for Ireland.

**PJ:** *Explain a little more about why operators of sports betting will be*

*(in the form of taxes or good cause beneficiaries) and allow for competition?*

**RB:** In theory this could be the case. But, for example, it is as hard to imagine Norsk Tipping in Norway being allowed to pay out 85% or 90% in prizes for sports betting, as it is to imagine Stanley Bookmakers being required to pay 10% or 15% betting tax. The pure theory of a "level playing pitch" is a long, long way from its practical realities. As an experienced observer of the regulation of the total gaming market, I would be prepared to lay a bet that any eventual "level playing pitch" would end up being a little bumpy, with the bumps affecting the lotteries more than the bookies.

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# Gary Peters Talks about Lotteries, Politics and the Future



Gary Peters

Public Gaming interviewed Gary Peters, the outgoing Michigan Lottery Director. Mr. Peters provides a broad perspective into the issues facing lotteries today, having held upper management positions in the business world as well as leadership roles in the political arena.

## ON LEADING THE LOTTERY

**Mark Jason (MJ):** *You've held other high-level positions in state government. How does leadership of the lottery compare to those?*

**Gary Peters (GP):** The Lottery is a different animal in state government, in that it is really like a private business that is driven by sales. So as an enterprise fund, it is very different from the traditional bureaucratic state department or the state Legislature. It is a big busi-

ness. This year our sales will exceed \$2.3 billion, which makes us one of the largest business organizations in the state of Michigan.

**GJ:** *Do legislators often keep existing staff?*

**GP:** You will keep some staff, but also hire staff with particular experience from other offices. Often when a legislator takes office, they'll bring some people they have worked with, who have helped them get elected, and will often continue working with them. But normally there are also people on the staff who have some experience to help

them navigate the sometimes complex waters of the Legislature.

**MJ:** *So as far as control of the gaming industry at this point in Michigan: the Lottery and Charitable Gaming are under one umbrella, then you have the Gaming Control Board. What would you consider to be the best way to control the gaming industry?*

**GP:** I like the system in Michigan where the Lottery is separate, and I think it should remain separate. The mission of the state Lottery is decidedly different than the mission of the Gaming Control Board, which is a regulatory agency, focused on regulating the casinos. The Lottery is very different. We have a staff of sales, marketing and public relations personnel – and every other group that is needed to run a normal business. I think keeping the focus of the Lottery, which is driving sales in a way that is commensurate with the public welfare, leads to more efficiency, greater sales and therefore more money for public schools.

**MJ:** *The Lottery tends to get a lot more media attention than one would have to deal with as a legislator, correct?*

**GP:** It definitely does. The main reason the Lottery gets media attention is that many, many citizens in the State of Michigan play the Lottery on a regular basis, and are interested in the operation of the Lottery. Our surveys show that nearly 70 percent of the people in the state of Michigan have purchased a Lottery ticket in the last year. The media know this, and they know that if they write stories about topics of interest to their readers they'll sell more papers or get more viewers or listeners. Anytime they put something related to the Lottery in their paper or on their broadcast, their readership or listenership often goes up.

**MJ:** *Given your prior position in the Legislature, you brought a political component to your position. Do you feel that helped you in your ability to lead the Lottery?*

**GP:** No question that it did. It was a very valuable asset. When I

What I would like to see as a change in Michigan, that I believe would be healthy for a lot of states, is a move toward the corporate models that we see being created in the new lotteries.

What I would like to see as a change in Michigan, that I believe would be healthy for a lot of states, is a move toward the corporate models that we see being created in the new lotteries. For example, North Carolina and Tennessee are quasi-public corporations that are

**NOTE:** After this interview, and after Mr. Peters retired as Director of the Michigan Lottery, he decided to make a run for Congress. Information regarding his candidacy can be found at [www.petersforcongress.com](http://www.petersforcongress.com).

*The lottery business is a very complicated business...but the one thing about this business is that it's very easy to measure performance. It's just black and white.*

*Are you generating more revenue for your beneficiaries?*

somewhat detached from state government and some of the regulatory rules of state government. As a mature lottery, Michigan is sometimes constrained from business solutions. But we were able to get approval for a sales incentive plan, which is pretty typical in any marketing and sales organization anywhere in the country. Salespeople are paid salaries and receive bonuses on some sort of incentive compensation plan based on sales. This wasn't easy to get through here because civil service is not used to working with incentive compensation plans. Civil service has its place in traditional state agencies, and should continue to operate there. But the Lottery is a different animal and should be separated from some of those constraints.

**MJ:** Wasn't there an item about those incentives being either questioned or stopped by the legislature?

**GP:** There was an order by the governor that ended any kind of incentive compensation in state government. It was interpreted by the Civil Service Commission to also include the state Lottery.

I think lotteries should be given considerable freedom to operate their business. The lottery business is a very complicated business, as readers of your magazine who are all involved in the industry know. It's much more complicated than most folks outside the industry realize. But the one thing about this business is that it's very easy to measure performance. It's just black and white. Are you generating more revenue for your beneficiaries? In Michigan, am I generating more money for the state School Aid Fund? That's what I'm held accountable for, and should be held accountable for. And any future commissioner should be held accountable to that standard. Every year the commissioners go before the Legislature, if they haven't performed and delivered an increase, then they'll need to answer questions that will be related to that. I think that is a very accountable system, but at the same time when you then put handcuffs on a commissioner or the management team responsible for running the Lottery, it makes it more difficult to deliver the most important product that the Lottery

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# Industry Best Practices: Learning from Our Customers Worldwide

*By Connie Lavery O'Connor, Senior Vice President & Chief Marketing Officer, GTECH Corporation*

In today's world, there is an unlimited number of entertainment options competing for the attention of lottery players. Now, more than ever, the lottery industry must rapidly deliver new games, promotions, and content in order to satisfy even the most traditional lottery players and keep them coming back for more. In addition, our industry must work to collectively identify and bring in new players.

This is where industry best practices comes into play. A thorough understanding of players and retailers is critical. Lotteries must have market-based facts derived from focus groups, surveys, audience testing, and various other methods. The bottom line is the more quantifiable the case study – the more effective.

As a 30+ year lottery veteran, I've come to realize that the key to increasing sales is not something that can be done in a vacuum. In fact, it will take a teamwork approach involving contributions and learnings from many lotteries. It isn't just one thing that drives a business – many variables must be considered – and each must work in symphony with the other.

At GTECH, we are privileged to collaborate with many of the industry leaders in innovation and execution. Our customers have taught us a great deal. That's why we have established a compendium of "Industry Best Practices" based on our experience working with some of the best and most dynamic lotteries around the world. Our job is to help our customers optimize their games, distribution network, product mix, and identify new opportunities for incremental revenues.

We work hard to develop a level of trust with our customers so they have complete confidence in our advice. As a customer centric organization, everything we do flows from "Industry Best Practices" – from design to production, market research to pilots, retailer optimization to sales-force training, roll-outs to conversions, and from marketing strategies to promotions. In all of this, one thing is clear – there must be concrete, factual data to support best practice observations. This is the key to understanding one lottery's success and transferring it to another.

## Relating to Best Practices for Instant and Online Games

At GTECH, we recently completed a comprehensive exercise with one of our customers to provide them with a customized set of best practices for both instant and online games.

In the instant game category, we found that this lottery would benefit from a number of best-practice initiatives, such as maximizing profit to good causes by carefully managing prize payouts, improving their retail distribution, and focusing on the diversity and quality of their retail mix.

When it came time to address their online games, it was clear that



they would see an increase in their profit to education with the execution of a sales optimization program. A mere 10% increase in Mega Millions or PowerBall generates \$0.38 to good causes versus approximately a 20% increase in the less profitable instant category.

## Relating to Best Practices for Retail

In addition, enhancements to their retail distribution network and selective performance-based retailer incentives were also suggested as part of the best-practices strategy. We are working with our Lottery partners to identify the retailers in their jurisdiction where their players are shopping today that will provide convenience to the player.

The introduction of new channels of trade like Dollar, Superstores and Warehouse over the past decade means that today's consumers are not visiting the traditional lottery-selling retailers as often as they have in the past. This shift means that the lottery category as a whole is not getting the same exposure to today's consumers as it has traditionally. Lotteries recognize that ultimately this will translate into a drop in sales of lottery products unless more stores from the non-traditional retail trade styles are brought on board.

We at GTECH must continue to invest both R&D dollars and resources to participate in Retail Industry Trade Shows, expand our market research program to better anticipate retail trends and continue to invest in the important Industry Standards Initiative so we can collectively stay on the strategic front-end of where the retailers are headed. This will enable us to continually bring new products to market, in-



cluding self-service, that will provide retailers the ability to offer lottery in their stores in an easier, simpler, more secure and integrated way keeping the lottery a very relevant part of their product offering.

### Relating to Lottery Branding

Without a positive brand image it is impossible to sell tickets. Players must first be able to identify a lottery retailer as easily as they can identify any other type of retailer. We recognize that many lotteries rely on their players to recognize their respective jurisdiction's lottery logo as a sign that a specific retailer sells lottery games. These logos must capture the positive imagination of players in order to be successful. Players need to see that logo and recognize it as a sign of optimism and enthusiasm. If a player's immediate reaction to a lottery's logo isn't one of excitement, they simply won't buy tickets.

From large scale exterior signage, to small interior signage including terminal toppers and posters, lotteries need to make it easy for players to recognize a lottery retailer at first glance. Recently, in a European jurisdiction, a survey of important site characteristics, the quality and visibility of interior and exterior signage proved to have the single highest correlation to generating sales. Therefore, the

branding needs to be both clear and consistent in order to maximize the return on the advertising investment.

### Relating to Best Practices: Our Data Warehouse

GTECH started an exercise to record and measure best practices based on specific customer experiences. We are collaborating with key customers to establish a warehouse of industry best practices and data that can be transformed into industry insight. Respecting our customer's privacy and security, it is our goal to improve our relationships with customers by sharing a similar set of data, so that GTECH can speak the same language as its customers and thereby aid the customer in making business decisions to grow revenue and improve their business. GTECH has a goal of becoming a more data-driven company that creates stronger relationships with customers built on improved information and insight. This goal can only be achieved by creating systems capable of collecting and aggregating the detailed data necessary to allow us the ability to analyze data easily. This effort will reveal in hard, measurable ways the data that corresponds to each effort to implement a best practice.

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# Internal and External Consistency: Lessons from the U.S. WTO Saga on Internet Gambling

By Philippe Vlaemminck & Annick Hubert



Philippe Vlaemminck



Annick Hubert

Under the Uruguay Round the US made the commitment (probably accidentally) to grant market access to foreign based Internet gambling operators under the new GATS rules. For years a vigorous debate took place in Geneva about the interpretation of the US commitments under GATS and later on the way the US was entitled to invoke the public order concept under GATS. According to the Panel ruling under art. 21.5 DSU, the US did not prove to be totally consistent in its Internet gambling policy. The IHRA proved to be a bridge too far and was too business oriented to fall within the scope of public order.

Betting on horse races seems to be a lucrative activity in different places around the world, but causes at the same time serious problems to several governments. Recently in the EFTA Court the government of Norway was criticized for maintaining a policy on horse race betting that was questionable from its public order approach towards lotteries and sport betting. Betting on horse races was considered to be "business oriented" contrary to all other games of chance who could only be organized for non profit. The same problem could occur in other jurisdictions where betting on horse races is organized to support horse breeding. A noble and important cause, but considered by the EU Commission and the EFTA Court as busi-

ness oriented approach.

The advantage of the WTO system, compared to other international legal order like the EU and/or the EEA, is that a Member can at the end withdraw its commitment if abiding would put at stake its whole internal policy. The message from the US Federal government could not be clearer. The US has no intention whatsoever to grant foreign based Internet gambling operators any access to the US territory. By taking this step, which could turn out to be quite expensive, as the US has to compensate any third country for withdrawing the advantage granted under GATS., the US shows the seriousness of the matter at stake. (Internet) gambling is not simply a matter of business, but a matter of organizing society and order in society.

But is the withdrawal of the GATS commitment a sufficient safeguard? From an international perspective it does guarantee the right for the US to keep its borders closed for any cross border Internet gambling supply. The UIGA provides further means to develop a comprehensive legal framework with other friendly jurisdictions to stop the illegal Internet gambling operators who abuse the Internet for money laundering and tax evasion purposes. Other legal problems both externally and internally remain unresolved. There are indeed no adequate legal rules under The Hague Conventions on private international law. Nor is it clear whether the development of a more pro active lottery policy (long term monopolistic privatization models) by some US States would be able to survive the necessity test of the dormant commerce clause considering the sole business oriented approach of such models.

It does not mean that modernisation of lotteries in the US is not possible, but a true expert approach, whereby all national and international legal principles are taken into consideration, is certainly advisable. The external consistency by withdrawing from the GATS commitment does not necessarily provide an internal guarantee if the internal consistency is not upheld.



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In the recent EFTA Court ruling the question of internal consistency was expressed in par. 59 of the judgement:

*"If it turns out that the national authorities have opted for a rather low level of protection, it is less probable that a monopoly is the only way of achieving the level of protection opted for. In that case, it is more likely that less restrictive means, for instance in the form of a licensing system which would allow an operator such as the Plaintiff to enter the market, could suffice. In this context, it is also relevant to assess whether channelling, to the extent the national court deems this to be relevant, could be achieved equally well under a licensing system."*

This means that if a monopoly is not based upon a high level of protection, but rather on the sole maximization of profits (the logic choice under a privatized monopoly), the monopoly could no longer be sustained.

The question of legality of EU cross border Internet gambling when an operator only holds a licence in his country of origin, is currently pending before the European Court of Justice in the Portuguese BAW case. Bet & Win operates with an off shore licence from Gibraltar and tries actively to get access to the Portuguese sport betting market, by sponsoring the Portuguese football league, notwithstanding the monopoly of the Santa Casa de Misericórdia de Lisboa,

The issue of sport betting seems to be the central focus of the EU Commission challenges against the EU Member States.

In April 2006 the Commission decided to start procedures under art. 226 EC against seven Member States – Denmark, Finland, Germany, Hungary, Italy, the Netherlands and Sweden – In public debates the European Commission argues that all controls and checks carried out by the home Member State should be taken into account by the authorities of the host Member State, especially as, according to the EU Commission, the concerned Member States do not uphold a consistent gambling policy.

In October 2006 the Commission decided to start procedures about sport betting against three Member States, Austria, France and Italy, followed by a procedure against Greece in June 2007.

Does it mean that those States do not abide to the rulings of the European Court of Justice? Not at all, the rulings of the ECJ in cases like Gambelli and Placanica are addressing specific questions referred to the ECJ by a national court. Only the referring court is legally bound to follow the ruling and to apply it to the pending national case. However, several of these rulings cannot simply be transposed to the actual situation in other States. All present infringement cases are precisely linked to the absence of clarity emerging from the European case law and the absence of clear regulatory solutions. There is still a long way to go before the final outcome. ♦

*Philippe Vlaemminck is the managing partner of Vlaemminck & Partners, a Belgian law firm specializing in EU & WTO law and for more than 20 years substantially involved in defending the cause of lotteries at all levels (internet, privatizations, regulatory approaches...).*

*Annick Hubert was previously a State Attorney of the Belgian Department of Foreign Affairs, legal representative of the Belgian Government at the Court of Justice of the European Union and the European Free Trade Area Court. She joined the EU law practise group of Vlaemminck & Partners this summer.*

## 2

### What does it mean?

Cost aside, regulators typically want assurances to two fundamental questions in their evaluation of a Video Lottery Central Monitoring System (CMS):

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**Delivering Serious Fun!**



# An Interview with Vicki Munroe: Raffles and Keeping the Excitement Going



Vicki Munroe

Vicki Munroe, Director of Product Development for Florida Lottery, talks with Mark Jason about Raffles and keeping the excitement going with traditional lottery games.

**Mark Jason (MJ):** Vicki, you have enjoyed great success with Raffle games. Any particular secrets you could share with your colleagues?

**Vicki Munroe (VM):** Well, I suppose one secret is to have a customer base that is willing to spend \$20 on a lottery ticket! You never know how your customers are going to react the first time you offer a \$20 on-line game. With our first Holiday MILLIONAIRE RAFFLE™ we promoted the fact that this game offered the best odds to win a million dollars, and players were willing to spend \$20 to buy down their odds. We also promoted the limited number of tickets available and created a sense of urgency. The holiday timing was good, too, because more people are giving lottery tickets as gifts.

We launched the first raffle game with a lot of advertising support because we thought of it as a new product line rather than just a promotional game. We approached it with a long-range strategy. We designed potential prize structures for our first three games from the beginning so we could build in somewhere to grow. We've sold out two MILLIONAIRE RAFFLE™ games so far, and we are now planning our third one. We expect that the raffle product will have a life cycle, but as long as players want it, we will continue to offer it.

**MJ:** So it's not enough to have one winning game, you need to plan for continuity and how you can create a sequence of successful games. Hopefully, selling more tickets with each game?

**VM:** Yes. Keeping the brand familiarity, but improving the prize structure each time to give players a reason to come back and try their luck again. For example, by increasing the quantity of tickets, we have been able to increase the number of million-dollar prizes and winners at all prize levels. We knew the second game wasn't going to have quite the same level of enthusiasm as the first, so we had to keep it fresh. We've also used the raffle software for a completely different type of promotional game called "Cars and Cash." It was different than a traditional raffle because we didn't have a limit on the number of tickets sold. We got a great response from players on this promotional game.

**MJ:** If it wasn't a limited number of tickets, does that mean that it then kind of works like a scratch game?

**VM:** Well actually, it was sort of a hybrid between a scratch-off game and an online promotion. In previous on-line promotions where we've given away cars, the player would buy a \$5 FLORIDA LOTTO™ ticket and get a free coupon that could be entered into a drawing. But CARS & CASH™ was a promotional on-line game. Each ticket cost \$5 and you were automatically entered into one of the six weekly drawings. In each weekly drawing, we gave away one \$250,000 prize and seven cars. And, we added instant-win prizes to balance out our prize payout. Since we didn't have any idea what sales for new games were going to be, our biggest challenge with a game with fixed prizes was to build in a variable that would allow us to keep the payout at roughly 50%. When sales surpassed our projections, we increased the frequency of instant wins.

**MJ:** It seems a key to maintaining player enthusiasm for the games is to promote something new and different, even if it is a small variation on the same game.

**VM:** That's right. Just try to do something different each time, and add a little play value. And the good thing about coming out of the gate with a \$20 price point on the MILLIONAIRE RAFFLE game is that after that, a \$5 price point seems like a real value. And, it gets more players into the game.

**MJ:** What are some other examples of small variations, doing something a little different, that can extend the impact of a game?

**VM:** Well, we're lucky this year because we have a big anniversary coming up. The Florida Lottery will be 20 years old in January 2008. So it is a natural to tie our next Holiday MILLIONAIRE RAFFLE game with the big 20. Our next raffle game could be the biggest ever.

**MJ:** Any plans to go higher than \$20 on the ticket pricing?

**VM:** Not at this time.

**MJ:** Is the lottery business a seasonal business?

**VM:** Yes, it follows consumer sales patterns and our visitor trends down here in Florida. We have a huge number of visitors year-round. But sales are higher in the winter when the "snow-birds," or seasonal residents, are back in town. Sales for the second raffle this summer were slower, as we had expected, although we did sell out again. I think the economy and higher gas prices may have had an effect on raffle sales this summer as well.

**MJ:** What are some of your objectives as Director of Product Development?

**VM:** Sales for all of games increased last year, with the exception of FLORIDA LOTTO, so we are taking a look at what we can do to

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# David Gale Chosen for 2007 PGRI Lifetime Achievement Award



David Gale

Paul Jason, CEO of Public Gaming Research Institute, is pleased to announce that David Gale has been chosen to receive the PGRI Lottery Lifetime Achievement Award.

David is a 20 year veteran in the lottery industry and has held leadership positions in both government and supplier organizations throughout this time. For the past 12 years he has been Executive Director of the North American Association of State and Provincial Lotteries where he has led and contributed to many important initiatives of the Association.

The result of David's service to the lottery industry is to move NASPL into the ranks of the most highly respected industry associations. Perhaps most importantly, a poll of the association members would reveal how genuinely appreciative the association members are of the efforts made by David, and the NASPL staff under David's leadership, in all matters, big and small.

In receiving the Lottery Industry Lifetime Achievement Award, David joins a distinguished group of other lottery industry professionals to have received it. Following is the list of former recipients:

## PUBLIC GAMING RESEARCH INSTITUTE'S LIFETIME ACHIEVEMENT AWARD WINNERS

**George Andersen** (deceased)

Former Director  
Minnesota Lottery, U.S.

**Ralph Batch** (deceased)

Former Director  
NJ, IL and DE Lotteries, U.S.

**Ray Bates**

National Lottery Director  
Irish Lottery, Ireland

**Daniel Bower**

Co-founder of Scientific Games  
United States

**Arch Gleason**

President  
Kentucky Lottery Corporation, U.S.

**James Hosker**

Former Executive Director  
MA Lottery and GTECH Exec., U.S.

**Cluny Macpherson**

Former President  
Atlantic Lottery Corporation, Canada

**Garth Manness**

Former President  
Ontario Lottery Corporation, Canada

**Reidar Nordby Jr.**

President & CEO  
Norsk Tipping, Norway

**Major Peter J. O-Connell**

Former Executive Director  
RI Lottery, U.S.

**Rebecca Paul**

President & CEO  
Tennessee Education Lottery, U.S.

**Vic Poleschuk**

Former President and CEO  
B.C. Lottery Corp, Canada

**Edward Powers** (deceased)

Director of First Modern US Lottery  
New Hampshire, U.S.

**Jim Scroggins**

Director of the Oklahoma Lottery  
United States

**Guy Simonis**

Former President  
B.C. Lottery Corp, Canada

**Dr. Edward Stanek**

President & CEO  
Iowa Lottery Authority, U.S.

**Charles Frost Strutt**

Executive Director  
MUSL, U.S.

**James Wimsatt**

Former Executive Director  
NH Lottery Commission, U.S.

**Stephen Wynn**

CEO  
Wynn Resorts, U.S.

**Jerome Young** (deceased)

Vice President  
IGT, U.S.

**Mark Zamarripa**

Former Director  
Colorado Lottery, U.S.

**Greg Ziemak**

Former Director  
CT and KS Lotteries, U.S.

Congratulations, David, PGRI and your peers in the lottery industry are pleased to honor you with this Award of distinction. ♦



*An Interview with Stefán Hrafnkelsson: Game Development for the Next Generation* ...continued from page 6

**SH:** I believe that the lotteries and other operators will be the driving force; they want a specific game and they don't want to hear that you can't port it to the platform. In my mind, it is the supplier's duty to support our clients with a platform that does not limit our client's future game portfolio.

**PJ:** *Do most people, like your competitors, feel the same way?*

**SH:** Everybody will likely be forced to think inter-operable, because we have researched that this is what the lotteries want. They want to be able to shop around for content and still have the security of a stable platform. Like all new technology, it will take some time. I think if you look some years ahead, the industry will surely have games for the lotteries to choose from and be able to put them on different platforms supported by various suppliers. It is a logical way to go.

**PJ:** *Looking ahead, do you see yourself selling game development and gaming products that will be implemented on other vendors' platforms and that being a content provider will be a big part of your business?*

**SH:** I expect that this question will come up in the near future and that we will have clients where we are only supporting one type of game, for example scratch games. We have been preparing to sell content, one gaming category, to lotteries with their own platform or from a different supplier. In reality it may take years before we see the norm being game content ready, so it can run on different platforms.

**PJ:** *How else would you describe the focus of Betware?*

**SH:** In addition to our strategy to be a complete solution provider,

We believe it is of very high value to know your target audience for various reasons, from being able to advertise to a certain segment to monitoring security issues.

**PJ:** *It seems that your target market is the operator who wants to comply with the highest standards of regulations and restrictions.*

**SH:** Our clients are all state lotteries that have very strict rules about their security, their standards, and of their ability to determine age and location verification. We support that; it fits into our solution, but we could have a client that doesn't want age verification or location verification. We request that he checks that the player he is selling to is within his market area. We request that the player would then require a payment method that the player couldn't use unless the payment method was within that country or state, so you can with certain confidence say that you are from that country.

Betware does not restrict the client on age verifications; our clients do it themselves. We just support the lotteries with the consultation to do that. It doesn't matter what age they want to limit it to. We are not setting the limits. We have a system that is very flexible with all kinds of limits to support responsible gaming efforts that our clients need to fulfill.

**PJ:** *With the kinds of games that you are implementing, especially Certus, it seems like there are concerns over CSR or just concerns over getting approval for implementing an interactive game of that type – isn't that one of the constraints against Betware being able to sell Certus games?*

**SH:** Certus has been in operation for nearly 8 years; they have not

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*There you come into what I believe will be the future of gaming; it is actually moving away from lower income participation with a high jackpot to higher income participation with entertainment.*

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our focus has been money gaming, where the players are known. That comes from the Internet area, where the customers are known to the lottery. Our focus is supporting all the channels and all the games where the player isn't anonymous. In terminals, most often you don't recognize your customer or player; they just buy a ticket and you don't know who they are. On the Internet, in most cases, our clients recognize all their players. They know who they are; they can contact them either directly, with targeted marketing or view their profile and history.

**PJ:** *So you need to, and are able to, verify age and location in all your installations?*

**SH:** Yes, we can verify age and location in all our installations today. But of course you could sell lottery tickets via mobile. Only the mobile operator would know who you are, but not the lottery operator. That is where our alternate channel comes in, we want to focus on the players and the clients who want to know their players.

been in money gaming, so that means that they have not needed to think about eligibility, age or location verification. Their games are open to whoever wants to walk in, more or less. As it is promotional, it does not have the restrictions as in money gaming. As soon as you move those games into money gaming, we come to a completely different world. Here you need to have regulatory access to the game and you have to make sure you fulfill the requirements of local authorities. Of course, that needs to be done before our clients can open the game for sale.

**PJ:** *But what about issues like cheating and collusion in multi-player games which are possible when turning promotional games into money games?*

**SH:** We are integrating Certus games into our solution so that they have all the limits and the responsible gaming aspects within our system. With issues like collusion – it is inevitable with multi-player games that this is a possibility to contend with – you always

have to be very, very careful on how to deploy a game.

**PJ:** *How would you stop two players from figuring out a way to cheat by collusion?*

**SH:** Collusion is very well known in the business. But there are effective methods that can be used to find the patterns of colluders.

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*Games are an important part of socializing, of providing people with an entertaining way to interact with each other. We want to turn the online experience into something that enhances the sense of community and social interaction that we all need and may not be getting enough of. Online games can provide a healthy outlet to fulfill that need for community that might otherwise be lost.*

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For example, by sorting out and saying ‘now I’m going to eliminate everybody who is losing over a period of time.’ After this the “target” colluder group would include only players that have won more than they lost over a period of time.

Further processing might reveal that you only want to analyze manually those winners that have been “colluding” frequently with the same players.

The last manual step might be to check if abnormal cards are played based on knowledge of colluders’ cards at hand. I am not saying it is easy, but I am saying that there are methods to track potential collusions and take action accordingly.

**PJ:** *The way Certus games are implemented in Denmark, is it for money gaming?*

**SH:** Currently, we are only running Certus games as promotional games, but we are working with our clients to offer Certus games as money games.

**PJ:** *What does it mean when you refer to ‘a complete range of gaming software solutions for online betting through multiple sales channels?’ Online betting would be just on the Internet, wouldn’t it?*

**SH:** We currently offer sports games, number games, scratch games, horse racing, bingo and live betting as money games, with multi-player casino, skill and casual games to be added with the integration of Certus games.

On the other side are the distribution channels, where we support

**SH:** Originally, I started my own business back in 1993 based on electronic commerce on the Internet, focusing on a type of shopping mall, but unfortunately a little bit early. Even though I got some investment capital, it was not enough to keep the company going. The product was ready, but the market was not. I needed to go into defense mode, which was to start an Inter-

net Service Provider company and then try to find project work based on the company’s expertise in electronic commerce. The result was a lottery client that was the first state lottery to open for Internet betting in 1996, a banking client that was the first bank in Iceland to open for Internet banking and an ISP. The start-up of the ISP was triggered by the desire to learn how Internet supports our future Internet services, and it was expected to be secondary in our business.

All of a sudden the ISP was the main business and the company experienced 100% growth for 4 consecutive years. Then consolidation started and big telephone companies started buying out all the small ones, and in 2004 the ISP business was sold.

Since 1998 focus has shifted back to electronic commerce and at that time management regarded the lottery business the most lucrative to bet on and Betware was founded. Adding Danske Spil as our client back in 2001, helped to really get the wheels spinning. Since then the company has grown from something like 7 people to over 60 people. We have been growing, in the past four years, very close to 40% per year.

**PJ:** *Your primary expertise has been in technology; hasn’t it?*

**SH:** I am an electrical engineer. I also have a master’s degree in computer engineering. My background is technology, though in the past years I have evolved away from the technology side to the business side, trusting my people with the technical aspects.

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*In my mind, UIGEA will limit the possibility of cross-border gaming quite a bit. It doesn’t make it impossible, but it makes it unprofitable. So, the operators will stop doing it.*

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Internet, SMS, WAP (mobile) running at our client’s site, IPTV delivered and in test phase and piloted channels like traditional terminals, self-service terminals, Java Applet and PDAs.

**PJ:** *Stefán, please tell us how you got your start in this business.*

**PJ:** *Is there any observation that you would make about the way things will grow and will evolve that will have dramatic importance to our industry, which will be interesting or surprising? Are there any trend lines that you think other people should be thinking more about?*

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...continued on the PGRI website. Go to [www.publicgaminginternational.com](http://www.publicgaminginternational.com) to view the entire interview.

## *Straight Talk from an Industry Leader with a Center Stage View* ...continued from page 8

Remember, even a fully liberalized gaming market would require strict regulation to protect public morals and guard against illegal activities such as money laundering.

**PJ:** *How do you see Lottery Directors responding to the situation?*

**RB:** In fact, to complete the liberalization picture you should really classify Lottery Directors along a spectrum ranging from those who feel that the correct response to developments is a blind defence of the status quo and the maintenance of the special position of lotteries, as opposed to those Directors who feel that the best approach is to defend their market with a proactive strategy of aggressive game devel-

and Spain). Liberalization would, in effect, result in a redistribution of total gaming proceeds from good causes to players and to the financial bottom line of for-profit gaming firms.

**PJ:** *It would appear that there is a lot of emphasis now being placed on Responsible Gaming in Europe. Is it a response to recent actions by the European Commission, and decisions in the European Court?*

**RB:** Well, firstly, Responsible Gaming is not just an issue for Europe. As we all know, there have been some excellent developments and initiatives launched in a number of lotteries around the world in the past five years, even longer in some instances. Secondly, it is

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*Liberalization would, in effect, result in a redistribution of total gaming proceeds from good causes to players and to the financial bottom line of for-profit gaming firms.*

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opment...clearly, with the approval and support of their Regulator.

Either way, State Lotteries in Europe are individually, and collectively through EL, making their views known in Europe, and EL has been advising all members to ensure that their arguments are well understood both by their home administrations and by Brussels.

In passing, we shouldn't forget that two recent studies carried out on gaming in Europe have shown that the removal of barriers to a free market for gambling in Europe would neither be beneficial for the players nor for society as a whole.

**PJ:** *Tell us about those studies. The finding that it is 'not beneficial' isn't particularly telling. Do these studies say that removal of barriers would actually be harmful for the players and/or society? If so, could you elaborate on how and why and in what ways it could be harmful? How credible are the results of these studies?*

**RB:** The short answer to this question is that it was impossible to draw any formal conclusions from either study because of the lack of data. The study commissioned by the European Commission (carried out by the Swiss Institute of Comparative Law) concluded that "Sufficient historical data on gambling revenues and factors causing changes in those revenues for all EU countries were not available to develop standard statistical models to forecast GGR's for EU countries to the year 2010." However, they did go on to produce some possible scenarios of liberalization, where it was concluded that removal of barriers to free movement of gaming services could result in a 6% to 17% decrease in money raised for good causes.

The second study, commissioned by EL (carried out by London Economics) concluded that, in a liberalized market, funds provided to good causes would fall by more than a third (35%). In half of the EU countries, the decline in the funding provided to good causes would be greater than 20%. In absolute terms, the loss to good causes would total 5.5 billion euros with a number of countries experiencing very significant losses of 500 million euros or more (France, Germany

not just something that has recently been recognized as important, or recently become fashionable. There have always been many solid reasons, both ethical and commercial, for introducing responsible gaming practices in state gaming companies.

That having been said, it is true that the introduction of "real" responsible gaming practices, as opposed to paying lip-service to having such practices, has become a very important element in the case for the "defence" of lotteries both domestically and in Europe.

**PJ:** *The rationale for it being a 'defence' would be that the lotteries are operated in a more ethical or corporately responsible manner than private gaming operators, right? Are lottery organizations better equipped to comply with a higher standard of responsibility than private gaming operators? Is there any reason why a private operator cannot be just as effective at corporate social responsibility (CSR) as the traditional government owned operator? Is there any evidence to support opinions on this matter?*

**RB:** A number of "leading edge" lotteries in Europe, and internationally (I will not name them to avoid embarrassment) have been reporting on their CSR and Responsible Gaming activities for a number of years. Several lotteries already produce separate annual reports on their CSR activities with detailed reports and scorecards. Some lotteries have already obtained external CSR accreditation for their activities. So, the current WLA and EL work in the area is focused on formalizing what is already happening in a number of lotteries and providing a credible and external accreditation process for all state lotteries.

It is true that, because of their strict regulatory framework, State Lotteries have a long history of operating in a socially responsible way. By the nature of the lottery business, with extremely high adult participation rates; high profile jackpots; winner publicity; media interest, and public debate there has always been a spotlight on lottery operations. Lotteries have had no choice but to be conscious of their need to behave responsibly. The same cannot be said of private gaming operators.



**PJ:** *What exactly is happening at the WLA and EL in this regard?*

**RB:** There are two complementary initiatives in play at the moment. The WLA has launched the Responsible Gaming Framework, and EL has launched the Responsible Gaming Standards. Both initiatives have been developed in a coordinated way with the WLA

“profit maximizers” or, indeed, “sales maximizers.” I believe they should be profit and sales “optimizers.” That concept may raise some eyebrows, but the theory behind the description would support the fact that operating a lottery is not the same as running a “normal” business. Lottery operators, and not forgetting the Regulators, should

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*There has always been a spotlight on lottery operations. Lotteries have had no choice but to be conscious of their need to behave responsibly. The same cannot be said of private gaming operators.*

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approach being process-driven, and the EL approach being output-driven. This combined approach should ensure that there is a very high level of eventual adoption. However, the key to the success of the initiatives is that they must have, and be seen to have an extremely high level of external recognition for the independence of the accreditation process and certification at various levels. Some final aspects of the initiatives are still being refined and finalized by EL and WLA working groups. It is clear that there will be a cost for lotteries to support the process.

For their own good reasons, some lotteries are notoriously parsimonious when it comes to financing initiatives that do not appear to have a direct or immediate effect on sales. Given the importance of establishing a universally accepted and independent scheme of certification, with procedures and standards which the legal and illegal competitors of lotteries would have difficulty in meeting, then lotteries should be ready to contribute to the cost of operating the scheme, whatever that cost might be.

**PJ:** *Given the potential for a public relations nightmare or, in the extreme, a threat to the very future of the States' Games, being 'parsimonious' with respect to the integrity and responsibility of gaming would seem to be penny wise and pound foolish in the extreme.*

**RB:** I couldn't agree more. We are talking about annual costs for lotteries that would be a small fraction of the annual cost of a single lottery employee.

**PJ:** *You refer to the independence of the accreditation and certification process. Since the 'L' in EL and WLA stands for 'Lottery,' wouldn't private gaming operators protest that these are not unbiased agents?*

**RB:** Actually, to avoid any allegations of bias, the objective of the framework and standards is to involve external agents in the certification process. The exact mechanisms for accreditation and certification are currently being discussed and refined by WLA and EL working groups.

**PJ:** *Big picture question. Fundamental to the concept of free market capitalism is the profit motive – the reduction of infinite complexity into a singular operational principal. Can the gaming industry fit into this mould, or is this a 'special industry' in which the management of a variety of sometimes conflicting objectives (example: minimize problem gambling – maximize revenues) defies such simplifying?*

**RB:** For a start, I believe that lottery companies should not be

try to determine a balance between the amount of gaming (in all its forms) being provided, and the amount of gaming that is sufficient to satisfy peoples needs and desires for gaming, without over-supplying the market. Because of the potential pernicious effects on society; threats to public order, and the risk of unlawful activities being carried out “on the back of gaming” it would be wrong for Government to abandon gaming to pure market forces. While it is debatable whether gaming should be a core business for Government, there is no argument but that regulation of gaming should always rest with Government.

**PJ:** *What are your thoughts on the recent Canadian retailer issue about verifying and cashing winning tickets?*

**RB:** I have read the British Columbia Ombudsman's report and I have seen details of the various procedures now being put in place in Canadian lotteries. I think it is a clear case of over-reacting. While I agree that it is always worthwhile to tighten up lottery systems, I see this issue as part of a wider “problem” for lotteries. State lottery operators have become, or are in danger of becoming, victims of their own search for perfection. Don't get me wrong. There is nothing wrong with putting in place the very best procedures possible to ensure that lotteries are, and are seen to be, operated with the highest standards of integrity, accountability and fairness.

However, there is also a need to live in the real world.

There is no other service or retail sector that operates with the same aspirations to absolute perfection as the operators of state lotteries worldwide. Millions of transactions are processed on a weekly – in some cases – daily basis by even average sized lotteries. To give some impression of the scale of the operation, I have often compared the general effort involved in offering a twice-weekly lotto game to the holding of a parliamentary election or a national referendum twice a week. The only difference between the two is that the lotto transactions must be, and are expected to be, processed with 100% accuracy. Ironically, we have all seen examples of recent election results being challenged and found to contain errors.

The recent Canadian experience is evidence of the real difficulty for lottery operators in attempting to offer a “perfect” service and guaranteeing that the public will receive 100% accuracy via thousands of retailer agents processing tens of millions of transactions each week. This is simply not possible.

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## Gary Peters Talks about Lotteries, Politics and the Future ...continued from page 11

delivers to the state, which is money for the beneficiaries.

Early in my tenure, the Legislature made some attempts to micro-manage the Lottery. We're very fortunate that in recent years that hasn't occurred, and it hasn't occurred because we have been delivering record performances every year. But to me that's where the accountability should lie. Is the Lottery delivering a good performance in terms of money to state School Aid Fund, or whoever the beneficiary may be? Are they doing it in a way that is commensurate with the general welfare of the public? That's the ultimate accountability. The more flexibility that a lottery has in the day-to-day management, the more profitable I believe it can be.

### ON MARKETING AND THE LOTTERY

**MJ:** *Are live event drawings an effective public relations tool?*

**GP:** I'm a big believer in live drawing events. We've had some very successful events, working in partnership with some of our major sports franchises here in Michigan, like the Detroit Pistons, Detroit Lions and Detroit Tigers. We've also done live drawings before a ma-

**GP:** It was and it sold out in two and a half days. A lot of folks questioned that (the price point.) It was the first time we had a \$50 ticket in Michigan Lottery history. We had several newspapers write editorials about how we were taking a big gamble, and who would ever buy a \$50 ticket? They said it was just too much money, and if it was not successful we'd have to come up with some answers. So, I'm happy to say that it sold out in two and a half days.

**MJ:** *Was that a little nerve-wracking?*

**GP:** You never know when you try something new how it's going to go. But we did our homework, we did focus groups and we also talked to our retailers all across the state. So we had a lot of feedback from folks who thought it would be very successful. And I'm happy to report that it was so successful that we'll be launching another one in September.

**MJ:** *Everyone is looking for a better way to motivate retailers to sell more product. You mentioned earlier about the elimination of sales incentive from your sales people. Did that stick, by the way? Is that the way it is today, that you can't provide sales incentives to your sales people?*

*That amendment was placed on the ballot by the commercial casinos and the tribal casinos here in Michigan. They spent about \$20 million getting the amendment passed...the language specifically exempted tribal casinos and the three commercial casinos in Detroit. So they were specifically exempted, but the Lottery and any other entities were not.*

for NASCAR race at Michigan International Speedway and immediately following the Detroit fireworks. Five finalists have a chance to win \$2 million on our \$20 instant scratch-off ticket, live on television. People love to see folks winning the Lottery. They love to see it in real time. No matter who they are, everybody has had a fantasy at one time or another of what it would be like to win a very large amount of money. Seeing someone win \$2 million is a lot of fun for folks. It also deals with the issue of people questioning who's really winning the Lottery. It's fairly clear when you've got it on live television. You know that someone just won the Lottery, and you can see the excitement on their face.

**MJ:** *Any other event-oriented marketing ideas that you think are effective?*

**GP:** I think live event drawings are by far the most effective. We've done other events and promotions to kick off instant tickets, bringing in celebrities and things of that nature. I don't think they have the same power as a live drawing. That's really what people are buying when they buy a Lottery ticket: the chance to win some money. Hopefully they also think about helping support education along the way. But it's really about the money. They like to see that, and it leaves the hope that maybe next time it will be them.

**MJ:** *You just came out with a \$50 raffle, and it was quite a success.*

**GP:** That is true, as of now. Hopefully that'll get changed eventually.

**MJ:** *How are retailers compensated in Michigan?*

**GP:** Retailers are paid a base of 6 percent on what they sell, and can earn a bonus depending on whether they increase sales of their instant tickets. If they hit a sales increase threshold that we've set, they can earn an additional 1 percent on their total instant sales.

**MJ:** *So you do have a graduated system of retail payment?*

**GP:** We do, on the instant scratch-offs. We have that system because instant tickets is an area where you can have an impact on sales by the way that you market the product, where you position it in your store, and how you maintain your inventories. I believe that with a properly managed inventory of instant tickets, a retailer can increase sales. So there is an incentive bonus attached to that for our retailers.

**MJ:** *What other areas of distribution do you think the Lottery will expand into? For instance, self-serve vending machines, the 'big box stores.' Do you think the Lottery will expand in major ways along those lines?*

**GP:** I think it's very important for lotteries to do that. We have self-serve terminals now. We also have instant-ticket vending machines. Both of these have been very, very successful for us, provided

they are placed in the proper location. Their success is dependent on being in a very large, high-volume retailer. The success of the Lottery is certainly tied to our ability to get into some of the 'big box' retailers. The challenge has been that those retailers are national chains, which normally don't like working with a patchwork of lotteries across the country. They would rather deal in some national fashion. The industry is trying to figure out ways to standardize the way in which we do business. So hopefully we can get some of those national companies involved.

It is very difficult to figure out how a national chain can offer a product, in this case the Lottery, in only a portion of their stores. If it wasn't difficult it would have already been done by now. But it is certainly a big target of opportunity for lotteries all across the country.

## ON COMPETITION

**MJ:** *The likelihood of markets opening up to increased competition will create a need for lotteries to be even better at creating brand value. Any thoughts or comments on the direction this might take?*

**GP:** I think the one thing that differentiates the lotteries from other gaming products is the beneficiary. I find that that's very important. It's certainly a big focus for us at the Michigan Lottery. We take every opportunity that we get to let players know that when they're playing the Michigan Lottery, in addition to having fun and playing entertaining games, they are also helping a very important public purpose, raising money for our public schools. That adds a significant brand differentiation, and it helps sales.

**MJ:** *Obviously, gaming offerings in this country are increasing. Do you believe that these provide direct competition to the lotteries?*

**GP:** Yes, they are competition. I don't think it's necessarily the case that they are direct dollar-for-dollar competition. But there is no question that gaming dollars represent discretionary dollars that individuals have to spend. Any competition out there for those discretionary entertainment dollars, whether it's from gaming or other forms of entertainment, is potential competitors for state lotteries.

Michigan does have a very competitive environment for gaming. In addition to the three very large commercial casinos in Detroit, we have 17 tribal casinos throughout the state. We have two major casinos in Ontario, just across the river from Michigan. And we have riverboat gaming in Indiana, and horse racing as well. So we operate in a competitive environment now.

## ON NEW TECHNOLOGY

**MJ:** *The Michigan Lottery has an internet initiative. Is that correct?*

**GP:** We have a Web site for players, called Player City. It is designed primarily for instant ticket players, who like to be actively involved in the Lottery. It gives us an opportunity to communicate directly with some of our core players.

**MJ:** *Has the activity on that been what you expected? Is there any tracking of the activity?*

**GP:** We do track the activity, and we track the number of "citizens" that we have in Player City. These are folks who have registered and are regular visitors to the site. Right now we have close to 135,000 "citizens" in Player City. We are very pleased with that. We know that those 135,000 players who actively visit Player City are engaged in our contests and promotions. It gives us an opportunity to interact with them in an entertaining way and keep them interested in the Lottery.

**MJ:** *Is at least part of the goal there to position the Lottery for changes in terms of the use of the internet?*

**GP:** That's not the reason for Player City. Player City is a loyalty club, and it's primarily to allow us to get our marketing messages directly to core players. There are no plans for internet gambling at the Michigan Lottery at this time, as there are not to my knowledge at any other state lotteries. There are a number of concerns that we have about internet gambling, and certainly some of the legal as well as political ramifications of opening up the Lottery to internet gaming. It has never been my intent with Player City to take any step towards internet gambling. That may be something that happens down the road with future commissioners, but that's not why we started Player City and it's never been my focus.

Player City is a two-way communication as well. It's not just communication from us, to talk about our products. We also ask folks on Player City to comment on game ideas. We know that these are active Lottery players, and we're very interested in soliciting their input as to what they'd like to see from the Michigan Lottery. Some of our best ideas come from folks who are playing on a daily basis.

Among other things, we have contests on Player City. We had our "Lucky Dog" instant ticket driven by a contest in which people submitted pictures of their dogs, through Player City, to be featured on an instant scratch-off ticket. We selected a number of those and printed them up on tickets. We then promoted them through traditional media. I'm happy to say that that ticket, and the creative marketing that went into it as well integrating our Web site into that marketing, resulted in "Lucky Dog" being picked last year by NASPL as the top instant ticket in North America.

Folks were very excited about having their dogs picked. They got a lot of local media attention, including their local newspapers. They didn't get anything other than that attention for having a winning dog, so we would jokingly say that the owners of these dogs got fame but not fortune.

**MJ:** *Today's youth tends more toward higher technology for entertainment. How do you see lotteries evolving to avoid becoming dinosaurs in this technological age?*

**GP:** There's no question that lotteries are going to have to evolve, and they're going to have to evolve using electronic devices. The technology involved in a scratch-off ticket, although very advanced, is very old technology. But with the younger generation actively involved in computer technology and the internet, in order



to be competitive lotteries will eventually have to be in that area as well. That is a concern for Michigan to move forward, if that's a direction the people want to go. But one of the provisions of Proposal One, which was approved by Michigan voters in 2004, is that there can be no new Lottery games utilizing player-operated electronic devices. Those terms are very broad. There are a lot of definitions as to what constitutes a 'lottery game', and what therefore constitutes a 'new' lottery game. And then, the other definition is what constitutes a 'player-operated device.' So Proposal One may greatly limit the Michigan Lottery from being able to take advantage of those opportunities down the road. Ultimately, it would require the state to go before the voters to present some of those ideas, and see whether or not they're going to approve them. But that is a limiting factor for privatization as well. If a private enterprise is going to come in here, the private entity knows that Proposal One is in place. The folks that operate those companies are very sophisticated and know that the future of gaming is electronic. If they are limited in utilizing those technologies, they would likely pay a lot lower price for that lottery.

**MJ:** *Don't you think it's difficult to legislate away from the direction the world is going? For instance, if the youth of the world is using technology, it seems problematic to prohibit using such.*

**GP:** I think it will be difficult. If the Lottery is unable to compete, and you see revenues dropping, the voters in Michigan may very well say that they need to make that change. But it is still a cumbersome process to go through. Certainly the casinos in placing that language on the ballot and spending \$20 million getting it passed knew exactly what they were doing. Because they know the future is electronics, they know that's where they're going to be evolving over the years. It was their intent to make it difficult for the state Lottery and/or any other entity to compete.

## ON 'JACKPOT FATIGUE'... MORE WINNERS VS. HIGHER JACKPOTS

**MJ:** *You focus on the opportunity to enjoy the game, and the positive impact to worthy beneficiaries. What do you think about the trade-off between larger jackpots and more winners?*

**GP:** My inclination is that it is better to create more winning experiences. As jackpots grow, inevitably you get 'jackpot fatigue', and you can never get ahead of that. Every new large jackpot requires an even larger jackpot, and oftentimes funding the jackpot is at the expense of winning experiences for players. My experience is that folks like to have winning experiences, whether it's \$100 or \$200 or \$300. Even the \$25 winning experience on an instant scratch-off is part of the fun of playing those tickets. Certainly you need to have a large jackpot as part of the package, but the most important element has been creating more winning experiences that keep people playing.

We've certainly seen that with Mega Millions, where we need larger and larger jackpots in order to get larger sales. Mega Millions has a place in our product mix and it's a very important place. But it is the winning experience, at whatever the amount, which keeps a player interested in playing the Lottery. That's the fun of the Lottery. The entertainment that folks are seeking is to have that winning experience. I think that's a big part of the phenomenal success we've had with our Club Keno game, which creates lots of winning experiences. People have been having a great deal of fun playing Keno, and as a result that has been just an incredibly successful offering.

## ON POLITICS AND STRUCTURE

**MJ:** *You mentioned casinos. The gaming industry is 'merging together' in an interesting way over the last few years. Your Lottery is not intermingled with 'racinos' or any of that, is it?*

**GP:** No, it's not. I'm responsible for the Lottery. The other division that is part of the state Lottery is our Charitable Gaming Division. So we do regulate charitable gaming, bingos, 'millionaire parties,' raffles, things of that nature.

**MJ:** *So that is all under your umbrella?*

**GP:** That is correct. The commercial casinos that we have in Detroit are overseen by a separate state agency, the Gaming Control Board. We do not have 'racinos' in Michigan. We do have race-tracks, which are overseen by the Racing Commission.

**MJ:** *Is there any discussion regarding 'mingling' or grouping the control and oversight?*

**GP:** Not currently. There was a proposal a couple of years ago that the Lottery would operate video lottery terminals in our racetracks. But that legislation did not pass. Since that time, the voters approved Proposal One, which was discussed earlier. There currently are not any new gaming proposals, and if there is a proposal put on the table, it would require a statewide referendum (under Proposal One).

**MJ:** *So a lengthy process.*

**GP:** A very lengthy process. A pretty big hurdle. That amendment was placed on the ballot by the commercial casinos and the tribal casinos here in Michigan. They spent about \$20 million getting the amendment passed.

**MJ:** *Since they're already in place...*

**GP:** Right. And the language specifically exempted tribal casinos and the three commercial casinos in Detroit. So they were specifically exempted, but the Lottery and any other entities were not.

**MJ:** *There must be many challenges trying to manage a complex system responsible for generating so much income. How do you address politically the needs and desires of different bosses who often want conflicting things?*

...continued on the PGRI website. Go to [www.publicgaminginternational.com](http://www.publicgaminginternational.com) to view the entire interview.

*An Interview with Vicki Munroe: Raffles and Keeping the Excitement Going* ...continued from page 16

generate bigger jackpots. We just completed our Firecracker MILLIONAIRE RAFFLE™ on July 4th. Over the past several years we have been repositioning each of our traditional on-line games and now we may be ready to add a new product into our mix. Scratch-off games have grown phenomenally but we don't expect to continue getting double-digit increases every year, so we have to work harder. We just launched a new scratch-off family of games that we call the "Life" family. It's a group of annuity games in four different price points with four different life-style prizes you can win.

**MJ:** *What is the duration of the "Life" family of games?*

**VM:** We printed enough \$2, \$5, \$10 and \$20 tickets to last for about six months.

**MJ:** *Tell us about "lifestyle" prizes. What are they, how do they work, and why are they better than plain ol' cash prizes? What experience do you have with "life" prizes or what do you know about others who have implemented them?*

**VM:** We call them "lifestyle" prizes because they have varying prize amounts to appeal to different players' lifestyles. Some of our "for life" games have been great sellers so we designed a family of these games priced in proportion to the value of the "life" prize players may win. Some people don't need to win a million dollars to be happy; sometimes, just winning a little nest egg is all they need. Having a steady annual paycheck for the rest of your life is pretty appealing, and the Life games offer top prizes of \$10,000, \$25,000, \$50,000 and \$100,000 for life. The games do offer a cash option, or one-time lump-sum payment, on the annuity prizes. The benefit of launching games as a family is that it becomes a bigger product that you can focus your advertising and marketing support around.

**MJ:** *Do the results of the games you implement in the next 4 months impact the types of games and promotions you run in the subsequent 4 months, or is it all planned out further in advance?*

**VM:** We have planning calendars for proposed game launches and promotions for scratch-off and on-line games, but they are dynamic and ever changing. The results of each raffle game certainly impact future raffle games. We have new people in product development and marketing that are working on scratch-off game designs so we are going to be trying some fresh ideas.

**MJ:** *How will your experience in online inform your leadership of the scratch-off/Instant side of the business? Any lessons from online to apply to scratch-offs?*

**VM:** Actually, those of us working on the on-line side have tried for years to model the success of scratch-offs, but now scratch-off games and on-line games are merging somewhat. There are instant on-line games, and scratch-off games that are played on-line. The product development team will be working more closely with marketing on

some original ticket designs for scratch-off games, and coordinated planning efforts for advertising and marketing support.

**MJ:** *Why have scratch-offs grown relative to on-line and what can be done to re-energize growth on the on-line side?*

**VM:** Although there are many contributing factors, the phenomenal sales growth of scratch-off games can primarily be attributed to increased ticket prices. Our real emphasis on the on-line side is going to be on figuring out how to add value to our on-line games. Because of the scratch-off success model, a couple of years ago we were granted the authority through our legislature to vary the payouts on the on-line side. This will be a great tool to help us achieve our goal of increasing on-line sales.

**MJ:** *Florida Lottery has not joined a multi-state jackpot game. Any plans to join or are you pleased with your current online strategy?*

**VM:** We haven't joined a multi-state game because we haven't needed to yet. We take a hard look at this issue every year, but we are very concerned about the impact a multi-state game might have on our very successful FLORIDA LOTTO game. We don't want to sacrifice our in-state lotto game, which generates more than 30 new millionaires in Florida every year, for one in which we might have a big mega jackpot winner in our state once a year, if we are lucky. But players don't understand that. Being the only state lottery that does not offer a chance to play for a mega jackpot prize can be a bit difficult to explain to players.

**MJ:** *When did you join the Florida Lottery?*

**VM:** I joined the Lottery at start-up, and now I can't believe we're having our 20th anniversary. It is amazing how fast time passes when you're having fun. Before I started with the Lottery, I owned an advertising agency. I started out on the creative side as a designer, but when you are in a business you have to learn all aspects of marketing and business. I joined the Florida Lottery's promotions department and then moved to the product management area. I am really enjoying the scratch-off side of the business and look forward to the new challenges and opportunities that our industry brings.

**MJ:** *Does Florida have a lot of casinos?*

**VM:** No, we have very few casinos in Florida. Like most states, we have Indian gaming and recently there has been a legalized expansion of casinos in pari-mutuel establishments in limited areas in the state. So there is a little competition, but we're really probably more protected than most states in that regard with our borders being mostly water.

**MJ:** *So, as far as you're concerned you get to focus more on the marketing side and getting people excited about your products rather than trying to position against competition?*

**VM:** Yes. We'll concentrate on offering great games for our players. People in Florida especially love our FLORIDA LOTTO game. And our scratch-off tickets have really taken off in the last couple of years, as far as market share of product sales is concerned.

**MJ:** *What is the future of VLT's in Broward and Dade County?*

**VM:** Those types of decisions are not made by the Lottery. We have a fundamentally conservative approach to expansion of gaming in our state, and without legislative approval we can't offer some games that other state lotteries offer. For now, we will work to achieve our revenue increases with the traditional product lines, which are working just fine for us.

**MJ:** *What are some of the highlights you've seen in the last 20 years?*

**VM:** It's fun to look back at some of the first scratch-off tickets and see how far we have come in terms of game designs, printing techniques and price points. Who would have ever thought we would have been able to increase our price from \$1 to \$20. The traditional on-line games are still using ball machine drawings but, in recent years, there has been an increase in innovative game content. Technology changes and the Internet have had a significant impact on our industry. The

terminals and printers can now print images and logos and allow for more creative game designs. Twenty years ago, nobody was confused over what you meant by 'on-line' games, since there was no Internet.

After the millions of tickets have been printed and countless drawings have been held, our integrity, and the integrity of all state lotteries, is still pretty solid. Our industry has endured well and our honorable fund-raising for good causes is something we are proud of. I think that's really important.

**MJ:** *What about the Internet? How will it impact the lottery?*

**VM:** Obviously, it is difficult to regulate gaming on the Internet, but at this point it does not have a significant impact on our business. The bigger question in the long run is, "How will the Internet's virtual marketplace change traditional sales outlets and the way we advertise to customers?" Consumers rely on the Internet for purchases, entertainment, and communication more and more every day; so as our industry changes, we will adjust our business model as needed. I am confident that we will continue to achieve our goal, which is to offer the citizens in our state of Florida the best products available, make money for education, and do it with integrity. ♦

## *Industry Best Practices: Learning from Our Customers Worldwide* ...continued from page 13

### **Relating to Innovation**

GTECH keeps pushing the development of products and systems for lotteries through our "Research for Innovation" approach involving players, retailers, and customers before, during, and after product development. We recently challenged our own employees to come up with the newest, hottest ideas to grow any single area of the lottery business. During Innovation Week, hundreds of employees from around the world worked together to create ideas for new games, technology, and

services – totaling over 2100 ideas! These ideas are being reviewed and the best will be incorporated into market research in the fall.

### **Conclusion**

Looking collectively at these and all other "Industry Best Practice" efforts, it will take the thoughtful, methodical application in order to move the needle in lottery ticket sales to optimize incremental profit for good causes. ♦

## *Straight Talk from an Industry Leader with a Center Stage View* ...continued from page 22

And lottery management should stop claiming to operate "perfect systems."

**PJ:** *What about the Internet?*

**RB:** As is well known, authorised lottery and gaming activity on the Internet is more developed in Europe than it is in North America. Some European States now generate in excess of 10% of their total annual sales from the Internet. While I can see further growth in Internet sales of sports betting and casino games offered by lottery companies, I see a limit to the total amount of "classical" lottery gaming that can be expected from the Internet. And by "classical," I mean games with percentage payouts in the 60% to 70% range. There is no doubt that if the percentage prize return is raised above 90% then Internet sales of "classical" games – which will then have become full-blown casino games – could provide up to 50% of total

revenue, representing a much lower percentage of total surplus.

Anyway, I'm waiting to see who will be the first authorised lottery to start up in Second Life. Maybe there's a useful job to be had as official Regulator of Gaming in Second Life.

**PJ:** *What you seem to be saying, Ray, is that government operators cannot compete in the Internet space because they have to turn over a larger percentage to government and/or good causes (which obviously results in a lower percentage prize payout). Why shouldn't, and couldn't, the entire gaming industry be regulated so that all operators turn over an equal percentage to the government in the form of taxes or good causes or whatever, and all operators be held to the same standards in every respect?*

**RB:** I'm not saying that government operators can't compete (look at Austria and Sweden). Fundamentally, I am saying that, within the con-  
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*When you see how the Lotto game works in practice you realize that there is nothing rational or logical about it. There is a simple and direct relationship between the size of the jackpot and the level of participation.*

text of pure games of chance, the only real appeal we have to the “new breed” of player is full-blown casino-type gaming. Why would a 25-year-old (or any age, for that matter) play a scratch card type game with a 65% prize return if he/she can play internet roulette or internet slots with a 95% prize return offered by a state lottery? If we were to implement your proposal there would be a “race to the bottom” with all operators paying out 99% in prizes and spending zillions of euro/dollars on advertising and marketing. And the effects on society would be what?

**PJ:** *I assume you felt guilty when Ireland had the record 115 million euros winner in Euromillions, given your well known antipathy towards large jackpots.*

**RB:** Fair question. I would still maintain that a jackpot in excess of 100 million euros is still not needed in Europe. However, once it had been decided by the founding members (UK, France and Spain) to set up Euromillions as a European Lotto-type game with its specific game parameters, there was no choice but for Ireland to join the club at the earliest opportunity. If not, there would have been the risk of a serious “bleed” of revenue from Ireland to Northern Ireland to participate in Euromillions when the jackpot reached record levels. The effect of the 115 million euros jackpot (which, in passing, I maintained didn’t have an impact any greater than a 15 million euros jackpot on the eventual Irish winner, Dolores McNamara) raised the bar of public acceptability of large jackpots. There is no longer any talk, in Ireland at least, of any sized Euromillions or Lotto jackpot being too big. And, in a way, it may be just a sign of the times.

Bring on the World Lottery game!

**PJ:** *If super high jackpots aren’t ‘needed,’ then why did they come to exist?*

**RB:** They began in the US where, as we know, the need to be bigger and better subsumes all. Multi-jurisdictional Lotto games were expanded without any concern for the long-term future of the Lotto game, particularly the domestic Lotto game. I am on record for the past 20 years of arguing against excessive jackpots. There was no need for monster jackpots. Record jackpots were all that was needed to keep the momentum for growth.

**PJ:** *Why didn’t you just stay out of the race?*

**RB:** Well, the problem was that larger jurisdictions had a legitimate requirement for larger jackpots, and smaller adjoining States had no choice but to join the race. When Euromillions was launched in Europe, Ireland had to join. It would be like being seated at a football match. If the spectators sitting in front of you stand up to follow the action, then you will see nothing if you stay seated. So you stand up. And then the people behind you stand up. Eventually we are all

back where we started in terms of following the action, except now we are all standing up!

**PJ:** *Is the trend towards higher jackpots detrimental to the long term financial health of the industry?*

**RB:** Is the Pope a German? Of course it is. But it will continue nonetheless.

**PJ:** *Isn’t there something that can be done to stop the rot?*

**RB:** Nothing at all. And mark my words, we will eventually see the “b-word jackpot”...a half-Billion dollar jackpot being advertised. And there is nothing that can be done to stop it. In the past I have argued that someday, someone in America will win all the money in America in a Lotto jackpot, and everything will come to a stop.

**PJ:** *Any clever ideas, never-before-revealed secret strategy, on how an individual lottery could wrest back control away from these multi-jurisdictional high-jackpot games? Why isn’t there a way to create excitement about 10 people winning 10 million euros each instead of just one person winning 100 million euros? I cannot imagine anyone trading a 10% chance to win 10 million euros for a 1% chance to win 100 million euros – so why do lottery players insist on that crazy play?*

**RB:** No. When you see how the Lotto game works in practice you realize that there is nothing rational or logical about it. There is a simple and direct relationship between the size of the jackpot and the level of participation. I gave a paper some years ago and, based on a study of the performance of the Lotto game in almost 50 jurisdictions, showed that when the lotto jackpot was 5 times the “base” jackpot (first jackpot after a jackpot win) then the level of play was 2 times the corresponding “base” play. The formula could be extrapolated up to 10 times the base jackpot, giving 4 times the base play. So, you are dealing with predictable and systematic irrational behavior.

**PJ:** *Before we sign off, tell us about the year of 1987. What exactly happened? Did you just decide that it was time to dissolve the Irish Sweepstakes and collaborate with the Post Office to create a National lottery?*

**RB:** No. The Irish Sweepstake was actually in decline for much of the post-war period and had reached the natural end of its life in the mid-80’s. In 1986 the Irish Government decided to introduce legislation to enable a National Lottery to be established. A number of consortia (including the operators of the Irish Sweepstake) expressed an interest and the Post Office was granted the first 10-year licence to operate the National Lottery in 1987. I was director of IT at the time and appointed National Lottery Director in November 1988. ♦

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