

PUBLIC

GAMING

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

Featured Interviews:



Alan Yandow

Executive Director,
Vermont Lottery



Steve Saferin

Vice-President of Scientific Games
Corp., President of SG Properties,
and President of MDI



Paula Otto

Executive Director,
Virginia Lottery

Responsible Gaming Roundtable Discussion

Also including:

Don Feeney

Research & Planning
Director, Minnesota Lottery

Keith Whyte

Executive Director,
U.S. National Council on
Problem Gambling



Claude Poisson

President of Casino
Operations, Loto-Quebec



Jim Lightbody

Vice-President of Lottery
Gaming, British Columbia
Lottery Corp. (BCLC)

Taste the Magic of Collaboration



Creative Collaboration at Play



INGENIOth
FILIALE DE LOTO-QUÉBEC

ingenio-quebec.com

Discover Your True Gaming Potential



TruServ™, the only gaming solution that allows lotteries to discover the potential of true Server Based Gaming.

Our TruServ System offers networked gaming with central random number generation and game logic – delivering new player experiences and giving you true control over your network in large or distributed venues.

Our Viridian™ and Indago™ Terminals are designed to be physically robust with common, high quality components ensuring low operating cost and high availability. The engaging user interface transforms the players' experience.

Our TruServ Games are based on insight and experience in lotteries and casinos. Delivering you the best games and enhancing your reputation while driving revenue. Our Game Development Kit enables you to source games from any game supplier.



Your Network for Games

ACE Interactive™ was founded in 2003 to develop and market the next generation of video gaming systems. ACE Interactive's TruServ™ solution provides for true server-based gaming for operators who demand flexibility, content, security and social responsibility. ACE Interactive is part of Aristocrat Technologies, one of the world's most successful gaming companies.

www.aceinteractive.net

PUBLIC

GAMING

INTERNATIONAL



Digital Content

www.PublicGaming.com

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.com.



PUBLIC GAMING RESEARCH INSTITUTE

Features

- 4 From the Publisher**
- 6 Responsible Gaming: A Roundtable Discussion**
with Don Feeney, Keith Whyte and Alan Yandow
- 8 An Interview with Paula Otto**
Executive Director of the Virginia State Lottery
- 10 An Interview with Steve Saferin**
Vice-President of Scientific Games Corp., President of SG Properties and President of MDI
- 12 An Interview with Jim Lightbody**
Vice-President Lottery Gaming, BCLC (British Columbia Lottery Corporation)
- 14 Ingenio Celebrates its 10th Anniversary**
And ten years of innovation in the gaming industry. By Nathalie Rajotte, CEO of Ingenio
- 16 An Interview with Claude Poisson**
President of Casino Operations, Loto-Quebec
- 18 A New Era of Gaming Solutions — ATRONIC: a GTECH Company**
- 20 GSA's Open Standards — Your Path to Freedom (part 3 of 3 part series)**
Peter DeRaedt, President, Gaming Standards Association (GSA)
- 21 An Interview with Mike Randall**
Chair of the World Lottery Association (WLA) Independent Panel on Responsible Gaming
- 29 Connections: Exploring Gaming's New Frontiers**
Video Lottery — Behind the Technological Curve.
By Michael Koch, CEO, ACE Interactive

www.publicgaming.com Visit our website to get the latest breaking lottery news. And sign up to receive PGRI's weekly Morning Report.

PUBLIC GAMING INTERNATIONAL

PUBLISHER & PRESIDENT
Paul Jason
pjason@publicgaming.com

EXECUTIVE VICE PRESIDENT
Susan Jason
sjason@publicgaming.com

EDITOR
Mark Jason
mjason@publicgaming.com

ART DIRECTOR
Lisa Robinson

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) November 2008, Volume 34, No. 6. Published six times a year 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.com • editor@publicgaming.com • sales@publicgaming.com

GLOBAL SAMPLING



GTECH: The 2008 World Player Survey Has Arrived

Who knows ...

- ... which game type is most popular among players 16-24 years old?
- ... what really motivates players to play lottery games?
- ... which countries have players who have played the lottery the longest and shortest times, on average?
- ... which country has the highest participation rate for all types of internet gaming?

After 8,000 interviews with lottery players around the world, the answers are in the book.

GTECH WORLD PLAYER SURVEY 2008

10 Countries Worldwide

8,000 Players

2,000 Young Players

Our most comprehensive worldwide lottery player survey ever conducted.

To learn more about what's between the covers, contact your local GTECH representative or email us at MarketResearch@GTECH.com.

GTECH® is an advocate of socially responsible gaming. Our business solutions empower customers to develop parameters and practices, appropriate to their needs, that become the foundation of their responsible gaming programs.



GTECH®
Architects of Gaming



From the Publisher

By Paul Jason, CEO, Public Gaming International Magazine

The World Lottery Association bi-annual congress was a great success. Held the third week of October on the exotic island of Rhodos in Greece, the leaders of the government-sponsored gaming industry convened to share ideas, success strategies (and mistakes to avoid), industry trends, and visit with customers, clients, colleagues, and

friends. Arch Gleason, the WLA staff, and Christos Hadjiemmanuil and the OPAP staff produced a fabulous event and we are very appreciative of the immense effort it takes to do that. It's a long wait till 2010 when the next WLA conference is held in Australia. Of course, the regional conferences held in Istanbul, Oklahoma, New Zealand, and Chile will certainly keep us occupied in 2009.

Arch Gleason, CEO of the Kentucky Lottery Corp., was re-elected to serve a second term as President of the WLA. From Arch Gleason, "The Association is entering a new chapter in its history with several leadership changes I believe will help an outstanding organization become even stronger. While much has been accomplished, I look forward to working with our new Executive Director, Jean Jorgensen, and the Executive Committee members in building on the Association's prior accomplishments and setting our future course."

These conferences are so good for our industry partly because lotteries typically don't compete with each other and so everyone is more free to share information. It is almost like outsourcing your R & D department with the only cost being that you have to show up to get briefed on the results of their research.

Next up is the G2E Trade Show (in Las Vegas, the third week of November), which is less about lottery than it is about all other forms of gaming (slots, VLT's, electronic table games, Internet and Mobile, etc.). More states are recognizing the incredible potential of these other forms of gaming to produce income for their state. Getting approval for the expansion into new types of gaming seems to be on everyone's agenda now. State legislators are realizing that their citizens are just going to their local Indian gaming casino, or a neighboring state, to play the games of their choice. So the decision isn't whether to allow gaming or not. The decision is whether to send your citizens to the Indian casinos and neighboring states to enrich those operators or to enrich your own state by providing your citizens with a safe and secure environment for recreational gaming in their own state.

Governments play a huge role in determining the way this industry evolves. That includes deciding which games are legal, who is licensed to operate them, and the restrictions under which they'll be operated. That is why we have included in this issue a Roundtable Discussion with three leaders in the movement to integrate Responsible Gaming into a sustainable development approach to our business. Corporate Social Responsibility and Responsible Gaming are likely to become increasingly important competencies that our lawmakers will look for when evaluating how the games will be operated and who will operate them. Integrating the most effective CSR agenda into the corporate culture should result in building an important and strategic competitive advantage in the race to win approval from government to be the preferred gaming operator.

www.PublicGaming.com

Topics addressed on our website and in our weekly electronic newsletter:

- Do Indian Tribes have the right to acquire property, convert it into Tribal Land-Trust, and build a casino on that property? Is there no point at which the Indian's rights to sovereignty impinges unfairly on the rights of states to protect the interests of its citizens? There are cases pending right now that are addressing this question.
- It has been suspected by many that Internet gambling has the potential for cheating. Two cases of systematic fraud reveal the need for strict regulation and oversight of Internet gaming and for gaming control boards to be invested more in the protection of the player than the operator. There are many existent conflicts of interest in this regard that create the potential for further problems to occur. Prohibition is not the answer. Oversight and regulation by the jurisdiction where the players reside is what's needed.
- Along the same lines, why does SportingBet vacate the UK for Alderney as soon as taxes are levied and oversight imposed? Why does Antigua oppose the request to have their servers based in the U.S. so they would be subject to U.S. oversight? Why do some operators protest that they just want to compete in a free and open market place and comply with the laws of the land but do everything they can to circumvent the laws of the land and evade the taxes due to the jurisdictions where the players reside?
- U.S. Dept. of Justice renders an opinion that it would be illegal for a private enterprise to operate a lottery in the U.S., that states are prohibited by Federal Law from turning over control of lottery operations to a private operator. Most experts that we surveyed seem to disagree with this opinion, contending that states have the right to control gaming and that would include the right to execute a long-term lease of the lottery if that's what they choose to do.
- The economics of "privatization" in a time when credit is tight. States are as motivated as ever to explore ways to turn assets into cash. But, the availability of capital and the costs of borrowing may create obstacles on the buy side.
- The Kentucky AG sues to force Internet gaming operators to either comply with state laws or turn over ownership of their website domain names. It sounds like a wacky strategy. It's not. In fact, it promises to be quite the dramatic "game changer". Just watch!
- We're following up on these and other issues. So please visit www.PublicGaming.com to get the inside story ... and to get the best take on the general industry news.

Thank you all for your support. We need it and depend upon it and are dedicated to working hard to earn it. I welcome your feedback, comments, or criticisms. Please feel free to e-mail me at pjason@publicgaming.com. ♦

— Paul Jason

A lot rides on the **Right** decision.



A lot is riding on the decisions you make every day. Big expectations. Results. Progress.

Who do you turn to for advice on gaming? How do you know you're making the right decisions? No matter the jurisdiction, no matter the regulations, IGT can provide the leadership, experience and advice to give you the confidence to take the Right steps.



The Right Choice.

To learn more about IGT Government Affairs & Business Development or IGT's video lottery terminals, progressive jackpots, Class II, Class III games, network systems, server-based products, electronic table games & casino services visit www.IGT.com or call 702-669-7777.

© 2008 IGT. All rights reserved.

Responsible Gaming: A Roundtable Discussion

The following was a private roundtable discussion held at NASPL in Philadelphia in October.

Alan Yadow, Executive Director, Vermont Lottery

Don Feeney, Research and Planning Director, Minnesota Lottery;

Keith White, Executive Director, U.S. National Council on Problem Gambling;

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)



Alan Yadow



Don Feeney

Mark Jason, Public Gaming: *Could you provide some "action points," specific steps that you believe each lottery should do to act in a responsible fashion?*

Keith White: 1) Write a formal responsible gaming policy.

2) Appoint a senior executive to have responsibility.

Don Feeney: Second recommendation is particularly dead on. Worst mistake I've seen is the establishment of a RG "ghetto," where all responsibility is given to someone fairly well down on the org chart.

Action points for a lottery:

1) Contact your local problem gambling advocacy organization and discuss ways you can work together. They don't bite, mostly. If you're not sure who that is, contact the National Council on Problem Gambling in the U.S. Remember that working together doesn't have to involve money.

2) Assign someone on your staff to get the facts. Learn something of the science of problem gambling, attend problem gambling conferences at the state/provincial or national level. Attend an open GA meeting.

You'll be in a better position to work with the advocates, and you'll be better able to respond to your critics. It's amazing what happens when you know more than they do, and that's not hard to do.

3) Don't create a social responsibility ghetto in your organization. Educate everyone and make sure they know that there's a commitment that starts at the top. Then walk the talk.

Public Gaming: *Decisions are being made in governments all over the world every day regarding gambling. Let's begin with, do you believe that responsible gaming is being sufficiently incorporated into governmental decision making?*

K. White: No, I definitely believe governments need to do

more to incorporate responsible gaming into their decision-making on Gambling. And we have so few tools available to us to really judge the impact of these decisions.

Most of the regulations and policies in the field are created out of thin air. Until someone funds serious research and evaluation on problem gambling issues, we're all left with very little hard evidence on which to base decision-making.

Public Gaming: *It seems that you are saying that the decision-making is based primarily on single-issue politics. For instance, Spencer Bachus dislikes gambling in general, and will therefore try to legislate against any forms of it. A state desperately needing money may look to gambling expansion to fill budget gaps. One of the things I hope we can bring out here is the complexity associated with gambling issues, and maybe move the discussion away from single-issue decision-making.*

K. White: It's true. A lot of issues are approached from a single-interest, bumper-sticker viewpoint, but I think this is particularly true of gambling. I believe that many people's view of gambling is shaped by a moral or religious background in opposition to gambling. That can make it very difficult to have a constructive policy discussion on some of the nuances when people, at heart, believe that people shouldn't gamble in the first place, or that people who do gamble are foolish or evil.

Public Gaming: *The concept of Sustainable Development is gaining momentum. It seems this has implications for the world of gambling. Can the objectives of minimizing social cost and maximizing return for governments' coffers be properly balanced? How does a legislative body balance these things?*

D. Feeney: There is a difference between maximizing revenue in the short and long terms. We need to focus on maintaining the stream of revenue over a long period of time, which isn't always easy to do when the legislature wants money now. One might be able to argue that programs addressing problem gambling and calling attention to the issue might hurt revenue in the short term. But I think that it is absolutely the right thing to do for the long-term sustainability of the revenue stream and of the industry. Certainly you build a political climate that pays

off over time. When you have a good record on social issues, your opponents cut you more slack. You also help prevent a social backlash against gambling in general and lottery specifically. All of the research that has been done on the Emerging Markets — the 25 to 30 year olds — indicates that social concerns and a record of responsibility are very important to them in making decisions as consumers, more so than with prior generations. I would argue that **social responsibility in message and practice is absolutely critical to the long-term sustainability of lottery.**

I think there was a tendency to divorce societal concerns from other concerns in the past. The consumer research that I've seen shows that the younger generation is not doing that.

Alan Yandow: Taking our own example, we're charged with maximizing the revenue consonant with the dignity of the state and general welfare of the people. We've interpreted that to mean maximizing revenue while putting forth responsible gaming. That's the balance. One may have to feel out that balance, but that is what is needed to be achieved. I don't buy the argument that it's going to reduce revenue. I think the number of problem gamblers that could be identified and will not gamble

because of the efforts put forth is small enough that it shouldn't make much difference as far as revenue would be concerned. What it does do, however, is make the lottery or gaming entity recognized as doing the right thing, looking out for the welfare of the people and the dignity of the state. So I think it's a plus. I don't buy the argument that it's going to reduce revenue and therefore shouldn't be done.

Public Gaming: *What impact do responsible gaming advertising and communications have on the vast majority, 96% to 97% of players, who really don't have a difficulty? Do you think that type of advertising tends to reduce their play?*

A. Yandow: That's a tough question to answer. I'm not sure if it reduces their play. I think it might make them more aware of their play and whether or not it's too much.

Public Gaming: *That would be a good thing.*

A. Yandow: Absolutely. The recognition factor that we have for the responsible gaming message we put forth is over 90% with our players. It's in the mid-eighties for that as a message being important for us to do. Players and non-players alike believe it

...continued on page 22

DELIVERING ON A PROMISE.

At Scientific Games, our customer promise is to develop products and solutions that empower people to benefit from the lottery.

Empowerment means bringing more enjoyment and convenience to the player, greater efficiency and more commission to the retailer, and higher sales and more profit to the lottery and its good causes.

The WAVE™ terminal system is the latest example of how we're delivering on this promise.

Richard Husbands, a Connecticut Lottery retailer since 1972, is now seeing this promise play out in his store. The owner of Forest Package Store, in Manchester, loves his WAVE™ terminal, including the system's eye-catching player advertising display:

"My lottery sales are up over the year before probably about 4 or 5 percent. I think it helps that the advertising display the customer sees is eye-catching. A first-time customer coming in to my store may not even know I have lotto, but when they catch that screen, they know."

More player convenience. More retailer commission. More profit for the greater cause: Connecticut Lottery beneficiary programs.

Delivering Serious Fun!

An Interview with Paula Otto

Paula Otto, Executive Director of the Virginia Lottery, discusses advertising, lottery games, internet marketing and subscription services, and operating a shared data center...

When Paula I. Otto was appointed Executive Director of the Virginia Lottery by Virginia Governor Timothy M. Kaine in January of 2008, it was a sort of homecoming. Ms. Otto served as Director of Public Affairs for the Lottery when the first ticket was sold on September 20, 1988, and continued in that position until 1997. During that time, Ms. Otto was instrumental in shaping and protecting the Lottery's public image.



Paula Otto

Mark Jason, Public Gaming: *You've had an interesting history with the lottery, haven't you?*

Paula Otto: I was part of the start-up team for the Virginia Lottery back in 1988. I was actually a reporter covering the debate for many years prior to that. When the referendum was approved, I thought it would be fun to go work for the new Lottery. In fact, I covered the news conference when the Governor appointed the first director. After I filed my story that night, I wrote him a letter identifying myself and expressing my interest in working for the Lottery. When the position of Director of Public Affairs opened up, I applied for and got that position in June of 1988. I was employee number 11, and had the pleasure of being part of starting a lottery from the ground floor. I stayed there until 1997, when I decided to take an opportunity to become a college professor at Virginia Commonwealth University in Richmond. I stayed there for a little more than ten years.

Public Gaming: *So you actually left the Lottery for ten years?*

P. Otto: That's right, though I did stay connected. Having been part of building something and creating something, I always felt some ownership in the Lottery. I did some public speaking and media training at the Lottery, and helped to select the two people who succeeded me in what is now called Communications. So I did stay in touch.

In some ways leaving and coming back has been an advantage. I was there at the beginning, and then for ten years I was a player. So I know what it's like to be a player as well. I was certainly honored when the Governor asked me to come back as the Director.

At the beginning, when we set up the Virginia Lottery, we had a distinct break between the Public Affairs and Marketing sides of the Lottery. That has now evolved over the years into the Communications Department. Communications supports the marketing effort, as well as overseeing media, player and employee communications. We also continue to have a Marketing department.

In Virginia we have a specific advertising restriction. In the law it

says that no funds shall be expended for the primary purpose of inducing persons to participate in the Lottery. That was a challenge in those early years. **We felt that the laws did not prohibit advertising, but the interpretation of the term 'inducing' becomes difficult. Advertising is about calling the potential player to action, which in this case would be to buy a lottery ticket.** The first director was an attorney. In fact, he came from the Attorney General's office. He got an official opinion from that office early on regarding advertising dos and don'ts. That was our way to objectify what the language meant. Certainly the early advertising was not without criticism. There are still people to day who criticize. At a recent event that we were sponsoring, someone criticized our sign as a potential inducement. But for the most part I think people have found our advertising to be memorable and often humorous. We do stay away from the dream, 'life-changing' concept.

For example, in the spring we started a new Fast Play game, Dodgeball. The twist is that the more you miss, the more you win. Of course, in dodgeball the winner is the one who is missed, who is left standing. This responds to players who never hit any numbers. So the idea of the game is to miss. Our advertising for that is someone walking down the street playing the game, with balls flying at him and missing. The more you miss, the more you win.

The restrictions have challenged us to be that much more clever in the advertising.

We still have the checklist, the dos and don'ts, and I do review every piece. I think I've still got that sensitivity from the early years. Even if the restrictions were lifted at this point, I'm not at all sure that our advertising would change much.

I've often thought that Virginia 'cracked the south' in terms of lotteries. Florida had a lottery when we started, but all the other southern lotteries came after us. In many ways, Virginia had a lot to prove. Could we launch a successful lottery in a state like Virginia, in which there is such a diverse population? The northern area is much more in tune with the D.C. area. We've got Richmond and Norfolk, bigger cities. Then there are much more rural sections. So we have a cross-section of very conservative and other less conservative areas.

We began with an approach of wanting all our population to accept the idea of lottery. I think particularly in the early years this

'genteel' approach served us well. We're down the continuum today, as any lottery would be at the 20 year mark. But the fact that we still have the advertising restrictions, we have the dos and don'ts, we have not at this point offered anything that might be close to the Las Vegas style products, such as VLTs or Keno. Who knows what might happen in the future. Our board approves all of our games. In my mind everything should be on the table. I don't dismiss anything. We're looking at a lot of things at this point to try to combat flat sales.

Public Gaming: *So, no monitors games at this point. What about ITVMs?*

P. Otto: We've actually had ITVMs for a long time. We started with just scratch tickets. This fall, in fact, we are doing a roll-out of what we are calling Lottery Express machines, that offer self-service validation, instant products, and online products.

Public Gaming: *Virginia has actually been hailed as one of the more progressive websites in the industries. How do you see that progressing?*

P. Otto: I think we have barely scratched the surface. In teaching, I spent the last ten years with 18 to 22 year-olds, so I have some understanding of their psyche, how they communicate with each other, how they do retail. **Clearly, technology is the only way we're going to interest young people in lottery games, and keep them interested. Everybody is recognizing that. Certainly the vendors are looking more and more into what they can do to support their clients in social and web-based gaming.**

I think we really have to think about, focus on, the delivery system. I do tend to be an early adopter. I might not necessarily be the first in line, but I'll be close behind. So I'm very open to doing some pilots, trying some things to see if they work or not. But I think that getting into those new delivery systems is going to be very critical.

We have had a subscription offering on the Internet for years. When we upgraded the gaming system after 19 years, the decision was made to have GTECH operate the system. We went live with that at the end of October. We're just getting ready to restart web subscriptions.

We operated our own central system, and we made use of GTECH terminals. We paid a fee to them to operate the software, which we had a piece in developing, but we owned our own system. I often point out that we're really not like many of their other clients in some respects, because we had operated our own system for so many years. So we actually have some unique aspects that I think will pay dividends.

Public Gaming: *Like what?*

...continued on page 24

We are delighted
to announce
our new arrival!

The KeWin terminal family is delighted by its new baby. This is because the KeWin micro combines all the functions in a tiny 266 x 158 x 209 mm. Moreover, as efficiency is a KEBA family tradition, the KeWin micro gets on perfectly with its big brother the KeWin multimedia. Hurrah! Visit us on Booth 38 at the WLA Convention and Trade Show in Rhodes from October 19-24, 2008.

www.keba.com



KEBA®

Automation by innovation.

An Interview with Steve Saferin

As Vice-President of Scientific Games Corp., President of SG Properties, and President of MDI, Steve Saferin focuses on emerging growth opportunities, new product and marketing initiatives, and how to build entertainment value into traditional lottery games.

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)



Steve Saferin

Paul Jason, Public Gaming: So, how do we bust out, re-invigorate traditional lottery games, unleash a hailstorm of innovation that will throw us back into double digit growth? I'm asking you this because you were confronted with a similarly daunting challenge twelve or thirteen years ago with Instant-scratch-offs. MDI, your brand licensing company at the time, created a whole new life cycle for what was perceived to be a mature product and launched a decade of exciting growth. What's next?

Steve Saferin: We have lots of product, marketing, and distributional concepts that will make a difference and which I am pleased to tell you about. But frankly, it's going to take a lot more than a clever idea to re-ignite growth. We all really need to look at the underlying dynamics about how ideas and innovation are adapted in this industry. Or not being adapted, as the case may be. We need to look at how we can create an environment that genuinely embraces the opportunity to change and innovate. There is really no reason, no reason at all, for revenue and profit growth to be flat. Think about what we have to work with. Our product is games that people play. The proverbial dominant buying motive is rich with emotive potential, tapping into the desire to have fun, be entertained, perhaps get a reward. Is there an industry anywhere with a more expansive playing field to create and innovate? And not just in game development, but also in distribution and marketing. **The fact that player preferences are changing and evolving shouldn't be thought of as an obstacle. It's an obstacle only if you're unwilling to grow and adapt and change with your customer.** It is an opportunity if you are the one who has the relationship with the customer, you are the one who has access to the market intelligence that can guide your efforts to create the product that will excite your customer, you are the one with the proprietary retail-distribution network, you are the one who has the inside track to meet the needs of a changing market place. Lottery organizations have all of that but it is really not being used to maximum advantage. In fact, being a market leader can create inertia, a culture that is risk-averse and more interested in lengthening

the life-cycle of strategies and products that should be retired and reluctant to invest in the new strategies and products that the customer is demanding. The answer to your question is not to think that a clever idea like brand licensing will rescue us. It takes a lot more than two or three clever ideas a decade to drive an industry forward. It takes a business culture that embraces the opportunity to be transformational on a daily basis, that sees itself as entrepreneurial and innovative and takes pride in its role as change agent and shaper of an exciting and successful future.

Public Gaming: Wow. So what's stopping us? I would suppose that a new game or product concept or strategy is by definition untested in the marketplace and therefore a risky investment and difficult for the manager to pull the trigger?

S. Saferin: More complicated than that. First, of course an innovation would by definition not have the benefit of copious data accumulated over years of tracking performance. So we're not able to predict performance with the same level of precision. But new ideas can be and are tested to diminish the risk as much as possible. In fact, we have gotten quite good at testing and modeling to narrow the parameters of performance outcomes, and thereby minimize financial risk and uncertainty. It's really not so much about that. **It is about creating a climate that is not only favorable to innovation, but drives innovation with zeal and enthusiasm. Anything less than that results in reverting to taking the easy way out and tweaking the strategies and products that should be completely revamped.** It is always easier for all of us to just try to improve incrementally on the old formulas that have worked in the past. Easier and less personal risk. Picture yourself in a strategy session or product development meeting; picture yourself pitching ideas to your customer; nobody gets criticized for having a modest idea that improves a tired old product or strategy. But how about if you propose an unconventional new idea that requires an investment of time and money and you have no data to support your proposal? It takes far more energy, resolve, and talent to stretch to create something wholly new and different. But why would anyone do that if the system of rewards and punishments does not explicitly and aggressively promote that behavior? The answer is you wouldn't.

Public Gaming: *So what can be done?*

S. Saferin: A couple things can be done. First, the leadership in all quarters of our business needs to understand how these underlying dynamics are de-incentivizing innovation and creativity. I'm not just talking about vendors and lotteries. I'm talking also about the procurement process, legislators, state auditors, everyone who impacts the decision making processes that forms the foundation for how we invest in the future. All of us need to understand the importance of becoming energetic, even adventurous, thinkers and doers. When people think of creativity and innovation, we need them to think of state government and lotteries in the same way that we think of Google and Apple and enterprises that are creating the most exciting products in the world. It starts with the leadership in state government empowering lotteries to innovate. But then, lotteries and suppliers like Scientific Games can't wait for that to happen. We need to work within an imperfect system to produce the desired results.

You know, that may be one of the benefits to all the talk about privatization. Lotteries protest that there's nothing that private industry can or would do that the lotteries themselves can't do.

And it's true. So let's get fired up to think out of the box like the game-changers at Google and Apple. Let's put our money where our mouth is and look past the obstacles and constraints and take advantage of the incredible variety of options that our industry allows. So that's one thing.

The other thing we can do is to get creative at being creative. The youngsters at Google and Apple are hired to try to change the world, to be transformational. I just said that we want to be the same and do the same. And we do. But we need to also think and act strategically. Reality is that state procurement and lotteries do not have the flexibility for out-of-the-box initiatives that private companies might have. That's okay. We can work with that. **I'll be touting a couple of our initiatives as examples of what I call transitional products or concepts that can pave the way for more genuinely transformational results and forward progress.** We need transitional products to integrate future-oriented concepts while staying compliant with all regulations and not threatening the defenders of the status quo.

...continued on page 26

**Your TV draws
deserve the best!**



The Worlds Most Advanced Drawing Machines

Fully Automatic • PC operated • Stunning Design • Fully Retractable Loader • Lightweight Solid Constitution Balls • Automatic Recognition System • Integrated Security System • Drawing Ball Validation Machine • Worldwide High Profile Service • Reliability

For detailed information about our products and services please visit our website www.editec-lotteries.com or contact us: wintv@editec-lotteries.com



An Interview with Jim Lightbody

Vice President, Lottery Gaming, British Columbia Lottery Corporation (BCLC)

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)

Jim Lightbody is responsible for the strategic development of the Lottery business unit, providing leadership and direction in support of marketing, sales and distribution of lottery brands. Jim joined BCLC in 2001 as Vice-President. His background includes 18 years of experience in consumer packaged goods, where he held a wide range of responsibilities in the retail and hospitality industries.



Jim Lightbody

Mark Jason, Public Gaming: Sales in the last fiscal year were \$977 million. How does that breakdown between scratch tickets and online?

Jim Lightbody: Instant sales were \$170 million, pull tab \$64 million, another \$10 million in sports offering. So the total in “offline” sales would be \$244 million, roughly 25% of the total revenue.

Public Gaming: Has the percentage changed much since 2001, when you joined the Lottery?

J. Lightbody: The percentage in online sales has increased. The new games we’ve introduced and the improvements we’ve made to our national games have led to increased sales. The offline business hasn’t seen such changes so far. At this point we are looking at improving the product through higher prize payouts, which some of our colleagues across Canada have done.

Public Gaming: Have you implemented any changes in the instant games themselves over the last year?

J. Lightbody: As I mentioned, we have increased the payout percentage. These were around 56%, and we’re improving that to a little over 60%. We are also trying to improve the way we present the products at retail. This involves work being done on display cases, and really working with our retailers on inventory management. In addition, we are creating a greater variety in the products.

Public Gaming: Do you have any programs in place to incentivize clerks to “ask for the order?”

J. Lightbody: We do not right now. We do obviously feel that motivating the clerks is a critical aspect to selling lottery. One thing we have done in the past was a “retailer ambassador program.” Our sales team was allowed to reward a clerk right on the spot when they saw the clerk delivering exceptional customer service. We also had a mystery shopper program, wherein the same could happen. Over the last year we’ve had to discontinue that. We’ve had to focus more on training and compliance with regard to how they are selling and validating all the lottery tickets. This is in response to media cover-

age regarding how retailers deal with customers.

Public Gaming: So the media coverage really has affected day-to-day operations?

J. Lightbody: Yes, it’s affected how we deal with our retailers to a great degree. The retailers have been unfortunately portrayed in a bad light. We’re trying to rebuild their confidence in lottery, their passion for lottery.

Public Gaming : So some of your retailers are quite de-motivated, even to the extent of wondering whether they still want to carry lottery?

J. Lightbody: Absolutely.

Public Gaming: You mentioned increasing the number of available games. I’ve heard arguments on both sides: enough to appeal to everyone, too much and you begin to cannibalize other games while increasing costs in inventory. How many instant games does BCLC offer?

J. Lightbody: Around forty.

Public Gaming: Do you have an opinion on the optimal number of games?

J. Lightbody: We think that 40 is a good target. We’ve gone a little lower and little higher in the past. We think we’re in the right ballpark right now. It really revolves around certain games being always available, such as our bingo and crossword games, and some of our \$1 and \$2 games. And then we have some extended play games in the \$3, \$5, and \$10 price point. Those are the games that usually bring the incremental revenue opportunities. So it’s a great challenge to our marketing and product development team to come up with themes which appeal to those segments.

Public Gaming: By “extended play” you mean games such as crossword, in which the entertainment value is increased?

J. Lightbody: Yes, as opposed to just a Match 3. Maybe there’s more than one game on the scratch ticket, or some type of longer play to find out if you’ve won.

Public Gaming: Do you see much change in the price point being played?

...continued on page 25

the game is on



now with

PLATFORM 8

Play our game and run your lottery business on the Internet.

- 100 games including multiplayer with community features,
- Marketing features,
- Advanced player account administration,
- All modern distribution channels - Internet, mobile, IPTV,
- Reliability - 24/7 operations,
- Advanced balancing of 3rd party suppliers,
- World class security including SHA-256 password hashing,
- Build for performance - distributed cache,
- Modular architecture.

To find out more, visit us at the WLA 2008 Convention and Trade Show in Rhodes.

Developing gaming solutions and services since 1996, Betware is a pioneer in the online gaming market. The company supplies a highly flexible central gaming system running sports betting games, number games, instant games, card games and horse betting on multiple sales channels such as internet, mobile and on-line terminals.

www.betware.com

www.certusgames.com

Betware
- the best bet

Certus
a Betware company



Ingenio Celebrates its 10th Anniversary and Ten Years of Innovation in the Gaming Industry.



Nathalie Rajotte

This December, Ingenio will be celebrating its 10th anniversary and, to highlight this momentous occasion, will be hosting an exhibition at Loto-Québec's head office in Montréal. Nathalie Rajotte, CEO of Ingenio, reveals a few of the exhibition's key elements and underscores the diversity of Ingenio's projects, past, present and future.

Ingenio, Loto-Québec's research and development arm, creates new concepts in conjunction with every sector of the corporation — bingo, casinos and lotteries — which enables the company to attract new clientele and make its mark both locally and internationally. **"Since 1998, when Ingenio launched operations, every facet of the gaming world has undergone a major upheaval, both in terms of the technology itself and the entertainment clients are seeking,"** said Ms. Rajotte. For over four years, Ingenio has been developing a wide range of concepts for casinos, leveraging its expertise in multimedia design, interactivity and mathematical modeling. Several of the company's achievements are already in play in casinos the world over. One key to Ingenio's ability to market games successfully has been finding the right allies. One such strategic alliance, with Bally Technologies, led to the launch of Hatch The Cash, a slot machine game derived from a TV lottery game concept. Ingenio is also furthering its research in the field of electronic table games and has partnered with some of the world's top suppliers. The company's ultimate goal is to develop innovative concepts that captivate the players of tomorrow.

It is worth noting that Ingenio's situation is rather unique, as Loto-Québec is one of the rare lottery corporations to operate all forms of gaming within its jurisdiction — linked bingo, casinos, video lottery games and lotteries. As such, Ingenio enjoys

a very special position when it comes to exchanging knowledge and building bridges, what Ms. Rajotte calls "having a holistic vision of the market."

This privileged position also provides an advantage in the lottery sector. Ingenio's game designers, artists and programmers are always on the lookout for the most creative innovations in entertainment at large. They also work closely with other lottery specialists, with whom they share knowledge on research, marketing, and more. In 2000, Ingenio and Loto-Québec launched the world's first CD-ROM lottery, Treasure Tower, and in 2004, created the first lottery to be downloaded off the Web, Cyber Slingo, which was launched in New Jersey.

Ever since, Ingenio's experts have been working to integrate the best game mechanics into lottery products as a means of modernizing the game offering and innovating in a market where consumer interest in traditional lottery products is waning, especially among the younger demographic. Today, Ingenio has over 50 Web-based games to its credit: from sports games to card games, skill-testing games to word games, there's something for everyone!

Ms. Rajotte adds: "Ingenio has always stressed the importance of responsible gaming. In fact, parental control mechanisms to prevent minors from playing were included in the very first games Ingenio developed." Loto-Québec's R&D arm has also created multimedia information and sensitization tools for Québec and the international market.

"We see the future as an ongoing opportunity to innovate, and we prefer a collaborative approach that we call Creative Collaboration at Play," she adds. Ingenio's vision focuses on three trends: changes in the market, where consumers are seeking a fulfilling experience in an increasingly hyperconnected world; changes in entertainment, which is invariably becoming more interactive and engaging; and changes in technologies, which are converging toward interrelated games. In closing, Ms. Rajotte states that "Ingenio is taking on these challenges head-on and is updating its portfolio with an eye to providing its partners with a wide range of innovative content." ♦

*Find
Harmony...*



*and countless other
innovative products!*



ATRONIC
Great Games Great People

For more information call
1.800.561.GAME (4263) or 506.859.7598

Email us at
lottery.gaming@gtech.com

www.gtech.com



SPIELO
Performance Gaming Dedicated Service

An Interview with Claude Poisson

President of Casino Operations, Loto-Quebec

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)



Claude Poisson

Mark Jason, Public Gaming: You now have three casinos? And you own and operate each, with no management contracts?

Claude Poisson: That is correct. Loto-Quebec owns the buildings, manages the operations, employees all the workers at the casinos. We also run the restaurants and the bars in the casinos. We are also 50% owner of the Fairmont Le Manoir Richelieu Hotel. We have 6,000 employees.

Public Gaming: Do you also oversee the Video Lottery area?

Mr. Poisson: No. My responsibility is limited to the casinos.

Public Gaming: Two of the three casinos are destination resorts?

Mr. Poisson: Yes. The only one that is not is the casino right here in Montreal. It's the biggest one. But the casino is in the "green" zone, so we can't build a hotel there. We would certainly like one, but there are many hotels in Montreal.

Public Gaming: How many slot machines do you have at each location?

Mr. Poisson: In Montreal we have 3,000. At Lac-Leamy we have 1,800, and at Charlevoix we have nearly 900.

Public Gaming: Does the average daily take per machine vary much from casino to casino?

Mr. Poisson: It's different. In Charlevoix we have smaller denominations. On the weekend we have a lot of people, but during the week it's not very busy. So, we have less machines there.

Public Gaming: So the Casino de Montreal stays busy most of the time, so that even if the weekend daily takes were comparable, the other casinos generate much less revenue during the week.

Mr. Poisson: Yes. In Montreal, we average 20,000 customers per day. In Lac-Leamy, the average is 10,000, 5,000 in Charlevoix. On the weekends Charlevoix may average 8,000 or 9,000, but much less during the week.

Public Gaming: Do you own or lease the machines?

Mr. Poisson: We only lease 4% of the machines. The rest we own.

Public Gaming: Is there much of a need to "turn over" the slots, change the games to maintain the excitement and enthusiasm for play?

Mr. Poisson: We keep our machines for an average of six years, so every year we change 800 to 900 machines. We also convert a few hundred every year as well. We decide which to change based on popularity, focusing on the machines performing poorly.

Public Gaming: For the two destination resorts, which is more profitable, the casino or the hospitality side, the food, beverage, hotel side?

Mr. Poisson: The casinos make more money. And the revenue is far different. Food and beverage, the hospitality side, generates \$100 million, the casinos \$800 million. The big business is still the gaming.

Public Gaming: It seems that as the gaming becomes more competitive, the hospitality side takes on much more importance, at least in Las Vegas and Atlantic City.

Mr. Poisson: But the benefit is still in the gaming. For example, in Las Vegas 80% of the profits is generated directly from gaming. But, I believe something around 56% of the revenue is generated from hospitality, the hotels, food, beverage, shows. But for us, we don't have a big hotel. So our focus is very much on the gaming.

Public Gaming: Does each of the casinos have a full offering of table games and slot machines?

Mr. Poisson: We have different types of gaming tables. For example, in Charlevoix we don't have craps. We don't have a lot of customers coming from the U.S., and the game is not very popular in Quebec. We do have some craps tables in Montreal and Lac-Leamy, however. We do have full offerings of blackjack, roulette, and many other table games.

Public Gaming: Are there any legal limits to how many slot machines you can have at any given casinos?

Mr. Poisson: Yes. All over Quebec, our goal is to not make the gaming grow. So, from an overall perspective, we do not want to increase the number of slot machines.

Public Gaming: As I understand it, there was a significant "gray Video Lottery" market in Quebec prior to Loto-Quebec taking control. Is the idea that the provincial government wanted to take regulatory control, but also reduce the slot machine offering?

Mr. Poisson: That's exactly right. If we want to expand, we need to get agreement from the government.

Public Gaming: So while there aren't specific numerical caps,

there is a general policy understood by all that the goal is to maintain or even decrease the gaming offering?

Mr. Poisson: We don't have a fixed number. Over the years, we have always acted in the manner you describe. For example, two years ago I had 300 more machines on the market than are out there today. Now we have put out some different games, such as electronic poker. We do adjust our offering to the customer, to suit what we believe the customer wants.

Public Gaming: You just added some electronic poker games, is that correct?

Mr. Poisson: In the casino, yes. Outside the casino, we have video lottery.

Public Gaming: It seems as though in many ways electronic table games offer a lot of benefits to the operator.

Mr. Poisson: For the customers also. The customers enjoy it. The play is more rapid than with a live dealer. With a live dealer the play is usually about twenty-eight hands per hour. With the electronic games, play averages thirty-eight hands per hour. In addition, the math is always correct. A live dealer can make mistakes, on the rake, separating side pots, etc.

Public Gaming: How do the customers respond to the electronic table games?

Mr. Poisson: They really enjoy it, partly because that's what we started with and still offer. They don't have any choice. Customers seem apprehensive at first, but after two or three hands they seem to enjoy it quite well. We see very positive comments on the internet.

Public Gaming: Since you started with the electronic games, and the customers have had an opportunity to get used to it, it may be that they may prefer that even if given a choice?

Mr. Poisson: We are in the process of negotiating with poker dealers. In fact, that's why we don't offer that at this point. I don't really know if the customer will stay with the electronic games when or if we begin offering games with live dealers. I would think there will be at least some who prefer going with live dealers.

Public Gaming: What I am wondering is if the electronic games were accepted and embraced by the players, a number of hurdles would be solved for the operator. Money wouldn't be crossing the table, the shuffling time would be reduced and the speed of the game increased,

...continued on page 28



**GENUINE SCOOTERS. COOL COLORS.
INCREDIBLE FUN. RIDICULOUS GAS MILEAGE.**

CONTACT YOUR MDI SALES REPRESENTATIVE FOR DETAILS.



1500 Bluegrass Lakes Parkway • Alpharetta, GA 30004
www.mdientertainment.com • 1.800.572.7082

©2008 Genuine Scooter Company. Buddy, Rattler, and Genuine Scooter Company registered trademarks are used under license, MDI Entertainment.

GO GREEN. RUN WILD.



A New Era of Gaming Solutions – ATRONIC: A GTECH Company

Whether you prefer newer TV shows like **Deal or No Deal™** and **Stargate SG-1™**, or classics such as **The Three Stooges™**, ATRONIC, a division of GTECH's Gaming Solutions, is dedicated to delivering the highest-quality entertainment to players with an ever-expanding portfolio of more than 200 games designed to support its state-of-the-art slot machines. With 228 worldwide gaming licenses and more than 15 years of gaming industry experience, ATRONIC has established itself as a formidable industry competitor with an extensive global reach and a broad vision for the future of machine gaming.

ATRONIC is well-prepared to meet the market's demand for a wider variety of game content, player interactivity, and entertainment options, as recently shown at the Entertainment Industry trade show in September and the South American Gaming Suppliers Expo (SAGSE) in October. In addition, ATRONIC will showcase its latest inventions, along with SPIELO's (also a GTECH company) commercial gaming products, at the Global Gaming Expo (G2E) in Las Vegas, Nevada, in November. According to Sylvia Dietz, ATRONIC Executive Director, Global Marketing, G2E will set the stage for the debut of many original products, including:

➤ **Stargate SG-1™**: Based on the popular movie and TV show, this linked video slot version is packed with bonuses, incorporates the impressive and interactive game, and is presented in a unique merchandising package.

Deal or No Deal — Join N' Play: This latest addition to ATRONIC's Community Bonus Series is presented on the new dual-screen e²™ SLANT cabinet. Players will be captivated by the merchandising package that puts them on the stage of the popular TV show.

➤ "Deal or No Deal — Join N' Play will be complemented by other favorites in the Deal or No Deal range of products, including **Deal or No Deal — The Experience**, and **Deal or No Deal — Mega Deal**," said Dietz.

• **prodiGi Vu™**: Designed to meet the demands of both players and casino operators, this terminal supports a library of exciting and innovative games all in one of the industry's slimmest cabinets.

prodiGi. 

• **Passion Deluxe™**: The new Super Top 5 reel is the next phase in the ATRONIC stepper series. Featuring five full-sized reels backlit by intense LED technology, the Passion Deluxe incorporates multiple video screens into the classic stepper. The three-reel version includes a fourth LCD display reel featuring multiplier symbols and bonus game triggers. The Passion Slots series is available with licensed and unlicensed titles.

• **The brand-new, dual-screen e²™ SLANT**: The e²™ Upright and the Harmony™ Slant Top and Upright cabinet all showcase a variety of new core games.

• **TITAN™ machine**: The first fully functional, oversized video gaming machine has received several upgrades including a move to the Hi(!)bility™ platform. Standing at 6.5 feet high and more than 3 feet wide, this attention-grabbing product now offers a new range of exciting games and enhanced features.

• **Tree of Riches™ Community Bonus Series™ game**: ATRONIC shows that money does indeed grow on



trees with this exciting new game. To experience the fun of shared wins, players at upcoming conferences can sing along with the birds as they interact with this visually rich game.

Other featured games include:

➤ **Three Stooges™**: This game capitalizes on the slapstick hijinks of the memorable trio by using their foibles and random wild behavior. Larry, Moe, and Curly determine wild wins and are featured in a retro bonus.

➤ **Jewelry™**: Jewelry is a feature that is added to a set of games and works independent of the games. Jewelry uses the Bonus Bank concept consisting of seven bonus features that are triggered randomly on games that have side wagers in play. The charismatic star of the featured bonus rounds takes players through a variety of scenes offering the chance to win big!

➤ **Dragonboat™**: With the success of the slot tournament concept, Tournamania™, ATRONIC is proud to launch this new, Asian-themed, tournament game featuring exciting graphics and a story line based on the traditional Chinese Dragon Boat races.

To complement this comprehensive product portfolio and further demonstrate its position as a leading cashless solutions provider, ATRONIC's Systems Division showcases the highly successful chip cash™ smart card solution, as well as the sophisticated GALAXIS™ software modules. On the tables side, the newly launched, state-of-the-art DisplayMaster™ display livens up the atmosphere around table pits by providing game information and history as well as the ability to run multimedia shows and ticker messages.

Content and game design are key to ATRONIC's success — 150 employees around the world work as part of a global network of game design teams. To find out more information about ATRONIC, visit www.atronic.com. For more information on SPIELO and its products, visit www.gtech.com. ♦





G 2 E 2 0 0 8

IT'S BACK. AND IT'S MORE IMPORTANT THAN EVER.

COMING NOVEMBER 18-20—LAS VEGAS CONVENTION CENTER
NOVEMBER 17—G2E TRAINING & DEVELOPMENT INSTITUTE
NOVEMBER 17—G2E LEADERSHIP ACADEMY
NOVEMBER 17—CASINO DESIGN—NEW!

DON'T MISS THE BLOCKBUSTER EVENT OF THE YEAR WHERE YOU WILL EXPERIENCE:

UNMATCHED NETWORKING WITH 30,000+ GAMING PROFESSIONALS FROM AROUND THE WORLD • NEW PRODUCTS FROM 750+ LEADING-EDGE EXHIBITORS
NON-STOP LEARNING AT 140+ WORLD-CLASS CONFERENCE SESSIONS • F&B AT G2E • ALL-NEW ENTERTAINMENT ARENA AT G2E AND RETAIL PROMENADE AT G2E
ALL OF LAS VEGAS, AND MORE! REGISTER AT WWW.GLOBALGAMINGEXPO.COM



An American Gaming Association Event

Organized by



Reed Exhibitions



GSA's Open Standards — Your Path to Freedom

Conclusion of a 3 part series...

by Peter DeRaedt, President, Gaming Standards Association (GSA), www.gamingstandards.com

In the previous 2 parts we described in no uncertain terms the effect the restrictions that the current proprietary solutions have on lottery operations. We followed this up by a series of arguments as to why open standards are important, the impact they will have on the business and how they will drive revenue moving forward. In part 2 we went into a bit more detail addressing core elements of the GSA standards — Authentication, Accountability and Agility.



Peter DeRaedt

Over the last decades open standards literally have transformed our lives (look at the internet and cell phone business).

As a result, Operators are about to experience the completely new and exciting world of open standards. Now would be a good time to ensure you have better alignment between your IT department, Slot department and Marketing department.

Each of these departments will play a vital role in driving your business.

The new world will be one of true openness, interoperability and data transparency. As a buyer you will now be more firmly positioned in the driver's seat and can make decisions that are based on the right product mix, unique product features, quality of service, preference, compatibility, openness, data access, and flexibility. You will be able to write your own applications, collect the data that you want and process it in the way that best serves your organization.

Today we are writing a lot about how the industry is embracing the GSA's open standards.. Tomorrow the word "protocol" will be long forgotten as the industry starts to enjoy the true freedom of applications created by them. Operators will be able to select from an extensive range of products and services, all tested to work properly and to work together.

Operators will have the freedom of product offerings, giving authorized 3rd parties secure access to floor data, and allowing multiple vendors to independently collect information from electronic gaming devices (EGMs) and control and configure EGMs and their peripherals.

Operators will be able to print personalized vouchers or

marketing documents using an EGM's printer and deliver responsible gaming capabilities.

One of the most exciting features is the ability to remotely configure and download new and detailed EGM capabilities and configuration options. Imagine downloading software to an EGM and its peripherals in one easy step. Operators will be able to:

- Enable/disable money in, money out, game play, vouchers, and other functions.
- Configure multiple progressives and bonuses on a single EGM.
- Change the games and denominations that are currently available to players.
- Configure which bills are currently accepted.

Some of the advanced features will be the ability to enable wagering account transfers between EGM's and hosts. Provide detailed, customizable event subscriptions: A complete set of events describes all changes and activities on an EGM. Each host can customize its subscriptions, filtering for only the information relevant to that host. Provide complete support for central determination gaming models and lottery applications. Support multiple currencies, with real-time updates of the currency conversion factors used by each EGM.

Some of the security options will include, secure off line voucher validation, secure encrypted communications, and remotely authenticated EGM software.

The future looks bright for both Operators and Manufacturers. As an industry, we will continue to work together to make the exciting path to open standards a smooth one to travel on. ♦

An Interview with Mike Randall

Mike Randall, Chair of the WLA Independent Panel on Responsible Gaming, discusses the WLA framework and certification, and Corporate Social Responsibility.

(The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.)

Mike is an international award winning communications and CSR specialist committed to providing clients with advice that gets results. Prior to his appointment as Chair of the WLA Independent Panel on Responsible Gaming, Mike served as Vice President of Social Responsibility and Communications with Atlantic Lottery Corporation (ALC). — *Mike Randall Communications, Mike.randall@rogers.com*



Mike Randall

Mark Jason, Public Gaming: You've made some changes over the past few months.

Mike Randall: I have left the Atlantic Lottery Corporation and started my own company, Mike Randall Communications. In addition to that, I've accepted a role with the WLA for two years as the independent chair of responsible gambling for the WLA. Part of my role as independent chair is to put together an international panel of

experts on corporate social responsibility. That panel will evaluate the responsible gambling framework submissions from each of the lottery members.

Public Gaming: What specifically is involved in the process of evaluation? What kinds of things will the panel be looking for?

M. Randall: Back in 2003, in Mexico, the membership of the WLA endorsed and approved a set of responsible gambling principles. In Singapore in 2006, a four-level framework was developed that is essentially comparable to an ISO standard. Lotteries can adhere to various levels. Level One would involve agreement to adhere to certain principles of responsible gambling. At Level Four the lottery would have a fully integrated, robust responsible gambling program that is measured and reported on annually. There are various levels of achievement in between these two, as well. Each lottery applying for a particular level of certification will be required to achieve 75% of the criteria established for that level. What the panel will then do is evaluate the lottery applicant's programs, and verify that these programs are in fact in place and being implemented. After positive evaluation and verification, the panel would then award that certification to the lottery for that particular level. There will be two submission deadlines, one in May and one in November.

We already have a couple of lotteries that will be submitting for Level Four immediately.

Public Gaming: Do the levels have to do with the types of gaming offered?

M. Randall: No. The levels have to do with how robust and integrated a given lottery's responsible gaming program is.

Level Four would involve full integration of responsible gambling principles into all aspects of the organizations, from the games being developed, the advertising, employee and retail awareness, and the organization's public reporting.

Note: The four-step WLA Responsible Gaming Framework is available for reading on www.publicgaming.com

Public Gaming: What do you believe lotteries should do to enhance their responsible gaming programs?

M. Randall: It really does begin with a corporate-wide commitment to truly integrate a responsible gaming program within the organization. To have such a program 'live' within the organization and externally to all stakeholders does require a shift within most organizations and the manner in which they approach things. It requires thinking beyond the revenue generated, beyond the entertainment value.

From there it becomes a matter of integrating a Corporate Social Responsibility (CSR) program into all of the aspects of the lottery today. Begin with all the aspects through which a lottery interacts with customers and stakeholders. Employee and retailer training takes a strong commitment, to ensure that at all levels those associated with and representing lottery adhere to and adopt responsible gambling principles. Then extend to the marketing and advertising aspects and game development. Greater problem gambling linkages and involvement, self-exclusion programs, better involvement with problem gambling partners, and again reporting on all of this. Evaluating and reporting on successes and areas that need improvement.

Continued online. The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.

Responsible Gaming: Roundtable Discussion ...continued from page 7

to be a good thing for us to do. And that certainly bodes well for everyone's feelings about the lottery and whether or not the lottery is an entity doing the right thing.

Public Gaming: *How long have you been promoting the responsible gaming message in Vermont?*

A. Yandow: We've been doing it for about ten years. I think it does play into the Sustainability piece. It's tough to say whether we would have increased revenue even more if we hadn't embraced the responsible gaming message ten years ago, though revenues still did increase during that period. I do believe, however, that the long-term viability of the lottery and how people feel about the lottery is definitely enhanced by the responsible gaming message used in promoting the lottery. And revenues have still increased.

D. Feeney: I think there's a misconception regarding responsible gaming. The vast majority of people don't consider themselves irresponsible, and so would not consider responsible gaming messages as being directed at them. The presumption is that it has to do with the prevention of pathological gambling. Problematic gambling is a lot more than not just gambling addictively. Despite having nothing remotely resembling an addiction, people will from time to time gamble too much, just like at any point in time they might drink too much. I believe that the advertising that Alan and others have done has more of an effect on the 'non-addicted' people who might occasionally have a problem with gambling, might occasionally play more than is wise. There are many more of these people than there are true problem gamblers, so I believe it's a very appropriate target audience.

I would even go further and say that when you create an informed consumer, you create a better consumer. A lot of responsible gaming advertising is about convincing 'healthy' consumers to gamble responsibly. Most of our messaging is not geared toward those who are already clinically addicted to gambling. While that is an important group, the best help we can give is to help people make good decisions about gambling before their play becomes a problem.

We're not trying to turn people away from gambling. Instead, we are trying to create a better consumer, one who makes an informed decision on the entertainment value it provides. Someone who plays problematically might be good for short term revenue, but they're unlikely to sustain it over the long run.

A. Yandow: Like anything else, there are good messages and there are bad messages.

K. Whyte: This relates back to the research needed. What are the best messages? How can we reach different groups? A message aimed at helping teens make the right decision regarding gambling is a far different message, needs to be constructed and

advertised entirely differently, than one aimed at the decision regarding drinking.

Public Gaming: *It seems that what you are really getting to is that we need to stop thinking of the issue of responsible gaming as a black-and-white, responsible or problem gambler. There are degrees to the situation.*

D. Feeney: To quote Dr. Howard Shaffer of the Harvard Medical School Division on Addiction: "Not all use is abuse, not all abuse is addiction, and not all addiction is impairment".

Public Gaming: *As gambling expands, proximity becomes increasingly more important to the issue of responsible gaming. How much does proximity, how close the gaming offerings are to the consumer, have to do with the issue of problem gambling?*

K. Whyte: Not as much as people think, would be my answer. Gambling at this point is available with so many alternatives, in close proximity to virtually all potential consumers. With the Internet, Indian casinos, lottery at every corner store, in this day and age, with the technology available, gambling is available. Gambling is uniquely portable.

Obviously, proximity does have an effect. It may in fact have more impact on problem gambling. Someone who might have gambled a bit too much at the local bingo parlor may increase the severity of the problem when a casino opens close by.

Arguably more important is the level of gambling available. A bingo parlor would have certain limits. A casino would have much different limits, if any. Lotteries are offering increasing price points. Purchasing five \$1 tickets is much different from purchasing two \$50 raffle tickets.

D. Feeney: Again, there is also the question of short-term versus long-term impact, which is something we don't really understand well. Society is a remarkably resilient thing. There is some evidence, though not definitive in my mind, that there is an adaptive process that goes on. Something like a new casino might generate a spike in problem gambling in the short term, but society adapts. We saw that with day trading. At first this created a lot of damage, but that leveled off. Internet poker at first had a huge surge of popularity, with commensurate problem gambling difficulties. But that also seems to have leveled off.

Public Gaming: *Do we want to get into which types of gambling are more potentially damaging?*

K. Whyte: From a policy perspective, I believe that discussion is a red herring. Serious addiction finds an outlet. Even bingo players can lose life savings playing the game. There just doesn't seem to be a huge swing in problem gambling prevalence, relative to the types of games offered. If they did, Nevada should be this 'glowing red' zone of gambling problems. And yet it doesn't

seem to be. I think in general rates of problem gambling are relatively similar across the state lines.

Of course, I'll go back to research. Unfortunately, given the lack of funding in the field, there is little in the way of definitive research to help us ferret through many of these issues.

D. Feeney: The question implies that problem gamblers are specialists. They're not. They gamble with what's around them. In a jurisdiction where lottery is all that's available, then the problem will be lottery. Some forms of gambling may be more attractive to someone with a gambling problem. But if that form is taken away, other outlets will be found.

K. Whyte: One risk factor we need to look at is speed of play. If you look on the NASPL tradeshow floor, we are finding ways of taking every conceivable type of gambling and speeding it up. When you look at different forms of gambling and ask what is unique about that form, you can't ignore the speed of play.

Public Gaming: *So the first point would be that problem gambling is much more about the addiction to gambling, which will find an outlet regardless of the types of gambling available. The other side is that gambling offerors make more money by speeding up the rate of play. What would you say to a casino owner who wants to switch to electronic table games because 15% to 20% more hands can be played per hour?*

K. Whyte: A couple of things I would say. One is that more research is needed. How much increase in speed of play is critical? Some research indicates that slowing down the speed of play simply keeps gamblers on the device longer. They are going to gamble 'until they win their money back'. Again, I hate to repeat, but more research is needed.

Public Gaming: *Should a legislative body dictate the speed of a given game?*

K. Whyte: They certainly could. They regulate age limits.

Public Gaming: *Alan, are there any types of legal gaming other than lottery in Vermont?*

A. Yandow: No.

Public Gaming: *I'm guessing that people travel either north to Montreal or south to Connecticut to play in casinos?*

A. Yandow: Yes, and this relates to the earlier discussion. An addictive person will deal with what's available. I think that's true, to a point. We know that a third of our players visit casinos. I certainly couldn't answer the question regarding which type of game might be more addictive. Our players will go to Connecticut, Montreal, and an Indian reservation in upstate New York.

Public Gaming: *Isn't your legislature forgoing significant tax benefit by not allowing a casino in the state? And...should they?*

A. Yandow: Yes, I think the legislature is certainly aware that

they are forgoing a potential tax revenue stream. As to whether they should, that's a public policy question. That's where the balance comes in. How would a casino or racino effect the general welfare of the people of the state? Is it worthwhile having some type of gaming offering if there is going to be an impact on the population? Those are the kinds of questions that do belong in the public arena.

Public Gaming: *'Regulation versus prohibition' is a standing debate within the industry. Any comment with regard to the trade off between regulation vs. prohibition?*

D. Feeney: My comment, without getting into matters of public policy that are not mine to decide, is that public officials often proceed under the unstated assumption that there is no cost to prohibition, compared with the social costs of regulation. **What we should have learned in our experiment with alcohol prohibition in the 1930s is that there certainly is a cost to prohibition.** First, an enforcement structure needs to be established and then funded on an ongoing basis. Second, there is an implied cost with laws being routinely flouted, and being enforced less than vigorously. There is a cost in making otherwise law-abiding citizens into criminals. A problem gambler will be less likely to seek treatment if engaging in an illegal activity. There's also a common assumption that the prohibition of legalized gambling will make all the problems go away. Not so.

Public Gaming: *Obviously, none of us here are on a legislative body, so we don't make the decisions. But I do hope we can clarify some aspects of the debate.*

K. Whyte: I think in the discussion of regulation vs. prohibition it's often assumed that regulation automatically leads to protections for gamblers. But in my experience with the vast majority of U.S. gambling regulations, there is nothing legislated regarding problem gambling, protecting the health and welfare of the public. So, the assumption that regulated environments do more to protect players and the public from the negative impacts of problem gambling is only valid if the regulation contains some specific protective aspects, and if such is proactively enforced. That has not generally been the situation in the United States.

A. Yandow: I'm running through in my mind something that has been prohibited and therefore ceased to exist. There are and have been any number of things that have been prohibited, but are these things stopped? Or do they simply become 'underground activities'? And are we worse off by forcing these activities underground, rather than regulating them?

Continued online. The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.

An Interview with Paula Otto ...continued from page 9

P. Otto: Well, I believe we are the only lottery that has a shared data center, where supplier and lottery employees are working side-by-side to guarantee the proper operation of the system and input the numbers after a drawing. Because for so many years our developers were lottery employees, we are always thinking about development, what's the next game, what can we do to improve? So I think we ask a lot of GTECH in terms of development, and working hand-in-hand with them in terms of how far we can go with our people. At the same time we partner with them in terms of being a client. I'm not sure how many other states operate in that fashion.

Public Gaming: *What games do you offer subscription for?*

P. Otto: Mega Millions and Win For Life, which is our three-state twice-weekly game, with Kentucky and Georgia.

Public Gaming: *Any idea on the success of web subscriptions?*

P. Otto: As a percentage of sales, it's pretty small so far. But those are people who wouldn't play any other way. I had a subscription, actually. I knew I had a favorite set of numbers, wouldn't always be in a convenience store, and had a busy life. So the subscription was great for me, and I believe does appeal to a certain niche of player that might not otherwise play.

Public Gaming: *But you also see the Internet as a way to offer the younger potential players something that they want. How do you see that maturing beyond the simple subscription offering?*

P. Otto: Clearly, there is a loud debate on Capitol Hill about Internet gaming. I am intrigued by the European and Canadian model, where the ticket is purchased at retail and the player is given a code to go on the Internet to find out if they've won. In this construct, the player isn't really playing on the Internet. Really they're only validating their ticket. But in fact there is play action on the Internet. I saw a demonstration of that in March.

Public Gaming: *But if you can sell subscriptions over the Internet...*

P. Otto: Well, the player is really only ordering on the Internet. They're not playing on the Internet. The Lottery is actually holding the ticket which is ordered.

Public Gaming: *So how do you see the future?*

P. Otto: Who Knows? That's what makes this so exciting. Since this is the 20th anniversary of the Virginia Lottery, I've been giving a lot of interviews, thinking back to when we started. We didn't even have bar codes. The retailer stamped the tickets. That many years ago who could possibly have imagined how automatic lottery games have become? With the technology available today, it's hard to imagine what the industry can become. I don't think we're that far away from the lottery becoming paperless. Not all games, of course. But twenty years from now I don't think there'll be warehouses, scratch tickets sent to retailers. I am fascinated by the technology that I see at trade shows, what some people are working on. Undoubtedly there's some teenager in his or her parents' garage or basement putting to-

gether the next big thing, maybe somebody working for one of our suppliers. I believe the delivery system will be much, much different. And I think the games will be much different. It fascinates me that one of the oldest forms of lottery, the raffle, has recently been brought back as a 'new' idea, and has been pretty successful. Some people feel that raffles have run their course at this point, and that maybe they'll come back in a different form in a few years.

Public Gaming: *Raffle is a bit more of a risk.*

P. Otto: Yes, but we've done three of them, two with a set number of tickets which were sold out. We tried something different for our birthday. No set number of tickets...we figured we'd sell as many as people wanted to buy. The prize was more modest, a single \$1 million prize. It was about where we expected. We didn't lose money, but didn't make a lot either.

One interesting thing was that raffle players didn't like the open-ended odds. We got a lot of questions regarding the odds, which of course depended upon how many tickets were sold. In some ways that's not that appealing. There are definitely players who very carefully look at the odds to figure out where they want to spend their money. Generally, the odds of winning \$1 million are much better in a raffle, though you may have to spend \$20 to get in to it.

Public Gaming: *What's your favorite part of the job?*

P. Otto: There are many. I certainly never tire of meeting a winner, hearing their story, and having a chance to interact with them. That was a big part of my job in my first run with the Lottery.

We have a wonderful group of employees at the Virginia Lottery, fifty of whom have been there since day one. There's another group, myself included, who left and have returned. I think that says a lot about the organization. We have an amazing group of dedicated, hard-working, intelligent, innovative people. It is a joy to go to work every day and work with a group of employees with such a positive outlook on their work.

We are going through strategic planning, which the Lottery hasn't done in awhile. I think we have to always be looking forward. A goal of strategic planning should be to carve out some thinking time, dreaming time, 'what if' time. And I believe that's a very important aspect of my job as Director. Things are running well at the Lottery. The people in sales, the people in charge of security, those who take care of the details don't need me to get involved in their day-to-day jobs. I need to be pushing us toward the future, thinking about that 'big picture'.

I'm very excited about what we've accomplished with the system changeover. It's not just about improving the specific technology. We're saying to ourselves that we need to improve. Just because we did something a certain way for twenty years doesn't mean we'll do it the same way tomorrow. Let's really look at ourselves and think about how we can increase revenue, be a model for innovation.

My first six months were spent learning and relearning. At this point I'm ready to take off. ♦

An Interview with Jim Lightbody ...continued from page 12

J. Lightbody: Here the \$1 and \$2 remain the most popular price points.

Public Gaming: *You've got lottery and casino. Do you view casino as competitive to the lottery games?*

J. Lightbody: Casino players do tend to play all sorts of gaming, including lottery games. The reverse isn't true, though. All lottery players don't play casino games. But people do have a limited amount of discretionary entertainment dollars. So it does stand to reason that the increase in popularity of our casinos will impact lottery play. The casinos games are more attractive. They have higher payouts, in the 90% plus. And they have great customer service.

We know from our research that about one third of adults in British Columbia visit a casino at least once a year. But about 80% play a lottery game at least once a year. Lottery games have much wider distribution. We have 17 casinos in the province, and up to 4,000 lottery retail locations. So lottery has much greater accessibility, as well as a lower involvement cost. A player visiting a casino will spend at least a couple of hours, whereas lottery games are just an impulse buy while at a gas station or convenience store.

We also have 12 community game centers. These are former bingo halls that we have transformed to have a nicer ambiance, with slot machines as well as bingo games.

Public Gaming : *Are these bar and tavern environments as well?*

J. Lightbody: They do offer liquor, yes.

Public Gaming: *Would you say that the availability of liquor can in a sense make the decision to play slots an "impulse buy" in much the same manner as with lottery games? Do people visit these community centers to have a few drinks, and then decide to play the machines?*

J. Lightbody: I would say no to that. When people visit the community centers, they are going there to play. They aren't going there for the food or beverages available.

In our lottery, we do have distribution in 1,000 bars and pubs. In those environments we offer 5-Minute Keno, Pacific Hold-Em Poker (another monitor game we created), pull tabs, and a 50/50 game that we brand under sports.

Public Gaming: *Would the Pacific Hold-Em Poker be considered a game of chance or skill? Is the player playing against other players or against the machine itself?*

J. Lightbody: They are playing against the house. It's a lottery game that, in a very innovative way, offers the same dynamic that peer-to-peer play that poker does. Essentially, you buy a lottery ticket for \$2. On that ticket there are two cards in your hand. On the monitor, there are four animated characters that you are playing against. These four constitute "the house," if you will. Then come the flop, turn, and river, just as in Texas Hold-Em. If your two cards, in combination with the community, are better than the four animated players, then you win.

Public Gaming: *Can you bet after the flop, the first three cards, appear?*

J. Lightbody: No. Once you have your cards but before the flop, you can raise your bet. The player goes back either to the self-service terminal or to the bartender and request to raise the \$2 bet to either \$4, \$6, \$8, or \$10. That means that if you win you get a greater share of the pot.

So, you can only raise your bet prior to the flop. NASPL awarded this as the best new online game in North America last year.

The distribution of lottery in bars and pubs allows people to play while socializing and having a few beers. By the way, we also offer a sports action game. So they can also wager on sporting events.

Public Gaming: *Is the sports offering a one-to-one, allowing a wager on a single specific event?*

J. Lightbody: No. In Canada, it's against the criminal code to offer head-to-head sports betting. We offer a minimum of two game parlay. You have to bet on at least two events.

Public Gaming: *Would you say that there is a different demographic playing the monitor games, the 5-Minute Keno and Pacific Hold-Em, then are playing the other lottery games?*

J. Lightbody: The fact of the matter is that everybody plays the national games like Lotto 6/49. Scratch and Win is a little more niche. When you get to Keno and Pacific Hold-Em, these are very niche games. On a monthly basis, we will have roughly 60% of adults in the province playing 6/49. Around 32% are playing scratch games. Only about 8% play Keno, and 3% to 4% playing Pacific Hold-Em. More males are playing Pacific Hold-Em.

Public Gaming : *Younger players?*

J. Lightbody: Maybe in the Pacific Hold-Em, but not with Keno. That game tends to be played by forty to fifty year-olds.

Public Gaming: *Let's talk a bit about the emerging market, the twenties to thirties that seem to be less attracted to lottery games. Do you think this market is more attracted than previous generations to games of skill?*

J. Lightbody: Yes, and I think they are also interested in a couple of other things. One is competition, the other personalization, socialization. When they play games, they play in groups, talking and socializing while they are playing games. They are multi-taskers, doing lots of things while playing a game. They want to create the environment that is right for them, so they can multi-task. In terms of skill and competition, they have been raised on games that do offer that kind of experience. Look at poker. This group has clearly been attracted to that, because of the strategy behind it, the skill and the competition.

Continued online. The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.

An Interview with Steve Saferin ...continued from page 11

One example is a new product called Push-Play. It is an instant game that resembles a mobile phone and is activated in ways that create an experience similar to text messaging. One execution is a second chance internet game tied to a scratch ticket, an instant scratch-off monopoly game which simply invites the player to go onto the lottery's website to play the game a second time online. Of course, the results are predetermined and there is no transaction online so it's all totally compliant with regulatory laws. Other games like "Screenplay" and a suite of games called "Boodle" are bought at the retailer but then the player goes onto the lottery's website to see the results and to see a sort of game play out online. Screenplay is a predetermined result but Boodle allows you to participate in regularly scheduled drawings. It creates the feeling of a game that is played online.

Public Gaming: *So, SciGames is focusing a large amount of attention and resources on developing these transitional products, the products that will take us forward and maybe bridge the technological and cultural gap being created by Internet and Mobile media. But we need for the operators to be open-minded and willing to make the investment to innovate.*

S. Saferin: Scientific Games has established a division of the company, Scientific Games Properties, of which I am President. And that division is really dedicated and charged with the idea trying to bring entertainment-based content to the lottery. The second objective is to change the paradigm of how lottery games are thought of and try to do things that will be different and more interesting. We just announced and are in the process of beginning to sell a Wheel of Fortune branded online lottery ticket (not the Internet "online", but an online lottery ticket). We had Vanna White at our booth in Philadelphia and the way this works is really very simple. It's probably a two dollar purchase, which is twice the normal online ticket purchase. There are two different games. One game is called an online instant-win game. There's a wheel and you pick numbers and if a couple wedges match when the ticket comes out, you win the dollar amount. That's a very simple and straightforward instant online game. The second game is a daily multi-state raffle game. Every ticket gets a raffle number and everyday we draw a number and the person with the winning number will win what the person won on Wheel of Fortune won that night. For the 2008-2009 TV season Wheel added a million dollar wedge. Wheel of Fortune just had their first million dollar winner in October. This is one of those things that's great about it. We now have a daily million dollar raffle amongst lottery online players. We invested a lot of time developing the marketing campaign behind this as well as a technical solution that will allow not just Scientific Games' online states but other lotteries to be able to offer this as well. This is not aimed at a young audience, but in fact is aimed at what is the lottery sweet spot, the shrinking lottery sweet spot. We tested it in four major markets around the country. Now, these are just tests, but the results were off the charts. There are so

many people who watch Wheel of Fortune, and our lottery player pool has a big overlap with the show audience. It's a simple sort of entertainment-oriented way to invigorate online lottery sales. The thing is, we need a significant population base to make it work based on our projected per capita sales. We've got to get states signed up that total 55 million in population to make it work. We are shooting for a September 2010 launch with to coincide with the new TV season and we have a lot of interest. A couple of states can't do it for different reasons, like they can't do a raffle or an instant online game, but there are a lot of states that are interested. Of course, this is a more expensive initiative. Scientific Games has invested millions to develop it. We believe it will work. And so we need our lottery customers to be willing to invest in a new concept. Frankly, this one should not be a hard sell. But still, it is an example of needing the lotteries to be willing to step up to invest in an innovative idea.

Public Gaming: *How important is it to engage the twenty-something player in lotto?*

S. Saferin: It's critical. And it's not just about the twenty-something player. **It is clear that the lottery player base is shrinking and it's shrinking in all demographic groups. It's very important and it's very clear that it's a trend that doesn't seem to be reversing.** In recent years, we have seen some healthy growth on the instant side of the business, but that double-digit growth on the instant side wasn't spurred by more players – that is a fallacy – it was spurred by higher price points. It was selling higher price-point tickets to actually a smaller group of players because the player base has continually shrunk. So now, while the average price-point might go up a bit, or you might be able to change the price-point mix a little, it would appear that changes in price-point marketing strategies are not going to generate significant growth.

I would compare it to the newspaper business which used to have a dominant share of the news and advertising market but is now sharing it with other forms of media. They are not only failing to capture the younger reader, they're even beginning to lose us older folks who rely now on the Internet for our news. There is a huge difference between lotteries and the newspaper business, though. Lotteries have this incredible relationship with millions of consumers and the formidable power of a proprietary distribution network. And the support of the government and the public and a monopoly in their space. With all that going for you, how can you not succeed? The answer is that they need to leverage those tremendous advantages to reinvent their business now or they will not succeed. In spite of those huge advantages, it is entirely possible that you won't succeed. Awareness of your strengths and advantages can breed inertia and that is not healthy. Just look at General Motors.

Public Gaming: *So the answer isn't going to be one magic bullet,*

we're going to have to pursue a variety of agendas, implement a variety of initiatives, many of which won't work out but some of which will.

S. Saferin: One of the things that made Franklin Roosevelt a great president is that many of his programs did not work but he kept trying new things until he found the strategies that did work. Now, nobody remembers what didn't work. We all need to be more willing to experiment within the boundaries of integrity, security, and regulatory constraints and all of those things. But within those kinds of bounds, we need to be willing to try different things.

Public Gaming: *I've heard some directors comment that we need to do for online games what MDI and brand licensing did for instant tickets. Of course, we happen to be talking to the person who had a little bit to do with the whole brand license phenomenon. When did brand licensing really begin to take off?*

S. Saferin: Well there are probably a couple different points, actually. The first point would have been in 1995 or '96 with the Harley Davidson license. All of a sudden we had 14 or 15 lotteries that did their first licensed game ever and they did it with merchandising and, for the most part, very, very successfully. And then we gained a little bit of traction when we increased our portfolio of licenses. But once we were acquired by Scientific Games that made a huge difference because then we had tremendously greater resources, and we had significantly more access to customers; so that was a huge event and then we continued to acquire new licenses along the way. There was the poker phenomenon and we had both the World Series of Poker and the World Poker Tour licenses for quite a while. Just as the poker phenomenon was happening really, that attracted a whole other group of lotteries for these games. The major league baseball license was very significant for the industry because it sort of gave national recognition, exposure, and credibility to the category. The number of licensed games we sell has grown every year.

Public Gaming: *I'm sure that brand licensing has got a lot of legs left on it, but as a general concept is it approaching a mature stage of product life cycle?*

S. Saferin: Yes. I believe that in the U.S. it's mature. There will still be some growth but the rate of growth is definitely declining. There is exciting potential for growth internationally and we're working very hard to get some traction internationally and we're starting to get that.

Public Gaming: *Can concepts that might be in a mature stage of the life cycle be re-invigorated or re-cast in some ways or re-launched as an Internet based game? Any example of a product like this that would perhaps also serve as an example of a transitional product, positioning the lottery to build an Internet based relationship with its customer?*

S. Saferin: Yes, I am pretty certain that MDI is engaging in more customer-facing internet activities than any other vendor in the lot-

tery industry. They range from the second chance websites that we create to allow players to enter drawings to win merchandise prizes associated with our licensed games to second chance games that we have developed for lotteries to help enhance play to scratch tickets such as New York's Monopoly game to the Player's City the club that we run for the Michigan Lottery, which, I might add, is now the second largest city in Michigan to our Play It Again program which is fully operational in Tennessee that helps solve not only instant ticket litter issues but also the last top prize issues that have perplexed the lottery industry to new products such as Screenplay and Boodle that make use of the internet in various executions. I would say our most recent success has been with the second chance games that we have created to accompany lottery scratch tickets. It began with New York's Monopoly game launched earlier this year. The second chance Monopoly game on the New York Lottery's website has helped make this \$5 ticket one of the most popular in the Lottery's history. More recently we have launched a second chance internet game to support the Massachusetts Lottery's Boston Celtic scratch ticket which was just introduced last month. **More and more lotteries are looking for ways to use the internet, to reach out to new, younger players and add more value to their products.** I believe the current uses of the internet by US lotteries will help set the stage for lotteries to actually execute transactions at such time as the legal and regulatory issues are resolved.

Public Gaming: *But it's quite interesting when you have a new concept like an Internet 'Second Chance' drawing. It seems we need to get more things going on the Internet and Mobile. For an innovation like that to be successful right out of the box must be exciting.*

S. Saferin: Yes. It made these 'Second Chance' merchandise games we have become more successful for the lottery and the players. They didn't have to buy a stamp and go to the trouble to mail in an entry just to find out if they were chosen. And so we get well over half the player entries over the internet.

Public Gaming: *Is New York the only place that that is being implemented?*

S. Saferin: No. The New York 'Second Chance' Monopoly game is different than our second chance entry websites. There have been well over 200 second chance entry sites. There are about 10 or 11 web pages that we develop for each lottery game that offers second chance online entries that then reside on the lottery site. They enable you to enter second chance drawings for merchandise or experiential prizes over the internet. We create and design and administer the sites.

Continued online. The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.

An Interview with Claude Poisson ...continued from page 17

as you mentioned. There are a lot of benefits, if the customer will accept the electronic games.

Mr. Poisson: We tried electronic blackjack about ten years ago. Customers didn't like it at the time. Of course, the technology at the time was not what it is today. Today the electronic tables are a very nice product. When the customer puts their hand over the cards, the cards flip so that they can see their cards, just like with real cards. So maybe if we added blackjack with the same feeling there might be more receptivity.

Public Gaming: If you could, wouldn't you change all table games to electronic? Wouldn't the cost savings and ease of security be tremendous?

Mr. Poisson: Not yet. I think it's too fast. The players enjoy the interaction with the dealer. We can have some electronic tables. But we certainly can't replace dealers at this point.

Public Gaming: You said you replace roughly 800 machines per year. Who supplies the machines?

Mr. Poisson: We make use of and purchase from pretty much all of the manufacturers. We have more IGT than others, but we do purchase from all the manufacturers.

Public Gaming: Do you make the decision regarding which manufacturer to purchase from?

Mr. Poisson: It all depends on the product. We test with our customers and the gaming directors. Service and price are also factors, obviously. We choose the product that will perform the best based on all these factors. Price is just one factor. A good example is the Wheel of Fortune. It's expensive, but the customers like it. I believe the desire of the players is the most important factor.

Public Gaming: Do you provide your own service? Are the service people capable of changing out just the EPROM and the glass to make a new kind of game?

Mr. Poisson: The first step is to have the machines tested by the lab.

Public Gaming: The gaming control board has its own certification lab?

Mr. Poisson: Yes. And that is separate from us.

Public Gaming: I heard this morning that the certification process can take some time, and that can be a bit frustrating.

Mr. Poisson: Now we have a new agreement with the board. We can now use GLI to test and certify. So now the process can happen faster than before.

Public Gaming: That makes sense, since GLI has already tested and reviewed pretty much every machine you'd need to have tested.

Mr. Poisson: Exactly. We have what we want. We started

this in January.

Public Gaming: What are your biggest challenges in running the casinos?

Mr. Poisson: The biggest challenge is to provide great service to our customers. When people come into a casino, they want to win certainly. But they want a great environment. They want people to take care of them. Going to a casino is a dream, really. So we need to have a staff that provides great service to our customer. **Every customer, even if they don't win, should completely enjoy the experience. Good service and a nice place make for an enjoyable experience.**

Public Gaming: How many employees did you say you have at the casinos?

Mr. Poisson: Six Thousand.

Public Gaming: And each and every one of these 6,000 employees should be dedicated to providing the best possible service to the customer.

Mr. Poisson: Sometimes people are tired, or have problems of their own. So, that's the challenge, to keep all our staff motivated and positive for the customer.

Public Gaming: What do you think will be your biggest challenge in the near future?

Mr. Poisson: To create new customers. The average age of our customers is 57 years. We need to have a new product for the young people. For example, the young people enjoy Texas Hold-'Em. We can and need to change the way we think, to innovate. I'm not sure that the young people enjoy the slot machines. They want to have a challenge.

Public Gaming: Of course, the same dynamic is occurring in the traditional game world. The population of players is getting older, and it is very difficult to draw the new and younger players in. You would say the same dynamic exists in the slot machine world?

Mr. Poisson: Sure. The young people play at the tables more than at the slot machines. But the bread and butter of the casino industry is the slot machines. We make more profit with them. We can have more seats with the slot machines, as the table games have a larger footprint. So if you have 20% to 25% of the customers at the tables, the offering is well-rounded and the casino makes good money. But if you reverse those percentages, with the same revenue we will not make anywhere near the same profit. Young people go to the gaming tables now.

Continued online. The majority of this interview is continued online. Please go to www.publicgaming.com to see this interview in its entirety.

Connections: Exploring Gaming's New Frontiers

Video Lottery — Behind the Technological Curve?

By Michael Koch, CEO, ACE Interactive



Michael Koch

"Why are there numerous and diverse gaming machine suppliers for the casino industry but only a handful that develop products for the Video Lottery market?" That's a question I'm often asked when discussing public gaming opportunities and challenges the world over. My answer is blunt, but truthful — Size, Maturity and Free Market Economics.

The maturity and sheer size of the U.S. "traditional" slot machine market translates to more opportunities for gaming manufacturers. Many firms believe there is too much

potential business in commercial (corporate-owned and Native American) casinos to devote resources to the smaller — and much more restrictive — Video Lottery markets.

Market size is not the only factor. Legislative constraints and strict regulatory environments make selling to government a much more difficult proposition than to commercial customers. Government-sponsored gaming almost always employs proprietary communications protocols — another element that increases the cost and complexity of game development.

Using the United States market as an illustration, there are approx. 770,000 gaming machines located in 37 states — the equivalent of one machine for every 395 residents; yet, only about 120,000 of those machines operate in the so-called 'public gaming' or government-sponsored sector as central system-controlled Video Lottery Terminals (VLTs).

To put it another way, a 'standard' slot machine can be sold to more than 85% of the potential marketplace...the remaining 15% of the market is divided up among a dozen or so states, each a compartmentalized entity with its own unique design requirements. Is there any wonder why the "standard" slice of the gaming machine pie receive the most attention?

Video Lottery legislation is usually a compromise crafted to conciliate a number of constituencies. The result is that every "public gaming" jurisdiction is governed by its own set of regulations, communication protocols, central computer system requirements, maximum bets/top awards, pay-back percentages, tax rates and even what type of gaming device does and does not constitute a "video lottery terminal."

This lack of uniform standards for VLTs — or a technology standardization body for lotteries — creates a vast matrix of conflicting definitions between jurisdictions. Specialized design requirements force manufacturers to literally create a dozen mini-models of gaming machine networks each one custom-designed for a specific jurisdiction.

A good analogy would be a General Motors building one model of car that could be

sold in 25 states while also having to build 12 additional distinct models — one that could only be sold in Delaware, another to be sold only in New York, a third solely in Rhode Island and so on. In a nutshell... building that 25-state stock car would be more profitable and recoup development costs much quicker than a customized model that could be sold only in West Virginia.

Customization drives up development costs, drives down return-on-investment, reduces profitability and, ultimately, limits the pool of potential vendors to just a handful possessing the financial resources and large development teams essential to participate.

Government-issued Request-for-Proposals (RFPs) are by their very nature tightly defined, usually written to protect the interests of the jurisdiction (i.e. scandal-proof) but leaving little room for innovative solutions. Additionally, most Video Lottery legislation requires gaming machine suppliers to finance the full up front costs of development, production, installation (and often maintenance). This is obviously a safe deal for the government, but it also serves as a competitive barrier to new or unproven vendors because few can afford such levels of capital investment.

These factors are in no way the fault of a Video Lottery jurisdiction... but they do explain why their much more restrictive environments make it very difficult to incentivize the same type of performance-based innovation and entrepreneurialism found in commercial markets.

In contrast, commercial casino markets tend to be at the forefront of technological advances and innovation because of widely accepted protocols and an industry-sponsored standardization body — the Gaming Standards Association, or GSA, — that is promoting an open standards approach. Technology convergence is enhanced by the adoption of these open standards protocols, such as G2S and S2S, running over high band width networks. These networks allow the casinos to support both downloadable games and true Server Based Gaming (SBG) hardware and systems.

How can Video Lottery enter the world of "open standards"? The GSA protocols are designed for high bandwidth environments and at the moment there are no GSA standards for a wide area network, or WAN. Can G2S or S2S be the solution to satisfy the future demands of downloadable content for the WAN based Video Lottery markets, or is there a better solution with the more compact SBG technology? Maybe the best answer is a compromise between the two? The GSA Board has promised to consider this matter within their Technical Committees over the coming months.

Hard questions with no simple solutions, but Video Lottery jurisdictions need only to look at their competition in the commercial and Native American casinos to see the benefits of widely adopted standards, entrepreneurial ventures and competitive pricing structures. ♦



Navigate With Ease.



We're Here When You Need Us.

Visit GLI at G2E
located at booth #3118

Gaming Laboratories International®

Where The Game Begins®

732.942.3999

600 Airport Road | Lakewood, NJ 08701

gaminglabs.com