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Reporting on the convergence of Gaming, Online Lottery, Scratch-Offs, Internet, Mobile, Video and Casino Gaming.

Michelle Carinci



## The Powerhouses of Video Lottery (VLT)

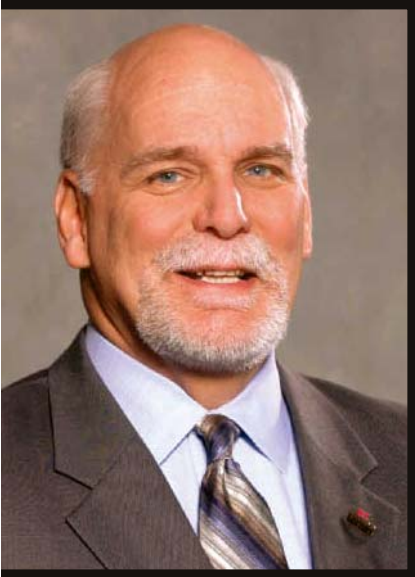
Victor Duarte



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Gavin Isaacs



## The Globalization of Government Gaming

Michael Koch



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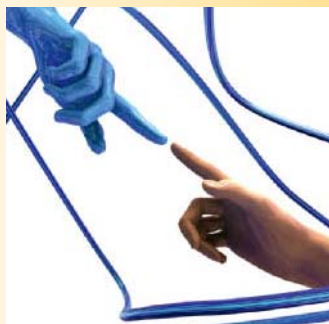
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PGRI Institute is much more than a news aggregator. We follow-up on the news to deliver the perspective and genuine insight you need to understand the gaming industry and how it is likely to evolve. Any questions or comments, e-mail Paul Jason at [pjason@PublicGaming.com](mailto:pjason@PublicGaming.com) or call U.S. + 425.449.3000.

Thank you!



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# From the Publisher

*Paul Jason, CEO, Public Gaming International Magazine*

## **RECAP OF THE WLA BRISBANE CONGRESS AS PROLOGUE TO PGRI'S LOTTERY EXPO LAS VEGAS:**

The World Lottery Association (WLA) just completed its fifth bi-annual conference.

Actually, this is much more than a conference, much more than a trade show. It's the largest event in the lottery industry, with upwards of 1,000 of the world lottery industry leaders convening to chart the course for government sponsored gaming. Huge thanks to Bill Thorburn (Chief Executive of Tatts Lotteries and our Australian host for this conference), Bill's executive team who executed everything so flawlessly, Arch Gleason (former president of the WLA and CEO of Kentucky Lottery, see interview on page 14), Jean Jorgensen (Executive Director of the WLA), and the incredible team of volunteers who worked tirelessly to produce such a great conference and trade-show experience.

The Privatization versus Government Ownership dialogue has evolved into an entirely new context. It never was actually about the productivity of government versus private industry employees. It's always about creating the system that optimizes performance and unlocks the full value of its multi-billion dollar asset, the Lottery. Governments have become open to new ways of thinking about how to optimize the value and performance of their Lottery. Presentations by private equity managers and commercial lottery operators at WLA talked about what drives governments to change managements structures and

how those changes should be implemented. Governments are considering a wider variety of ways to enhance performance, liberating the lottery operation from structures that impede progress, productivity, brand value, flexibility to grow and innovate and adapt to market changes. The fantastic thing is that the actions that governments are taking will provide the empirical information needed to assess how the different approaches work. That's what we need in order to build a process of benchmarking against "best-practices".

The other fantastic thing is that governments are acquiring a mind-set that looks for performance-enhancing drivers wherever they may exist. That may include expansion of games and channels, being more open to innovation that improves performance within whatever management structure happens to exist. There is a feeling that governments everywhere are waking up to a dynamic that commercial industry leaders have known for a long time. That is that progress requires change even though we never have 100% foresight into how things will turn out. Employing a more sophisticated risk-analysis model that allows for uncertainty is vital for lotteries to innovate and grow with their customers. I heard a panelist at the NASPL conference describe a bold product launch that threatened to destabilize the entire product category. His directive was to 'go for it' with the confidence that "whatever breaks we can fix later". Once the research is completed and the decisions made, the mandate is full speed ahead, knowing that a vital part of any action plan is to reassess progress every step of the way, adjusting course as needed, and perhaps ending up in a different place than was originally envisioned. Progress may involve two steps forward and one step back, but we can't deliberate forever on how to eliminate

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"A multi-state retailer was being courted by a number of lotteries, including ours. Knowing that the lotteries were meeting with limited success, GTECH orchestrated a single meeting with the retailer, so all the lotteries could be equally represented. Upon approval, GTECH went to great lengths to train the retailer,



uncertainty and avoid the need for corrective action. The lottery industry is transforming itself to be the dominant player in the industry and governments everywhere are the beneficiaries.

Another issue that is being redefined is Responsible Gaming (RG) and Corporate social Responsibility (CSR). Traditionally, it's been viewed as a 'balance' or trade-off between player protection and selling more product. These do not need to be thought of as conflicting objectives. The progressive operators are figuring out how to integrate RG and CSR into a more comprehensive Customer Relationship Management (CRM) agenda, integrating these values and objectives so that everything becomes mutually reinforcing.

This concept of integrating opposing ideas ties in with another theme addressed by cultural 'trend-spotters' who presented at WLA. The concept of affiliation with the values of others who buy or use a product is nothing new. But as products of all kinds including gaming become commoditized, the values represented by the brand can become a more compelling driver than ever. A customer-driven brand strategy can ultimately lead to reconciling all manner of opposing ideas into one brand that represents an affiliation that appeals to the consumer. It's all part of Brand Lottery and should be integrated into a holistic value package that redefines what games, lottery, and wagering can be to the player.

Likewise, new media channels like internet is being given a focus that is disproportionate to its actual relevance in terms of revenue. This business is driven by land-based retailers and even small incremental change in that space will have huge impact on the business. But increasing the number and variety of customer "touch-points" is in fact integral to capturing the mindshare that ultimately drives sales. That's true no matter where the customer ends up buying the products.

Another highlight of WLA Brisbane was the 2010 Lottery Industry Hall of Fame ceremony. Inducted in a very special ceremony at this venue were **Friedrich Stickler** (Deputy Managing Director of Austrian Lotteries and President of the European Lottery Association) and **Bill Thorburn** (CEO of Tatts Lotteries and the Golden Casket Lottery). Congratulations to Mr. Stickler and

Mr. Thorburn and also to Connie Lavery O'Connor (Sr. V.P. GTECH) and Jim Kennedy (Sr. V.P. Scientific Games) who were inducted into the Hall of Fame at NASPL in September. To read more, please visit [www.LotteryIndustryHallofFame.com](http://www.LotteryIndustryHallofFame.com).

Thank you to all the interviewees and contributors to our magazine. There are two big themes in this issue. The issues addressed by **Ms. Carinci**, **Mr. Gleason**, and **Mr. Antonopoulos** all reflect a New World Order, one in which we no longer operate in our own isolated protected markets. Collaboration will be a most central theme that drives this industry. Collaboration between lottery operators to build Brand Value, scale in the games, and leverage in technology platforms; collaboration between governments and regulators, and collaboration between commercial enterprises to harness the very 'best practices' for the benefit of the lottery operator. **Mr. Duarte**, **Mr. Isaacs**, and **Mr. Koch** lead the powerhouses of the VLT business that has become such a vital part of everyone's revenue expansion agendas. Of course, Italy and distributed markets are the big theme of the day, but we explore the entire landscape to see where the government-sponsored gaming industry is headed.

**Lottery Expo Las Vegas:** You'll find the corporate profiles of our sponsors and the conference program at the back of the magazine. You'll also notice that our next conference is already confirmed for New York City for March 21 to 24. SMART-Tech 2010 was a big success so we'll be repeating the venue for 2011. Thank you all for participating in our conferences. You can view conference presentations and other news and updates at our special conference website [www.PublicGaming.org](http://www.PublicGaming.org). (Our news website ends in '.com', as in [www.PublicGaming.com](http://www.PublicGaming.com).)

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ensure a trouble-free rollout, and implement specialized reporting tools. Thanks to GTECH's strength, expertise, and nationwide presence, the Georgia lottery successfully added a new outlet. I could not ask for a better partner for the Georgia Lottery Corporation."

**Bill James**, Corporate Account Manager, Georgia Lottery Corporation

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**PLAYERS AND PLATFORMS – THE RAPID EVOLUTION OF GAMING:** Canadian lotteries, like those owned by governments in other jurisdictions, are taking steps to remain relevant to players – all players – into the future. Not only does that mean taking a long, hard look at the core business of traditional lottery products, it means realistically assessing the competition on the doorstep.

Canadian lotteries have been offering safe entertaining games for years, with the primary objective being protection of players. The beneficial by-product is revenue for essential public services. That is their mandate.

The reality of today's Internet gaming market and its critical mass, require lotteries to step up to meet demand. At the core of Atlantic Lottery's growth strategy is the player, and according to President and CEO Michelle Carinci, knowing the player is one of her organization's greatest strengths.

**Paul Jason, Public Gaming:** *There's been a lot of media coverage from Canada about online poker and casino. What's happening and why now?*

**Michelle Carinci:** The wired world has done two things for lotteries. It has created a huge market for Internet gaming entertainment around us. Players are making the choice to play on illegal sites every day. Unfortunately, without the ability for us to offer the games they want in a safe, regulated environment, Atlantic Lottery can only watch as they play unprotected, and the revenue that should be of benefit to our region flow away.

Atlantic Lottery has been in the Internet business since 2004, first offering players the option to play lottery and various instant games over the Internet, before introducing interactive games like Mahjong and golf. Frankly, none of these contributed significantly to sales. Then Bingo was introduced and caused a spike in sales because it is interactive; players in chat rooms play bingo with each other in a social way. That was a key indicator and confirmation to us about player preferences trending toward interactive experiences.

The wired world has made the gaming world incredibly small, and put the competition right on the doorstep. I read a comment recently from Gao Xiqing, chair of China's sovereign wealth fund: "The world is becoming a lot smaller, and a lot more crowded. When you get crowded, you have a stronger sense of needing to protect yourself."

While he was talking about China's investment strategy, that quotation speaks to the nature of our industry today— if we don't re-

spond we will be crowded out.

One thing we have that our competitors do not, is a long-standing, intimate and trusted relationship with our players. A relationship cultivated over four decades for many of us. If we step back and consider why we are in this business in the first place, isn't it about protecting the players?

*So are you saying that governments need to care about competition not because it means lost revenues, but because of their moral responsibility to protect players?*

**M. Carinci:** We need to remember how and why lotteries were created. Government got involved in gambling in to make an illegal activity which was difficult to control, controllable and safe. Regulation was put in place to protect citizens. That's government's role – regulating an activity that has risks. The beneficial by-product is revenue that stays at home for good causes, like education, health care, roads, veterans, whatever is important to citizens.

The environment has definitely changed. Gone are the days when we held all the cards. In fact, today, we don't even know all of the players at the table. Trust me when I say the players of today will not be the players of tomorrow. We need to understand the virtual world they live in today, and anticipate what they will need in the wired world of tomorrow – before they even realize themselves.

The Internet enables us to build a dynamic relationship with the player. We don't just provide the Responsible Gambling tools and hope our players use them. We proactively use the direct line of communication to continu-



## Michelle Carinci

President and  
Chief Executive Officer  
Atlantic Lottery (AL)

ally educate the customer on the need for responsible play. That's something we can't do in our traditional retail network.

We have tremendous assets to bring to bear. We have a powerful brand that stands for integrity and great games. Our game development and marketing talent is as good as anyone's. We have a strong customer base and a brand that is trusted to provide safe fun games.

*So how do you really know those players? And if you talk about catering to a younger demographic, what about those core traditional product players, the older guys, do you just forget about them?*

**M. Carinci:** Absolutely not. Our current players are not just playing at retail, they are online today, and we will continue to meet their needs. The emerging player of tomorrow, who lives in the virtual world as comfort-

*Continued*





Ross Dalton – 21 years  
of lottery industry experience



Kathy Matson – 25 years  
of instant ticket experience



Jean Turgeon – 25 years  
of instant ticket experience



Will Higlin – 20 years  
of lottery industry experience



Jacqueline Deragon – 16 years  
of lottery industry experience



Todd Bauman – 13 years  
of instant ticket experience

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ably as they do in their own neighborhood, demands something entirely different from us. If we are going to remain relevant beyond the baby boomers, we need to have the foresight to figure out what the players of tomorrow will want before they even come of age. That's innovation, and where the future of our industry really lies. Knowing this player will be the competitive advantage across the business. Relevance in the digital realm protects our core lottery products into the future.

*So who is this player?*

**M. Carinci:** This player is in control, plain and simple. But that's the only thing plain or simple about them. I call these players digital natives, and the one consistent thing about them is that they are not consistent. They have more than one lifestyle, more than one identity. They stock their fridge with organic produce, but are happy to eat fries from a drive-thru. They wear \$200 jeans with a thrift shop shirt. They save for the future, but buy virtual commodities with real money. They are a dichotomy, an enigma. These digital natives are comfortable in this world. Evolution for them is about control and personalization. It's about instant gratification and two-way conversation. They set high standards and expect us to meet their exacting demands. They want what they want when they want it; even if they don't know exactly what they want. Sounds daunting, doesn't it?

*How can you hope to be successful in meeting the needs of this player if they are such an enigma?*

**M. Carinci:** We only have to look at our successful track record to demonstrate the attainable. We need to have solid data and research, we need to talk to players, and we need to rely on the experience of the past decades. Let's not negate the benefit of four decades of experience in our traditional channels. For us there is a delicate balance between player and profit.

Just over a year ago, the five Canadian lotteries launched LottoMax, a new multi-jurisdictional weekly draw game, and the first new national draw product in more than 15 years.

The key to LottoMax's success was knowing through research and experience, what the players wanted and ensuring the final product reflected those needs. In this case, they wanted the big jackpots of our other national games, and a game that would provide the opportunity for more people to become millionaires. LottoMax's unique value proposition does both. And consumers have responded positively.

*No amount of research would eliminate unanticipated and undesirable consequences. At some point, a leader has to decide to pull the trigger. The amazing thing is that all the Canadian lottery CEO's seem to be similarly predisposed towards action. How did you get there?*

**M. Carinci:** Look at what happened to Blockbuster Video. It was clear for a decade that Netflix's basic value proposition was superior and they were steadily peeling away Blockbuster's customers. Blockbuster must have recognized from the very beginning that Netflix posed a fundamental problem that surely threatened their long-term survival. In the real world you don't upend a profitable business model when you see a negative trend line. But at some point you have to face the facts. If you wait too long, like Blockbuster did, it's too late to save your business.

As lotteries, we are quite attached to the huge profit streams generated by the traditional games distributed through traditional channels. But it is a big mistake to ignore the undeniable warning signs that we need to reposition our businesses for a new generation of consumers. Once you realize the cost of change doesn't decrease, but increases over time, the decision to be action-oriented becomes easier.

The former CEO of General Electric, Jack Welch, said the best time to implement change is when you're doing well. In spite of the recession, lotteries everywhere are doing well. But we can see the inevitable trend lines and need to adjust our course and make changes now. Instill a culture that is proactive in dealing with the problematic aspects of our business. Push ourselves to act now to optimize the long-term success of the business even if it impinges on current profitability.

That's hard to do because we are all under pressure to produce better results each quarter, and realize it's not going to get any easier to effect change.

The best time for Blockbuster to redesign its model was years ago when it still had 90 per cent market share; likewise for lotteries. We need to reposition lotto and move aggressively into new media. We need to do it now.

I remember, in the planning of Lotto Max, the exact question that tipped the scales for the five CEO's of the Canadian lotteries. Would we be prepared to launch a game that would have a negative impact and actually hurt our flagship product, which is Lotto 6/49, if the overall net impact on the lotto category was positive? Once we agreed the answer was yes, going forward with conviction became much

easier. In fact, it had a bigger impact on Lotto 6/49 than projected. But we were, and are, committed to moving forward, even knowing things will break. They'll break, sometimes in bigger ways than we'd planned, but we won't let that stop us from taking action. We'll fix it and keep moving forward. Otherwise, lottery will go the way of Blockbuster Video.

When you think about it, does anyone ever say they don't see the need for change? Everyone agrees that change is necessary; however, often we will focus on how change will disrupt current business or the reasons why change should be delayed, like requests for more studies. Delaying action has the same result of continuing with the status quo. We'd be doomed if we followed that course.

*How do you create consensus between the different provincial lotteries for your national branding and marketing campaigns like you did for Lotto Max?*

**M. Carinci:** You just do it. There are powerful incentives to working through differences. It's driven by basic economics. We sell more with a consistent brand strategy that does not confuse the consumer with mixed messaging. We can leverage our investment in advertising by implementing it on a national basis and not just locally. Collaboration essentially increases sales and reduces costs. That's a good combination. It's not always easy to work through differences. But we've learned that putting our heads together to collaborate brings the biggest win.

There is the added challenge of having two official languages, French and English. All advertising, brand, and marketing management allows for flexibility for regional differences, including how a campaign developed in English can be effectively executed in French. We have more in common than we might think. Our customers have similar play styles and motivations. Once we get over ourselves, it's not hard to find the common ground where great advertising and marketing works well across the country. The importance of the national brand is a given, so we lock ourselves in a room and deal with the different needs up front.

*Do Canadian "Crown corporations" have more freedom to make changes than U.S. lotteries do?*

**M. Carinci:** It might seem that way. In fact we deal with many of the same issues as directors in the United States. We're held accountable to a host of different masters

*Continued*



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within a media landscape that is challenging. Just like in the U.S., effective communication with our stakeholders and shareholders, to get them all on the same page with us is important to ensure we have the freedom to act. That goes with the territory.

*That relationship with government is interesting. What challenges do you face within your regulatory and legal system as you work to evolve the industry?*

**M. Carinci:** The biggest challenge is the current age of our laws and regulations. When the federal Criminal Code, which makes Internet gaming in Canada illegal except as authorized by the provinces, was written so many years ago, the Internet was not even an idea. The same is true of legislation and regulations. The updated regulation we need to offer multi-jurisdictional games is not a huge barrier, but getting agreement that this is the right time is not always an easy barrier to overcome.

*Where do the Canadian Lotteries stand when it comes to implementing poker and casino games*

*on the Internet?*

**M. Carinci:** It's a work in progress, at different stages of development and implementation. It was logical that we work in partnership with British Columbia and Quebec to develop a common platform. Only Atlantic Lottery and BCLC have a current internet offering; the only two lotteries in North America who are online and have been since 2004. As you know British Columbia added casino games this summer, and will join Quebec in the near future to offer poker. But there is dialogue in every jurisdiction about the next stage in the evolution of online gaming.

No single province is large enough to generate a critical mass for a successful multi-player poker site. We have to collaborate to create that mass. This is not a new story. The same was true for the big lotto and instant games. The Canadian lotteries partner when we need each other, when it's clear a collaborative effort will produce a superior result for each individual lottery.

*Wow. You make it all sound so easy.*

**M. Carinci:** Of course it's not easy, Paul. The context of today is clear. Players are already choosing to play with or without us, and don't understand why they can't choose a safe alternative that keeps the money they spend at home. The research is clear. They want us in the game. We have hurdles to overcome, not the least of which is getting everyone involved to understand the impact of not moving forward. We need to face facts. Status quo will have impacts: on the value of the enterprise, on the players left without protection, and on communities left without the billions of dollars we collectively return to provinces and states for good works.

Like all progressive companies, addressing the opportunities and challenges of the Internet is necessary. Otherwise the next phase of evolution for lotteries is harvest mode.

I'm up to the challenge and I know others are as well. This is an exciting time to be a lottery CEO. Think about it, we have the opportunity to deal in the art of the possible. ♦

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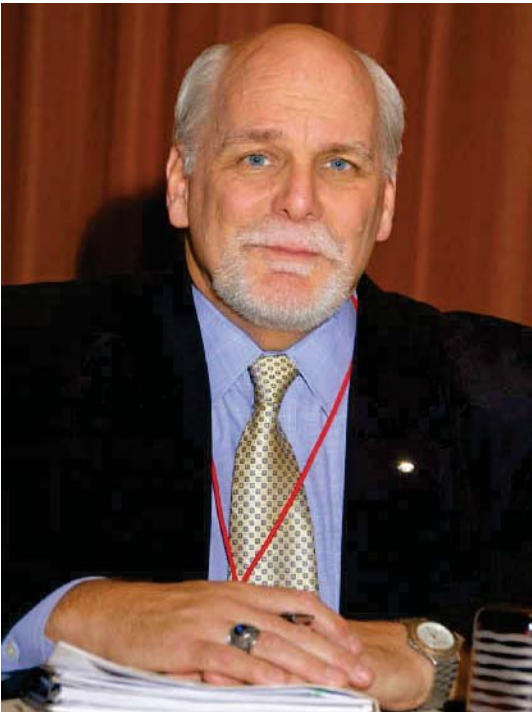
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## Arch Gleason

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Kentucky Lottery

The World Lottery Association (WLA) is a member-supported organization that endeavors to advance the interests of State-authorized lotteries. Gaming organizations from over 90 countries and revenues over \$200 billion combine with a vibrant community of commercial partners to promote innovation, integrity, and professionalism in the lottery industry. Visit [www.World-Lotteries.org](http://www.World-Lotteries.org) to learn more about the mission, purpose, and agendas of the most impactful association in our industry. Arch Gleason was elected to a two-year term as president of the WLA in November, 2006, and re-elected to another two-year term in November of 2008. Alas, all good things come to an end as Arch turns over the reins to new president Risto Nieminen (CEO Veikkaus of Finland). Now is the time for Arch to reclaim a normal schedule and return to life as a civilian. Like countless others, I have often found myself on the receiving end of Arch's willingness to help people find their way in this industry. Thankfully, as President and CEO of the Kentucky Lottery Corporation, we can hope that Arch will continue to be a big part of our lives!

**Paul Jason, Public Gaming:** *What WLA accomplishments over the past four years are you most proud of?*

**Arch Gleason:** I'm probably proudest of the development and implementation of the WLA Responsible Gaming Framework. Conducting our games in a socially-responsible manner is a very important principle to

me personally, and the commitment of 112 members to the standard – and certifications of 25 members at levels 2, 3, and 4, with 17 at the highest level – is something in which I take great pride.

Other significant achievements the WLA has accomplished in the past few years I believe have also made our industry stronger. The 2006 revision of the WLA Security

Control Standard and its implementation was a big accomplishment. Since then, 21 member lotteries have become certified, bringing the total number of certified members to 38 plus three vendor operations, and we increased the number of accredited certification service entities from two to eight.

We hosted successful WLA Conventions in 2006 (Singapore) and 2008 (Rhodes), and

*Continued*



A computer monitor on a stand is positioned in a desert landscape under a blue sky with dramatic clouds. Several bright light rays emanate from the top right, creating a sense of divine inspiration or future vision. The monitor is the central focus, and the overall color palette is dominated by various shades of blue.

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World Meets with Regional Associations in 2007 with NASPL (in my home base of Louisville, Kentucky) and 2009 with CIBELAE in Santiago.

We've improved and increased cooperation with the regional associations, particularly through educational programs/the WLA Academy, conventions/conferences, information sharing, and regulatory changes. The financial stability and equity positions of the WLA has been greatly improved, and I feel we've improved services to 142 regular and 60 associate members, including the recent implementation of the first ever Global Quarterly Lottery Sales Indicator.

I've also been proud with the support and leadership the executive committee to oversee the transition from the former long-serving WLA secretary general to its current Executive Director Jean Jorgensen, as well as the development of the WLA staff and their mission.

It's been a tremendous amount of work, but it brings me great joy to reflect back on what we've accomplished together.

*What do you see as the main challenges and most important objectives for your successor?*

**A. Gleason:** One of the main challenges facing Risto Nieminen (president and CEO of Veikkaus Oy in Finland) is the way that the rules keep changing and the bar keeps getting moved. We have to adapt the WLA to be able to work within the ever-changing legal and regulatory environment. Recently in several parts of the world there have been significant changes in the form and structure of the organizations through which lottery operations are conducted, and the blurring of the lines between lotteries and vendors / suppliers. Our members are seeing increased competition on a number of fronts, and in some cases their missions have been greatly expanded from where they first started. It's vital for the WLA to provide added value to our members in this environment, and that value has to be over and above the great work that's being achieved by the regional associations. I'm certain that Risto Nieminen and the newly elected executive committee possess the broad vision and creativity to accomplish that end.

*The past four years have been a period of amazing change and progress for our industry. How has your experience with the WLA affected your view of the industry, and your world-view in general?*

**A. Gleason:** This world view that you

reference has been life-changing for me. Keep in mind I'm a guy who grew up in a middle-class family in Cuyahoga Falls, Ohio. I never could have imagined that I'd someday have a job that allowed me to step foot on all six inhabited continents. I've been able to experience customs and cultures that I'd only imagined.

On a professional level, those customs and cultures I've experienced have definitely broadened my perspective on the industry. Sure, there are differences among member nations – but I've been struck by how many similarities there are as well. The games may be different, the platforms may be different, but at the end of the day there's the charge of trying to raise money for worthwhile programs. Working hard to do good things is something we all have in common.

*Human nature leads us all to perceive our circumstances as being unique. We tend to focus more on our differences than our similarities. Am I wrong in thinking that a large part of the mission of president of WLA would be to persuade people to focus on finding the common ground instead of dwelling on our differences?*

**A. Gleason:** You're correct in that a big part of my job has been to find common ground. My home lottery in Kentucky can't presently sell tickets in some of the ways they're sold in the UK, nor can we offer sports betting and other games so popular around the world. However, no matter where we're from or where we call home, we have to offer our players entertaining games in a socially-responsible manner that generate revenue for governments, public benefits and good causes. That's something we all share, and by working together we can find new and innovative ways to make this happen and make a positive contribution to society.

*Why is it important for lotteries to work together? How are the interests of the individual lottery operator served by connecting and collaborating with other lotteries?*

**A. Gleason:** I'm a believer in shared experiences and benchmarking. I really feel there's a tremendous amount to be gained from exchanging knowledge and ideas while learning from the experience of others. Internet gaming for lotteries is a perfect example of this. While no U.S. lottery is offering Internet sales of games (other than by subscription), we can learn a tremendous amount from the European and Australian lotteries

about their Internet-based programs. If the U.S. and individual state governments ever make a move in this direction – and I feel that we will in the not too distant future – we won't be "creating the wheel." We'll have colleagues around the globe with years of experience in this arena. This to me is one of the huge benefits member lotteries receive through the WLA.

*It seems to me that there are powerful incentives for lotteries to collaborate more. The U.S. with their cross-selling initiative, Canada with their multi-jurisdictional internet poker network, being just a couple examples. How important will it be for lottery operators to find ways to overcome their differences and forge new and more creative collaborative ventures in the future? Can the WLA and the regional associations perform a facilitating role in the quest to overcome obstacles to further collaboration?*

**A. Gleason:** Even if the associations do not serve as the vehicle through which games are conducted, the WLA and the regional associations provide an outstanding forum for networking, learning, sharing and collaboration. Look at the examples – bloc lotto games such as Euro Millions and Viking Lotto, the recent cross-selling effort between Powerball and Mega Millions and the work being done on a U.S. premium game, the Canadian Inter-provincial Lottery's 6/49 lotto and LottoMax, the Australian lottery block offering Oz Lotto and Powerball...these are examples of successful collaboration are spread across the globe. This will be key in our current efforts to develop a world lottery draw.

*Will you miss the travel and always operating at the center of the lottery universe, be happy to have your schedule lightened, or a little of both?*

**A. Gleason:** It'll definitely be a little of both! I'll miss the challenge of a higher level leadership role, but I'll stay involved with the WLA's executive committee. I also look forward to playing a role in the efforts to develop a world lottery draw. However, my family is ready for me to be home more often, and I've seen enough airplane interiors to last me for a long time. I'm also truly looking forward to having more time to spend with my excellent and experienced management team and staff back home at the Kentucky Lottery.

All in all it's been an amazing ride, and I'm incredibly thankful for the opportunity. ♦



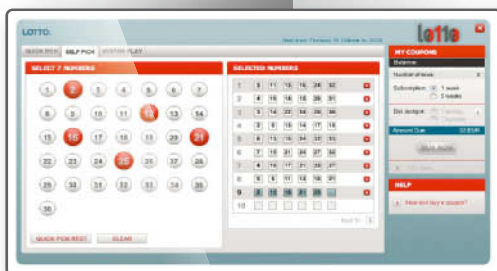


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## Constantinos Antonopoulos

Chief Executive Officer  
INTRALOT SA

our excellent solutions both in sports betting and racing we have the best solutions in the market. Likewise in Poker, where we have incorporated the assets of CyberArts.

*Internet poker and sports betting are now being regulated in France. Please explain some of the terms and conditions of how that will evolve, and how taxes are collected.*

**C. Antonopoulos:** Our entry in the French market has a mid-long term perspective. The regulatory framework in this first phase of the market opening has created competitive imbalances that favor established operators. We are carefully monitoring these imbalances together with the issue of taxation in the market. However, it is these very results that will lead the Government to reexamine their goals and set a new path for the achievement of a fair and balanced regulatory framework. That will result in a more dynamic market place. And that will be good for the industry in France and also for the beneficiaries of taxes collected on a healthy industry. Some of the biggest players of the industry are presently left out of the market and I am confident that the Government will reconsider the whole procedure in order to attract them.

*How effective will the governments of France and Italy be at enforcing the laws against Illegal operators? Are the mechanisms in place to enable effective enforcement of all laws regulating the markets?*

**C. Antonopoulos:** In Italy, the original model for the opening included the retail and the online markets. The combination of these two, together with a favorable tax regime, has led to the a healthy development of the market. There does not appear to exist an illegal Internet market in Italy. Enforcement of regulatory laws do seem to be working to prevent offshore, unlicensed operators from doing business in Italy.

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Convergence is a big theme in gaming 2.0. The sector of gaming that governments have focused on for decades and longer is lottery. Now that Governments are stepping up to regulate the other sectors of the market, like sports betting, internet gaming, and electronic games, their commercial partners are there to support the integration of these new gaming products and services. And they're taking the long view, helping the lottery operator get positioned to serve a customer base that is changing, with player profiles that used to be segmented now starting to blend together as all different kinds of games become available. These market segments are "converging" as the customer behavior becomes more dynamic, the player being more willing to try new games but also quicker to exit games that no longer excite them.

To talk with me, Constantinos Antonopoulos took some time out from his schedule that includes a most exciting event. He ran in the Athens Classic Marathon the last weekend of October, just like he has many times before. What makes this a most special event is that it is the 2,500 anniversary of the first Olympic event, the marathon. Converting these underground gaming economies into regulated and taxed economies is high on everyone's agenda, and more akin to running a marathon than a sprint!

**Paul Jason, Public Gaming:** *Congratulations on your award of the Sports Betting contract in France. Will you be a supplier of the technology to an operator, or will*

*you actually implement and operate the entire sports betting solution, including processing transactions, etc.?*

**Constantinos Antonopoulos:** We have been awarded a license by the French Online Gaming Regulator, ARJEL, to operate online sports betting. We will submit subsequent requests to the ARJEL for online Horse Betting and Poker licenses, in order to supply the full range of gaming products to the French market. Actually, we are going to follow a strategy similar to the one we have followed in the Italian market, covering both B2B and B2C solutions, offering products and services to consumers and also business solutions to operators. We are confident that due to



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In spite of the economic slowdown, the distributed gaming environment has been growing. The consensus seems to be that there will always be a market for “destination casino-resorts”. But governments looking to turn gray market gaming into regulated and taxed economies, and raise money for public service causes, are implementing a model which brings gaming out to where the customer lives. “Distributing” the games out to a large number of locations spread over a large geography is opening up entirely new markets. The player benefits from the convenience of being able to play in an honest, safe and secure environment. The general public benefits for having its government regulate and tax this economic activity. How is serving this market different than large venue casinos? Indeed, how has distributed gaming become the catalyst for opening up a host of new technologies and processes that will benefit everyone?

## Victor Duarte

President & Chief Executive Officer, Spielo

**Paul Jason, Public Gaming:** *Conceptually, we could think of the “Distributed model” as making the product more available to the consumer. In effect, it reduces distribution costs, albeit the costs borne by the customer in the form of travel to the destination resorts to gamble. All products go through basic life-cycle changes, one of which is the reduction of costs and the making it more widely accessible to the customer. To what extent should this be thought of as the natural next step in the evolution of the product we call ‘gaming’? And if that is the case, will the destination-resort model wither on the vine as the customer enjoys the benefits of easy access delivered by the distributed model?*

**Victor Duarte:** I don’t know if those classical supply-demand, life-cycle dynamics will play out in this case. What you describe is driven by markets and economics. While there is certainly a powerful component of traditional market economics that shapes our industry, there are many other factors that influence the way the gaming industry evolves. Gaming and gambling are highly regulated industries, and these regulations have a big impact on how it evolves. For instance, the reason the distributed model is expanding at this point in time is not because player demand suddenly increased, right? It’s because the shapers of public policy are in some cases deciding that this is the right time to implement this model. Likewise, it is probably a mistake to think that the destination-resort, large venue model will be displaced by the distributed model. First, the resort model does deliver a different set of customer benefits and so there will continue to be a demand for that in addition to the local venues of the distributed model. Second, public policy may favor large-venue resorts in some cases, perhaps in many cases. For those two reasons, I don’t think you’ll see a displacement of resort-destinations by the distributed venue model. They’re two different products, serving two different markets and two different public policy objectives, and they’ll co-exist.

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## Michael Koch

Chief Executive Officer, ACE Interactive

Governments all around the globe are exploring ways to expand into all sectors of the gaming industry. All different kinds of public policy questions need to be addressed as part of the process of expansion. There is much discussion about “distributed venues” versus destination resort casinos. And how to strike the best balance between revenue generation, economic development and social responsibility.

Italy has undergone the most massive transformation of a gaming market in history. Not only is it grand in scope, it's also progressive in its attempt to formulate a regulatory policy that effectively accomplishes a broad set of public policy objectives. Their commercial partners who are responsible for the record-time build-out of this market have a special insight into how public and regulatory policy may finally be catching up to technology and the markets. That is why all eyes are on the unprecedented implementation of 56,000 VLTs throughout Italy.

**Paul Jason, Public Gaming:** *Michael, can you briefly summarize what is happening in Italy, how you approached this market and what it means for ACE?*

**Michael Koch:** Currently the Italian gaming machine market is covered by approximately 350,000 AWP (amusement with prize) machines with low stakes and low maximum wins. These kinds of machines are regulated under the so-called ‘comma 6A’ legislation.

The VLT bill passed in July of 2009 and suppliers and concessionaires began to apply for VLT certifications just a few months later. There were initially around 20 suppliers from all around the globe that applied to have their VLT systems certified under this newly formed regulation. After a rigorous certification process, only four were able to get this certification. ACE/Aristocrat is pleased and honored to be one of those four and to be given the advantage of being among the first to market.

We are currently in the process of installing initially 2,000 iVTs (interactive Video Terminals) over the next few months. We are partnering with Italian service provider COGETECH to ensure that performance and reliability at all locations throughout Italy are optimized. Bostjan Torkar, a high-caliber casino executive, has been appointed to the newly created post of Account Manager Italy, effective October 1.

*Please explain what is meant by ‘distributed venues’ and the different basic models for meeting the customer demand for gaming and wagering.*

**M. Koch:** This is the VLT model in which there are many different gaming venues, each having a limited number of machines. For instance, it could be bars and taverns located over a very large geography, each with just five or 10 machines. All these machines are connected to a central server that controls all aspects of game implementation and operation. It can be likened to the traditional online lottery systems where many retailer terminals throughout the jurisdiction are connected to one central data center. Of course, processing lottery transactions is not as complex as controlling a gaming machine, but the logistical and networking model is similar. This is opposed to a ‘venue-based’ model that has large casinos, like in Las Vegas and will also be in Maryland. You have many options for how to manage the various business functions like data collection, jackpot calculation, monitoring, player loyalty programs and accounting in the venue-based model. The logistical challenges are much different when the machines are spread out over a large geography as in the distributed model.

*Is the distributed model likely to be the wave of the future?*

**M. Koch:** That depends on the public policy objectives of the legislation. It would appear that at this stage in the evolution of the European gaming market, the ‘distributed models’ have a lot going for them. There will, for instance, be 56,000 VLTs installed in thousands of locations throughout Italy, each one having less than 15 VLTs, although there are

exceptions that allow for some larger size venues as well. It's really the best of both worlds. You have a limited number of mini-casinos that have larger minimums and larger jackpots (up to € 500,000) and a wider variety of games. And you have the distributed model which brings gaming much closer to the consumer no matter where they live, albeit in a slightly tuned down fashion.

*To what extent is the distributed model going to eventually displace the destination casino resort model? Will the market expand so that both models will co-exist to grow and prosper?*

**M. Koch:** We don't really believe these models are mutually exclusive. Making the games more accessible to the consumer is an obvious next step in the development of the market. By bringing the games closer to the players no matter where they live, the distributed gaming model is meeting a need and will clearly thrive. But destination resorts meet a different need, and deliver a whole different kind of value to the consumer. Even if the distributed model were to provide the same player experience as do the large casinos, you still have a completely different overall vacation lifestyle and entertainment experience at the destination resorts that will not likely ever be quite replicated in the local venues. In the short-term, there's obviously more growth potential in the distributed model because it has not been built out yet. But you'll always have the destination casino resort customer, so in the long-term the two models



will co-exist and succeed.

*What about the younger economies of Eastern Europe? Are they more likely to adopt the distributed model?*

**M. Koch:** You certainly have a point here. Just look at the markets east of Italy. The casinos in Slovenia that bordered Italy have derived a lot of their revenues from Italians coming across the border to play. Those revenues will almost certainly be negatively impacted by the roll-out of VLTs in Italy. I don't have any special insight into what the Slovenian government is planning, but I would think they are exploring the option of a distributed model which makes gaming more available to a larger portion of their own market in Slovenia. That would seem to be one way to make up for the revenue dip likely to occur at the border casinos. I think a similar evolutionary dynamic will occur elsewhere. Jurisdictions whose residents are going across the border and supporting casinos in other countries will decide to take action to capture the revenues for the benefit of their own people. Instead of the capital intensive and riskier proposition of a large casino, they could go with the lower cost and broader reach of the distributed model. And when revenues dip at some of the large casinos, do you think they'll try to make up those shortfalls by building even more destination resort casinos? I think they'll be more likely to augment the existing large casinos with a distributed model that would result in bringing in new players and expanding the market. We'll see what happens.

*Many markets have a large population of illegal "gray" machines. Isn't the 'distributed model' the obvious way to convert that into a taxable and regulated market.*

**M. Koch:** The distributed model does have the benefits of converting an underground economy into a taxable revenue base. The government regulated model would also have more integrity and security for the players. While that is true, it is not so much a question of 'distributed model' or 'destination-based venues'. It is more a question of how the regulations are implemented and, even more importantly, how they're enforced. There are significant differences in approach. Oregon, for instance, is a well established VLT market and yet you would have a hard time finding gray machines there. That's because the police work very closely with the lottery to ensure that no gray machines exist. A zero tolerance policy is in place and being enforced. In Sweden on the other hand, a VLT market also works under a 'distributed model' with a size of about 7,500 VLTs. There are regulations that prohibit "gray machines" in Sweden just as there are in Or-

egon. But those regulations are not enforced as aggressively in Sweden, so you have a gray market of electronic games there. The difference isn't in the regulatory framework. It's in the mechanisms to enforce the regulations.

In Italy, the newly enforced VLT legislation, called 'comma 6b', will effectively minimize the gray market machines. Gaming machines are all required to be connected to a central server. It is relatively easy to inspect and identify those that aren't connected. The Italian regulator and tax police have asserted that the rules will be enforced, the illegal machines shut down, and violators will incur heavy penalties.

*How is the development of the Italian VLT market different than other markets?*

**M. Koch:** The Italian approach is certainly different from any other market. Among other things, the government set out to create a regulatory framework that ensures that taxes are collected. And just as importantly, they provide the tools and mechanisms for law enforcement to go after any form of tax fraud and tax evasion. From the very beginning, there was a will on the part of the Italian Government to create a comprehensive system that works on all levels: eliminate gray market machines, implement responsible gaming tools for the protection of the player, enforce the collection of taxes, block unlicensed offshore operators from doing business in Italy, and most importantly, generate revenues to fund disaster relief and other public service causes.

Additionally, the Italian model called for all of this to be implemented in record time. It was an ambitious agenda for everyone. ACE Interactive, along with a small number of other elite commercial suppliers, are proud to play a role in this exciting project. The efforts are just beginning to show results, and it is apparent that there is much to recommend about the Italian approach to implementing a large scale project of this type.

From a supplier's point of view, there is a difference between the multiple licensee model and the monopolistic model. In both, the key performance indicators remain the same: deliver the best games at the most cost-effective price, create a truly entertaining experience for players on a platform that performs reliably and meets the needs of all constituents, and does all that in a responsible manner to minimize social costs and problem gambling. The major difference between those models, though, is that time-to-market is typically accelerated in the multiple licensee model.

*With inter-operability and the ability to implement all games over all cabinets, how relevant is the cabinet to the success of the overall VLT program?*

**M. Koch:** We believe we are just about to enter a paradigm shift. The point you raise is a good one, but we're not quite there yet. It's mostly a matter of player education. As the players come to understand the full meaning of true server-based gaming, they will learn to demand the games that are most appealing to them. At that point, the commercial suppliers will evolve to deliver the games the player wants, regardless of whether the game content was built in-house or provided by a third party. That's the promise of "open source – open systems." Of course, it will continue to be the goal of the terminal manufacturer to produce the games that appeal most to the players. But if the hottest games happen to be produced by someone else, the player will demand it and the operators will want to meet that demand, so their commercial partners will have to provide it. That will be the next most important paradigm shift – when the player actually takes control and determines the games they want to play. At that point, the provision of game content will be separated from the business of terminal, hardware, and network support. The player can play any game, at any time, and on any cabinet. That is the promise of open systems and true server-based gaming. But we are not there yet and we should not believe that this educational process can be accomplished overnight.

*Earlier, you talked about there being a limited number of "mini-casinos." Is TruServ, your VLT product, installed in those mini-casinos as well as the small venue served in the distributed market? Is TruServ a casino product for the VLT sector or a VLT product from a casino company? Or has this become an irrelevant distinction?*

**M. Koch:** TruServ is deployed in Italy as a distributed market true server-based gaming solution. ACE Interactive is, however, a wholly owned subsidiary of Aristocrat. So our cabinets are designed to meet the needs of both the large casinos and the small venues in the route markets.

*What exactly does ACE Interactive do that's different from Aristocrat? Why have two brands?*

**M. Koch:** The reason we have two different brands is that we've each developed world-class competencies in two different areas of the business. TruServ™ is the server-based gaming platform developed by ACE Interactive. This is the central server, networking and infrastructure that enables all the game mathematics, including the random number generator, to be controlled by the central server. The gaming terminal itself (in our case Aristocrat's proven VIRIDIAN™ cabinet) only carries sound and graphics. In the sense that there are no other

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Technology and markets continue to evolve faster than governments and regulators can keep pace. The good news is that governments are less conflicted about whether to regulate gaming. It has become clear to everyone everywhere that the public is going to gamble whether it's properly regulated or not, so you may as well regulate and tax it. As governments take a more progressive approach towards the business of gaming, operators need to be ready to move quickly. Witness the action in Italy and Illinois. Fortunately, their commercial partners are ready with a wealth of new technology that will both comply with the highest regulatory standards and appeal to the next gen' gamer.

## Gavin Isaacs

Chief Operating Officer  
Bally Technologies



**Paul Jason, Public Gaming:** *What kinds of innovative products or ideas will you be presenting at G2E?*

**Gavin Isaacs:** From the game side of the business, our Velocity product was designed specifically with Illinois in mind and is also ready for our other video-gaming markets. The feedback on this product has been so good that we are going to release it as a Class 3 product. It's a multi-game platform available in the very successful V32 cabinet as well as in our new Pro V22/22 platform. The younger player wants quick and easy access to a bigger variety of games. The industry has been able to deliver that variety of games in one terminal, but not in a way that is easy for the player to interact with and use. That's what makes Velocity special. It employs a player-user-interface (PUI) that makes it easy for the player to understand, see the different games, and switch games. Creating a player-friendly, easy-to-use interface that stimulates and appeals to the multi-tasking next gen' gamer is one of the industry's challenge.

Another challenge is delivering content to remote, small-venue locations. Instead of hundreds or even thousands of terminals residing under one roof, you have hundreds of different facilities spread over a large geographic area, each having a small number of units, sometimes less than five terminals. The communications networks in this kind of distributed model must provide central server control of all management and reporting functions as well as, in some instances, the game content. Bally's MultiConnect™ system solution has proven to meet the special needs of this kind of distributed network. It runs across most of the routes in the UK, and is now part of our Italy offering. Additionally, Bally Command Center™ has been optimized to handle game-content management over a wide area/distributed network environment. Bally has done a

lot of development work on building reliable communications technology for this distributed gaming environment. We hope to bring it to more markets, including the VLT markets in Canada.

Also at the top of our agenda is interactive design and technology. The players enjoy a much higher level of interaction with the gaming machines. It can be something simple, like U-Spin, which involves touching the screen on a touch-screen to replicate spinning of the wheel. The future will see even more creative design concepts enabling the player to enjoy a high level of interaction and engagement with the games and with others who are playing multi-player games

And then there's the iDeck™. The conventional way for the player to play games has been by pressing buttons mounted on the front of the machine. These button panels have limited the development of successful games, especially when it comes to central-determination games in the multi-game cabinet. The iDeck eliminates those button panels and has moved those game-related functions to a touch-screen display device, similar in design to the Apple iPad™. This is not only a technologically superior way to deliver downloading ability and flexibility to access different game options, it also is in sync with the user interfaces that the next gen' gamer is most familiar with. Bigger and better graphics, faster and easier downloads, game-changing capability, and a user-friendly touch-screen interface are the benefits we're trying to deliver, and the iDeck is a key component to accomplishing that.

*Did you say that Velocity was developed as a video-gaming solution for the government market in Illinois, but that it appealed to your Class 3 customers as well? That's a switch, isn't it – I've always thought of government market terminals as being a little less stimulating for the player than Class 3 gaming machines.*



**G. Isaacs:** Velocity is special in that sense. Our Class 3 customers saw the way it displays the multi-game options and wanted it for their own casino venues. So instead of adding on constraints to max wins, speed of play, and other attributes that sometimes need to be changed to turn a Class 3 machine into a VLT, we need to modify the Velocity in the other direction to make it Class 3 ready. You're right, that is a bit of a switch and is a reflection of the appeal of the Velocity PUI and multi-game capabilities.

My personal frustration with multi-games has always been that 95% of the play is in one denomination, and 85% of that's on one game. What's the point of putting 20 games on a multi-game cabinet when all that's actually played is two or three of those games? Designing a game for the distributed environment required us to reduce the volume of content to stay within bandwidth capabilities. Of course, we wanted to still deliver the same level of enjoyment to the player. So we clarified what really mattered in the multi-game format. We found that the vast majority of the content was not really being used by the player. It's really about quality over quantity, delivering just the right content instead of delivering a big portfolio of stuff that doesn't excite the players. The casino facilities have the central server resident in the same building and so are not constrained by bandwidth limitations. Even so, they see the appeal of a game that focuses in on only the most popular game content. It's funny how the solution to one set of obstacles, in this case overcoming bandwidth limitations, produces a result that delivers ancillary benefits that may actually be even more compelling than the original product concept.

*All the games for Velocity, including poker, are 'central-determinant,' correct? The outcome is predetermined and the play itself technically has no bearing on the outcome.*

**G. Isaacs:** In the Illinois market, it is actually an outcome that is determined within the game itself. The beauty of the Velocity platform for central-determinant markets is that you have the flexibility to deliver a game outcome from a server. Ultimately, you want to make the poker-playing experience look and feel like poker regardless of the outcome determination. But the reality is that the outcome is predetermined. Often due to regulatory requirements, we're required to modify the games to make them a little less stimulating to the player, which is fine. These are public

policy and regulatory issues, and our job is to implement according to their rules and agendas, and we're pleased to do that.

*What exactly is meant by "systems?" There are the games, and there are the communications networks that connect the games to the central server, etc. So what exactly is meant by "systems business?"*

**G. Isaacs:** Good question, because we believe systems and games are converging and the distinction is becoming blurred. The phrase 'systems business' has traditionally referred to the accounting, marketing, reporting, auditing, and player-tracking functions. Recent innovations in player displays and bonusing functions have been integrated into the systems side of the business. And now, as you'll see at G2E, Bally is moving all kinds of different downloading capabilities utilizing our Bally Command Center™. As we move forward, we're continuing to look for ways to add more and more functionality to business systems. The term 'player-centric' is a bit of a cliché, but in this context it means that the integration of additional functionality into the systems side of the business is driven by the goals of enhancing the overall player experience and optimizing the ROI of the machine footprint and casino floor, as opposed to satisfying the need for internal reports and accounting and marketing data.

This integration is being further driven by the need to create great game content for the central-determinant model. The technologies to centrally determine the result and send it to the terminal is essentially a business systems function. And yet it's also an intrinsic part of the game itself. I feel that what makes Bally a leader in the systems business is we truly believe in this process of integration. We're not just adding on functionality as required by the market or the regulator. We see the need to solve systems challenges as an opportunity to enhance performance across all areas of the business. Essentially, we spend a huge amount on R&D to magnify the benefits of all change and innovation, large and small. Central to everything is our conviction that bandwidth will increase and more and more operators will adopt high-speed Ethernet technology. This will accelerate the move to a systems-driven business that enables far more content to be delivered in the more secure confines of a central command center. The implications of this migration off of the cabinet and to a systems-driven business are enormous. This is

a very important part of Bally's philosophy and why we invest so heavily in it.

*So, the solution to a particular problem can yield benefits that go far beyond the original objective. And you try to institutionalize that insight to systemically magnify the impact of all your efforts. You would analyze every R & D project to see if there couldn't be a broader application for whatever you develop. For instance, the directive to deliver responsible gaming messages or even develop a more interactive responsible gaming tool to the player might be the impetus to build a robust and interactive customer relations management system that can be leveraged for all kinds of purposes. R & D that might otherwise be thought of as a cost center that delivers no revenue enhancing value can be turned into a profit center.*

**G. Isaacs:** That's it exactly. For instance, we developed Bally Business Intelligence™ years ago as a tool to leverage the data that was being collected to serve the needs of auditors and our own internal-reporting requirements. We started to look at how that data could be used to provide insight into player behavior and operational dynamics that could, in turn, help the operator improve their business. Nobody asked us to do that. We just saw the opportunity to turn that cost center, as you put it, into a profit center for the operator. Bally Business Intelligence™ then became used for marketing and optimizing casino-floor performance. Now it has expanded beyond that to apply to what is becoming a new field of "knowledge management." The business of collecting the data, and then organizing it so that it can be used and applied to the solving of real-world problems, is a massive challenge. Business Intelligence Bally Business Intelligence™ now has an over arching goal of doing just that, using data-mining to inform every aspect of the business.

The regulatory requirement to provide reliable accounting information was the seed that turned into the industry-changing trend towards integration of games and systems. The example of needing to fulfill a regulatory requirement to deliver better responsible gaming tools and using that as a catalyst to upgrade the entire portfolio of CRM capabilities is also a good example of viewing the business holistically.

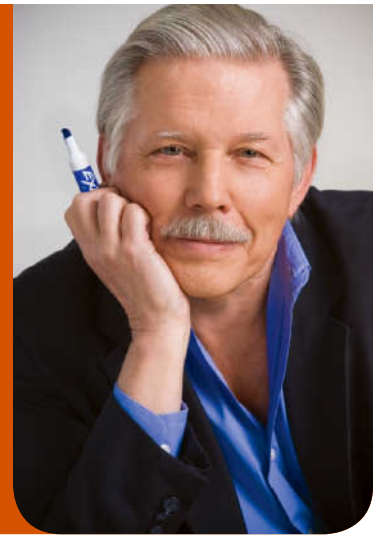
*Why couldn't or shouldn't the government look at the gaming business in the same way? The fact that they are not saddled with legacy*

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# Building Public and Player Trust

## The Challenges of Corporate Social Responsibility

By Matt Mansfield, GTECH Professional Services



As lottery operators and vendors, we are acutely aware of our responsibility to establish and maintain the trust of lottery players and the general public. In fact, building trust is more than a responsibility; it is the hallmark of lottery as a brand. Players must be able to count on the assurance that everyone has a fair and equal chance to win each time they play. We all strive to earn and embody this trust every day, with every one of our actions.

One way we build trust is by managing the delicate balance between delivering the ideal gaming experience for the player and simultaneously protecting them from fraud, breach of privacy, and inappropriate play.

Fortunately, these goals are not mutually exclusive. Both depend upon building a close relationship with the customer (i.e. the player), a simple function of any Customer Relationship Management (CRM) program. It is that operator-player relationship that both engages the player's interest in the games and enables the operator to implement the newest responsible gaming tools. Instead of compartmentalizing these different objectives, let's think of them as the holistic result of a dynamic and healthy interaction between operators and consumers.

Increasing the focus on technologies that move the lottery industry toward enhanced player-facing responsible gaming programs provides a two-sided advantage:

- First, player protection is ensured at each point of contact.
- Second, valuable data received through responsible gaming programs provides a more precise understanding of player behavior.

Lottery leaders have long known that gathering such data allows lotteries to better understand player behavior and tailor communication and promotional offers to individual player preferences. However, the motivation for securing consumer information has often come primarily from the lottery's obligation to protect players' rights.

It is time to broaden our perspective on the outputs of a reputable responsible gaming program. Certainly, first and foremost, we strive to assure the public that lottery programs and technologies identify points of problem gaming, offer solutions, and ultimately, diminish the negative societal impacts of problem gaming. Simultaneously though, information received by player contact programs provides valuable consumer feedback used to improve the gaming experience. We are committed to "responsibly driving global gaming" as we adhere to the principles of responsible gaming while leveraging knowledge gained through player interaction.

It is in the best interest of every lottery operator to evolve the paradigm to consider social responsibility initiatives as a business oppor-

tunity rather than largely an obligation. By better leveraging the interaction between players and lottery providers at responsible gaming access points, we meet the challenges of corporate social responsibility while gaining the information needed to position lottery as an appealing product in an increasingly consumer-controlled economy.

### Ensuring Responsible Gaming

As with many businesses, accountability and transparency of the government-sponsored lottery starts with its products or games, determination of winning results, and payment of prizes and marketing practices, including those ensuring that players and prospects have enough information to make informed choices. How these programs are executed can go a long way toward demonstrating the integrity with which a lottery is managed, and hence, trusted.

The results of a Corporate Social Responsibility (CSR) program are directly dependent on the tools supplied by an invested technology solution provider. CSR encompasses a number of important issues but can be broken down into two major areas: Responsible Gaming and Consumer Protection.

### What Are Responsible Gaming & Consumer Protection?

**Responsible Gaming** – is concerned with ensuring that appropriate individuals are playing (i.e., age and location), and that individuals play within their means.

**Consumer Protection** – ensures that players are treated in an ethical





manner and have a positive playing experience.

The Corporate Social Responsibility graphic shown at left depicts the key components of CSR. In terms of addressing and solving the market needs of these components, there are two primary approaches: Best Practices and Solutions.

### What are Best Practices & Solutions?

**Best Practices** – these are operational or procedural activities that can usually be implemented without much investment and in a rapid manner.

**Solutions** – these are technical solutions (hardware and/or software) that will usually require varying levels of investment and implementation timing.

### Adopting Best Practices

As an industry, we have benefited from collective efforts to establish guidelines for responsible gaming, including the World Lottery Association's adoption of the seven Responsible Gaming Principles.

WLA's certification levels for compliance with the WLA Responsible Gaming Framework provide a benchmark against which all parties in the industry may measure themselves. Lottomatica has reached Level 4 Certification, as have 13 GTECH customers. In addition, Lottomatica is certified as compliant with standards set by the European Lotteries Association. Such certification programs provide a roadmap of best practices to guide lotteries and vendors toward the ultimate goal of developing and sustaining reputable responsible gaming programs. (See the *Responsible Gaming Best Practices* chart below for examples of Best Practices)

With the obligation to implement responsible gaming best practices met, lottery operators are now in the exciting position of being able to select technologies that expand the outputs of RG programs from simply "obligation met" to "opportunity realized."

In developing a system of player protection, you simultaneously develop the opportunity to establish a more meaningful connection with your players. By calling for technology solutions that advance responsible gaming programs, we meet responsible gaming objectives while advancing the industry.

### Improving the Play Experience through Responsible Gaming Solutions

The lottery database of players is a building block for both player protection activities and player game activities. As an operator, we understand the urgent need to increase the relevance of the lottery brand for a broad base of consumers, and we believe that we can build relevance by selling games and also providing the kind of protection that players, society, and governments demand. Our programs and solutions aim to enhance rewards and entertainment value for players while maximizing player protection.

Building players' trust in the lottery and its products continues to be an essential element in winning their loyalty and promoting their attachment to the brand. Activities and innovations that foster this trust are part of an effort to promote customers' willingness to transact with us, both by buying and by communicating.

To that end, we have spent the last two years bringing to market products that protect players and promote responsible gaming. We invested considerable resources to focus groups and quantitative game studies, as well as pilot projects that examined ways to improve the gaming experience in a socially responsible way. Since fielding our first Worldwide Research for Innovation focus groups, we have completed the development of several solutions that improve the quality of play encounters. The descriptions below provide some of the product results of that research.

**Ticket Checkers** – There has been a substantial growth in the adoption of Ticket Checkers by Lotteries, Retailers and Players. It used to be that ticket checkers would comprise a percentage of retail locations (usually social environments), but in the last couple years, there has been a 1-to-1 relationship between retail locations and ticket checkers – primarily because of social responsibility/fair play programs. The self-validation system, Ticket-Scan™, is an example of a product associated with this trend. Ticket-Scan enables players to check their winnings without the retailer's assistance, thus avoiding any risk of fraud.

**Digital Signage** – The proliferation of digital signage at retailer POS and specifically lottery POS has afforded another opportunity to provide player protection as they place transactions with a retailer. By displaying a real-time transaction display on the digital display right in front of the

## Responsible Gaming Best Practices

### Placement of Self-Service Machines

- In direct line of sight to the retailer
- In direct line with express checkout lanes at large retailers
- Never placed near childrens' video games, toys, or rides
- Placed in high-traffic area of store
- Never placed in a cluttered area

### Consumer Alerts

- Printed on lottery tickets
- Scrolling on LED displays multiple times per day, e.g., "Must be 18 years or older to play"
- Bright warning stickers on self-service machines
- Advertising at each point of sale

### Proactive Prevention Programs

- Educate and train store personnel on state/country laws prohibiting the purchase of lottery tickets by minors
- Periodic "sting operations" with local authorities, e.g., New York's "Project 18+"
- Remote shutdown of self-service terminals
  - Allows retailer to turn machine off if underage patrons attempt to purchase tickets with either a retailer-controlled Radio Frequency (RF) key-fob device or a remote control shutdown from the online terminal screen

### Age Verification Software Built into all Lottery Terminals

- Terminal application download to all lottery retailers
- Self-service terminals enabled to recognize player identification cards (with magnetic stripe, barcode, or smartcards)
- Field proven in both New York and Pennsylvania

### Player Registration Programs

- Player signs up one time and receives a magnetic or barcode player loyalty card
- Card will verify player age
- Card can be read at any lottery retail shop from the lottery self-service device

player, we afford another aspect of player protection and responsible gaming. We also leverage digital signage to provide player education with respect to problem gaming and where to seek assistance.

**Cash/Coin Back/Voucher Back** – As noted earlier, the use of a player card with its centralized repository of value will greatly improve the ability of players to play only the specific amounts they want to play.

**Signature Capture** – Another new player-centric advance is the capability to capture an individual's signature on a playslip and digitally reproduce it on the ticket associated with that playslip. This can provide additional player protection, since the ticket has their unique signature already imprinted.

**Point-of-Access Products** – As governments adopt PDF 417 barcodes, capable of storing dense data such as ages and addresses, as a standard feature on driver's licenses and other forms of identification, we have re-engineered our point-of-access products to read these barcodes. This equipment can now provide lotteries and their retailers the capability to scan a player's driver's license for each transaction – especially important for self-service devices and reducing the need for staff surveillance.

Each of these solutions, which were developed using insights from consumer research, can help lotteries build a stronger foundation of trust with our players, as we move toward greater and more direct interaction with them.

The complicated relationship between operator management of reputable responsible gaming programs and preservation of player rights and best interests has experienced a slow evolution to true connectivity at many new access points. Deeper interactions with many of our players will succeed in reinforcing their perception of lottery integrity. We must demonstrate our effort to earn their trust by protecting them from fraud; responding to their inquiries; cultivating attentive, service-oriented retailers; and helping them enjoy their play experience. As we strengthen these levels of the operator/player relationship, we demonstrate our value to the player and our values as an industry even as we consider altering lottery business models.

Lotteries and the constituents they serve win when the public has complete trust in the integrity of responsible gaming programs, players become comfortable with a stronger personal connection to a lottery that protects their rights, and vendors provide tools that help lotteries generate public revenues while building public trust. ♦

## Michael Koch Interview ...continued from page 23

functions performed at the cabinet itself, it's all done by the central server, TruServ™, the only 'true' server-based gaming platform in operation in Italy. That's an ACE product. Aristocrat, of course, is one of the top video games providers to state authorized casinos in the world. The end result is best-in-class Aristocrat games on ACE's market proven server-based gaming platform called TruServ™.

Games can be made available at the cabinet level with the click of a button at the central server location. Hardware changes at the iVT are not required. For example, if the specification of a EURO bill is changed, we just download the necessary firmware into the iVT. This one-step process lowers operating costs and simultaneously provides maximum security against fraud. Unplugging the machine from the central server renders the machine inoperable. You cannot play, it's as simple as that.

In addition, we provide two different kinds of jackpots which are ideal for our true server-based gaming platform. Not only will CO-GETECH players benefit from a four level mystery jackpot, soon they will also be able to play Aristocrat's '50 Dragons' game – a jackpot dedicated game which will cater for a fixed top prize, called the 'The Million\$er™', that can be won from day one of operation. There is no need to wait for the jackpot to grow organically.

TruServ™ has been in operation in Norway for more than two years where the operator, Norsk Tipping, has enjoyed very high levels of availability. This is one of the reasons CO-GETECH chose Aristocrat and ACE to become its prime flagship partners.

*Historically, the record shows that people below a certain age are easily prevented from playing in a casino. What are some of the different venue options and age-restriction mechanisms used in a distributed model? Bars and taverns would seem an obvious option. What are some others?*

**M. Koch:** This is an important issue. One of the most carefully considered questions is: Where do you put the gaming machines to ensure that no under-age gaming takes place and how do you enforce it? Many jurisdictions chose to resolve this matter by proper retail selection where it is a given that no minors will access the gaming machines, like bars, pubs or purpose built gaming locations. However, the other approach is to resolve this by using technology. Here one needs to be very careful not to create a patchwork solution. It's vital to create and implement a holistic approach, otherwise you dig yourself one hole after the other. Such a holistic approach has been chosen and implemented quite successfully in Norway where game play is 100% 'carded'. That means that only Norsk Tipping player card holders, by definition above legal age, are permitted to access the gaming machines. This way the question of locations and local supervision becomes irrelevant.

*What is the difference between an interactive video terminal (iVT) and a video lottery terminal (VLT)?*

**M. Koch:** An iVT is a VLT but a VLT is not automatically an iVT. A VLT comes in many different flavors:

A standalone gaming machine, also referred

to as EGM (Electronic Gaming Machine), has the game logic, sound and graphics residing on the EGM itself.

Related to that model is the EGM that is connected to the central server for certain monitoring and accounting purposes. The cabinet is connected to a central server so that some data is shared. But, game logic, sound and graphics still reside on the EGM itself. A variation on that model is a fully online connected EGM which operates under full control from a central system with downloading capability. Game logic, sound and graphics still reside on the EGM itself, however the central system has major control capabilities including game enabling, switching of games, etc.

An iVT is also called a "thin" terminal, in which all game logic remains on the central system, not on the terminal. Game sounds and graphics reside on the iVT cabinet, but that's it. The iVT is fully dependant on the availability of a central system. Without that connection, the iVT won't work. We also refer to this structure as true server-based gaming because all game functionality and control has been moved from the cabinet to the remote central server. Hence the reason why we have chose TruServ™ to be the name of our server-based gaming solution.

*How about ways that gaming terminals, EGM's and VLT's, might be integrated with Internet gaming platforms, enabling players to access their favorite games and social gaming networks via both channels?*

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# Rewards Programs: Positioning Lottery Web Sites for Prolonged Player Engagement

By Jennifer Kimble, Sales & Marketing Communications Manager, Scientific Games Corporation

A far cry from their 1950s American foothold consisting of green stamps and a supermarket chain, rewards programs or loyalty clubs have evolved and popped up everywhere. The theory behind rewards programs spans oceans, generations and knows no industrial borders. A consumer passes two gas stations to get to the one they're a "member" of because a free fountain drink is waiting. A consumer books an airline ticket with two stops instead of one to get closer to that free ticket to Hawaii. And, as the recent past, present and future are showing us, consumers log onto lottery web sites and enter non-winning codes for a chance to win prizes or to collect more points towards catalog items.

As a matter of fact, most American households are card-toting members of an average of 14 loyalty clubs. That's right 14, and one third of those deem them even more important during a recession. Everyone loves a coupon, everyone loves a deal and everyone loves earning free merchandise for a behavior they already practice.

Loyalty clubs provide marketers with an opportunity to collect feedback and to reward those who have helped grow their businesses. For lotteries, they also provide one web site or access point to multiple destinations offering a variety of information, entertainment and prize features. Members of loyalty clubs undoubtedly see value in the club offerings; so much so, they will perform certain actions – inputting numbers from non-winning tickets, answering polls, etc. – to get their rewards. They also see loyalty clubs as social engagement with those that have similar interests, beliefs and hobbies. It directly extends their play experience and gives them access to exactly what they want – someone to reward them for their loyalty...and they're willing to earn it, point by point, entry by entry, game by game.

Several lotteries have already implemented rewards programs and are seeing tremendous success – including MDI-developed and managed programs in Arkansas, Montana, and Minnesota. MDI, a wholly-owned subsidiary of Scientific Games Corporation, has more hands-on experience in building web sites and loyalty programs than anyone else in the lottery industry. In fact, MDI has

been doing it for 10 years and has over 250 web sites in their rear view mirror. MDI's loyalty program is called Properties Plus™ and it has been built with a long-term strategic view of delivering value to players today and positioning the lotteries for future growth and expansion in the internet. Properties Plus™ also offers the ability to integrate with any existing lottery technology system, no matter the online or instant provider. The platform behind the MDI loyalty program is fully capable of providing robust marketing data with the ability to adapt to handle transactions or other marketing opportunities that may present themselves in the future. It provides a multi-faceted approach to establish and maintain relationships with lottery players in an interactive environment.

Lottery loyalty clubs should acknowledge players, thank the players, and connect with the players through ways that show the lottery has an understanding of who they are. It must also be noted that a chance to win isn't the same as earning rewards. The ability to earn something of value based on purchases ensures that players are fairly rewarded and encourages long-term participation in a program.

Engaging content is another ingredient to making rewards programs relevant to consumers. Consider this, most of the Facebook generation has never milked a cow much less tilled a field yet thousands of them are tending virtual farms. Why? Because, the casual game has been made relevant to them; they earn prizes, they compete against friends, and they keep coming back day after day. The same can be done with a lottery's Loyalty Club. Through the recent acquisition of GameLogic by Scientific Games, MDI has access to a myriad of high-quality, just for fun, casual games that are available to participants to keep players returning regularly.

Give them good rewards and they will come. The three A's are a key to success in this regard – rewards must be Achievable, Appropriate and Aspirational. Achievable rewards are primarily a function of proper budgeting. The rule of thumb for funding a program in most product categories is between one and four percent of sales. Companies who have embraced loyalty programs



wholeheartedly recognize that this is one of the best investments they can make in their business. It is a means of offering more value to their most valuable customers. For lotteries, it is a way to retain and grow playership while positioning the business for future sustainability. It engages a younger audience to reach out to a segment of the market that can often be elusive. Most importantly, though, if a program is underfunded, the rewards will not be achievable to most participants and players won't stay engaged with the program.

A rewards catalog featuring beach towels and surfboards probably won't float in many areas and hunting apparel might not cut the mustard in others. This is the second A-appropriate rewards. Localizing the rewards available in a program goes a long way to making it more effective. MDI has dedicated resources to finding a variety of local prize options including items suited to each market, such as discount offers from local businesses allowing players to redeem their points right in their own neighborhood. Mix in some high-end "Aspirational" prizes like vehicles, electronics and travel and your loyalty program will really resonate with players.

To address the proverbial elephant in the room – what kind of results will a rewards program deliver? The Arkansas stats make a compelling story. First and foremost, weekly per capita instant sales

in the first year of the Arkansas Scholarship Lottery are the best of any recent start-up in the industry. It's also worth noting that in this past month, the Arkansas player's club website had 137,051 visits and 2.9 million page views with each visitor spending an average of 18 minutes on the site. To put this in perspective, research shows that the average visitor spends less than 8 minutes per visit on the WallStreet Journal site and Wikipedia visitors only spend 17 minutes on that site in an entire month! Kudos are certainly due to all of MDI's rewards program lotteries for their commitment to position themselves for continued strong performance in the future.

Trends point towards an even more demanding consumer for the foreseeable future. It is almost certain that consumers will continue to seek more value for their money and will continue to involve themselves with programs that allow them more interactive purchases including those that begin or end online. For lottery organizations looking for opportunities to engage players in new ways and implement programs that drive sustainable lottery growth, a strategically sound rewards program can be a critical tool to consider. ♦

*Scientific Games is committed to working in partnership with its customers to support lottery retailers looking to increase foot-traffic and add incremental profits to their businesses through the adoption, implementation and proper execution of lottery industry best practices.*

## Michael Koch Interview ...continued from page 28

**M. Koch:** This is absolutely where we believe the industry is going. To invoke a phrase that has been over-used, but the key driver is the player. We need to understand that our players grew up with all kinds of different video entertainment. These players are used to picking the time, place and form of entertainment. Once the notion of server-based gaming has fully permeated the player's behaviors and attitudes, the player will expect to be able to walk up to a gaming machine at any place and any time, put in their loyalty card and start playing their favorite games which do reside on the lottery's server of approved games. There is no reason whatsoever why concepts like iTunes, Amazon or Netflix which make great use of the 'long tail effect' cannot be introduced to VLT players. Players want to have the freedom to also choose on which device they experience their games, equal to enjoying your iTunes on your home PC, iPhone, iPod, iPad or iTV. The closest you can get to this kind of approach is with our TruServ™ system and Indago™ VLT that you can find in live operation in Norway. We are just a small step away from these kind of personalized gaming experiences. However, we will only be successful bringing these experiences to players if suppliers, organizations like WLA, and individual lotteries are willing to jointly advocate for new technology and innovation.

*Your Norway implementation uses a Personal I.D. card system, doesn't it? Does it work as well*

*as expected, any compromises in security or with prevention of underage players?*

**M. Koch:** It met all expectations and then some. No compromises on security whatsoever are permissible or have happened. Norsk Tipping recently had its TruServ system undergo an external security audit by Ernst & Young. It passed with flying colors.

*I would think that a Personal I.D. card system would yield huge benefits to the operator. Wouldn't that direct line of communication with the player enable the operator to market other products and services, perhaps even non-gaming products? One of the services would be responsible gaming communications and help resources, correct?*

**M. Koch:** Absolutely to all the above. But once again, it is vital that the lottery operator have a very clear holistic approach carved out on how to use such an ID system, and to have it all in place before beginning the implementation. When it comes to personalized marketing activities, it becomes less clear what should or shouldn't be attempted. Each jurisdiction has different data protection and privacy laws. And, apart from the laws, players expect the operator to respect their privacy and not market too aggressively to them.

*I'm also thinking that the obsession with privacy is sort of a legacy attitude that us older folks have.*

*Young people do not seem to be so concerned with the issue of privacy, do they? Look at Facebook and how everyone practically bares their souls to people they sometimes don't even know. It seems to me that the desire to broaden one's network of friends and acquaintances totally overwhelms any qualms about privacy. I would think that the player may be more receptive to personal player i.d. cards than some people assume.*

**M. Koch:** I couldn't have said it better. The current generation that gets into gaming grew up as video gamers with different expectations about how to learn, work and pursue careers. They are technologically literate, but that does not necessarily make them media literate. They are content creators and that shapes their notions about privacy and property. They are product and people rankers and that informs their notions of property. They are also multi-taskers, often living in a state of "continuous partial attention", where the boundary between work and leisure is quite permeable. Once you consider that and accept that, you'd be able to adapt your organization as a supplier accordingly. We certainly have understood that and are in constant re-organization in order to meet these demands of not only today's but also tomorrow's players.

*What other Big Themes am I missing?*

**M. Koch:** I don't think anyone is stepping up with five-year predictions! ♦

Moreover, the biggest players of the global market have already received a license to operate in the Italian market. That is not the case in France, where we see only the online market opened, and even that in a rather protective way. Actually, there do exist some grey areas in the Italian market land-based operations; some companies claim to operate in the Italian territory under a European online license, obtained in another country of the EU, and use it also for land-based operations (CTDs). On the other hand, there is also the case of the PDCs or “punti remoti”, which are points of sale that allow access to Internet sites. In practice, these are shops operating without paying the license for the right to operate. In any case, the Italian authorities should guarantee equality before the law for all the operators. They have started the efforts to accomplish this by recently prohibiting the installation of PCs in those grey area POS's, sometimes even closing them down. We are waiting for some action on the CTDs area as well. Based on their track record for turning this market into a productive combination of being both open and highly regulated, I am confident that the Italian regulators will close all loopholes.

*The governments of Europe have been working hard to prevent sports betting from corrupting the integrity of sports. The first step towards that goal is to regulate it instead of forcing it underground, correct?*

**C. Antonopoulos:** Regulation is a catalyst towards clarity in sports. The industry needs to be effectively regulated for it to grow. Technology is the key enabler of effective regulation in sports betting. The market for sports betting absolutely depends on the integrity of the games. The consumer needs to be confident that the betting is fair and honest otherwise they won't bet. That fact motivates sports and licensed betting operators to be the best guardians of sports integrity, sports betting integrity, and the biggest supporters of transparency in this industry. INTRALOT is paying very close attention to this subject and committed to act in the interest of protecting the integrity of sports and sports betting. We are one of the first betting operators that have signed a Cooperation Agreement with FIFA's subsidiary Early Warning System GmbH, becoming a vital part of a global endeavor to preserve and protect the integrity of football.

*There has been much litigation over what is allowed under EU law with respect to the member states' rights to regulate gaming. This confusion has impeded the growth of the gaming markets in the EU because governments did not want to be told by the ECJ that they were out of compliance, hasn't it? Is it becoming clearer what is expected of the member states with respect to staying compliant with EU trade and commerce laws?*

**C. Antonopoulos:** Europe is one of the most advanced and evolved markets in the gaming sector worldwide. The regulated opening of a number of European markets, such as Italy and France, and the integration of the private sector under this new regulatory framework, has led the gaming market to new highs. All the big players are carefully monitoring the developments in the EU market. There are a number of decisions of the ECJ that provide guidance by interpreting the scope and the applicability of EU law on the basis of questions raised by state courts. But after the ECJ issues its decision, then the local court has to issue its decision on the basis of the guidance provided by ECJ. Also, the decisions of the ECJ are used as jurisprudence by courts in other member states, and will be very influential in the numerous legal cases currently open in various countries. In fact, each local court has the discretion to draw its own conclusions, on the basis of each EU state national legislation. This creates a kind of “legal Babel,” with different results that are not always compatible with each other.

I think that the governments either should safeguard the operational framework of the national monopolies in their territory, which may lead to the decrease of sales, or they should move on with the opening of their markets in order to allow more operators to participate.

As far as the member states of the European market are concerned, I think that more countries will follow the example of Italy and France. Spain and Germany, among other countries, are seriously considering the opening of their markets. Moreover, we have to bear in mind that the new member states of the Central-East Europe are trending towards opening their markets. They are not attached to a legacy system of monopoly in gaming and so are more able to move forward with opening up the markets. Of course, the UK market has been opened in many gaming categories for

a long while and provides a good looking glass into what an open market looks like. Therefore, if the majority of the Member States ends up opening their local markets, that will cause their neighboring countries to reconsider their regulatory framework.

In this new world order, the need for a common legal framework for all the member states of the European Union is more necessary than ever. INTRALOT is one of the first organizations in the industry to recognize and be an outspoken supporter of rationalizing the regulatory framework in Europe. The new Commissioner for Internal Markets, Mr. Michel Barnier, has announced that he is going to issue a Green Paper in the coming weeks. We welcome this initiative and think that it will be of much interest of all stakeholders in the gaming industry (governments, lotteries, vendors, operators, etc.).

*Much discussion surrounds skill games and their potential. Where is the line drawn between skill games and games of luck? What are the drivers behind skill games? Is there true potential and how do you see the future of this segment?*

**C. Antonopoulos:** Every game has its own market share. Whether it is a skill game or a game of luck, it's all about user experience and entertainment value. We are now experiencing convergence in technologies, including video streaming as well as new 3D video games. These new technologies promise to enhance the user experience in very interesting ways that will accelerate this convergence. The younger demographic is responding positively to these new products, causing us to feel that the future gaming environment will need to appeal to the player preferences of these new demographics for the markets to continue to grow and prosper. For example, we see that card games, which require skill, are very popular. But slot machines and VLTs, which do not require any skill, are increasing in popularity as well. Operators have to provide a full range of all games and have games that address all different lifestyles and preferences. The challenge for us is to make the most of all of these different sub-markets by providing the games that appeal to everyone.

*What do you see as the future of the Private Management Agreement (PMA) in the U.S. market? Will other states need to take time to*



*observe the IL implementation of the PMA, or do you expect some states to move more quickly than that?*

**C. Antonopoulos:** The whole procedure of Illinois, irrespective of the details for which we have officially expressed our protest, is overall very positive for the gaming market.

In Europe, which is in a more advanced life-cycle stage than the US, the private sector plays a pivotal role. So it is a natural step for the U.S. market to also evolve in this way. That is what is happening now in Illinois. It's not, by the way, that the people of the private sector are more effective than those of the public sector. It's just that the operational structure of the PMA is more supportive of innovation and entrepreneurial action. Of course, regulatory decisions and enforcement remain under the public control, in order to guarantee

the transparency and the credibility of the entire process for the citizens.

There is no doubt that no matter which company is awarded the contract in Illinois, all the people involved agree that sales and public income will increase substantially. All the States will now have a real example to look at and they can decide if they want to follow it. This is no longer a theoretical possibility. It has become a reality for everyone to learn from and build upon to create an even better future for lotteries and their beneficiaries.

*U.S. state lotteries are beginning to move forward with bolder initiatives in internet gaming. Do you think the end result might be that the regulation of i-gaming in the U.S. be recognized as a states' rights issue and the i-gaming space will finally take off like it has in Europe? Maybe now that Canada is imple-*

*menting on such a grand scale, the U.S. will see how vital it is that they regulate and tax the internet gaming industry? What do you think are the best opportunities for lotteries to exploit in the i-gaming space?*

**C. Antonopoulos:** I-gaming is a global trend and the US is one of the leading markets in the lottery sector. The state governments should not ignore that. And the federal government should make crystal clear that states have the legal right to regulate all gaming including i-gaming. I think that the successful examples in other countries, mainly in Europe but next in Canada, might inspire the US governments to regulate the interactive markets. INTRALOT has the technology and the know-how to play a pivotal role in this new market, and look forward to a time when governments and regulators meet the demands of this important market. ♦

## Gavin Isaacs Interview ...continued from page 28

*product and systems is a huge benefit. Instead of adding on incrementally, or figuring out how and when to invest in replacing an aging gaming system, they're in the great position of envisioning an entirely new business, fully integrated and replete with the most advanced games and functionality.*

**G. Isaacs:** I think they're doing that. They realize they are in a great position to leapfrog multiple generations of technological change. We're working with lotteries all around the world on just this issue and helping them to assess the best options. More than ever, they are seeing the importance of the systems side of the business. They realize that as important as the games and terminal solutions are, the central command center is what ultimately integrates everything for optimal overall performance. That means tremendous opportunity for the jurisdiction that is moving into electronic gaming for the first time. In that situation, the ROI for having the most advanced technology available is compelling indeed.

*Sort of a request for economic prognosis: The gaming industry is, even in the best of times, slow to adapt new technology. Bally CEO Dick Haddrill has said that the lag can even be as much as five to seven years. Over the past couple of years, investment has slowed*

*even more because of the economy. Wouldn't those two things combine to create a big pent-up demand that is likely to result in a big spike in investment once the economy picks up?*

**G. Isaacs:** Yes, but you don't actually get rid of that five-to-seven year adaptation lag. The reasons for that lag are different and apart from the economic slowdown. The extra time it takes for public-policy decisions and the development of regulatory frameworks to catch up with technological and market changes is still with us. That's not changed. In fact, technology is moving more quickly than ever, making it as hard as ever for it to get approved and regulated in a timely fashion. I do feel, though, that governments and regulatory bodies are more aware than ever of the need to have a well-conceived plan to manage the growth of the gaming industry. They're realizing that outright prohibition is really just a lack of regulations and just forces the activity underground or to a neighboring jurisdiction. This awareness should result in a reduction of that lag time as policy makers spend less time debating the pros and cons of gaming and jump right into the business of how to regulate it.

There has been a wealth of technological progress that has resulted in fantastic new products and systems improvements that

are in the pipeline and ready to be implemented. And the markets have changed, with the player expecting the new and improved playing experience that these new products deliver. So we would very much like to think that all these factors will combine for an increased investment in our industry as soon as the economy picks up.

*How does bandwidth and other limitations impinge on your ability to deliver the same high level of graphics and excitement as when you have 8,000 machines under one roof?*

**G. Isaacs:** Let's review the three basic configurations. The "thick" client is the traditional kind of cabinet you have had in the casinos. It's a stand-alone machine with the random-number generator and all game content inside the machine. It may be connected to a central server for reporting, but the machine and the games would still work if it's unplugged from the server. The "thin" client is the opposite. Everything is determined at the central server and sent down the pipe to the terminal. The random-number generator and other functions required to operate a game come from the server. So if you cut the connection to the server, the terminal won't work. Lastly, there is the "smart" client,

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# Just Because It Looks Like a Duck...

## Cross Sell Lessons in Branding

By Ed Kully, President of Crestwood Partners

There are over 150 different species of ducks. To most of us, many look very much alike, but once you get beyond the initial view, the differences can be huge. And so it can be with Lottery games.

Each year, the Lottery Industry invests significant man-hours and monies in making sure game construction is correct. For the most part, this has served the industry well and resulted in excellent returns for beneficiaries. Sometimes, however, it pays to look even deeper on these investments.

About a year ago, the Lottery Industry undertook one of the boldest steps it had every taken – the cross sell of Powerball and Mega Millions in each others' jurisdictions. By all accounts, the effort has generated incremental sales – though not necessarily as high as some had hoped. As the industry now looks to new game alternatives, it may help to step back and look beyond the sales results and review just what was achieved by this undertaking.

Last summer, Crestwood undertook a small study of its own to gain a perspective on current lottery purchasing behaviors. One of the subjects addressed was cross sell. Instead of looking at the data in the aggregate, as much of the analysis has been conducted, we chose to look at it from the perspective of Powerball and Mega Millions legacy jurisdictions – this afforded us the opportunity to look at the impact on the respective brand franchises.

Some of the results were as expected:

- Approximately two thirds of the weekly or core players had tried the alternate game (this was consistent with initial projections).
- Within Powerball States, those who played Powerball less frequently were also less likely to have tried Mega Millions (also not a surprise).

On the other hand, within the Mega Millions jurisdictions, trial of Powerball was as high or higher of Powerball

among the less frequent players. This was not expected; as it was assumed that less frequent Mega Millions players would also act like the less frequent Powerball Players. After all, why wouldn't Lottery players of similar games act in a similar manner when presented with additional variety?

In our discussions with different lotteries around the US, two industry perceptions have emerged:

- Mega Millions jurisdictions may have benefited more from Cross Sell than Powerball jurisdictions, and
- Mega Millions has been cannibalized to a greater extent.

Both perceptions appear to be supported by our player based data. In fact, this data not only supports these observations, but may indicate a stronger brand presence for the Powerball game. Potentially, Mega Millions was not satisfying as many player's perceived needs, thus, Powerball filled a bigger gap among those interested in Bloc Games, but not so much for Mega Millions. Similarly, this would also explain some of the perceptions of high cannibalization.

Statistics aside, the big story here is that Brand matters. There is a personal, somewhat emotional side to these games, especially the bloc games. As the industry prepares to move to the next stage, we hope the essence of the brand is taken into consideration. Staying the course will only lead to long term loss of significance. On the other hand, not seizing the full opportunity risks "throwing out the baby with the bath water."

Moving forward, we encourage you to continually challenge yourselves by asking the following questions in looking at new games:

- Do these games bring something "new" to players? By this, we mean is it "new" in their eyes?
- Are we reaching their hearts as well as their heads?

Back to Cross Sell, the observation – just because the two games may have looked like ducks (similar price, payouts, big jackpots), and quacked like ducks (big jackpots and a chance for the player to dream), didn't necessarily mean that their brands were similar, or that adoption would be universal.

Crestwood has been and continues to be a supporter of Cross Sell and national games. Initial results indicate incremental gains. The framework established can propel the industry to new heights in player satisfaction and beneficiary return. The key to success has been and will continue to be in establishing and managing strong brands, not just strong games. ♦

which is a little of both. Like the thin client, the smart terminal relies on the central command center to deliver the main determination and other major functions, and it won't operate if disconnected from the central server. Like the thick client, it has some of the game code and capabilities residing in the terminal itself. We believe the future is more towards the smart client concept because it gives the operator the best of both worlds. Most importantly, it gives the operator complete control over the integrity of the game. The outcomes and all transaction-processing data are all handled at the central command center, making it impossible to commit fraud at the site of the terminal. On the other hand, there's no reason why the terminal itself shouldn't have the technological capability to enable more robust game content, richer graphics, and the like.

*What's being implemented in Italy, thin clients or smart terminals?*

**G. Isaacs:** Both. Some solutions are fully downloadable; the thin-client model where nothing is on the terminal – everything comes from the central command center. And then you have others like ours where you actually have a server on the site which controls the download ability to the games. That enables the operator to bring a more casino-style experience to those players. Those games are too data-intensive to transmit from an off-site server. But the outcomes are still determined at the command center so the operator retains control and integrity. You can probably tell that we think the smart client is the more sensible model, delivering the benefits of control and the best game content.

*Do you offer a thin-client solution?*

**G. Isaacs:** Not for games at this time.

*To what extent does it appear to you that the Italian model will be emulated in other jurisdictions?*

**G. Isaacs:** I would not be surprised to see similar distributed models implemented in neighboring countries. The Italian model was designed to meet the very specific needs of the market and the public-policy objectives unique to Italy. It turns out, though, that most of those objectives really are not much different from those of other governments which are deciding on what model best serves their purposes. I don't

know if the model will be emulated, but I do think you'll see many of the features showing up in other places. For instance, Illinois did not model itself after Italy, but there are in fact many similarities between the two.

*Everyone is theoretically customizing the solutions to their own markets and public policy objectives. But come to find out, markets and the issues that drive public policy objectives are actually pretty similar wherever you go.*

**G. Isaacs:** I would basically agree.

*I would think the distributed model has two main benefits. One, it converts an underground economy into a taxed and regulated economy. Two, it is the model most consistent with a classical evolution of a product, making it more accessible to the consumer.*

**G. Isaacs:** Absolutely to both. The gray market is such a bane for two reasons. One, the player is being literally short-changed. By definition, nobody is monitoring the grey machines to determine if they're paying out what they say they're paying out. And two, the public is being short-changed to the tune of millions of taxable dollars. The markets ultimately determine how a product is distributed. And if the government doesn't control and regulate it, then the gray market and underground economy will flourish. These are two compelling reasons for the government to regulate the distributed gaming market. I think those are the two reasons that drove Italy and Illinois to move forward with it, and the evidence appears to show it is having the intended results.

*What's the future of skill games?*

**G. Isaacs:** We have some games in which the outcome is predetermined, but with some skill, the player might be able to win a little bonus. We're going to show some pretty cool things at G2E – the iDeck enabling the operator to move into some skill-based games. We're working on different concepts in this space, but they are still a little early to commercialize.

*In a casino with hundreds of machines on the floor, I would suppose it's not hard to test a new product in real time. Just put some cabinets on the floor and if they don't get any action you can pull them. In the distributed markets where you might have five machines, it would be a disaster if you replaced familiar*

*games and cabinets with ones that did not appeal to the players. How do you test a new concept like iDeck for the distributed market?*

**G. Isaacs:** It's true that testing for the distributed markets is vital. And so you test. Our touch-screen PUI – iVIEW Display Manager™ (DM) – is testing out to be a genuine big-league home run. We've tested it like crazy with customers and no one seems to be objecting to it.

*Why would anyone object to it? Because it's different from what they're used to playing?*

**G. Isaacs:** Initially, yes. That is a big challenge in our industry. People tend to like to keep playing the games they are familiar with. That creates a lot of inertia. That phenomenon is very prevalent on the VLT and the electronic gaming routes. When you introduce something new, you've got to make sure your players accept it and will adopt it. The iDeck is definitely something new and required lots of testing for us to be sure that it would be accepted. It's exciting to have something this innovative be a hit with the customers.

*I would think that enabling the player to customize their experience would rate as the Next Big Thing.*

**G. Isaacs:** We've talked about the iDeck. Another innovation that is in the casinos and will be adapted for the distributed markets is iVIEW DM. The iVIEW has a PUI that enables active player interaction and customization of the entire playing experience across the entire gaming floor, plus lots of self-service features for players, like beverage ordering. There's picture-in-picture technology that enables the multi-tasking that young adults enjoy. And when we combine the iVIEW DM with our Elite Bonusing Suite™, you can create lots of excitement across the property with floor-wide bonusing, tournaments, virtual-racing events, and much more. And all this is done without interrupting play on the base game, which is pretty exciting. And the iVIEW DM has a number of applications for responsible-gaming messaging and the like, which appeals to our customers in the public markets where this is a very important issue. ♦



*I would think that the vendor core competencies would be slightly different for large venues versus distributed venues. Mainly, the distributed venue would rely far more on central server, networking, and communications capabilities than is required in large venue applications. Yet you win contracts in large venue applications like Maryland and Quebec as well as distributed venues like Italy and Oregon.*

**V. Duarte:** Sometimes our core competencies seem to eclipse the fact that we have other strengths. As you point out, communication networks, proven central system technology and high quality video terminals are key to the distributed gaming market, and we are recognized for being the leader in those areas.

Gaming, though, is also about delivering games that the players like to play. That seems simple and obvious, but think about the difference between the distributed venue and the typical casino. There's a big difference in primary buyer motivation. The distributed venue is mostly about fun and convenience. The stakes are sometimes lower. Our focus on this market has driven our R & D and game development people to create a gaming experience that appeals to the player in spite of a reduced max bet and winstakes. This was done to create entertainment for players typically found in a VLT distributed market venue. Of course, players in destination casinos also seek a more entertaining gaming experience. Even though their dominant buying motive may be more about winning larger jackpots, they enjoy an entertaining game experience just as much as anyone. We are finding that this knowledge of player behavior and the skill sets we acquired to appeal on this entertainment level are serving us very well with all players and all markets. Furthermore, we think the trend is towards even more emphasis on the fun and entertaining parts of the gaming experience. The thrill of winning will always be an important driver, but the 'next gen' gamer really wants it all. They're expecting the games to be as entertaining as the video games they grew up with.

Another strength is that we have a long history – 20 years – of working in the high-

ly regulated government gaming sector. Spielo started out with the mission of serving this market, not the casino gambling market. So our products, capabilities, and entire corporate culture are all really tied in with the government gaming sector to a greater extent than others. The industry as a whole recognizes that, and our customers have come to know and trust our ability to meet the needs of lotteries and the highly regulated sector in general.

*Your terminals would be more of the thin client variety, wouldn't they? As opposed to the cabinets that house everything within the machine itself?*

**V. Duarte:** We do both. And actually, most of the machines in the Spielo portfolio are the traditional thick client machines, with all the game logic and game math based inside the machine. Italy is a market, however, where it is somewhat thin. Many functions, like the game logic and math, are delivered by the central server, not the game machine itself. It's called a 'central determinant' system because the wagering outcome is generated on the host system and displayed on the gaming machine. We do both, depending on the public policy, regulatory, and market needs. Sometimes the operator has an objective that's better accomplished with more functionality residing in the cabinet. Some data-rich games require that. Or maybe the operator wants the venue to have some flexibility to manage the game content available on the individual terminal. If that's what the operator wants, and if the regulatory framework allows it, then we're certainly capable of delivering that. Italy, for instance, does not want that. They want the vast majority of control to be executed at the central server level. They feel that method yields the highest level of integrity and security. Too, the technology to support really great games in a thin client platform has become quite advanced, so you're not sacrificing an enhanced play experience in order to host all game content at the central server level.

*I would think that the future of CRM (customer relationship management) in our industry would include integrating the many different games, channels, media, promotions, etc.*

*to create a more cohesive, consistent face to the customer. Too many options with different user interfaces and protocols will lengthen the players' learning curve and impair their ability to absorb more product. Wouldn't the customer who plays a game on a VLT at the bar want to see the same game with familiar rules of play and interaction on their computer when they get home and jump online?*

**V. Duarte:** Exactly. The customer is going to want their user interface to be user-friendly. That means they want it to be simplified, familiar, and consistent. They'll want the provider of gaming entertainment to make it easy for them to access the vast variety of options that will become available in the coming years. The players don't want to be forced to learn the protocols and operating instructions and user interfaces of all the different cell phones and computers, right? Likewise, they'll want their game provider to make it easy for them to access and play the games they like. Lotteries are in the ideal position to deliver this unified, simplified user experience. The direct connection they have to the largest pool of customers in the gaming industry gives them an almost unique ability to create this 'anytime, anywhere' gaming experience.

We are working with our affiliate companies, GTECH, GTECH G2 and GTECH Printing, to help our clients create that player relationship. We're working together to help lottery operators integrate the games and channels so that the player will be on familiar ground when they switch from the VLT that they were just playing at the nightclub over to the Internet-accessed site on their home computer. We can build user interfaces and protocols that make it easier for the player to try new games and even discover new channels. Player cards and loyalty programs will be a key part of any good CRM strategy. You can see this being done now with second chance drawings in lottery. The lottery player who buys tickets at the store is invited to enter a second-chance drawing online. This eases the player into a new channel with a product and game provider they know, trust, and like. We feel that the customer wants the operator to create a broad comfort zone that includes all varieties of games and

channels, and so we want to help the operator do that. We feel that creating this holistic relationship with the player – that is, integrating the games, channels, and media – is the Holy Grail of gaming. Lotteries are truly in a better position than anyone to achieve this.

Delivering on this promise of integration is key to Lottomatica's long-term strategy. GTECH, Spielo, GTECH G2, GTECH Printing are all working to achieve it, and you'll see some breakthrough initiatives within the next two years. In fact, this broad portfolio of capabilities has been brought together under the Lottomatica umbrella for the purpose of achieving it.

*To what extent is the Italian model going to be emulated in other jurisdictions?*

**V. Duarte:** I hope to see this model in other jurisdictions, since Spielo has fared so well under the most demanding expectations represented in the Italian model. Italy has certainly done many things worth emulating. But all jurisdictions are different – they each comprise different cultures, different gaming legacies, and a different socio-political fabric. So the regulatory frameworks will always be different. Italy, though, took all of their different objectives into consideration, assessed the different options for accomplishing those objectives, then set forth a system of rules and regulations that were rigorous, even uncompromising, but also straightforward. Those high standards, combined with a complex gaming environment, tested the commercial community's ability to deliver. I'm very proud of the way our team met the challenge and truly delivered on every front. And Italy has ended up with one of the most ambitious and sophisticated gaming models in the world. Spielo was the first solution provider, launching before anyone else, and to date connecting more facilities and games than anybody else. And it's all performing magnificently.

*This is a truly distributed market on a more massive scale than has ever been attempted before, correct? And all that on an accelerated timetable.*

**V. Duarte:** It definitely brought out

the best in everyone who was able to meet the established standards. And yes, it is a massive implementation. But most importantly, it is highly regulated. The operators and their commercial partners are required to perform at such a high standard, that we're all learning and taking away a whole new level of competencies from our experience in Italy. It's a combination of a gaming infrastructure that meets the needs of the people; complies with the most vigorous standards for security and integrity; employs innovations that virtually guarantee that tax obligations are always met and that fraud is eliminated; and minimizes or even eliminates gray markets of all stripes. These accomplishments reflect the amazing vision of the Italian regulators and the resourcefulness of their commercial partners. Of course, Italy is not the only regulatory framework that warrants praise. Sweden, Atlantic Lottery, Quebec, Oregon, and many others are all setting standards in their own way, and serve as great examples for other jurisdictions exploring their options for regulatory frameworks.

*Player cards would seem to me to be such a key part of any progressive customer relationship management (CRM) program. How reluctant are the players to disclose their identity and are their ways to overcome that reluctance?*

**V. Duarte:** There are many different kinds of player club programs, and some do not require the players' identities to be disclosed to anyone, including the operator. So there are systems that can meet the needs of players who are more reticent about revealing personal information. A player can be given an account number that could, for instance, allow points to be credited to the account for frequent play, or could allow the operator to credit the account with different kinds of promotional incentives or awards or bonusing, or that could enable the operator to collect data that informs game development and responsible gaming programs, and much more. There is much that Player Clubs and i.d. cards can do to engage player loyalty, increase player satisfaction, provide marketing data, all without sacrificing player anonymity.

*And the great thing is that young adults totally understand that, don't they? They're not as skeptical about the ability of technology to work properly to protect their interests.*

**V. Duarte:** Young people can have strong opinions about what they consider appropriate behavior for businesses. Their sense of who they are and how they manage different sets of relationships can also be different than their elders. They typically share much more about themselves with a much broader circle of friends, and derive their sense of self from the social networks they develop.

This notion of where an individual draws a line between personal and public information differs not just by age, but also by culture. This has actually been an object of much study for us, and we've found very interesting differences in attitudes towards privacy across different cultures. Of course, attitudes about so many things vary, and that's why researching information about player preferences in individual jurisdictions is so important. In the end, player i.d. cards are a valuable tool to help the operator create a better overall player and gaming experience, as long as the decision to implement the cards is based on sound market and player research.

*What is the most critical action an operator could take to "future-proof" oneself?*

**V. Duarte:** The first thing would be to choose your commercial partner wisely. You want a partner that has extensive experience developing technology tailored specifically to your gaming model. But that's obvious. Another thing to do would be to ensure you invest in technology that communicates using open standards interfaces, and that is able to integrate new innovations, new game content, and evolve with your needs. The Gaming Standards Association (GSA) champions a system of protocols that enable interoperability in game to systems and system to system processes. Spielo has worked extensively with GSA to promote the value of open standards for distributed VLT operators, and we've developed protocol extensions that meet the distributed VLT market's needs. ♦

Innovation and progress is driven by a healthy collaboration between the operator and the commercial supplier sides of the business. The mission of PGRI is to support and nurture that relationship. Working together, lottery operators and their commercial suppliers are building successful businesses that will serve the interests of all their stakeholders, most importantly the beneficiaries of lottery proceeds.

The leaders of the commercial community play a vital role in our industry. We are thankful for their invaluable contributions to the exchange of ideas that happens at Lottery Expo. Their products and services are the result of a tremendous investment in R & D, and their insights and capabilities are informed by a deep experience in all aspects of the lottery business. Following is their story. Please also visit the conference website ([www.PublicGaming.org](http://www.PublicGaming.org); notice this is ".org" and not ".com" which is our gaming news website) to see their presentations. The video-recorded presentations of our conference presenters will be posted soon on this conference website. Check it out!

**Scientific Games Corp:** Scientific Games Corporation is a global gaming leader dedicated to bringing a comprehensive, end-to-end portfolio of secure, high quality, player-engaging products and services to government-regulated and sponsored gaming organizations the world over. Scientific Games has its roots in innovation and since its very beginning assumed a leadership role in developing the technological innovations that led to the evolution of the modern lottery industry around the world. The company is largely responsible for making the instant game product what it is today by introducing new marketing techniques, new printing technology and improved security features to arguably the most successful retail product in history.

For 30 years, lotteries have put their confidence in Scientific Games. The company and its 4,000 employees take pride in the fact that their products and services play an important role in supporting a variety of "good cause" programs funded by lotteries throughout the world.

The company differentiates itself through creative and responsible revenue-enhancing game content, security of offerings, retail knowledge, and proven ability to deliver world-class technology and network solutions to its customers. Headquartered in New York City, Scientific Games has customers in approximately 50 countries on six continents and has manufacturing and operational facilities in North America, South America, Europe, Asia, and Australia.

Scientific Games' comprehensive array of products and services includes instant ticket manufacturing, systems and services; lottery gaming systems; licensed, branded games; operational and facilities management services; video gaming systems, software and terminals; server-based systems and gaming machines; amusement-with-prize (AWP) and skill-with-prize (SWP) betting terminals and Internet, mobile and other interactive games and solutions.

This year was another filled with innovation for Scientific Games. SciPlay, a joint venture with Playtech Ltd., the world's leading supplier of Business-to-Business (B2B) Internet gaming solutions and owner of the world's largest online poker network, positions Scientific Games to bring a full suite of next-generation Internet products and services to regulated gaming markets. The Internet, mobile and interactive games are anticipated to be the next large wave of growth in gaming and Sciplay's principle objective is to unlock their full potential consistent with applicable regulation.

In addition to Sciplay, the joint venture allows Scientific Games to integrate new technologies, new controls and new games into its existing video product offering with far greater functionality at lower cost, while meeting current and emerging industry standards and protocols (S2S and G2S).

The Company also acquired GameLogic Inc., a provider of interactive marketing services for the U.S. regulated gaming industry. This acquisition includes GameLogic's software for Internet-based lottery player loyalty programs and an extensive suite of over 90 interactive games. GameLogic takes Properties Plus™ to a new level by adding front end player engagement content and software to provide a robust, highly interactive and fun player experience, which is a necessary and attractive part of any VIP club.

These latest business ventures give Scientific Games greater flexibility to deliver new, creative game content across multiple channels in a manner consistent with an emerging, player-friendly concept known as, "Play Anytime. Play Anywhere." Where permitted by law, government lottery operators have begun positioning themselves to make these game- and play-types available to their players, and are doing so within a well-defined regulatory framework that incorporates responsible gaming principles and provides a safe, secure gaming experience supported by absolute integrity. These are just a few examples of how to further expand the World of Possibilities available to customers of one of the industry's most experienced and reliable lottery innovators, Scientific Games.

**INTRALOT:** In just less than 20 years, INTRALOT has become a leading supplier of real-time Gaming and Transaction Processing systems, Innovative Game Content, Sports Betting Management, Video Lottery Central Monitoring and Internet Gaming services to government-licensed gaming organizations worldwide. INTRALOT's highly specialized products and services, the dedication, professionalism and keen sense of client relations of its 5,000 employees around the globe, along with its portfolio of leading-edge technology solutions, give them the ability to blaze new trails in the international gaming market. INTRALOT's passion and commitment to customer satisfaction, as well as their perpetual focus on improvement and solid growth in a socially responsible manner, have enabled the company to expand its reach with contracts in 50 countries, including 13 in the highly-competitive U.S. marketplace. Superlative Corporate citizenship, integrity and transparency have always been an absolute priority in defining the manner in which INTRALOT operates with its clients, partners and employees.

INTRALOT prides itself on keeping one very important goal in mind, establishing successful, long-term business partnerships with its clients and offering them a complete range of innovative products and services. The company's reputation precedes itself as INTRALOT is recognized globally for offering real value to its client/partners and their beneficiaries, timely commitment to customer needs, dedication to quality and flexibility to adapt to local markets.

The integrated Lottery systems developed by INTRALOT rank among





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the most advanced and flexible systems available worldwide. INTRALOT products are distinguished by their quality, reliability, adaptability, expandability and security. These hallmark traits are made possible through ceaseless investment in Research & Development on advanced technologies and software development processes and creates the conditions required to quickly and efficiently utilize innovations in new products and value-added services.

The gaming market is evolving rapidly and exciting new opportunities are continuously becoming available to INTRALOT. Internet gaming is expanding globally to become a viable product channel and INTRALOT has been paving the way for the future in Internet Gaming through its new subsidiary INTRALOT Interactive (I2). In addition, INTRALOT has made a significant investment in CyberArts, a company that delivers the most advanced enterprise-grade gaming software in the marketplace today. CyberArts Universal Gaming Platform provides the most customizable and stable online gaming platform for online and server-based games. Built to modern, enterprise class architectural standards, it provides all the elements to create a secure, scalable and robust gaming solution that reflects the Operator's unique brands and business plans. The Foundation platform also supports multiple languages and currencies and is scalable to support thousands of simultaneous players.

INTRALOT places security as the cornerstone of its operations and consequently has become the first International lottery vendor certified by the World Lottery Association (WLA) Security Control Standard certification along with ISO/IEC 27001:2005 certification.

INTRALOT, publicly listed on the Athens Stock Exchange since 1999, closely associates the growth and development of its business operations with the promotion of the concept of Corporate Social Responsibility, contributing to the enhancement of the quality of life and the cultural development of the local communities in which it operates.

INTRALOT plays an active role in the International gaming community and contributes decisively to the future development of the industry. The global company is a member of all major international gaming associations, including the World Lottery Association (WLA), European Lotteries & Toto Association (EL), the North American Association of State & Provincial Lotteries (NASPL), CIBELAE (the Hispanic association that covers South America and the Iberian peninsula), as well as the Gaming Standards Association (GSA) in the USA and the Asia Pacific Lottery Association (APLA).

**GTECH:** is a leading gaming technology and services company, providing innovative technology, creative content, and superior delivery. GTECH is a single source of accountability for online central systems, system design, flexible retail solutions, game development, marketing services, and ongoing support operations worldwide. GTECH leverages, it's parent company, Lottomatica S.p.A., the world's largest commercial lottery operator and a market leader in the Italian gaming Industry. GTECH and Lottomatica together create a fully integrated gaming technology,

end-to-end, full-service lottery solutions provider – a combined company with worldwide scale, considerable financial strength, and industry-leading customer solutions.

Our core strengths are secure, high-volume transaction processing; network integration; infrastructure development; and government contracting. Our mission is to maximize these capabilities and deliver superior performance and added value to our customers in the lottery industry, gaming venues and commercial services sectors.

## GTECH Overview

As a global leader in the world's online lottery business, the name GTECH is synonymous with the industry it pioneered and helped to build. GTECH is a full service technology and business solutions partner catering to all of the systems and support needs of online lottery operators worldwide. This comes from GTECH's ability to analyze the specific needs of each customer and to design solutions that meet the widest array of operating requirements. Excellence in software design, point-of-sale, instant ticket design and printing (GTECH Printing Company) video lottery terminal manufacturing, full suite of self-service vending solutions, local area network/wide area network communications, sports betting/new media expertise, and central system installations on six continents are the hallmarks of GTECH's technical and customer service competencies.

## Lottomatica Overview

Lottomatica is a leader in the Italian gaming industry, with a dedication and focus on responsible gaming and corporate social responsibility. Lottomatica has built an extensive real-time, online distribution network, with approximately 190,000 terminals in 90,000 points-of-sale throughout Italy (including approximately 17,000 points-of-sale where Lottomatica provides only Processing Services for third parties), comprised of tobacconists, bars, petrol stations, newspaper stands, and motorway restaurants. Since 1993, Lottomatica has been the sole concessionaire for the Italian Lotto game, which is the largest online lottery in the world in terms of wagers.

## GTECH Gaming Solutions

GTECH provides complete gaming systems technology to Government sponsored machine gaming programs as well as commercial and Native American gaming venues. GTECH is a single source of accountability for online central systems, system design, game development, marketing services, and ongoing support operations worldwide.

The combined strengths and experience of GTECH and its subsidiaries ATRONIC and SPIELO, leading providers of gaming machines and related services, make a powerful partnership in the supply of technology and support services to the worldwide gaming market.

## GTECH New Media and Sports Betting

GTECH's New Media & Sports Betting division, GTECH G2, is comprised of four subsidiaries – Boss Media, St Minver, Finsoft, and Dynamite Idea – focused on providing software and services in the Internet and sports betting market. The goal of this division is to become the leading

*Continued*



**GTECH®**

Architects of Gaming

provider of best-in-class sports betting and interactive white label solutions and services to the regulated commercial and government-sponsored gaming industry.

The over arching strategy of GTECH is to bring all of these capabilities together to future-proof our customers and maximize revenues for the good causes that they support.

**International Game Technology (IGT):** specializes in the design, development, manufacture, distribution and sales of gaming machines and systems products worldwide, as well as online and mobile gaming solutions for regulated markets.

The parent company's name—International Game Technology—reflects its global reach, its product emphasis and its history of technological innovation. The growth of IGT can be traced directly to the expansion of the casino industry and the ascendancy of gaming machines as the primary revenue drivers for the modern casino floor.

IGT is the global leader in creating games that players love. With the industry's largest library of spinning reel, video reel and video poker games, IGT offers operators and players an unrivaled gaming experience. The hallmark of IGT's game development success is to consistently deliver fresh, engaging content that balances flexible configuration options and proven profitability with unparalleled graphics, rich sounds and immersive game play concepts and bonuses.

IGT has been involved with video lottery markets from the very beginning in 1989, when South Dakota was the first state to implement video lottery gaming utilizing a Central System technology to monitor the video lottery terminals. IGT has worked with every video lottery market that has been created since then. IGT is proud to be the only gaming company to provide machines in every video lottery market in the United States. This history and unmatched experience in the video lottery market helps IGT provide a wealth of knowledge and expertise to regulators and operators.

IGT's priority is to develop even better games for all segments of the gaming industry—including video lottery markets. By offering the most modern, specifically tailored products, the Company is able to help lottery customers compete with traditional gaming markets and border-state competition.

Through IGT's innovation and considerable investment in research and development initiatives, the Company has led the industry with numerous technology firsts that help the public gaming sector "level the playing field" between video lottery jurisdictions and traditional casino markets.

IGT has a strong history of leadership in the video lottery market and will continue to be a leader for many years to come. The Company is proud of the partnerships we have developed with our existing lottery customers, and we will continue to offer our experience, expertise and support to emerging markets.

Since the company's beginning, IGT has offered gaming operators and players the best in gaming entertainment. Today IGT products still stand out on the racino/casino floor by featuring exhilarating game play combined with industry-leading products and technologies. We will continue to develop those partnerships by providing the best-performing games and systems, and we will continue to create solutions to help our customers succeed.

**Pollard Banknote:** is one of the world's leading full-service lottery suppliers focusing on all facets of instant ticket production, including related programming, design, and marketing support. Our company also supplies pull-tab tickets, bingo products, and comprehensive lottery management services to a growing list of customers worldwide.

Pollard Banknote was founded as a commercial printing operation in 1907 and became a specialized security printer of stamps, stock certificates, bonds, and other documents in 1974. This combination of graphics and security printing experience led to a successful transition to instant lottery ticket printing in the mid-1980s.

In 2005, Pollard Banknote, a private, family-owned company since its founding, went public—a change that strengthens our commitment to the lottery industry and enhances the company's ability to continue to compete and grow within it. Listed on the TSE, Pollard Banknote currently provides instant tickets and related services to more than 45 clients, including many of the largest and most respected lotteries in the world.

Pollard Banknote operates five manufacturing facilities across North America. These facilities are located in:

- Winnipeg, Manitoba, Canada
- Ypsilanti, Michigan, U.S.A.
- Barrhead, Alberta, Canada
- Sault Ste. Marie, Ontario, Canada
- Council Bluffs, Iowa, U.S.A.

Together, these five operations total over 510,000 square feet, employ more than 1,100 staff, and provide numerous production lines through which we are capable of manufacturing approximately 18 billion ESS tickets annually.

Pollard Banknote has now served the lottery industry for 25 years and is an active member of the World Lottery Association (WLA), the North American Association of State and Provincial Lotteries (NASPL), and the Asia Pacific Lottery Association (APLA). Our efforts have earned us a reputation as an honest, reliable, and innovative partner.

Sound executive direction, continuous investment in advanced equipment and infrastructure, compelling new products, and consistent marketplace successes ensure that our company remains a leader in the lottery industry. Today and going forward, lotteries throughout the world can count on Pollard Banknote's ongoing presence as a solid contributor and dedicated supplier to the lottery industry. GTECH New Media and Sports Betting

GTECH's New Media & Sports Betting division, GTECH G2, is comprised of four subsidiaries – Boss Media, St Minver, Finsoft, and Dynamite Idea – focused on providing software and services in the Internet and sports betting market. The goal of this division is to become the leading provider of best-in-class sports betting and interactive white label solutions and services to the regulated commercial and government-sponsored gaming industry.

The over arching strategy of GTECH is to bring all of these capabilities together to future-proof our customers and maximize revenues for the good causes that they support.



# LOTTERY EXPO 2010

Wynn Las Vegas  
November 16 & 17

It's been over 40 years since Peter Drucker, in "The Age of Discontinuity", talked about how change and the destabilization of markets can be turned to work to our advantage. The rate and complexity of change have increased, but the principle that change and discontinuity always opens way more doors than they close remains relevant today. Even with their many constraints, Lottery operators are absolutely in the catbird seat. The power of their brand, their reputation for integrity, their direct connection with millions of consumers, their massive network of retail distribution, their public service mission, all contribute to a most formidable competitive advantage. Lottery Expo is about leveraging that advantage for the benefit of the Good Causes and tremendous public service that government-sponsored gaming operators support.

## LOTTERY EXPO PROGRAM

**MONDAY,  
NOVEMBER 15**

**5:00 pm to 7:00 pm**

Welcome Reception!

**TUESDAY,  
NOVEMBER 16**

**9:00 am**

**Paul Jason**, PGRI, opens the conference sessions

**SESSION:** Multi-jurisdictional super-jackpot lotto games: *United We Stand* What is the next step? How will the marketing, promotion, pricing of the super-jackpot games change to drive continued growth? How can the performance of the entire lotto category be improved with better product differentiation and market segmentation? Can brand strategy and advertising be nationalized? Specific initiatives of focus include \$2 game in the U.S. and Lotto Max in Canada. Additionally, implementation of these games (and the multi-jurisdictional

Internet poker game in Canada) required operators to break through barriers to collaboration. Collaboration is so key to the future success of lotteries. What are the obstacles to further collaboration and how can they be overcome?

- **Rebecca Hargrove**, CEO Tennessee Education Lottery
- **Margaret DeFrancisco**, CEO Georgia Lottery Corporation: *An Industry at the Crossroads – will it be Stagnation or Innovation*
- **Terry Rich**, CEO Iowa Lottery Authority: *Critical Mass of Players – What it Means for the US Lotto Games*. Now that the US lottery market has reached critical mass, how do Lotteries leverage their brand marks and promotional opportunities to partner for greater success? Terry Rich, MUSL's Marketing Chair, will discuss the ideas for promoting these well-known brands, as well as how industry leaders are laying the national marketing and PR foundation for a new premium game.
- **May Scheve**, Executive Director Missouri Lottery

- **Jean-Marc Landry**, Category Manager, Ticket Lottery, Atlantic Lottery Corp.: *LOTTO MAX*

### PLATINUM SPONSOR PRESENTATIONS

- **Jim Acton**, Vice President Business Development, MDI Entertainment
- **Ken Arnold**, Founder & Chairman CyberArts, an INTRALOT SA company: *Online Gaming Internet Gaming – The Future is Now*. Lottery operators are positioned better than anyone to be the face of gaming for the consumer and the one-stop Player User Interface for games. This presentation will focus on how Lotteries can use the Internet to become the Consumer User Interface for gaming.

### Noon to 1:00 pm: Lunch

**AFTERNOON SESSION:** Internet Poker and casino-style gaming are evolving rapidly in Europe and Canada. Communicating with political constituents, the media, and the general public; Guaranteeing security and integrity of the games and personal information; The importance of scaling-up quickly



for social networking and “peer-to-peer” games (like Internet poker), are all topics to be addressed.

- **Salim Adatia**, CEO of TST, a Gaming Lab's (GLI) Company: *Advantages of Regulations in a Digital World*: Game fairness, player protection, integrity of systems and criminal activity are being safely and effectively regulated in jurisdictions around the world. New technologies enable the regulator to prepare for a future that includes digital, interactive, and internet-based gaming.
- **Simon Holliday**, Director H2 Gambling Capital: *Interactive Gaming: Threat or Opportunity to Traditional Lottery Games?* The proverbial “first mover” advantage is critically important to success in i-gaming initiatives, especially in peer-to-peer games like poker. Counselor to investment bankers Simon Holliday explains the stages of market development in i-gaming and how lotteries can consolidate their position in the most vital link to the next gen’ gamer.
- **Michelle Carinci**, CEO Atlantic Lottery Corp.: *The Evolution of Internet Gaming: The Canadian experience*. Challenges and opportunities, the landscape today, the future before us, and the path beyond tomorrow.
- **Martin Kon**, Partner and Head of Media, Entertainment & Leisure, Oliver Wyman Group (Advisors to IL Lottery in its initiative to outsource the management of the state lottery to a private manager). *Creating and Capturing New Value in the Lottery Industry* – exploring ways to drive unprecedented, and sustainable financial growth. Lessons from Illinois- and beyond.

**PANEL DISCUSSION:** New ownership-management models are being applied to government lotteries. What are the pros and cons of the different models?

#### **PLATINUM SPONSOR PRESENTATIONS**

- **Suzanne Hardin**, Senior Integrated Marketing Manager, Licensed Products, Pollard Banknote Ltd. *The Gam-*

*ification of Life*: Consumers respond positively to businesses that turn everyday transactions into an opportunity to entertain. Games entertain. And who knows games better than Lottery? Lotteries’ knowledge of the mechanics of games and what makes them fun empowers them to be leaders in this new cultural and business phenomenon: the Gamification of Life.

- **William Scott**, Vice President Strategic Business Development GTECH G2
- **Alex Kelly**, Vice President New Media Sales & Business Development IGT

#### **“THOUGHT LEADERSHIP” PANEL**

**DISCUSSION:** *Imminent Action Plans:* The commercial community is a tremendous resource for innovation and positive change. What do they see as the most important, big-picture, paradigm-shifting trends in consumer and player behavior that will shape the future of the gaming industry? And what should lotteries be doing now to position themselves to take full advantage of those macro-trends?

**PANELISTS:** Ken Arnold, CyberArts; Alex Kelly, IGT; Suzanne Hardin, Pollard Banknote; Michael Lightman, Scientific Games Corp.; William Scott, GTECH G2

**5:00 pm to 7:00 pm**

Reception

## **WEDNESDAY, NOVEMBER 17**

**9:00 am**

Conference reconvenes

**MORNING SESSION:** Government Expansion into Electronic Games is changing the gaming environment for lottery operators in major ways. The complexity of portfolio management, the challenge of maintaining alignment between all our different stakeholders and constituents, the challenge of keeping up with technological change and changes in consumer preferences - all of this increases exponentially. It also spells huge opportunity for government lotteries to consolidate their position of dominance as our industry moves into Gaming 2.0.

- **Ethan Tower**, Protocol Director of Gaming Standards Association: *Advancements in Player User Interface (PUI) technologies* promise to transform the “gaming” experience into an entertainment and full-fledged services experience.
- **David Schwartz**, Phd., Professor and Director of the Center for Gaming Research at University Nevada in Las Vegas (UNLV)
- **Wayne Lemons**, Director Delaware Lottery: *Crossover Happens: Let's Make it Work for Us and Not Against Us*. The multi-tasking new age player has become a moving target. They love variety, migrating between games, channels, and venues. How can the operator create the synergy between traditional lottery, video lottery, table games, sports betting, internet and other new games and channels in ways that keep this energetic consumer engaged?
- **Stephen Martino**, Director Maryland Lottery

#### **PANEL DISCUSSION: Q & A Session**

- **Tom Shaheen**, Vice President of Business Development Linq3: *What if You Could Double Your Distribution Outlets?!* The ATM technology that transformed the banking industry 20 years ago is poised to do the same for lottery. In collaboration with state lottery commissions and lottery operators, Linq3 has developed the secure protocol for lottery transactions on ATM's and other unmanned points of sale.

#### **12:30 to 1:30 pm: Lunch**

**AFTERNOON SESSION:** Integrating new games, channels, and media with traditional lotto and scratch-offs. Cross-promoting for optimal overall impact on the entire product portfolio. Forward looking lotteries are integrating traditional lottery with the Internet, Social gaming, and extended-play gaming experiences. Second-Chance Drawings are a fabulous start, but just begin to tap the incredible potential. Creating a mutually

supportive relationship between channels will engage the support of the retailers and produce superior results for the lottery operator. How will land-based retailers fit into the integrated model of the future?

- **Jenny Canfield**, Director of Operations Minnesota Lottery: *Internet Strategies for Lotteries*: How and why internet strategies complement and position the Lottery for present and future growth. Minnesota progress to date and future plans to integrate traditional games with internet components such as interactive games, 2nd chance drawings, purchasing and social media.
- **George Parisot**, Director Montana Lottery: *Online Player Loyalty Programs*: Our customer interacts with us through more and more "touchpoints." Retail stores, your lottery website, and now we can add an entirely new mix of social media marketing tools. Integration is key. A Player Loyalty Program ties it all together, creating an affiliation that engages the player across this ever increasing number of games, channels, media, and promotional campaigns.
- **Clint Harris**, Executive Director Minnesota: *Lottery Subscription Services*: Presenting an internet venue of purchasing for players in Minnesota while maintaining high standards of responsible gaming and being compliant to state and federal legislation.
- **Joan Borucki**, Director California Lottery: *If You Build It, They Will Come – The Ultimate Interactive Players' Platform* – The advantages and the challenges with California's plan to transform its informational website to a player-focused, entertainment destination.

#### PANEL DISCUSSION: Q & A Session

J. Canfield, G. Parisot, C. Harris, J. Borucki

#### COFFEE BREAK & SPECIAL SURPRISE TREAT

The General Counsel Perspective: Keeping your lottery compliant with state and federal regulations: Q & A Session with **Kurt Freedlund**, Sr. Vice President and General Counsel of Georgia Lottery Corp. and **Dale McDonnell**, Asst. Director and General Counsel of the Minnesota Lottery

**PANEL DISCUSSION: Not for the Faint of Heart**: Imagining a future of gaming and lottery exploding with incredible potential for the bold and progressive operator. Who and what will be the agents of transformation over the next five to seven years?

**PANELISTS**: Tom Shaheen, Linq3; Rick Weil, Scipaly; others TBA

**5:00 pm:**  
**Conference Adjourns ♦**



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**OPENING RECEPTION**

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**CONFERENCE SESSIONS**

**Tuesday & Wednesday**

**RECEPTIONS**

**from 5:00 – 7:00 pm,  
Tuesday & Wednesday**

**Speakers and specific program  
to be announced as it is confirmed.  
Check in at [www.PublicGaming.org](http://www.PublicGaming.org)  
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**The presentations from the SMART-Tech  
March 2010 conference are available  
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Philippe Vlaemminck & Annick Hubert

## The Regulation of Online Gambling in the EU: An Extraordinary Roadmap

The last couple of months, online gambling has become the focus of the debate in the European Union. Not only on the legal but also on the political level. Like the early case law of the Court of Justice of the EU defined games of chance to be an economic service of a very particular nature, we see that the road towards the regulation of online gambling in EU is also far from common.

In 1992, during the Edinburgh Council, the Heads of State and Government decided that there was no need for an EU regulation on gambling. Based on the principle of subsidiarity, it was not deemed necessary at that time to find a common approach regarding games of chance, since the national level seemed the most appropriate to regulate these services of a very particular nature. When afterwards the online provision of games of chance in Europe increased exponentially, the application of this principle as such did not change but the facts of the European market clearly did. 18 Years later, the EU Member States are still considered to be the most appropriate level to regulate and control games of chance in the EU, but the reality of the online market clearly requires a coordinated approach between all the EU Member States in order to maintain and enforce their national restrictive gambling policy. Today, the EU Member States are no longer capable of regulating and controlling all aspects of gambling on their own, given the essential transnational nature of online games of chance.

That being said, games of chance have proven to be a sector in which any political debate is particularly sensitive. The normal institutional play between the EU institutions has been turned upside down, in order to come where we are today: namely Member States discussing common challenges of cross border gambling services in the Council and the Commission's intentions to adopt a Green paper on online gambling early 2011.

Indeed, in principle, any kind of policy initiative in the EU starts with preparatory work of the Commission, including a stakeholders consultation, which leads to the adoption of a Communication or Green paper. If, based on that consultation, it seems an EU initiative would be appropriate and desired, the Commission will address certain options in a White Paper, followed by a genuine Commission proposal on the issue. For internal market matters, such a proposal will be drafted by the Commission services responsible for the internal market (DG MARKT). Such a proposal will be discussed, and amended, by the European Parliament and the Council (consisting of the EU Member States), who are the two main decision-making bodies in the EU. Both the Council and the European Parliament need to agree with the final text. This is the way it normally goes. Regarding gambling services, the road towards the first stage of any kind of Commission initiative has been very different.

Indeed, in the gambling sector, we are confronted with a vast series of rulings of the Court of Justice of the EU since 1994. There is probably no other sector, not regulated on EU level, in which the Court was required to deliver so many judgments which had an important political connotation. After more than 15 years of EU legal proceedings, the Court of Justice of the EU is clearly fed up with playing the political arbitrator. As one of the judges

explicitly pointed out, in the absence of any secondary legislation, the Court has no other option than to apply the rules of the Treaty. This is no longer feasible in the area of games of chance. This tendency of the Court to implicitly push for a EU framework on gambling services was rather obvious in the most recent rulings in the *Markus Stoss* and *Carmen Media* cases.

After being confronted with a huge amount of legal proceedings before the Court, the representatives of the Member States before the CJEU started discussing this particular situation in an informal way. Based on this discussion the initiative was taken by a couple of Member States to set up an ad hoc Council WG to discuss the matter of gambling services in the EU. The French Presidency, the second semester of 2008, has started the political debate within the Council, followed by the Swedish, Spanish and Belgian Presidencies. During these discussions the Member State have pointed out their common concerns and problems generated by the online provision of games in the EU. The current Belgian Presidency is focusing its activities to reach council conclusions, which would be a first real common position of the Council on the issue. This would be a very important political sign from the Council to the Commission about those gambling related areas which, according to the Member States, need a coordinated approach. Getting there is not easy as it requires an unanimous decision by all 27 Member States and, as it stands today, the views of several Member States are still often very different.

At the same time, in February 2010, the new Internal Market Commissioner Barnier, announced its intentions to come up with a Green paper on online gambling services. The push of the Member States in the Council towards the Commission, and the aforementioned signal of the Court not to be able any longer to rule these cases based upon the Treaty principles, are very important for the Commission to have enough support for a consultation on this very specific matter. So, contrary to what is usually the case, the Member States of the EU have pushed the Commission to take an initiative in this area, given the tremendous problems that are caused by online gambling and the difficulties encountered by the Member State to unilaterally tackle illegal gambling.

The Green Paper of the Commission is aimed to determine, based on the broad stakeholders consultation, whether an EU initiative would be useful and appropriate. The Green paper will consist of a description of the main concerns and a list of question in that respect. This Green Paper will only lead to a further policy initiative on EU level if it is needed and wanted. It will not lead automatically to a legislative proposal by the Commission and will not necessarily lead to any harmonization in the field of games of chance. Nonetheless, the initiative of the Commission is very important for all stakeholders and governments, to finally obtain some legal certainty at a moment in a time when many Member States are feeling the pressure on national level to open up (partially) their gambling market. It seems that, after 15 years of battle on different levels, both the EU and the Member States are now ready to reflect together on a political solution to guarantee a sustainable environment for gambling services in the EU. ♦

[1] Philippe Vlaemminck is the managing partner of Vlaemminck & Partners, a Belgian law firm specializing in EU & WTO law and for more than 20 years substantially involved in defending the cause of lotteries at all levels (internet, privatizations, regulatory approaches, ...). His e-mail address is Ph.Vlaemminck@vlaemminck.com

[2] Annick Hubert was previously a State Attorney of the Belgian Department of Foreign Affairs, legal representative of the Belgian Government at the Court of Justice of the European Union and the European Free Trade Area Court. She is a partner of the EU law practise group of Vlaemminck & Partners. Her e-mail is A.Hubert@Vlaemminck.com





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