

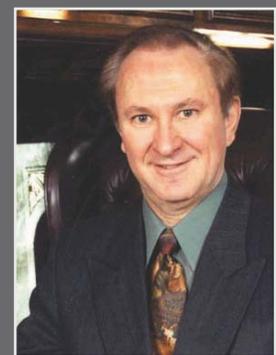
PUBLIC

January/February 2011

GAMING

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

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



Clockwise from bottom left: Dr. Gerhard Rombach, Friedrich Stickler, Jaymin Patel, Philippe Vlaemminck, Risto Nieminen and Alexander Manu.

AWARD RECIPIENT

Dr. Ed Stanek receives the Guy Simonis Lifetime Achievement Award

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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 or call U.S. + 425.449.3000.

Thank you!



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From the Publisher

Paul Jason, CEO, Public Gaming International Magazine

Congratulations to **Margaret DeFrancisco** (President & CEO of the Georgia Lottery) and **Ed Trees** (Former Executive Director of the Pennsylvania Lottery) for their selection as the 2011 Recipients of the Major Peter J. O'Connell Lottery Industry

Lifetime Achievement Award. The leaders of the industry selected them for this recognition based on their years of service. Mrs. DeFrancisco was president of NASPL for the 2009-2010 term when the cross-selling of super-jackpot multi-jurisdictional games was implemented. As the immediate past president of NASPL, Ed Trees had the pleasure of following through on these initiatives. This has been a most interesting time for the association and all its members. The business of forging collaboration, finding the common ground and overcoming differences, is not easy. We want to congratulate and thank all the lottery directors who have worked so hard to build consensus and make it all happen. I am excited and optimistic about a future in which lotteries work together to build the most powerful consumer brand in history. And double congratulations to Ed Trees on his retirement from the PA Lottery. Here's hoping that the next stage includes another active role leading our industry to new heights in the coming years! Please join us to honor Margaret and Ed at the Award Ceremony, held at 1:00 pm., March 23 in New York City at the SMART-Tech conference.

VISION VERSUS EXECUTION

Buzzwords and business themes come and go, typically with an 18 month lifecycle. It is easy to make fun of these buzzwords du jour, and we certainly do want to be aware of the transient nature and not be misled to think there is any one key that unlocks the mysteries of the universe. With that caveat, I think the themes du jour do serve a useful purpose to move our thought and problem solving process along. Recall what

Lou Gerstner said when he took the helm at IBM, just when IBM was imploding back in the 80's. He was asked "What is your vision for IBM?" His spectacularly famous response was "The last thing IBM needs now is a vision". Thus ensued countless rounds of debate over the relative importance of 'vision' versus 'execution'. I am resurrecting this old school "vision vs. execution" debate because I think it is relevant to some tough resource-allocation and mind-share decisions that are being made today in the lottery business.

We're constantly bombarded with the notion that if we don't rethink and reinvent our business models around all varieties of new media technologies, new game concepts, and social networking initiatives, we're not going to meet the needs of the next generation of consumers and our businesses will suffer. Of course, it's totally true. We need creative change-agents to drive innovation and long-term success. For an amazing and wonderful example of creative imagineering, take a look at **Alexander Manu's** "A Strategic Scenario for Brand Lottery". We need to think big, look beyond the next business cycle, and take steps now to build the foundation for tomorrow's business.

But while we're doing that, there's also a business to run. And in the case of lotteries, it's huge; a business with a giant revenue stream and the largest margins in existence (and the envy of heavily panting competitors). Turning a 2% increase in sales into a 5% increase in sales adds up to tens, sometimes even hundreds, of millions of dollars. Those aren't potential dollars that happen sometime in the future. They're actual dollars that happen next quarter. Producing that increase requires focus and discipline to execute on the fundamentals. In conversation with **Jaymin Patel**, I observed that while Gerstner lambasted the concept of vision as too fanciful for his tastes, he in fact executed a remarkable corporate transformation. Seems almost, well, visionary. Vision or execution? Mr Patel shows how, in the lottery industry, it's not vision that produces

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"We asked GTECH to analyze all of our retailers and territories, so we could determine how to maximize account potential. They delivered a very in-depth review, along with guidance on how to increase performance and grow revenue. GTECH even completed a comprehensive assessment of every non-lottery retailer in the state, showed us where to focus our recruitment



results, it's smart execution that begets smart strategy and it's the combination of those that produces results. Maybe we need to take a step back before we all sign up for the job of Chief Imagineering Officer?

GLOBAL BRAND LOTTERY

There was a debate between Bill Gates and Matt Ridley (Wall Street Journal Weekend Review, Nov. 27/28, 2010) over how to best deploy resources to help impoverished Africa. Ridley authored "The Rational Optimist: How Prosperity Evolves" which posits that it is better to focus on underlying causes for economic disfunction as opposed to simply giving more aid to relieve poverty. That's basically the notion that the assimilation of democracy and free-market capitalism is the solution to all economic dysfunction. Bill Gates argues that the magnitude of the problems are too pressing to wait for abstract theories to work their magic and we need a practical approach that includes increasing aid right now.

As interesting as the content of their debate is, the reason I refer us to this debate is that both Gates and Ridley spend the vast majority of their discourse focusing on what they agree on. Gates begins by saying "Although I strongly disagree with what Mr. Ridley says about some of the critical issues facing the world today, his wider narrative is based on two ideas that are very important and powerful". He then proceeds to explain those ideas and why they're powerful, genuinely embracing the validity of Ridley's reasoning (even while coming to different conclusions). Which brings me to Global Brand Lottery!

I asked both **Risto Nieminen** and **Friedrich Stickler** to discuss their agendas for the industry associations. Their agendas both depend upon lotteries all around the world focusing on their common interests and working together to accomplish them. In the U.S., we have multi-jurisdictional games and portfolio development, in Europe we have seminal regulatory matters being dealt with, and on the global stage we have the opportunity to build Brand Lottery into a powerful consumer brand that

brings literally billions of consumers together with a common affiliative experience (too, think about the implications of A. Manu's vision for this). There is so much to gain, for relatively small additional effort, when lotteries focus on and build on their common interests to create a United Front to the world.

One of the most concrete and exciting results of working together is evidenced in the recent direction of European regulatory laws and policy. **Philippe Vlaemminck** is a regular contributor who keeps us updated on these issues. So much of major importance has happened recently, though, that I asked Philippe to help us understand how the regulatory environment, and ultimately the competitive playing field, will change over the next 12 to 18 months. Philippe, Friedrich Stickler, Tjeerd Veenstra, Dr. Winfried Wortmann and their colleagues in the European Lottery Association have made a material impact on events of major import. They did this by clarifying their common interests and working together to accomplish a big, many thought impossible, task.

A United We Stand approach would include the mechanisms to effectively deploy throughout the world the incredibly great new ideas that are discovered in any one lottery operation. German lotteries, for instance, are needing to overcome severe constraints on their ability to communicate with the consumer. In a case where "necessity is the mother of invention", **Dr Gerhard Rombach** describes some of the most interesting new fields of study of how and why people play games and how they are using those insights to create new entirely new forms of interaction and connection to the consumers.

Thank you all so much for your readership and support! See you at SMART-Tech!!

efforts, presented their findings at our sales conference, and trained us in how to move forward. GTECH's discoveries helped us modify our strategic plan, and we're excited to use this information to impact sales."

Rob Wesley, *Director of Sales, Virginia Lottery*

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Major Peter J. O'Connell Lottery Industry Lifetime Achievement Award Ceremony March 23, 1:00pm

2011 Award Recipients:

Margaret DeFrancisco, President & CEO of the Georgia Lottery
Ed Trees, Former Director of the Pennsylvania Lottery

"The only ones crazy enough to think they can change the world are – the ones that do." What would happen if we were all just crazy enough to think we could make a real difference?

We have talked often about why change and innovation are necessary. It's now time to focus on the how. How can we overcome the obstacles to growth; How can we build Brand Lottery into the iconic status that inspires love and devotion on the part of consumers everywhere; How can we balance the need to reinvent some aspects of the business model while preserving the value and effectiveness of our industry's stalwart revenue drivers? How can we integrate an increasingly complex portfolio of products and channels to work harmoniously together; How can we achieve our full potential when regulatory constraints inhibit innovation and progress?

The theme of SMART-Tech 2011 is "We can Change the World." Each of us is an active player in the most wonderful industry in the world. As a Public Trust with huge value and import to all its stakeholders, government gaming and lottery depends upon all of us to stretch and drive our business to fulfill its potential. Now more than ever, we need to act with the conviction that government lottery and gaming operators are poised to become the preeminent player in the gaming industry. We've been talking about why we need to change, adapt, and innovate. It's time to convene the leaders who have been doing it; to learn from them and from each other and set the game-plan for making 2011 be the start of the most exciting period of growth and prosperity our businesses have ever known.

FEATURED SPEAKERS AND PANELISTS AT SMART-TECH 2011 INCLUDE:

Jeff Anderson, Director, Idaho Lottery and President of NASPL

Jenny Canfield, Director of Operations, Minnesota Lottery

Michelle Carinci, President & CEO, Atlantic Lottery

André Noël Chaker, Director Business Development & Int'l Affairs, Veikkaus, Finland

Don Feeney, Director of Research and Planning, Minnesota Lottery

Kurt Freedlund, Sr. Vice President & General Counsel, Georgia Lottery

Gary Grief, Executive Director, Texas Lottery

Rebecca Hargrove, President & CEO, Tennessee Education Lottery

Dr. Ales Husák, Chairman of the Board of SAZKA, Czech Republic

Tom Kitts, Deputy Director, Colorado Lottery

Martin Kon, Partner, Oliver Wyman Group

Wayne Lemons, Director, Delaware Lottery

Alexander Manu, Business Innovation Consultant & Futurist

Stephen Martino, Director, Maryland Lottery

Dale McDonnell, Assistant Director & General Counsel, Minnesota Lottery

Gordon Medenica, Director, New York Lottery

Bill Murray, General Counsel & Deputy Director, New York Lottery

Linh Nguyen, Acting Director, California Lottery

Risto Nieminen, Chief Executive of Veikkaus, Finland, and President of the World Lottery Association (tentatively confirmed)

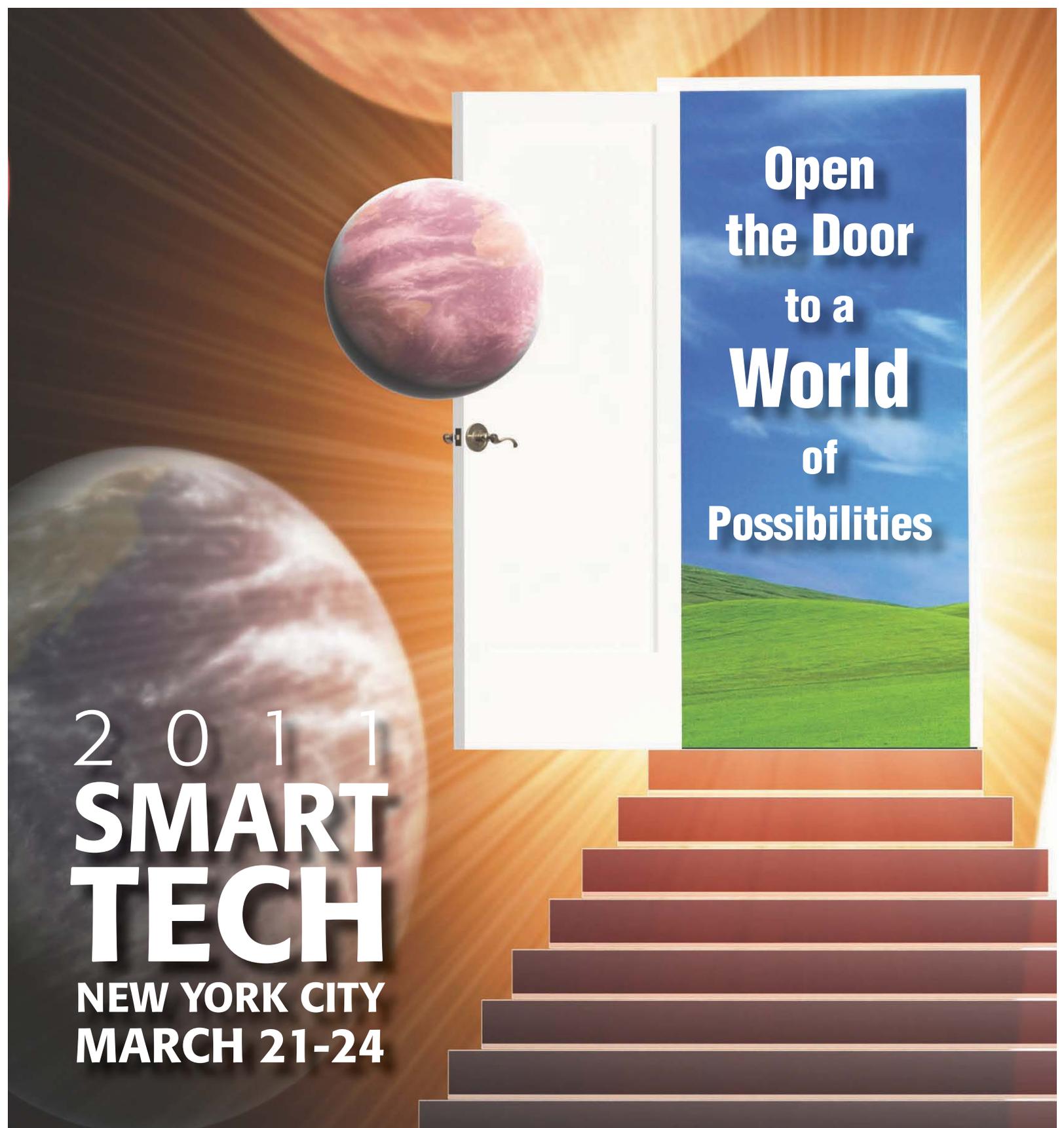
Jaymin Patel, President & CEO, GTECH Corporation

May Scheve, Director, Missouri Lottery

Friedrich Stickler, Deputy Managing Director, Austrian Lotteries & President of the European Lottery Association

Philippe Vlaemminck, Legal Advocate/Advisor to the European Lottery Association

Jodie Winnett, Acting Superintendent, Illinois Lottery



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Friedrich Stickler

Deputy Managing Director of the Austrian Lotteries; President of the European Lotteries Association

Introduction by Paul Jason: It would seem like everyone would know that government lotteries operate to generate funding (to the tune of tens of billions of euro, dollars, renminbi, yen, pesos, and like amounts in many other currencies) to support important public service and charitable causes. And that they operate at a level of security and integrity that sets a higher standard for the entire gaming industry, and always in a manner that minimizes social costs to the players and the general public. But the fact is that the shapers of public policy don't necessarily know that until and unless we tell them! Government legislators are making decisions right now that will have a profound impact on the gaming industry and lotteries. Lotteries need to find a way to take their place at the table where these issues are being discussed and policies enacted.

As president of the European Lottery Association, Friedrich Stickler is taking the story of Lotteries to Brussels, where policy that impacts all the lotteries operating within the European Union is being formulated. The stakes couldn't be higher. It would be like the U.S. federal government deliberating over whether state lotteries should all be forced to de-monopolize and open up to multiple commercial operators allowed to sell across borders wherever and however they like. Tax rates would effectively be established by the state that applies the lowest tax rate. Tens of billions of dollars in funding to public service good causes would completely evaporate.

The European Union Commission is expected to soon publish what is referred to as a

"Green Paper" that will attempt to clarify the position of the EU Commission regarding the rights of EU member states to regulate gambling. Do EU member states determine regulatory and tax policy for their own markets, or do they need to conform to a pan-European policy determined by the EU Commission? Can EU member states decide to control the gambling market for the protection of players and financial support of public service Good Causes; or will the EU Commission force member states to throw the markets open to cross-border and free-market competition?

Fortunately, the EU Commission recognizes that gambling is a special industry requiring a different level of regulation than other industries. Along with the importance of player

protection and minimizing social costs, the European lotteries contributed 22.4 billion euro in 2009 alone. "This funding is indispensable to public authorities and thousands of civil society organisations across Europe, especially in these difficult times. We think it is in the best interest of society that EU policy-makers find a solution to guarantee a sustainable future for this public utility model we stand for and which is applied in all EU member states."

Paul Jason, Public Gaming: *There have always been two primary purposes to strict government control over lotteries. One is to channel the outsized profits generated by this business*

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Risto Nieminen

Chief Executive of Veikkaus, the Finland Lottery

President of the World Lottery Association (WLA)

Introduction by Paul Jason: The gaming industry is being changed by the entry of well-capitalized and very sophisticated private operators into all games and channels. Presently, Lotteries are in a uniquely strong competitive position, with a direct connection to billions of consumers, the brand equity, and the massive retail networks that give them a huge advantage. But without consolidating that branding on a global scale, locking in that positive image with everyone everywhere, we will fail to capitalize on the power of our brand and possibly lose the coming battle for market share. Of course, we want and expect the

shapers of public policy to protect the lottery model that contributes billions to Good Causes. But an important part of any strategy to engender support on the part of the shapers of public policy would include building support on the part of the general public. That means creating positive brand value. To my mind, that is why it is so very important for lottery operators all around the world to come together, to take a "United We Stand" approach to the task of creating a massively powerful Global Brand Lottery.

My thoughts on these topics are formed by listening to the leaders of the industry. Under the leadership of Risto Nieminen, Veikkaus Oy has established itself as one of the most progressive lotteries in the world. As president of the World Lottery Association, Mr Nieminen is applying that visionary thinking to the world stage. The industry was introduced to his vision at the WLA Conference in Brisbane in October of last year. Conversations between us followed, we talked about them onstage with our North American constituents at PGRI's Lottery Expo in November, and now Mr Nieminen is sharing a summary of his vision with our readers. Please visit the World Lottery Association website at www.world-lotteries.org to learn more about your global industry association. This will be an especially busy year for Mr Nieminen and Veikkaus Oy. Not only is Mr Nieminen assuming the leadership role at WLA, he and Veikkaus are hosting the European Lottery Congress in June. This bi-annual conference is being held this year in Helsinki June 5 to 9. As you can tell by the content of our magazine in general, and this issue in particular, I think the understanding the European gaming market is quite relevant

to everyone in the world. The European market is more mature than anywhere else in the world. The markets are more evolved, competition is more intense, regulatory frameworks are both more developed and more confusing. So many of these issues are really quite universal. All this makes the European gaming market an interesting case study for how the industry might evolve in our own respective jurisdictions. And it informs Mr Nieminen's perspective with the long-view of where we want to go and how we should get there as lottery operators.

Following is Risto Nieminen's discussion of some of his goals and agendas as President of the WLA.

Paul Jason, Public Gaming: *There's well over 100 lotteries located in every corner of the world. They have different gaming cultures, different public policy objectives, different regulatory frameworks, lots of differences. What are the similarities between them? What are the common attributes that combine to make up a "Global Brand Lottery"?*

Risto Nieminen: The World Lottery Association represents 143 state controlled lot-

teries in 80 countries. Some of these lotteries offer sports betting, some offer slot machines or VLT's, and some offer internet poker and casino games. Some are privately owned/operated and some are state-owned. They vary widely in size, revenues, and market potential. But they all - including North America - share three characteristics which together constitute the *Global Brand of Lotteries*. First, their main economic activity is lottery games: Draw based games and instant games based on pure random chance and which have the characteristics of a natural monopoly service. Second, they all have an exclusive license to operate these games in their jurisdiction and, unlike some commercial internet operators, they don't operate in jurisdictions where they don't have a local license. Thirdly, they have exclusive obligations. Obligations to fund causes which each jurisdiction has decided are causes of public good with funds that far exceed those that would result from a simple system of corporate taxes and dues. Thus, most of the net profit from lotteries is earmarked for the public good in one way or the other. These three characteristics are common denominators of

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Dr. Gerhard Rombach

Director General, Sddeutsche Klassenlotterie (SKL – the South German Classlottery – *this lottery is based in Munich and is the largest German Classlottery*)

Introduction by Paul Jason: After reading an article about SKL in the European Lotteries Association Magazine (available online at www.european-lotteries.org), I asked Dr. Rombach to talk with me and delve deeper into a couple of themes that I think are very important for lottery operators everywhere. The first theme is the underlying psychology of why we play games. We're all very clear on the human desire for a future that is better than the present. The appeal of the "hope and dream" is so compelling that it's become the cornerstone of most marketing strategies. But what would you do if you were prohibited from pitching the "hope and dream"? This is not a hypothetical question. The German lotteries operate under severe advertising restrictions that prohibit them from doing so much of what everyone else takes for granted as being integral to a successful marketing program. Part of the answer is that you'd get resourceful and search for alternate ways to connect to your customer. That's what SKL has done and they have unearthed some powerful ideas that I think are applicable to lotteries everywhere.

One of those ideas is to leverage the impulse to affiliate with people of like mind. The urge to affiliate and share with others who appreciate us as individuals and identify with people we admire and with causes we believe in is not a new phenomenon. But that impulse to share and affiliate has taken on a whole new level of importance for the next generation of consumers. SKL has endeavored to understand the deeper meaning of this impulse to affiliate and how it can be used to connect with the consumer. One resulting initiative, the SKL Millionaires' Club, has taken on a life and impact that is far greater than was initially conceived. Nothing will ever replace the traditional motives for buying lottery tickets, but the power of Brand Lottery can be extended far beyond the traditional confines of the "hope and dream".

Paul Jason, Public Gaming: *A little background. The genesis of your research and the innovations that came about can be partly attributed to Germany's restrictive advertising guidelines.*

Dr. Gerhard Rombach: Yes. We are not allowed to advertise on traditional media like television, phone calls, or appeal to traditional buying motives like the desire to win a jackpot. Too, we cannot do anything that stimulates the emotions. And lottery is really all about emotional appeal, isn't it? For instance, the name "Dream Catcher" is too emotionally impactful so we renamed one of our new games "Dream Joker". The advertising restrictions are causing us to think of new ideas and ways to connect with our customers. Dream Joker has become a successful moniker that our customers have enjoyed. It has produced a very loyal following for a game that has no cash prizes, only products and life-experiences bought out of our Dream Joker catalogue.

And the SKL Millionaires' Club?

Dr. Rombach: That is one level of a seven point program we have for researching, understanding and connecting with our customers. Most of those program points are focused on research and surveying. We do many of the same things that everyone in our industry does to gain insight into the motivations of our players, differentiating between core players and non-players and all the various demographic profiles. We enlist our selling partners

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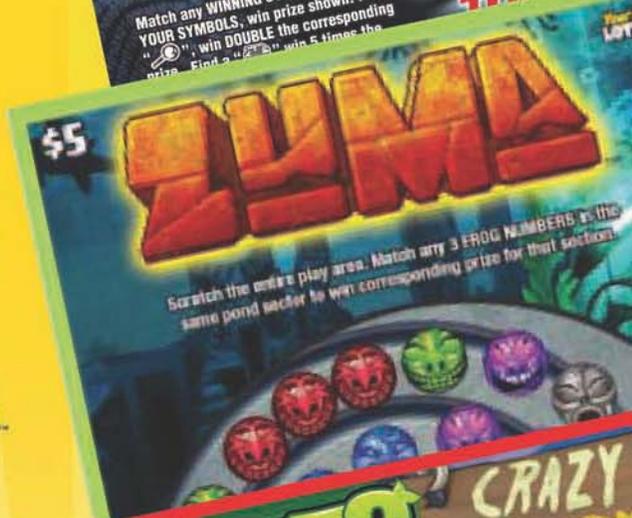


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Jaymin Patel

Chief Executive Officer, GTECH Corporation

***New Ideas pass through three periods:
It can't be done.
It probably can be done, but it's not worth doing.
I knew it was a good idea all along!***

Quote by Arthur C. Clarke

Introduction by Paul Jason: The business performance of lotteries over the past couple years has been impressive. They have been resourceful in dealing with the economic slowdown; but more than that, lotteries have innovated to position themselves well for the better times that lie ahead. The groundwork for breakthrough initiatives has been set and they are ready to move with confidence into a new era for growth in the gaming industry. Multi-jurisdictional collaboration, building brand equity, and focusing on the fundamentals that drive this multi-billion dollar industry are keys to achieving our full potential.

“Customer First” is an initiative that is driving GTECH strategy and promises to propel the company’s customers into the leadership position in the coming wave of gaming expansion. Conversations with GTECH President and CEO Jaymin Patel have given me an appreciation for how this singular notion can drive a complex set of objectives.

The process of innovating cannot be left to serendipity to inspire creative minds to show us the way. Nor is a passionate conviction, in spite of all the evidence, the basis for real leadership. The next generation of leadership and innovation needs to combine passion with professionalism, innovation with process, and create flexible solutions based upon clear local and global market understanding. And the will to make this happen must be a systemic part of the corporate DNA. Jaymin Patel is the architect of GTECH’s strategy to accomplish that by integrating a “Customer First” focus into all stages of the innovation process and into each and every aspect of GTECH global operations.

Paul Jason, Public Gaming: *In your presentation at WLA in Brisbane, you emphasized that the real revenue drivers will continue to be land-based retailers selling the core products.*

Jaymin Patel: I tend to think about growth in two broad categories. The first category deals with driving organic growth from the existing business. The second category is innovation that leads to new solutions, new products, and strategies that will drive new growth. With respect to the first category, I believe there remains huge potential for growth. Traditionally, most lotteries have thought of themselves as being separate and apart from other forms of gaming; hence, market share as a measure of performance is going to be pretty impressive in that context. When we think of lottery as a segment of the broader gaming industry, or even broader entertainment industry, it gives us a clearer view of the potential size of the market and the huge potential that exists to increase lottery market share and returns to good causes. The market share lotteries enjoy is well below what it could and should be due to the substantial competitive advantage we have in retail distribution and the ability to make the product portfolio omnipresent to players. We need to broaden our thinking and our strategic approach to be a part of this much larger market.



That is not to say that the interactive channel is not critically important in attracting new players and distributing new forms of content – it certainly is. To be clear, I think it is vitally important for the future of the lottery industry that we pursue opportunities to augment the existing products and channels through interactive and social media channels. We just need to realize that today we are in a consumer-driven physical retail distribution business and this must remain a top growth priority for lotteries. Traditional lottery games sold in interactive channels do not yet deliver significant profitable top-line revenue growth. Even for those lotteries which have demonstrated strong performance in interactive gaming, such as Camelot in the UK and Veikkaus in Finland, the incremental increase in revenue and net of cannibalization is still relatively small.

New media channels are clearly important in order to maintain continued relevance of your brand, and as a defensive measure to keep your customers from shopping in other stores. But we need to realize that top-line revenue growth still comes from focusing on the fundamentals of our core retail business – tremendous organic growth opportunity still resides in all markets globally, and that’s where we need to continue to focus. The real issue is balancing management focus and innovation to drive the highest returns to good causes. It is often easy to under appreciate the benefits of organic growth from the existing games in favor of new initiatives.

What are some of those fundamentals that could drive real growth?

J. Patel: I believe that tremendous growth potential exists in traditional and new retail channels and core lottery product lines. Improving same-store performance by traffic building advertising, outstanding in-store merchandizing, strong inventory management and retail execution, significantly increasing the number of quality distribution points, and driving sales in the core lottery products through the retail channel are keys to generating growth in this industry. Those are the fundamentals of our business. This may sound like a lot of hard work and perhaps lacks the appeal of silver-bullet solutions that have not been tried before, but I genuinely believe these are the ingredients to success.

Product accessibility to consumers, perhaps more than any other factor, drives performance. The general 'best practices' benchmark for the minimum number of terminals per person is one per thousand. Fewer distribution points means that some people do not have easy access to purchase the product, which clearly reduces potential sales and returns to good causes. This one per thousand ratio is not an arbitrary target, it's an evidence-based metric. Look at the jurisdictions that have more than one per thousand, like Massachusetts and Italy. These jurisdictions are amongst the highest per capita sales and 'returns to good causes' lotteries in the world. As an industry, I think it is clearly within the reach of lottery organizations to achieve a 6% to 8% organic growth year-over-year. In some cases, this could be higher, and in other cases, it may be somewhat lower depending upon current performance levels and competitive gaming offerings.

Selecting the right retailer is crucial. Working with our customers, we need to fully understand the markets we are trying to serve and appreciate the subtle nuances of the local environment – often right down to the community level. We need to prepare detailed retail recruitment implementation plans and be very deliberate and thoughtful about how we define success in various regions and diverse trade styles. When we are approaching non-traditional trade styles, we need to understand what's in it for them and be prepared to make a compelling sales proposition. Once a retailer is in place, we need a continuous support program from the beginning, providing the tools and the motivation to optimize sales. It's just as important to make sure that the retailer in the high-traffic location is achieving its full potential and pushing hard to increase sales as it is to help

the under-performer improve performance.

Another way for lotteries to increase sales is to refresh their product offerings. Many games have been in place for too many years. The portfolio of games needs to be monitored on a consistent basis, pruning some of the underperforming draw based and Instant games in favor of games that have a much broader appeal and bigger impact on results. This is a difficult process to undertake, however the blueprint for success does exist. A decision to suspend an underperforming game and perhaps invest more in a sustained marketing and consistent sales and merchandising program for a stronger game, will result in higher growth potential. The multi-jurisdictional games like Powerball, Mega Millions, and Euro Millions are clearly in that high-growth category.

This process would also involve thinking in new and creative ways about the branding of the lottery. A creatively imagined approach could result in one of the most powerful consumer brands in the world. Rethinking the product offering and designing a balanced product portfolio is the first step toward creating that powerful consumer brand.

To me it seems like the cross selling of the two multi-jurisdictional jackpot games would change the whole concept of branding and portfolio management in quite a dramatic way.

J. Patel: The advent of cross-sell has resulted in the first real example in the United States of national branding of games. The integration of sales, distribution, and marketing has the potential to unlock a huge reservoir of brand equity. By capturing the imagination of players so quickly, Powerball is giving us a tiny glimpse of that potential.

It clearly introduces another layer of complexity to overall portfolio management. Strategic brand and portfolio management is necessary to ensure the products work synergistically and produce positive net results. The introduction of new national brands has already produced an increase in sales; it also has the potential to produce an increased national awareness and appreciation for all that lottery stands for. With strategic brand management, this will have positive residual impact on the rest of the product line, increasing the relevance of the entire portfolio of products in the consumer imagination.

Do lotteries care about whether sales come from in-state games versus multi-state games?

J. Patel: Fundamentally, lotteries need to be indifferent to whether their sales are coming from Powerball, Mega Millions, Euro-

Millions, or their in-state games. What really matters is whether the lottery is growing net revenues and the funding it contributes to good causes.

The development of national games and branding strategies is a key to unlocking the full potential of lotteries. Lotteries around the globe have so much to gain by working together on multi-jurisdictional games. The job of managing a more complex portfolio of products, channels, and brand strategies is more challenging. However, there is so much growth potential from a cohesive consumer awareness perspective, allowing for distinct economies of scale for some of the smaller jurisdictions and those with more advertising budget and resource constraints.

What is your view of adding consumer value and increasing the price of Powerball

J. Patel: Adding consumer value and moving Powerball to a commensurate higher price point is clearly the next logical step in bloc game portfolio management toward building a national presence with differentiated products. More to the point, we estimate that a \$2 enhanced Powerball game would result in an annual increase in sales of more than \$1.8 billion net of cannibalization. That's over \$600 million more per year to good causes. Just like with any change in product attribute or price point, we will have to provide a compelling value proposition for the consumer. And the value proposition here is clear. The game design that underwent extensive market research among thousands of players nationally will not only produce higher jackpots, it will produce a lifestyle changing second-tier prize level with lots of winners. It's all about the winning experience, bigger jackpots, and more winners, particularly at the local level.

The media has typically reported on winners within their own state. If national branding and marketing could redirect the local media attention to the national stage, there would be a lot more winners to talk about. Why shouldn't lotteries leverage all the winners they create as opposed to just the limited number that is being created in a single jurisdiction? It's like we're hiding our light under a bushel!

J. Patel: That's it exactly. It's not much different than the way that connecting slot machines together to produce a larger turnover with more players and progressive jackpots revolutionized that sector more than a decade ago. National branding could galvanize our player base in a similar way. It would engage the players with consumers across

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Philippe Vlaemminck

Legal Advocate for the European Lotteries Association
at the European Union level in Brussels

2011 is shaping up to be a year of unprecedented progress towards 'rationalizing' the regulatory environment in European Union gaming markets. Please visit our news website. www.PublicGaming.com, to view two important documents that presage events to come. There we have posted the transcript of a speech by the EU Commissioner for Internal Markets and an official statement by the members of the EU that clarifies their position on regulatory issues. Following is a discussion with the legal advocate who has been right in the middle of these issues for over 20 years now. Philippe Vlaemminck shares his thoughts on how these events will form the basis for a healthy and sustainable gaming environment in Europe. A logical and predictable regulatory environment will also enable commercial operators and lotteries alike to invest in growth.

Paul Jason, Public Gaming: *How important do you think the publication of the 'Green Paper' by the EU Commissioner for Internal Markets, Michel Barnier, will be.*

Philippe Vlaemminck: We do not know yet what the Green Paper will say, although we have a pretty good idea what issues will be addressed. What we do know, though, is that the EU Council of Ministers just issued a unanimous political statement titled Conclusions on the framework for gambling and betting in the EU member states. This statement clearly expresses the will of the Member states regarding the role that government lotteries perform for society. This is a crucial political signal to the European Union Commission that the Member states want consideration for the fact that lotteries make an important financial contribution to society and that the model that enables those contributions should be sustained. It states that governments should not be forced to deregulate in a way that destroys or undermines that model.

Commissioner Barnier has stated the primary purpose of the Green Paper is to address the regulation of internet gaming. (See transcript of his speech at www.PublicGaming.com.) He will attempt to begin the process of reconciling the concepts of free and open cross-border commerce, mutual recognition, and subsidiarity. Now, because of this unanimous statement by the member states, he will undoubtedly take into consideration the regulation of government lotteries.

It sounds like we have cause to be optimistic.

P. Vlaemminck: We do. But not by placing only expectations on the Commissioner and what he has indicated to date. We have reason to be optimistic because the Member states unanimously voiced an opinion and now they will be heard. These 27 member states are actually the ones who created the Union, who are in effect the owners of the Union. The EU Commission is empowered to enforce laws that promote free trade and other economic objectives. It has the authority to enforce those laws. But their power is derived from the EU Treaty. So when the Member states render a unanimous vote, they give a high level political signal that cannot be denied. The EU Commission is obligated to take that statement into consideration.

Is the EU Commission obligated to comply with the member states' opinion that states should be allowed to preserve the lottery model, which in most cases means a government monopoly and that the financial role in society is legitimate basis for governments to restrict commercial access to the lottery market?

P. Vlaemminck: No. The EU Commission is obligated to take this into consideration as a political decision, but not obligated to decide in a certain way. But this is a very important step towards an enforceable regulatory framework. For many years, these issues have been treated only as legal issues. With-



out a clear political direction, the legal issues remain unresolved. Now, finally, the EU Commission will address the issue of regulation of lotteries as a political issue.

Do states have the right to protect lotteries from competition for the purpose of channeling financial benefits to Good Causes? And, should gambling be considered as a matter driven by the principle of subsidiarity whereby the basic competence lies with the member states instead of the EU Commission? The members have now clearly stated that the answer to these two questions is yes. The EU Commission is not obligated to agree with that position statement. But this is the first time the debate has been framed in such a clear manner. This political statement of the member states is, therefore, the most important victory of lotteries since the start of the debate in 1992. So, yes, we do have reason to be optimistic.

Didn't the original Treaty interpretation given back in 1992 by the European Council acknowledge that gaming and gambling should be a matter of subsidiarity, that regulatory decisions could be made at the state level and not subject to EU Commission approval?

P. Vlaemminck: Subsidiarity is a princi-

ple that confers authority to the state where appropriate, but not without requirements to comply with EU laws. That said, the European Council did stipulate in 1992 that gambling is a matter of subsidiarity at the highest level. And since that time, Member states have been asserting that gambling should be regulated at the national level according to national public policy objectives. In spite of that, there has been an enormous amount of court action contesting the rights of Member states to regulate gambling and lotteries. One of the problems has been that there has been no distinction between casino gambling, sport betting, and government lotteries. All were treated as gambling. The reason this recent EU Council of Ministers statement is so important is that now the EU Commission will need to treat lotteries as a separate and specific issue. Any future debate has to take into consideration the specific public interest role of lotteries. That means that now, for the first time, there will be consideration for the Member states' position that lotteries should be treated separately from gambling, that the financial role that lotteries serve for society is a legitimate basis for restricting commercial access to the lottery market; and that lotteries need to have a protected environment, a so-called safe harbor, to be able to fulfill that financial role for society. Even though this does not predetermine what the EU Commission will decide, we can hope that the EU Commission will concur with the will of the Member states and reaffirm the principle of subsidiarity. In the case of lotteries and gambling, it was decided back in 1992 that the most appropriate level to regulate gambling services as per the principle of subsidiarity was the level of the Member states.

The Member states still must justify their regulatory frameworks to be in accordance with EU laws. Since 1992, the European Court of Justice (ECJ) has not exactly recognized the important public interest role that lotteries perform as being a legitimate reason to maintain monopoly restrictions. According to the European Court the allocation of profits to good causes, although an important issue, could only be considered as an ancillary benefit and not an objective legal justification for restricting gambling services. The ECJ has required the justification for restrictive regulations to be based on Public Order and protection of the consumers. Now the Member states are asserting that future legislation should recognize lotteries' role of funding Good Causes as an acceptable reason for the monopolies to exist.

You're clarifying that it's not enough for the EU Commission to say that the principle of subsidiarity applies to the regulation of lotteries, they actually need to specifically say that the funding of Good Causes is a legitimate reason to maintain restrictive regulation of the markets. And now we can hope that the 'Green Paper' will take that position not so much because Commissioner Michel Barnier feels a certain way, but because the member states have so expressly voiced their will.

P. Vlaeminck: It will be a combination. The Commissioner has said after all these years of litigation and mistrust between the EU Commission, the Member state governments, and the commercial online gambling community, that he wants to come to terms with the issues of online gambling. The first step is to clarify what we can agree on at this point and use that as a framework for proceeding to resolve those issues that are not resolved. His stated objective is to understand all aspects of the problems; and to elicit input from all stakeholders for that purpose. The process will conclude with a decision on how much latitude the member states should have to regulate online gambling and now lotteries as well; and whether it will be necessary for the EU Commission to intervene and enact additional legislation. The Commission wants to have a broad stakeholder consultation to understand the problems, endeavoring to understand the political nature of these decisions.

When you're referring to stakeholders, the most relevant stakeholder by far are the Member states, right?

P. Vlaeminck: Yes, but it would also include all the remote gambling operators, the beneficiaries, the family associations, the sports associations, the media groups. Everybody is involved. But it is true that Member states, as well as the European Parliament and the Council, would be most representative of the general public and therefore have the most influential role in this process.

In conclusion, it sounds like it is unlikely that the EU Commission will force a breakup of the lottery model, which includes monopoly restrictions.

P. Vlaeminck: Right now we have reestablished a healthy degree of mutual trust between the EU Commission and the Member states. That is a very positive basis for hoping that the EU Commission will respect the will of the member states when it comes to the regulation of lotteries. The previous Commissioner for the Internal Market, Charles McCreevy, created mistrust between the Commission and the Member states by acting without adequate consideration for the

opinion of the Member states. The current Commissioner, Michel Barnier, wants to reestablish the trust by expressing respect for the views of the Council, and by eliciting input from all stakeholders for the creation of a position paper and initial regulatory framework which is dubbed the Green Paper. Commissioner Barnier is forging a healthy partnership between the EU Commission and the Member States. The result should be a regulatory framework that provides clear political direction and minimizes the need for unproductive litigation and confusion in the courts. And I do think it very unlikely that this framework will require the destruction of the lottery model based on a monopoly structure.

This is then a period of study and building of mutual respect and trust and exploring the options and the implications of different decisions. I would think it unlikely that during this period the EU Commission would force anything drastic to happen since that would not be consistent with the goal of working together to find mutually agreeable solutions.

P. Vlaeminck: Yes, indeed. You're absolutely right. That is indeed a new situation. We are thankful for the strength of the Council Presidencies and the enlightened views of the new Commission for creating a situation in which these issues will be resolved in an open-minded way that is likely to be favorable for the protection of the beneficiaries of lottery funds.

Even though the situation has changed in a way that is favorable for lotteries, it would be a mistake to think that the governments are now free to regulate as they wish. It won't change, for instance, the ECJ decision that the German regulatory structure is inconsistent and they need to change it to be in compliance. But the requirements for what they need to do to get into compliance with EU laws will likely allow for more latitude when it comes to the regulation of lotteries. The ECJ did not say that monopolies are not allowed, only that there has to be a consistency in the application of regulatory laws. We are very pleased that there is now a productive cooperation between the important stakeholders, but the principle of subsidiarity does not mean that states don't have to comply with EU laws and EU regulations & decisions.

But there will never be a regulatory framework that anticipates and answers all questions, will there?

P. Vlaeminck: That's true. Lots of important issues will continue to be litigated. For instance, the EU Commission Green Paper

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A STRATEGIC SCENARIO FOR BRAND LOTTERY

By Alexander Manu

Introduction by Paul Jason: Alexander Manu's presentation at the World Lottery Conference in Brisbane captured everyone's attention, causing me to ask him to flesh out a broader range of insights into how communications technology will impact the lifestyles and buying behavior of consumers. And more specifically, how will it impact the lottery and gaming industry. After discussing some of the recent innovations, opportunities for growth, and obstacles to lottery operators' achieving their full potential, Mr. Manu suggested a novel way to approach this project. This story isn't so much a blueprint on specific games as a "story of multiple organizations having a common vision, and a common understanding of the opportunity at hand." Taking the principles which he teaches and applying them to our industry, Mr. Manu has created a breathtaking vision of how the world might look in seven years and how Brand Lottery could evolve to be at the center of the revolution. What revolution? Read on ...

DATELINE: November 21, 2018

Great Global Cyber Game Celebrates Third Successive Year of Double-Digit Growth

Following is a speech by Helmut Carlos Donaldson, Chairman of the Board, Global Cyber Gaming Consortium (GCGC) on the occasion of the 2018 Lottery Industry Hall of Fame Induction Ceremony.

I don't think any of us could have imagined the journey that has led us to the Great Cyber Game. Forging the multi-national collaboration that created the World-Game back in 2011 seemed such an ambitious undertaking at the time. Little did we know that it would be the genesis for so much more to come. From the initial success of Square Mile Lotto to becoming world-class technology leaders. And now on the sixth anniversary of the most productive collaboration in the history of the world, Global Brand Lottery and the Great Cyber Game stand at the nexus of what has become the first massively inter-connected community of like-minded consumers. Nurturing this inter-connectedness has become the cornerstone to our business model. As social experiment, it transforms the power of communications technology to enhance the lives of individuals. As business model, it integrates the lifestyle and entertainment goals of those individuals, hundreds of millions of players all around the world, with our mission to serve a higher purpose, and with our charter to serve the interests of all of our stakeholders.

There are so many people to thank for this tremendous progress. But let's start with Team Game-Changer, the original task force that first envisioned a Global Brand Lottery that would transform not only our industry but redefine the very role and purpose of the 21st century commercial enterprise. Concepts like peer-to-peer marketing and social networking have long since been replaced by a culture of seamless connectivity. Team Game-Changer recognized that the corporate mission was not about becoming one with your customer. It was about enabling our customers, hundreds of millions of them, to become one with each other. This will remain a never-ending work in progress, but the fruits of this vision have already been realized. Most importantly, we need to thank the leadership of the lotteries themselves who worked so hard to enable such ambitious collaborations to happen. The political and organizational stasis that seemed to impede such progress has morphed into a wave of public support that embraces the spirit, fun, and higher purpose of all things Lottery. And now all we need is the ingenuity to meet their high expectations. That we do with joy in our hearts, creative energy in our minds, and a huge pipeline of innovative game concepts that are just waiting to be launched.

YEAR 2011: GLOBAL BRAND LOTTERY ACHIEVES ITS FIRST BREAKTHROUGH

What has happened over the past five years is the result of specific decisions that were made and acted upon. A few years ago we realized that our players were undergoing profound changes in expectations. It was one thing to classify and name the changes, to try to interpret the meaning of Life in the Mobile Society; but it took a long series of bold experiments to get clear on precisely how these new expectations would impact regulated gaming and gambling.

At the turn of the millennium, gaming reached new heights globally. This was due to a change of mentality and a change of generations; by 2011 the majority considered gaming as an ordinary entertainment; and many brands employed gaming as part of their promotional strategy. We also understood that certain parts of the gaming market were developing without any form of regulation or control, as the Internet facilitated the development of a global gaming market completely beyond state control. Interestingly, while more people were playing games, the data confirmed the steady decline in participation rates in traditional lotto games, across all jurisdictions. In some, the decline was in the double digits. A small but statistically significant decline of eight percentage points in overall participation rates, coupled with a small but statistically significant decrease in overall average individual monthly expenditure made it clear that if this trend were to continue, a significant portion of our industry would cease to be sustainable. To achieve growth, a new demographic needed to be attracted to our offerings; so we looked at the 18 to 44 crowds as our target. We focused on the Millennial Generation.

All these developments were challenging the old definition of "gaming" to the point that a number of fundamental questions had to be asked by regulators and operators in the market space:

- Where is the division between public and private gaming?
- How do we compete with the ever increasing number of G3 (Gaming, Gambling and Games) applications now available and new operators in the space?
- How do we compete with unregulated gaming entertainment?
- How do we leverage the trust people placed in our brands over the past half century with a new generation of players, the Millennial?
- As mobile devices are transforming our relationships with people, events and places, and everyone is empowered to produce and share entertainment, what role do we play?

- Global audiences are revolutionizing the size of the G3 marketplace; are we Global enough in scope and ambition?

By 2010, it was clear that Marshall McLuhan's insight into the Laws of Media was based on reality: indeed, "Any powerful new medium modifies existing media". Over the past decade we have witnessed the migration of electronic hardware from being disconnected and immobile to being increasingly networked and ubiquitous. Most adults in industrialized countries had mobile phones. This was particularly powerful for games-based entertainment, since the very nature of most game play was enhanced in a networked environment.

Playing games for money also has been affected by shifts in technology and consumer expectations. In most jurisdictions, on line gambling was legalized by 2013, which meant that remote gambling was now seen by the majority as a legitimate, mainstream entertainment choice, and new technology allowed them to indulge freely. With over 1 billion users by 2012, Facebook became the main supplier of gaming entertainment worldwide and the natural platform for the convergence of remote betting, lottery games and casino gambling. For our organizations to prosper in this new environment, we needed to think beyond competition. Competing with Facebook would have been foolish and counterproductive. So we decided to embark on a new strategic direction, one that capitalized on the trust people already placed in our brands at the local level, as well as the understanding that new forms of gambling were likely to emerge, forms particularly suited to delivery by remote means and at specific locations.

Our early understanding of location specific gaming was our first breakthrough. Jurisdictional fears did not matter anymore, as we discovered that geographic location is jurisdiction. And location is unique: there is only one Fifth Avenue, only one Avenue des Champs-Élysées, only one Tower Bridge... And this is how Square Mile Lotto, the first mega-game success of our consortium was born.

The story of the Great Global Cyber Game and Square Mile Lotto is the story of multiple organizations having a common vision, and a common understanding of the opportunity at hand. It is also the story of courageous executives and wise policy-makers, people who were not afraid to unlearn frameworks that seemed for a long time to serve them so well.

THE OPPORTUNITY BACKDROP

As gaming was moving from the fixed location of the gaming terminal onto mobile consoles in everyone's pocket, "play here" became "play anywhere". The image of people walking by lotto terminals, reaching in their pockets for the cash necessary to purchase a lotto ticket, is inconceivable today. We have long moved from location specific terminals to individual cyber gaming accounts, where players are billed at the end of the month for their activity. This created an expansive new strategic direction, where we need to think beyond the conversion of existing games to mobile platforms, to new forms of engagement in the space in which the Internet resides. And that is Cyberspace. Cyberspace had become a major medium of civilization creating a constantly growing, non zero-sum economy and had changed day-to-day life as significantly as the industrial revolution had changed life 200 years earlier. We understood early on in this business redesign effort, that while culture can not survive without gaming entertainment, what was changing was the profile of the players, and the play interfaces: from an analogue mind set accustomed to a printed ticket, to the digital mindset and its new technological platforms. What was also changing was purpose and intention: the "Why" of public games.

The only sustainable source of value creation is via consumer demand-driven growth, and consumer demand driven growth is delivered through the gaming entertainment that people choose. And the Mil-



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lennial's choices were not being addressed. The Millennial is a creature of purpose and intention. The intention is to participate within a group of like minded individuals, with an underlying theme that their activities are somehow reshaping society. The games we needed to design for them must make their purpose easily achievable and fun.

FROM BUILDING WALLS TO BREAKING THEM

In the recent past the job of the state gaming authority was to build walls around the games people play within a defined territory. Walls that were high enough to retain our players within, walls high enough that the player had to jump a long way in order to choose the next best bet. We got hooked on the monopolies that came with our control. But as we witnessed the shift toward Internet gaming, the gaming environment became more resistant to monopolistic control.

Once the Internet became part of daily life – and thus part of daily gaming entertainment – our strategic choices were limited to:

- Lobbying for the suppression of the technology and the legislation of the behaviour, or
- Leading proactively in the redefinition of Gaming, Games, and Gambling in Cyberspace.

The track record of those trying to suppress technology was not giving us too much reason to proceed in that direction. The recording industry failed abysmally in its efforts to suppress the MP3 technology in the late 1990's and the P2P streaming that followed. Technology suppression and legislated behaviour is proving to be futile in our sector as well; the nature of the technology being what it is, providers could operate from – or outside – any jurisdiction they choose. So while we did continue to lobby for public policy that would benefit our stakeholders, we knew we could not depend on legislative fiat to protect us from the inevitable migration to a gaming environment that was more open, dynamic, and competitive. Our strategies and action plans would be based on leading in the marketplace.

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Online Game Internet Subscription Program Launches in Minnesota

On November 18, 2010, Scientific Games, in collaboration with the Minnesota State Lottery, launched a new internet subscription system branded by Minnesota as Online Game Play. This sophisticated program gives players in Minnesota the convenient option of purchasing a game subscription, via the Internet*, for any one, all or combination therein of the Lottery's current on-line portfolio of games.

"Online Game Play gives players an easy-to-use web experience for playing lottery games. Plus, it gives the Lottery all the tools necessary for managing its backend process," says Aman Safaei, Scientific Games' Senior Vice President, Internet Solutions and Mobile Technology. "It is designed to accommodate future games that the Lottery may wish to add, not just the six in their current online portfolio."

Scientific Games, MDI and the Minnesota State Lottery worked in close collaboration during every step on the project to define, develop, test, fine-tune and roll out the Internet-based game play program. The system's highly flexible architecture design enables integration with various versions of online vendors' gaming systems, with only modest development effort required. In Minnesota,

GTECH provides the backend and the gaming system.

"Our goal throughout the project was to implement and deliver a system that would maintain maximum security of the data, uphold the Lottery's brand integrity, and incorporate the automated controls necessary to ensure the solution was legally compliant within the State of Minnesota," says Mike Fisk, New Media Product Manager, MDI, who was among the key project leads from Scientific Games.

"Even though most of our revenue will continue to come from lotto sales through the traditional land-based retail channel, it's imperative we begin introducing the new products, media, and distribution channels that our players are migrating towards," says Jenny Canfield, Minnesota Lottery Director of Operations. "Lotto Subscriptions (Online Game Play) is a new distribution channel – a channel we believe, going forward, is fundamental to growing our playership, our sales and our net revenue for beneficiary programs."

ONLINE GAME PLAY: HOW IT WORKS

Online Game Play is designed to make the interactive experience easy and fun for the player. The experience begins when the player accesses the Lottery's website and, from the main home page, sees a link to a subscription page. If, at that point, the player decides to register, he/she will be asked to complete an online form that requests certain information. While most of the requested information is basic and non-sensitive in nature,

MINNESOTA STATE LOTTERY ONLINE GAME PLAY LOTTO SUBSCRIPTIONS

CONTACT US HELP LOGIN

GET PLAYING Purchase and play your favorite Lotto games online with the new Online Game Plan from Minnesota State Lottery. Registering never sounded so good. **REGISTER**

Please be aware of the following:
• Our system cannot determine that you are in the state of Minnesota therefore you will not be able to complete your subscription purchase. Please try again when you are in the state of Minnesota. If you are within the state of Minnesota please contact the Minnesota State Lottery.

SEE HOW THE ONLINE GAME PLAN WORKS
Take the tour and see how easy it is to purchase and play Lotto games online!
Questions? Check out the [FAQ](#)
TAKE THE TOUR

LOG IN
UserName
ENTER
Forgot your username?

Dear outta-stater's: We're flattered you're interested, but only those with a Minnesota address are allowed to register for Minnesota State Lottery Online Lotto games.

Your access and use of this system is validated and protected using Secure Socket Layer(SSL) and all communication to and from this system is encrypted for your security.

there is one exception: every player must submit the last four digits of his/her social security number.

Once the player completes and electronically submits the form, the system securely cross checks this information against a number of national databases to independently verify that the player is at least 18 years of age. Once it is verified that the player is 18 or older and has completed all of the necessary information, the player's registration is accepted. During the registration process, the player must set a spending limit.

The verification phase is seamless to the player and only takes seconds. Registered players can then manage their accounts, check their winnings and also create group/pool plays. Players are then given the option to purchase the six Lotto products from the lotto game portfolio.

HOW TO PLAY

Minnesota State Lottery players can purchase a Lotto Subscription for 6 to 52 weeks for any of the following games:

- Powerball with an option to include Power Play
- Mega Millions with an option to include Megaplier
- Hot Lotto with an option to include Sizzler
- Gopher 5
- Northstar Cash
- Daily 3

Players can select their own numbers or choose the quick-pick option. Once the numbers are selected, submitted and the purchase is confirmed, the numbers cannot be changed or canceled. At the time of purchase, the system will determine the location of the player at that time to ensure that the purchase is being made within the State of Minnesota. The player will then be directed to a payment page where the player will enter their bank account information to complete the purchase. The Minnesota system does not allow purchase by credit card. Subscriptions will then start within 48 hours of purchase, but usually begin the next day after the purchase is made. A receipt for every subscription purchased is automatically recorded in the player's account and a copy of the receipt is also emailed to the player.

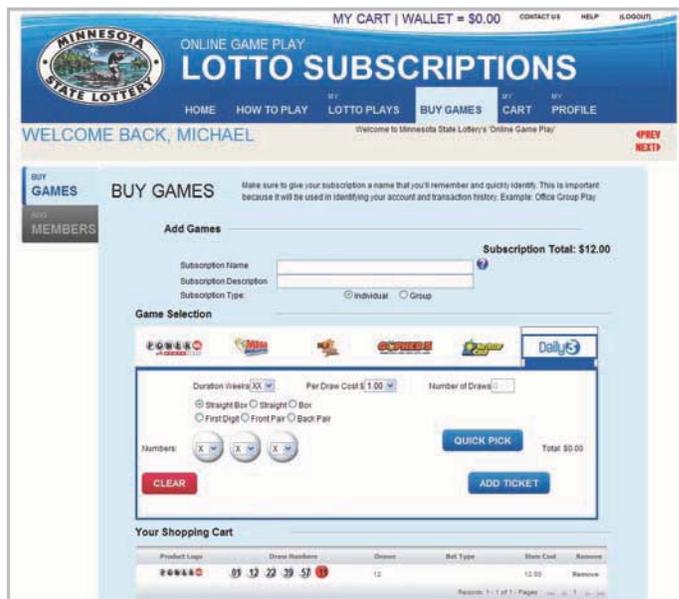
Every morning, all tickets for the previous night's drawing, are reviewed and winnings identified. This information is kept up-to-date in the player's account.

Players are notified if they've won via an email message. For security purposes, the Lottery does not state the winning amount in the email, but makes it available when the player logs into his/her account. Winnings of up to \$600 are automatically placed in a player's virtual wallet. Players can check their accounts, purchase new subscriptions or request a check from their virtual wallet at any time – 24 hours a day, 7 days a week. Players can also use money in their virtual wallet to extend a subscription or purchase a new one. The system in Minnesota is the first one employed in the United States with a virtual wallet where winnings can be deposited and from which players can use to make additional purchases.

ROBUST BACKEND

In reality, the system's administrative function is four to five times more complex than the product itself, because it has to be able to identify and fix anomalies that could happen during the workflow process.

The "admin" function must also generate a variety of management reports, as well as confirm and cancel accounts. "There are



various situations where the Minnesota staff requires full and flexible administrative capability to be able to accommodate players and override certain system functions," says Safaei.

RESPONSIBLE GAMING

Built in to the system are responsible gaming features, including several thresholds that limit how much can be spent or exclude a player from playing for a period of time. The system will also let a player track the amount of money spent on subscription purchases over the last year.

Lottery or Global: The Lottery establishes the maximum spending limit for an individual player as well as for a Group Play manager.

Player Imposed: The player can set a self-imposed spending limit, but it must be lower than the Lottery/Global threshold. Any increase in the spending limit will not take effect for 24 hours after the request to allow for a cooling off period.

Player Exclusion: The player can exclude himself for a definite or an indefinite period from one year to lifetime.

According to Kyle Rogers, MDI Executive Vice President, this state-of-the-art subscription program is yet another building block for assisting lotteries looking to construct a platform for socially responsible Internet lottery play*.

"We're working closely with our U.S. customers to launch regulation-appropriate, responsible Internet-based solutions," says Rogers. "Where legally permissible, we're collaborating with customers to lay the systems infrastructure necessary to support the new products, media, and distribution channels today's players are already calling for. Markets always evolve to meet the needs and wants of consumers and certainly using the internet as a purchasing option is a natural next step in this evolutionary process."

What's next for the Minnesota State Lottery's subscription offerings? The system was designed so that enhancements and expansion would be possible.

"We are excited about expanding the games available, purchasing convenience, promotional and gift-giving options. Feedback from players has been very positive and they too are looking forward to added options." says Canfield.

*Consistent with applicable regulation

Direction of the European Regulatory Scene

2011 promises to be a year of major progress towards a rational framework for regulating the European Gambling industry. Following are excerpts from two important documents. First is a statement issued by the Council of the European Union (EU), expressing the position of the member states on matters of regulation of the gaming industry. The basic 'take-away' is that the EU member states want the EU Commission to refrain from imposing regulatory policy without considering the will of the member states. Further, the public policy objectives of the member states vary widely, and those differences should be respected. And further still, the role of government lotteries as a special means to raise funds for Good Causes does not conflict with basic EU economic objectives and principles.

Second are excerpts from a speech given by Michel Barnier, the EU Commissioner for Internal Markets. The basic 'take-away' here is the importance he is ascribing to the problem of internet regulatory policy and his desire to find solutions to these controversial issues that are agreeable to the member states, as well as consistent with EU principles. Combine Commissioner Barnier's objectives with the statement by the European Union members, and the potential for a European regulatory framework that makes sense for everyone (except illegal operators and tax-haven principalities) looks very promising.

These documents can be read in their entirety at www.PublicGaming.com

Please note that the following are EXCERPTS only.

COUNCIL OF THE EUROPEAN UNION

Conclusions on the framework for gambling and betting in the EU member states

3. NOTES that online gambling services by their very nature pose global challenges ...
6. RECOGNISES that Member States are confronted with different cross-border issues, and AGREES that progress can be achieved in order to tackle them;
7. The need to effectively regulate gambling services requires that Member States supervise the provision of gambling services in their territories through regulatory public authorities, established according to national legislation.
13. RECALLS that all EU Member States have different types of state lotteries or lotteries licensed by the competent state authorities, providing lottery services.
15. RECOGNIZES that contributions, in particular from state lotteries or lotteries licensed by the competent state authorities play an important role for society, via for example the funding of good causes, directly or indirectly where applicable.
16. AGREES that this specific role should be recognized in discussions at the European level.

Excerpts from Speech by Michel Barnier

Speech by Michel Barnier

Member of the European Commission in charge of the Internal Market and Services; Online gambling: a reality to be reckoned with - to know and regulate better. Conference of the Belgian Presidency Brussels, 12 October 2010

Mr. President, Members of Parliament, Ladies and Gentlemen,
My first speech before the European Parliament as Commissioner last February focused on online gambling. This was no coincidence. I don't believe much in coincidences and luck. ... It was no coincidence that the representatives of the European people questioned me right away on the challenges facing the public authorities today with regard to the fast development of online gambling and betting.

.. I also wish for the Commission to drive this debate. By uniting, in targeted thematic workshops, undisputed specialists. We want to overcome the emotional character of the debate to get the facts, beyond vain "petitions of principle".

... Firstly, **in Europe just like elsewhere - for example in the United States - the advent of the Internet has seen the development of a massive illegal offer, which has continued to grow, outside any regulatory framework, and that authorities have so far been unable - or did not have the will to - contain.** I mentioned the figure of 15,000 sites accessible from Europe: in 2006, over 85% of them were operating without a licence.

On the other hand - as this activity is subject to very diverse national rules, we observe the development of an offer which I would describe as "grey". Certain operators licensed in one or more Member States do not hesitate, in fact, to offer and promote their services in other Member States where they operate in complete illegality, but without failing to invoke the rules of the single market and the principle of mutual recognition. The Union is thus called upon.

Then, thirdly, what exactly is the intention of the European Union, often suspected of orchestrating the "liberalisation of gambling?"

... Ladies and gentlemen, I have the audacity to think - which might displease some - that in its judgments the Court has never departed from a perfectly consistent line. Firstly, the Court stated that online gambling come within the rules applicable to the provision of services. **An operator licensed in one Member State can therefore offer its services in another Member State, unless the latter has decided to restrict this freedom for overriding reasons of public interest.**

... The Court recognises in this regard that Member States have a wide margin of discretion concerning the rules they wish to have, and thus the level of restriction they deem appropriate to impose. Nothing prevents for example a Member State to maintain a public online gambling monopoly as long as this restriction addresses the concern, for example, to protect health or public order.

But the Court has a simple requirement, but an unfringeable one, and we cannot overemphasise this point: consistency.

... Therefore we must launch and conduct to its term this broad consultation. I shall propose to the Commission to do so in the coming weeks through a Green Paper, in which I intend to involve all stakeholders, but also the European Parliament and Member States.

Ladies and Gentlemen, I have said it since the month of February: I want to start this debate on online gambling without a priori, without preconceptions, and especially without prejudging the conclusions we shall have to draw at the end. I have only one concern in mind: to provide effective and real protection to consumers and citizens, while respecting the freedom afforded to Member States in this sensitive area, but also the principles that underpin the internal market.

The Court has so far reminded us of a single requirement: consistency and sincerity.

lotteries all across the world - in Europe, the Americas, in Asia and Oceania and in Africa. These three characteristics are what constitute the *Global Brand of Lotteries*. These three characteristics are unique to the lottery business. We might even think of them as the soul and essence of lotteries. The reason we want to think of them that way is that along with those three characteristics, our service to a higher purpose should also be integrated into *Brand Lottery*.

Let me take the example of lotteries in the European Union, which I know best. There are 53 lotteries located within the EU and they are members of both The European Lotteries and the WLA. Each year, these 53 EU based lotteries sell lottery and sports wagering games in excess of EUR 70 billion. Of that total, players and punters receive prize payouts of EUR 38 bn. Of the remaining balance, more than EUR 21 billion is returned to member states as mandatory payments to state treasuries or good causes like grass roots sports.

In other words, on average each lottery gives back to society 2/3 or 66% of its gross income – some even more than 75% of each EURO they earn. This equals 43 EURO per capita in the entire European Union. This large and sustainable funding mechanism for sports and for *Good Causes* is only possible thanks to the exclusive rights and obligations that lotteries enjoy in their jurisdictions. It would not happen without monopoly protection. By contrast, we currently see commercial gaming operators relocate to tax havens where they hope to evade the taxes where the players reside and pay a minimal tax to the jurisdiction they are based in, typically less than 5% and even as low as 1%. And let me emphasize that this is not a question of public or private ownership. Some of our WLA lottery members are privately owned, and some of those are setting the highest standards for *Best Practices*. The relevant distinction is between commercial gaming operators which have little affiliation with *Good Causes* or the governments where the players reside, and gaming operators with exclusive licenses and obligations to fulfill the highest standards of operational excellence and integrity and to turn over a significantly higher percentage of revenues. It is this business model, and the market conditions that provide exclusive rights to operate, which make sustainable funding of *Good Causes* possible. Meeting those high standards of operation and delivering the higher percentage of revenues to *Good Causes* is what distinguishes *Brand Lottery* - not whether the operator is privately or publicly owned.

What is your agenda as president of the WLA?

What do you see as the major issues and challenges and how will building a Global Brand Lottery help the individual lottery operator to deal with them?

R. Nieminen: The future for lotteries looks very bright. In many jurisdictions, lotteries were built more than half a century ago with the aim of channelling the public's desire for gaming and providing sustainable funding for grass roots sports and other *Good Causes*. The power of this mission to serve the public good will not vanish just because new technologies like the Internet appear. On the other hand, new technologies are changing the marketplace and the behavior of consumers such that lotteries do need to innovate and adapt just like any other business. Presently the new competition is in areas like sports betting and Internet poker. The invasion in the heart of the lottery territory has not yet taken place but it is likely to come. And when it does, it will likely include operators who are not complying with local laws, regulations, and tax obligations. The gaming landscape is changing with new entrants and new borderlines between suppliers and operators.

The consequences are complex and sometimes unpredictable. In sports, there have been a growing number of scandals because of match-fixing and it seems that organized crime and money laundering aim to enter sports and sports-betting. This creates an obligation for lotteries to join the sports world in the fight to preserve the integrity of sports. This is yet another example of how lotteries share the most important values with society as a whole. The natural focus of government lotteries is to always work according to those values. We need our stakeholders, all stakeholders including the general public, to recognize that the mission of lotteries is to support the public good. In that sense, lotteries belong to the people. That is what makes us truly unique and should be leveraged to be a powerful competitive differentiator.

We really need to work together to create a universal recognition for who we are and what lotteries stand for. Lotteries will never enjoy maximum brand value if their branding efforts stay focused on their own jurisdictional markets. Working together to protect and promote the business and the universal appeal of our brand is not a difficult thing to do. We just need to all see the value in it and take steps together to make it happen. And the WLA can be a valuable tool to help us coordinate our efforts for maximum effect - making the benefits of the global lottery brand truly resonate with all external stakeholders. I see the role of the WLA as being the global advocate for *Brand Lottery*. A necessary condition to play this role

is a lottery trade association office with superior skills and knowledge of lotteries and gaming globally. The office must know and must be known as the office that knows! This knowledge and the ability to demonstrate it to all key stakeholders globally can only be assembled in a co-operative effort with the regional lottery associations who possess this knowledge for their part of the world. Together, we can build an association structure which can promote and protect the global brand of lottery and can ensure that our businesses all grow and prosper. Working closely with the regional associations to create this unified effort is my primary goal as WLA President for the years to come.

The European Congress is held only once every other year. This year is titled Northern Lights, a New Vision for the Future. As in all your undertakings, it sounds like you have an ambitious goal of making this be an especially unique and exciting experience.

R. Nieminen: We do and I want to welcome everyone to Helsinki for the 2011 European Lotteries conference. I can tell you that we are working hard to make this a very special event. One objective is to combine a focus on the future with the issues that are most relevant to lottery operators today. There will be a big emphasis on cross-disciplinary speaker choices, speakers with a transcending vision of the future that we think will ignite the lottery community with new ideas. We want to learn the best new practices from leading professionals from both within and outside of the lottery industry. The result will be a great platform for networking and meeting up with like-minded people.

We're also using this event as a catalyst to listen to the ideas of all of our members in advance of the conference, and creating more of a workshop atmosphere that supports taking action and making exciting things happen when we all return to our own operations. An example of that is what we call The Young Lions' Programme. The main objectives of this programme are to diversify the participation base in the EL Congress and to enable the most talented young lottery professionals to participate in the Congress in a meaningful and innovative way. Through their work and presentations at the Congress, the Young Lions are expected to shed new light on the European Lottery industry's most pressing issues.

In conclusion, we want to extend a warm Helsinki invitation to all of you to participate in the Northern Lights, the EL Congress being held June 5 to 9. Please visit our conference website at www.el2011.org. And Go on - Be a Lion!

back to benefit the general public in the form of Good Causes. The other has been to protect the public from fraud, money laundering, social costs related to problem gambling and criminality. In Europe this last is referred to as the preservation of Public Order. Lotteries have perceived the EU Commission to be unsympathetic to the Good Causes argument for preserving monopoly control, and so have relied on the Public Order line of defense that has been primary in recent years. But you have resurrected the Good Causes justification in a presentation to the EU member council. This is exciting. Why the switch, why do you feel that the EU Commission is now more receptive to the argument that lotteries should be protected because of the huge financial support they give to Good Causes?

Friedrich Stickler: The EU Commission has never actually said that governments do not have the right to control the gaming industry for the benefit of the public and Good Causes. In 1992 when the debate started Member States did argue in the European Court about Good Causes as well as about public and social order. It was decided by the European Court in the Schindler case (1994) that the good causes, although an important feature, was not providing the Member States legally a ground for preserving their monopolies. The allocation of profits to good causes was considered by the Court as an ancillary benefit, but not a legally acceptable justification. The line of thinking was that the underlying purpose of the European Union is to promote free trade and open competition, so restrictions can only be accepted if necessary and proportionate and aim at defending more important objectives as public order and/or the protection of the consumers. But the case law has always recognized that gambling is a special industry and the regulation for gaming should be determined essentially at the member state level. What we are doing now is to simply adding back into the political dialogue the fact that lotteries serve an invaluable role by contributing billions of euro to Good Causes. There is no reason to shift those funds from Good Causes and public service interests over to private and commercial interests. The preservation of Public Order is just as important as ever and remains a cornerstone to the justification for government control of lotteries and gambling. But lotteries do play a critical role in society and we're just adding the financial contribution role of lotteries back into the dialogue. It is so important that the EU Commission recognizes the crucial role that lotteries play in the support of Good Causes.

But why now? Why do you think the EU Commission will be more sensitive now than before to the role that lotteries play as a source of funds for Good Causes?

F. Stickler: I frankly think that we should always have emphasized the importance of lottery funding to Good Causes. This is a political issue, not a legal debate. The political issue is about who should enjoy the financial benefits of this industry. We need a framework that allows member nations to choose not to decimate the billions of dollars that go to support Good Causes. That is a political question to be answered by the EU Institutions all together (Commission, Parliament and Council), not a legal issue to be decided by the European Court of Justice. Michel Barnier is the new Commissioner of Internal Markets for the EU Commission. He has indicated a desire to work in concert with the member states to develop a mutually agreeable solution to these questions. That is in contrast to the previous Commissioner who felt that the EU Commission had no responsibility to listen to the opinions of the member states. Commissioner Barnier has also expressed a strong desire to work towards a more rational framework that does not result in ongoing disputes over how to regulate the gambling industry. He has accepted that the principle of subsidiarity may apply to gambling, which means that member states have more rights to exercise authority over how the industry should be regulated within their borders. And he has also recognized the important role that lotteries perform in service to Good Causes. He will publish what is referred to as a "Green Paper" which will set a course for addressing these issues, for moving towards a rational and effective regulatory framework for the member states to follow. The publication of the Commissioner's "Green Paper" is a highly anticipated event that should take place within the next months.

But let's not forget that, in a more global environment and due to the expansion of Internet gambling, the preservation of Public Order is actually a more pressing concern than ever. Money laundering, organised crime and fraud are a bigger threat than ever and we need to have effective regulatory laws and enforcement mechanisms to combat them. By combining these two fundamental concepts, Public Order and Good Causes, we are hopeful that the EU Institutions will appreciate the importance of preserving the basic lottery model.

It's so great that the European Lotteries are able to speak in one voice to the European Union Commission. Doesn't your membership have different opinions on at least some of these issues and how do you create consensus?

F. Stickler: Of course there are differences of opinions. We just identify the most important issues and work hard to clarify what we can agree on and then speak in one voice to the EU Commission and the general media on those issues. We feel that it is so important to have a unified and consistent message on the important issues. We all agree that our national governments should have the authority to determine the regulatory structure of the lotteries. And we all agree that preserving the monopoly model for the benefit of Good Causes, as well as Public Order, is a perfectly legitimate agenda for a national government to have. Those are two core values that all of our members agree on. So that is the message that I have been charged with delivering to Brussels.

It sure would be good to have a framework that enabled the industry to evolve without so much litigation over regulatory laws. I can't imagine that the European Court of Justice wants to stay in the position of arbitrating all these disputes.

F. Stickler: It will take time to get there. It's difficult because these really are political issues rather than legal issues. The Court can render a judgment that a jurisdiction is not in compliance, but there needs to be more clarity from legislators, from the shapers of public policy, about what exactly is allowed and who exactly has the authority to make these determinations. The ECJ judgments go back to the national courts for them to assess their options and try to chart a course. It gets very complicated with no one quite understanding what is expected of them. That's why this "Green Paper" is so important. It will hopefully provide guidance from the political leaders as to whether gaming and gambling can be regulated differently from other industries based on the issues of Public Order and Good Causes. One thing that is certain, though. And that is that all member states will be expected to implement the laws consistently even within their own borders. Whatever else is included or not in the framework set forth by the "Green Paper," we can expect that it will strive to support a consistent application of the laws, taxes, and regulatory constraints within each jurisdiction.

Fundamental to our position is that gaming,

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the entire country, creating a giant pool of players, more jackpots, and far more winners. More winners drive sales up, enabling more advertising and marketing. Think about how much we have to gain by broadening the affiliation from being state-based to being nationally-based!

At the WLA conference, there was much talk about the cultural phenomenon of affiliation. The human impulse to affiliate is what's behind the success of Facebook and powerful consumer brands like Apple products. Lottery is so rich with potential to tap into that impulse to affiliate. It would take a concerted national effort to paint a picture of who we are and why it is so exciting to be a part of the community of lottery players. It would not be that hard to do. It just requires the lottery community to see the value in it and work together to create the character and appeal of a national brand that resonates with the consumer.

It is the job of Lottery Directors to optimize the performance of their own state lotteries. That is the singular objective that drives every decision. Just like everything else, proposals to collaborate with other jurisdictions are assessed with that singular objective in mind. So if a lottery resists a particular proposal, like raising Powerball to \$2 or changing a logo to try to build a national brand, isn't it because they assess the proposal to be inconsistent with the mission to serve their particular jurisdiction?

J. Patel: We do need to respect the fact that lotteries exist to serve their jurisdictional stakeholders. However, collaboration in the industry between the lottery operators, vendors, and the idea generators is essential. The end result will be totally consistent with the interests of each and every jurisdiction. It may be the case that a particular initiative does not align with the short-term agendas of an individual state. We need to be sensitive to that and minimize the negative impact wherever it may occur. But the long-term success of lotteries depends upon building a national presence and ultimately a global presence, and forging a multi-jurisdictional approach to serving the markets. That's the clearest path to the creation of a powerful trusted consumer lottery brand.

I have asked different lottery directors why NASPL doesn't issue a decisive position paper on Internet gaming in the United States. Or for NASPL to represent the lotteries at the federal level in other ways as well. I am told that the

obstacle is that NASPL would have to get all lotteries, each and every one of them, to sign off on each and every aspect of such a position paper and that would be very difficult to do. But then I notice that Ed Trees, thankfully, wrote an open letter protesting the Harry Reid bill, which would have impinged on states' rights to regulate gambling within their own borders.

J. Patel: I think that the lotteries should be proactive in expressing their position on the national stage and that NASPL is an excellent vehicle to do that. Look at how much the European Lottery Association (ELA) has accomplished by communicating their views to the European Union Commission in Brussels. The ELA is made up of countries with far more divergent political agendas than what we have in the United States. I saw where you asked Michelle Carinci in last month's issue how consensus is created between the different Canadian provinces. Her answer was simple and right on. You just do it, she said. It's not always easy. But it's also not rocket science. There is so much for lotteries to gain by working to overcome differences and act with one cohesive voice. This issue is similar to the need to create consistency in national branding and the marketing of games.

Of course, lottery directors should never be expected to compromise the interests of their own lottery operation for the benefit of a national agenda.

Lotteries operate for the sole purpose of serving the public, typically returning between 28% to 35% of gross sales to good causes. No other gaming operator comes close to achieving this remarkable level of efficiency. Additionally, lotteries set the standard for responsible gaming, corporate social responsibility, and world-class security protocols. So it makes little sense that governments everywhere would not want their lotteries to operate as many forms of responsible gaming as possible. In the U.S., it is hard to understand why states have not been given a green light to implement Internet gaming through their lotteries if that is what they choose to do.

What can lotteries do to affect changes that connect to today's consumer better, and what is GTECH doing to help in that process as well?

J. Patel: First, we should acknowledge that lotteries are the only sector in the gaming industry that do not have a fully-developed customer relationship management ap-

proach that includes tracking and analyzing player behavior. We have to find a way to have player registration programs so we can begin to develop a relationship with our current consumers, understand their playing habits and how their needs are changing, and be able to market to those players in a responsible way.

GTECH has developed what we call our Renaissance player program where we are working with lotteries to issue a lottery-branded player debit card, enabling players to register with the lottery. Prizes are paid onto a lottery embossed debit card, which may be used as a debit card for further lottery purchases or to buy third-party goods and services. This is a great way for consumers to register with the lottery. We view this as a pathway to getting players ready for interactive games when a jurisdiction feels it is ready for such games. The consumer now has a lottery branded card, which would allow them to use that registration for online interactive play when regulation allows. It's a simple and effective way to attract the younger consumers who actually want to prefer the higher level of engagement, interactive dialogue, and affiliation that a registration process delivers as long as the environment feels safe and trustworthy.

Customer First. I would think that, for an organization of your scale and scope globally, it requires no small measure of really sophisticated and astute process engineering to channel the input from the thousands of touch-points you have with your customer into action, into useful knowledge and information that is converted into real customer value.

J. Patel: That's true. "Customer First" represents a deep and actionable strategy for the company and is intended to provide a clear sense of focus and purpose. It is a state of mind that puts all of us at GTECH in alignment with our customers' goals and thought processes. We think of our organizational structure as an 'upside down' pyramid. Management is at the bottom and all of our efforts are pushed upwards to support the top where thousands of GTECH associates are dedicated day in and day out to help our customers. Our entire organization is being configured to structure resources to align with and support our customers' growth agenda.

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will not likely specify whether a transaction processing server must be located in the country of consumption. Belgium wants these servers to be physically located in Belgium. Online gaming operators protest that is not a reasonable requirement. PartyGaming wants to offer a "white label" service in which they connect an operator to a multi-jurisdictional pool of players, but the various regulators have no idea who is connected and whether the integrity of the game is guaranteed. Some Member states point out that compromises their ability to audit and regulate the business. What is hoped is that the Green Paper will provide the political bases for making these decisions. Whose rights should be served, who best represents the interests of the public, how do the interests of the government to regulate reconcile with the objective of free and open markets and cross-border commerce, etc.

Hopefully, the Green Paper will recognize the right of a government to permit lotteries to conduct business without unnatural restrictions. If the lottery model is recognized as legitimate from a political point of view, the framework should indicate that they can engage in generally accepted business practices like advertising.

How long will it take for the framework to result in a regulatory environment that works with minimal confusion over what is allowed and not?

P. Vlaemminck: Four to six years since the EU institutional process involves that both the EU Parliament and the Council find a consensus. And it is time to do so. I honestly think the ECJ is fed up with the role of arbitrating countless disputes. The European Court does not want and never wanted to be the arbitrator in an essentially political debate. Their role is to judge the rule of the law, not to create the laws. They do not want to be in the position of ruling where there is no law. The ECJ wants the appropriate EU political institutions take up their responsibilities to set clear political guidance.

I think in this political context the remote gambling community that wants to export their service from low tax jurisdictions and not pay taxes to the states where the players reside, and not comply with the regulations of that state, will have a very hard time continuing justifying this point of view. They have based their position in the past on the notion that the EU laws require free and open borders and free competition etc. Now they'll have to justify those positions politically and that will be difficult to say the least.

The Presidency of the EU Council changes every six months. In the second semester of 2010 Belgium was in that role. How and why is that role important?

P. Vlaemminck: The role of the Presidency is very important because the Presidency sets the agenda and frames the issues that the members want to address at the EU level. For instance, the French, Swedish and Spanish all recorded progress towards a consensus of the Member states on these regulatory issues. That was good in that it set the stage. But it had little material impact on actions taken by the EU Commission. The statement of Conclusions adopted by the Council on 10 December 2010 will have concrete political impact. While this statement is not legally binding on the EU Commission, it does politically obligate the Commission to deal directly with the issues. The Belgian Presidency took an ambitious posture in calling for a vote and thus confirmed that the Member states are of one mind on these issues.

Congratulations. This is the culmination of years of work on your part and the part of your colleagues working on behalf of governments which want to regulate lotteries. You and your team, including Annick Hubert (partner with Vlaemminck & Partners) were listed as advisors to the Belgian Presidency of the Council in this matter. Not to criticize the political process, but doesn't it usually result in more talk and less action? What caused the Council to take this matter up in the first place and then to produce a material result like this?

P. Vlaemminck: There had been lots of talk, years of talking. So everyone did have a good idea of what we needed to do. But you're correct in thinking it was still a challenge to make it happen, to draft and negotiate this document that everyone would agree on and actually vote to affirm. The preparatory work was crucial and done months before in permanent dialogue between the Belgian diplomats and, besides my team of lawyers, a team composed by the Belgian National Lottery and the Belgian Gaming Commission. We started pushing for this from the first meeting that we had, setting out the goals and timetables. Many Member states did not want to address these issues but we persisted with the Belgian diplomats and the support of the other team members. We did the drafting work and advised the Belgian Presidency on what is possible and legal. The goal was to build the very best document that would get a unanimous agreement on the part of the Member states.

Well, how cool is that? Congratulations.

P. Vlaemminck: Thank you. This final effort involved three months of preparation and six months of hard work under the Belgian Presidency. Of course, many others deserve credit for their participation and support over the years, especially the French, Portuguese, Finnish, Italian, and Dutch Lottery people who were together with the Belgian Lottery always in the frontlines; From the very beginning of the debate in 1992, The Belgian National Lottery was very actively involved and in front of the Belgian government in the courts. From the very beginning, we had an excellent working relation with the General Counsel of the Belgian Lottery, Mr. Dirk Messens who did understand the importance of this sustainable effort and did convince the succeeding CEO's of his Lottery in doing this. Belgium is the only Member state which has always been present at every single gambling case in the European Court of Justice. That creates political leverage. Belgium is considered to be the expert in this debate.

You've personally represented the Belgian government in most of those cases, haven't you?

P. Vlaemminck: I began working with lotteries 22 years ago and have represented the Belgian government in every single gambling case since 1992. So, we've developed the legal expertise to understand the issues, the legal precedence, the priorities of the different stakeholders, and how to strategically present the lottery position so that it is acceptable within the rules and charter of the European Union. But it has been very much a team effort. European Lotteries has always paid a lot of attention to these questions and has over the years invested a lot in building knowledge and creating an appropriate environment for developing a strong legal advocacy. The succeeding Presidents of European Lotteries, from Ray Bates, over to Hans Jürgen Reissiger, Winfried Wortmann and Friedrich Stickler have invested a lot of time and effort in EU affairs. Also other Lottery Directors, like Christophe Blanchard-Dignac, Tjeerd Veenstra and Risto Nieminen are driving forces in this debate.

We also meet, typically around 15 lawyers from different Lotteries in Europe, every month in an European Lotteries regulatory working group (chaired by T. Veenstra) to work on these issues in our office in Brussels. We've been doing that for many years. And every year we have a two-day legal seminar of European Lotteries among all the lotteries to

discuss legal questions, share legal information and data. There enormous exchange of knowledge, information, and brain storming has been taking place between the lotteries in Europe for many years. Lawyers like Michel Janot (FDJ), Barbara Hoffmann- Schöll (ÖLG), Ana Paula Barros (SCML), Hubert Sicking (WestLotto) are true authorities in their respective jurisdictions and involved in the EU debate since the beginning as well, although often working in the shadow. Other lawyers like John Dillon (Camelot), Claudia Richetti (Lottomatica), Tuula Sundström (Veikkaus), Bengt Palmgren (Svenska Spel), Arjan Van 'T Veer (Staatsloterij) are equally playing an important role in our work as many others , some who left and others who joined our group, but too many to mention them all. We would very much like to work also more with NASPL, see NASPL become more politically engaged, and create a true international alliance of Lotteries to promote a regulatory environment that protects the public and the rights of governments all around the world to collect taxes on gambling revenues.

Is there a reason why the Belgian Lottery is considered the expert other than the fact that the EU Commission is based in Brussels?

P. Vlaemminck: Actually, it is more driven by the people involved, by longstanding and sustainable relations and mutual trust , than anything else, Paul. The European Lotteries is one of my clients, and this since many years, like the Belgian National Lottery and I have developed an especially close relationship with the Government here in Belgium. I have spent my entire career working on le-

gal matters with the European Union and the WTO. We have had 28 cases on gambling in the European Court up to now (and others are following), and in every case we did represent the Belgian government and expressed an opinion.

You have described a convergence of different events that seem to be making all this possible, but ultimately it's about people like you and your colleagues who push hard, don't give up, and have the guts to strike hard when you know it's time to close the deal. The Council itself should be proud of their accomplishment, but you should also consider it a personal victory.

It is interesting that the focus on the financial support to Good Causes is being legitimized just as preserving Public Order is becoming more of an issue. Enforcement of laws against illegal operators, money laundering, fraud, organized crime, is being recognized as more vital than ever, isn't it?

P. Vlaemminck: Yes. Everyone, including the shapers of public policy, are recognizing that remote gambling requires law enforcement. We need to be able to stop illegal operators and the criminality that you refer to. There is now the suspicion that funding of terrorist activities may be facilitated by illegal remote gambling operations. So, yes, Public Order and law enforcement is considered now of adamant importance. We need to enable ISP blocking, blocking of illegal financial transactions, make sure that activities that are illegal in some Member states, like in the Netherlands, can't be imported from other member states, like i.e. Malta. And the only

way to stop that from happening is to have ways to hold accountable and punish the perpetrators and those which enable the illegal operators to act criminally. That requires two steps. First, there must be a regulatory framework that is clear. Second, there must be the right technological tools and law enforcement modalities to enforce the rules.

Once the 27 EU member states make that happen, maybe the governments of the rest of the world will join the effort to protect the public from criminal remote gambling operations.

P. Vlaemminck: Beginning with the U.S. The U.S. has an equal responsibility with Europe to develop and enforce an effective regulatory framework. It would appear that the debate in the U.S. is now focusing on freedoms, on the rights of the individuals and businesses to pursue their own goals with minimal interference from government. And that there is inadequate appreciation for the potential for fraud and criminality. Debating whether people and businesses should have the right to engage in certain activities is a part of the public policy process. But the U.S. will undoubtedly be facing the same challenges with illegal operators and criminality that Europe has been dealing with. Hopefully, they will realize that laws and regulatory frameworks to protect the public and collect taxes are necessary. That is where we need to come together and forge a transatlantic dialog. We are ready to support the US Lotteries in this challenge.

And that's why I'm hoping you'll come to present again at our conference in New York City! ♦

Friedrich Stickler Interview ...continued from page 26

gambling, and lotteries are special industries and the EU should not insist that all member states regulate in the same way. There has to be an allowance for different gaming cultures and different political and social objectives. The alternative, to try to impose a rigid set of rules that require member states to open up the markets to multiple operators and open borders, would result in the entire European Union adopting a model in which all markets are forced to migrate to the lowest tax rates and highest payout percentages. The revenue driver would be the same as it is for all other industries. The customers would all go to the

best value proposition. That would cause the payout percentage to increase to the highest one that exists. The biggest cost item is taxes and so the revenue would go to the operators that had the lowest taxes and could offer the highest payout percentage. This may be what some commercial operators want; and it may be what two or three EU member states which host those commercial operators want. But it is emphatically not what the vast majority of EU member states want. And since the countries that don't want it are where 99% of the EU population resides, it is also not good for 99% of Europeans. And it is certainly not what the

beneficiaries of the billions of euro generated by lotteries want. And that is why we need to include these other financial considerations along with Public Order as being sound and legitimate justification for preserving the lottery model. And that is why we have hope that Commissioner Barnier's "Green Paper" will move us all towards a framework that gives the national governments the authority to opt for a traditional lottery model if that is what the people want. ♦

and our own sales organization to be a part of the information-gathering process.

Then somebody suggested we survey our winners, not just for the PR hit when they've won, but to survey them afterwards and on an ongoing basis to learn more about them. Why would we do that, some of us asked. Lottery winners are really not our primary target market, or even a target market at all, right? That evolved into a plan to create a club in order to help our winners deal with the media and manage their assets. Of course, the additional publicity for our winners was also a big PR benefit for SKL. But the concept really took off when the SKL Millionaires' Club evolved into a fraternal organization that now meets at least twice a year, has resulted in friendships and given us a very surprising glimpse into how people really think and behave and what they really want out of life. Being a member of the SKL Club gives them a peer group of people with whom they can relate and learn how to adjust to having a financial windfall.

Our twice a year sessions have two parts. First there is the public part where the press is invited to talk with the Millionaires' Club. Then the members gather for a private visit with each other.

I'm surprised that the winners would want that kind of publicity.

Dr. Rombach: Yes, but remember that all members of the Millionaires' Club won their millions in a big drawing show live on TV. What is so interesting and that we could not have planned or known before we founded this Club was that winners like and need this special sort of community very much. First, for very practical reasons in order to give advices how to relate with the press, their old and new friends and the money. In this sense we developed a winners protection program. Then we found that none of them aspired to change their lives in dramatic ways. But what this Club along with the public relations has done is to help them find what they do want to do, helped them not only be happy for their good fortune but be proud of what they are doing with their lives and their wealth. One of the initial objectives of the Millionaires' Club was to protect the players from making mistakes with the media and their winnings. The result is that they now see themselves as leaders who want to share their lives and goals with others. Together they reinforce the conviction with each that money doesn't change you as a person. Money doesn't change your moral or social values. These are values that are re-

inforced within the group but are then also broadcast to the public. So we can deliver that special social network of SKL millionaires.

I'll give you an example. Many of the winners actually continue with their jobs, or went back to them after awhile, or continue to live in the same house. One fellow was already retired with a pension. He won 5 million euro. So he did not need to work anymore. But he decided to reopen his business and rehire his former employees. As he's describing his experiences and how he's fulfilling his goals, he turned to the moderator and said "So you see, it's all your fault that I have to work again." But that was his decision, and the money allowed him to return to being an entrepreneur.

This must all have tremendously powerful PR impact and benefit for SKL.

Dr. Rombach: Yes, and in ways that we hadn't anticipated. Now the press has a good story to do on the lottery. They love covering the uplifting stories of our Millionaires' Club. Our mission is to help the winners make a healthy and happy adjustment. But having accomplished that, we then turn their healthy, happy stories into positive publicity for the lottery. It is also a proof of our lottery concept.

We had to find ways to appeal to aspirations other than the 'hope and dream' of winning a jackpot. We didn't have a choice. I would still say that everyone should continue to use all the marketing tools available, and the dream of winning a big prize is still the most compelling driver. But we feel we are tapping into a forward-looking set of motivations that will be increasingly important. The presentations we are hearing at WLA (conference in Brisbane where this interview was held) are all talking about the desire of everyone to affiliate with others, to aspire to be a part of a group with whom you have shared values or interests. For some, those values and interests may not be aligned with those of our SKL Millionaires' Club. But we are finding that more people are relating to higher values and are motivated just as much by the prospect of being the best person they can be as they are by the ability to buy lots of stuff. That last presentation we saw (Bernard Salt at WLA) talked about a turning point when the pop icon of the moment changed from being Paris Hilton to being Susan Boyle, the person who surprised the world with her performance of 'I Dreamed a Dream'. Maybe we can create a Brand Lottery to appeal to those millions of people who aspire to accomplish something like Susan Boyle did more than a Paris Hilton. That's

what our research is focused on, finding those emotional 'touch-points' that will connect to the next generation consumer. We are forced to do that because we can't use as many of the traditional promotional tools, but we're also finding new marketing and strategic opportunities and think we'll be better for it.

To what extent did the need to come up with non-traditional marketing strategies cause you to design non-traditional research models and methods?

Dr. Rombach: We felt we had to focus our attention on basic as opposed to applied research. That would mean trying to understand the fundamental drivers of human behavior without a focus on selling anything, much less selling lottery tickets. And focusing on the consumer without allowing our own ideas to influence the outcomes of the research. In the end we would, of course, integrate our research into the business of increasing sales, but it was important to stay focused on basic research mode before tying lottery into the bigger picture of human experience. Our over-arching objective was to discover emotional touch-points that were different from those that we were not allowed to appeal to. Our initial hypothesis was this: Lifestyles, goals, consumer behavior all change from one generation to the next. There's nothing new in that. There is something new in the magnitude of the differences that those changes have wrought between the current generation of young adults and previous generations. The rate and the magnitude of the changes that have taken place over the last 20 years have created an entirely new landscape of behavioral drivers and emotional touch-points. Technology and new media have changed how we get and process information, how we interact with each other, how we buy things, how we organize our lives and our jobs, how we meet people and make new friends, how we share the story of our lives with others ... it's changed everything, right? We all know that. Our goal was to look beyond the surface for the deeper meaning of these changes, and how we could tap into them and connect with our customer on a deeper level. How can the image and sense of who we are as lotteries become something that complements and aligns with the consumers' self-image and who they want to be? How do those lifestyle changes alter one's view of the world and the role one aspires to perform on that world-stage? We just talked about one of those, the impulse to share and affiliate. Another one is the quest to be actively engaged in life, and

not a passive observer. Our entertainment and recreational activities basically need to deliver a higher ROI. The act of buying a lottery ticket needs to deliver more than the momentary dream that this could change your life. That's important, of course, and we want to keep that hope/dream motive alive. But the consumer wants more. We analyzed the nature of games, why people play games. We analyzed the success of popular programming like the Idol shows, reality programming, game shows like Deal or No Deal. Then we stirred it all up and created a campaign that brought everything together. You can view one of the results at http://www.skl.de/fwd;jsessionid=abchWV2CNihNQbml_Nt0s?to=2_tv_glueck_video_2010.jsp). It's in German of course.

(Watching it online) This is amazing. It's called the Day of Luck and Fortune. But it is like a game show in which athletes are engaged in different activities and the contestants try to predict outcomes. And the viewing audience gets to play along and phone in their guess as to certain outcomes.

Dr. Rombach: We took the concept of Luck and the concept of Fortune to create a special day, actually one day in the first half of the year and one day in the second half of the year, and invented a day of Luck and Fortune. We prepare and celebrate this special day with special advertorials trying to focus on the different issues and meanings of luck and fortune because we think the image of a lottery should not only focus on money. And on that day, twenty lottery winners were brought to Berlin where they participated with four German celebrities and the viewing audience in various guessing games and games of chance. For instance (as we're viewing it during the inter-

view), here we're watching a performer walking across a high-wire tightrope. And on the right side of the screen is displayed his heart rate. The contestants and audience had posted their guesstimates as to what the maximum heart rate would be and we're now watching to see how high it goes. The celebrity who's next to the real result (e.g. the heart rate was 171) wins a sum of money for good causes. We take also the last figure of this number (e.g. the 1) to evaluate a "lucky code". We have seven games like this. At the end we have a number for the "lucky code" (e.g. 1234567). The SKL player who is closest with his lottery ticket to the "lucky code" wins the million. Our goal was to integrate everything we learned about modern behavior, the desire to compete, to share experiences, to affiliate with people and causes and events like Day of Luck and Fortune because they represent things that will add meaning and value to our lives. We think of it as the philosophical part of luck.

Philosophical part of Luck ... It sure does create a dramatic effect.

Dr. Rombach: We made a special effort to get the attention and interest of the general media. They love it. We engaged for example a famous psychologist to teach people more about the deeper sense of luck or for example flow. They not only love the idea and the television show. They are very interested in our research and ideas on the philosophy of luck. This is an interesting topic to them and SKL is sourced as the think tank for the study of the psychology and philosophy of luck.

Lastly, how are we to interpret the meaning of the recent ECJ judgment that Germany is not in compliance with EU laws?

Dr. Rombach: First, we should explain

that Germany is separated into 16 different Lander, or states. We have a federal government and our federal system and the way the state-owned lotteries operate is similar to the structure in the U.S. and Switzerland. The justification for lotteries to be highly regulated monopolies is to preserve Public Order, protect the public from criminality and the player from problem gambling. The problem is that the electronic gambling machines are not highly regulated. It is easy to get a license to operate slot machines, the oversight is not very good, and you have multiple operators. The ECJ said that this is not a logical way for the markets to be regulated. To control the distribution of lottery more strictly than gambling machines is not consistent with the Public Order rationale for keeping a lottery monopoly. Some people interpret that to mean that the lottery monopolies should be broken up and opened up to multiple operators. But that's not what the ECJ said because the ECJ does not make recommendations. They simply rule on whether a system is compliant with EU laws.

The remedy just has to bring parity or consistency to the ways that the different games are regulated. So Germany could perhaps increase the regulation of electronic games?

Dr. Rombach: I don't know if there are any simple answers. Just that it creates a very big challenge for the German lotteries. It is already the case that we are severely restricted in our advertising. The only thing we do know is that this business will only get more challenging in the coming months and years. ♦

Jaymin Patel Interview ...continued from page 27

Could we clarify the current structure of Lottomatica and GTECH Corp.: Gaming Solutions, GTECH G2, and GTECH, are all now separate companies that operate under the Lottomatica umbrella?

J. Patel: Marco Sala is the CEO of Lottomatica Group, which is the umbrella of the four business segments. I am responsible for managing the global lottery business under GTECH. Paolo Personeni is responsible for the Group's interactive businesses under GTECH G2. Walter Bugno manages Gam-

ing Solutions, which includes SPIELO and ATRONIC. Renato Ascoli is responsible for all of the Group's businesses in Italy.

With respect to the lottery industry, when it comes to providing a solution, the other businesses work through GTECH as the primary interface with our customers. GTECH is responsible not only for the creation of traditional lottery products like terminals and instant scratch-offs, but also for the coordination of all the different companies' support of the lottery customers; to lead the integration

of different technological platforms, electronic games, and new media games into a seamless Player User Interface. This helps to assure that the lottery customer is satisfied with their relationship with all of GTECH and Lottomatica businesses. While not yet perfectly seamless, we are passionately committed to our "Customer First" mission. Our people are committed to going above and beyond and do whatever it takes to make sure we are putting our customers first. ♦

LEADERSHIP IN THE REDEFINITION OF GAMING, GAMES, AND GAMBLING IN CYBERSPACE

Embarking on a path of leadership in our industry was a logical choice, and a choice that gave our consortium stakeholders a common strategic purpose. Our strategic intent was clear: to create and own a new gaming model that will achieve world wide following. A strategy defined by ambition.

The model had to take advantage of new technologies as well as protect jurisdictional interests, while maximizing the opportunity of specific geographic locations. And this is what led to LSG, Location Specific Gaming, which is now the standard in all Geo-location Games and Contests.

We recognized early on in the creation of the Global Cyber Gaming Consortium that the alignment between strategic intent and strategic action is not likely to last, due to the speed at which change occurs and due to our operations on the ground in the various jurisdictions and over a vast geography. It was inevitable that strategic actions will lead strategic intent. This divergence between intent and action created “strategic dissonance”, a set of conflicting results that we were able to transform to our advantage into new strategic intent. The counter-intuitive insight was that strategic planning works best as a post hoc process of constantly readjusting the plan to match the constantly changing reality.

The key lessons of this transformation? Ask “What If?” questions. Ask them soon and often. Here are some of the questions we asked:

- What if we evolved the composition of the Global Cyber Gaming Consortium to involve cross jurisdictional alliances? (this led to Square Mile Lotto being simultaneously rolled out on five continents)
- What if we jump early on technology experiments? (this led to the creation of the Early Implementer Model)
- What if we invented gaming formats for massive scale location-based gaming experiences?

WELCOME TO THE MOBILE SOCIETY!

We recognized a few things at the outset of the Mobile Society: that we needed to become experts in understanding value, and that in order to add value in people’s experience of everyday life through gaming, we must first understand where new value resides. So we set out an ambitious program of unlearning the old paradigms and relearning new ones. Along the way, we transformed the challenges into opportunities. The key was to recognize the nature of the challenge posed by the Mobile Society.

Let us deal first with the terminology: Mobile Media, Digital Media, and the Digital Landscape stand as descriptors of both a technology – digital data and the devices that transmit and receive it – as well as a behaviour, a user engaged in retrieving or creating data while being mobile. The innovation was the fact that data was now mobile and digital. Mobile digital data could be transferred from one user to the other, from multiple entities to one, and from one to multiple. It is fair then to term the environment in which this activity takes place a Mobile Digital Culture – the expectations of the users and the deliverables of organizations, being tied to the understanding of the “mobility of data” as a cultural outcome, and one that results in new sets of relationships, new community structures and new forms of organization, all leading to a new society, the Mobile Society.

In the Mobile Society, brands are not sustainable unless they enable new experiences.

So the challenge of the mobile society was not about technology, but about business strategy. The challenge was simply this: to form an

action plan based on the realization that mobile digital media was not ever actually a channel. Mediums are not channels, they are modes of individual action. Aside from short-term challenges of technology and infrastructure, the real challenges were posed by our ability to engage and mobilize the community of players around common interests, and the ability to initiate and sustain a meaningful dialogue with them. These were the new measures. This is what we needed to learn: how to initiate a participatory dialogue with our players and empower them to directly affect the distribution of proceeds towards social programs, education or infrastructure in communities they care deeply about. The seeds of Square Mile Lotto were planted here.

THE LOCATION EXPERIENCE IMPERATIVE

By enabling new forms of engagement and participation, realities were changing the structure of business. Twitter, Facebook, LinkedIn, YouTube, Google Buzz, Google Earth, were just some of the early manifestations of the transformation in progress, transformations that required consumers to be actively engaged in actions. These actions of daily life were actually expressed as data, and it became clear that data was a new form of currency. It also became clear that the Internet was becoming location based and location centric (my friends, my stuff, my places), and that structured data – what we know about our players and their preferences - will be critical in transforming mobility and location in the gaming media of choice, engaging consumers at the granular level, one on one, with the potential of individually enhancing one’s experience of one’s location.

On the technology side, “Places” started to communicate data – maps, navigable attributes and content – about themselves actively and passively to people, objects and other places. When every place on Earth was bound to have a location profile, can we afford not to be there? The choices before us were rather limited, so everything became just a matter of speed: how fast can we act on what we saw as inevitable?

It became obvious that any trusted gaming brand can now become a granular broadcaster, transforming the players into an audience for new gaming experiences. With this understanding, we reframed our role as providers of gaming entertainment: it’s not about what WE want them to play and when, but about what, where, and when THEY want to play. It is about their life, in all its dimensions. And what they want to talk about is connected to where they are; to a location. A place where they can start to make a difference. Was this not the originating purpose of lotteries? To make a difference in the local community? This was our second breakthrough: we understood that by connecting location with a cause we will return to one of the earliest archetypes of public gaming: the hope and pursuit of destiny – winning – balanced by the desire to do good.

A NEW GAMING AUDIENCE AND THE RISE OF SOCIAL GAMING

Empowering participation by players was a signal that we were now ready to attract a new demographic, the Millennial. But to fully be able to do so, we first needed to understand how is the Millennial – anyone born after 1980 – different from the baby boomer. The Millennial is an empowered individual who acts on this empowerment by participating actively in the shaping of his/her own world. Conversely, to some extent the baby boomer was empowered in thought but not in action. The majority of the baby boom generation did not change the world, but witnessed change being driven by rebels from their own midst, in the garages of Silicon Valley. And this is the key in understanding the gap between the two generations: the millennial wants to have fun as a life attribute, an intrinsic part of every life experience. The baby boomer compartmentalizes life and thinks of fun as entertainment (i.e. programmed fun, within its time limits and specific formats and places).

The most significant differentiator between the two groups is the

dimension given to “freedom” and its understanding. For the baby boomer, freedom was a political concept at best, and it was generally associated with freedom of thought. These are people that wanted to be free “in principle”, but not in detail. The late 60’s and early 70’s were times of political struggle for this generation, but not times of significant political change. In other words, the struggle did not result in tangibles. Many went to join the very “system” they were criticizing, with no challenges being offered. By contrast, for the Millennial, freedom is a percept: the freedom to engage, to participate, to contribute, and to have not only their voice heard, but their actions have impact.

FREEDOM TO BE

What the boomer sees as a minor technological achievement – the MP3 player as an example – the millennial sees as a new form of culture, a new mode of expression, a new tool for empowerment. Herein lies the most profound difference between the generations: one looks at tools as means while the other sees them as ways to transform and give meaning, and believes deeply in the right and freedom to do so.

Freedom is critical in this context as it underlines the power of technology when used by the Millennial. We are not looking here at the freedom to think, but at the freedoms to both think and act. Action is where the two generations draw the line. The distinction between the theory of freedom, and the actual phenomenon of freedom. It is true that with this freedom we may encounter triviality, but the quest of the Millennial is not for triviality, but for consequence, for making a difference, for participation in the stream of change. For the Millennial, words are not actions. They aspire to transform feelings into reality. And they have the means, the desire, and the will to do it.

For the Millennial, the marketing of public games had to change as well. From individually focused campaigns that emphasized the riches of a life in the winning circle, we shifted to a marketing communication strategy based on outcomes. The outcome of the player’s participation; this is what your participation has accomplished; this is how your community of interest has benefited. We successfully transformed an individual reward message into a social object, with the power to attract communities and their demographics.

Transforming our brands into a social object was a long and delicate process, but a process that needed to take place before any social media application could be used in our new games. The concept of “Social objects” helps in understanding the formation of, and the activity in social networks online and offline, and it has been advocated by numerous experts in the fields of social media, and internet-powered collaboration, as a key issue to understand when considering community engagement. The underlying premise behind the theory of object-centered sociality is that community and communal action doesn’t happen simply because people have the possibility for it. Communal action requires concrete individual volition, it happens only if one has an intrinsic reason to do it, if one is attracted to do it. The relationships and links between people are not the central element in communities and social activity. Instead, the crucial building blocks are the social objects: common shared objects of interest for a given group of people, that gather those people around them to share stories about, discuss issues concerning them, celebrate them, or in some other way manifest their relationship to them. Various contexts give rise to various social objects: an earthquake in Haiti in early 2010 created a powerful social objects, with millions of people registered on the over 30 Facebook pages dealing with relief for Haiti. Relationships between people, then, emerge as links that revolve around the same social objects, and it is the social objects that are key in the forming of communities and social activity.

And this was our third breakthrough: we recognized that within

each square mile of a city there were issues that people really cared about, issues that were waiting for the spotlight and the transformation into a social object in proximity to a user. We realized that this is about the school their kids go to, about the hospital their parents are treated in, about the roads crisscrossing their community. What if we could connect a player’s number selection directly to a social object of interest to them? What if we can connect the 49 numbers on a board with 49 deeply cared for issues in the community near you?

Four Strategic Questions framed in 2011 our challenges and opportunities. The questions were formulated around the tension between two opposing sets of data; New Contexts versus Distinctive Capabilities, and New Sources of Value versus Business Models.

To understand the New Context we asked: How is the Landscape Changing? How are the Millennials different than the Baby Boomers? How will the social and physical infrastructures of Cyberspace help a lottery organization reach and retain their players, define new market segments, and create new revenue opportunities?

To understand the New Sources of Value we asked: What is the meaning of value in the mobile society? What do Millennials consider essential and important? What desires do they need fulfilled? What are the characteristics of the market? What, therefore, are the characteristics of the new lottery organization that will best respond to this dynamic?

To understand the New Distinctive Competencies we asked: What new capabilities are needed to succeed? What are the market issues that, when addressed, will create frictionless growth and hence superior margins?

To understand the New Business Models we asked: How are we presently structured to capture value? What key value activities do we need to be engaged in? What are the key business model issues that will determine our ability to develop a ubiquitous business model?

We learned that the first ambition must be one of understanding the new landscape, and only later, to monetize its opportunities. Understanding the new landscape allowed us to have the right ambition for our possibility.

So in 2011 we created a new innovation team called “The Game Changers” with the mission to learn all they could about opportunities in Cyber Gaming with a view towards developing methods for mapping its future. Their business objective was conceptualizing new gaming interactions and experiences in Cyberspace; discover, create and maximize future player needs, benefits and opportunities in this emerging landscape; that is, to build a strategy that was genuinely proactive and not reactive.

To succeed in Cyber Gaming, we needed to engage in new ways to nurture a better and more expansive relationship with the player, on new and multiple platforms of experience and on the player’s terms. We developed The Game-Changers initiative in order to be the first to exploit the new dimensions of gaming. Be that Peer2Peer gaming via Wi-Fi, on mobile handhelds or on home TV display terminals, ATM terminals, during daily transactions and daily activities, chance encounters with challenges or trivia contests at Specific Locations, or challenges while reading specific passages of a book or news story, our ability to move swiftly from one platform to the next, and from one compelling theme to another, is due in no small part to the fact that we are no longer observers of change, but we live it and we initiate it.

We are now an intrinsic part of our player’s intellectual and cultural life.

It is indeed a privilege to be inducted into the Lottery Industry Hall of Fame and I accept this honor on behalf of all my colleagues at the Global Cyber Gaming Consortium for whom I am merely a spokesperson. ♦

PHOTO COLLAGE OF THE 2010 ANNUAL CONFERENCE & TRADE SHOW

hosted by the National
Association of State and
Provincial Lotteries (NASPL)
held in September 2010 in
Grand Rapids Michigan

Mark your calendars for October 25-28, 2011 to join us for the 2011 NASPL Conference in Indianapolis. This is our industry's biggest annual event and a great place to connect with others dedicated to the success of Team Lottery!



Former Iowa Lottery CEO, Dr. Ed Stanek, Receives Simonis Lifetime Achievement Award

Former Iowa Lottery CEO Dr. Ed Stanek has received the highest honor given by the World Lottery Association, an industry group representing lotteries from 90 countries and five continents.

Dr. Stanek, who led the Iowa Lottery from its start in 1985 until his retirement in 2007, was presented with the Guy Simonis Lifetime Achievement Award during the WLA's biennial convention in November in Brisbane, Australia. Just five other lottery leaders from around the world have ever been given the award.

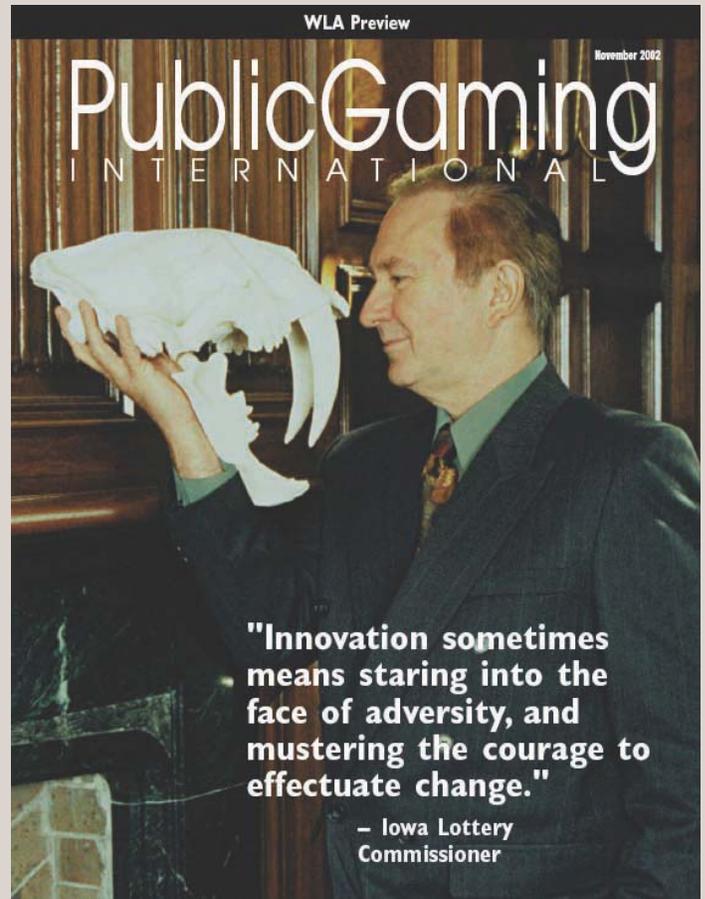
Terry Rich, who was appointed lottery CEO following Stanek's retirement, praised him as a visionary. "Ed's focus throughout his career was to build the success not only of the Iowa Lottery, but the lottery industry as a whole," Rich said. "Ed Stanek's leadership has been vital to the modern lottery industry and the billions dollars that lotteries generate for worthy causes across the globe."

Lorne Weil, CEO of Scientific Games comments "Ed Stanek is a rare individual indeed- distinguished leader, business builder, technologist, money manager, governmental advisor, extraordinarily devoted family man, antiques expert, photographer, gardener, adventurer, author, wine connoisseur, handyman, sportsman, loyal friend and an individual committed to the very highest ethical and moral standards; on the other hand there is the incurable propensity for really terrible puns and wordplays."

The award was presented to Dr Stanek by then-President of the World Lottery Association (and CEO of the Kentucky Lottery Corp.), Arch Gleason, who described his friend - "Ed was one of the very first lottery director's I met when I started in our industry back in 1989. I've had the opportunity to know and work closely with him on numerous occasions in the intervening years, up until the time of his retirement. I was truly pleased and privileged to have the opportunity to honor him with the WLA's Guy Simonis Lifetime Achievement Award/November in Brisbane, Australia. Ed has made many significant contributions, which have benefitted not only the Iowa Lottery, MUSL, and NASPL, but also lotteries around the world. "

Dr. Stanek, a co-inventor of the Powerball game, is a past president of the North American Association of State and Provincial Lotteries, which represents lotteries in Canada, the United States and Mexico; and the International Association of State Lotteries. He also was a member of the Executive Committee of the International Association of Lotto and Toto Organizations. The latter two organizations merged, becoming the WLA, and Stanek served as executive vice president of the WLA. Dr. Stanek is also a recipient of the Major Peter J O'Connell Lifetime Achievement Award, PGRI's Industry Statesman Award, and is a charter member of the Lottery Industry Hall of Fame.

Dr. Stanek, who has a Ph.D. in physics from Iowa State University, worked in state government for 35 years, focusing on environmental and energy policy and then planning and programming for



DR. ED STANEK

LOOKING INTO THE JAWS OF ADVERSITY
(Cover of 2002 issue of Public Gaming Magazine)

two different governors before being appointed by Gov. Terry Branstad to lead the lottery in 1985.

Iowa's lottery achieved a number of firsts under Stanek's leadership, including the fastest start-up among U.S. lotteries at that time, and raised more than \$1 billion for state causes. Since the Iowa Lottery's start, its players have won more than \$2.5 billion in prizes while the lottery has raised more than \$1.2 billion for the state programs that benefit all Iowans.

The WLA is based in Basel, Switzerland, and its member lotteries have annual revenues in excess of \$180 billion. The WLA introduced the Guy Simonis Lifetime Achievement Award in 2000 to recognize outstanding service and commitment to the lottery industry by an individual. ♦



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