

LOTTERY INDUSTRY HALL OF FAME 2012 INDUCTEES



BILL HUNTLEY • CHRISTOPHE BLANCHARD-DIGNAC •
DAVID GALE • CHARLES STRUTT • ROLF STYPMANN
• DONALD SWEITZER • JENNIFER WESTBURY



FEATURES

TRACY GRAHAM



ROLLO REDBURN



MARTIN KON & TIM MATUSCH



JEFF HATCH-MILLER



FERNANDO PAES AFONSO



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PGR 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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Public Gaming International (ISSN-1042-1912) October 2012, Volume 38, No. 6. Published six times a year by the Public Gaming Research Institute, Inc., 218 Main Street, #203, Kirkland, WA 98033, (425) 449-3000. ANNUAL SUBSCRIPTION RATES: United States: \$145; Canada & Mexico: \$160(US); All other countries: \$225(US). POSTMASTER: Send address changes to Public Gaming International, 218 Main Street, #203, Kirkland, WA 98033. SUBSCRIPTION REQUESTS: Send to same address. NOTE: Public Gaming International is distributed by airmail and other expedited delivery to readers around the world. ©2012 All rights reserved. Public Gaming Research Institute.

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From the Publisher

By Paul Jason, Publisher, Public Gaming International Magazine

We all expected the World Lottery Summit in Montreal to be fabulous and it exceeded expectations. There is way too much to even begin to summarize here. Some vital issues really crystallized,

pointing us in the right direction and setting the stage for a progressive future in the lottery business. The venue, exhibit space, conference sessions, and weather could not have been better. Presentations and panel discussions were cutting edge, and included some clever approaches to stimulate lively debate. Thank you to NASPL, the WLA, and Loto-Quebec for producing such a great event!

Held at the World Lottery Summit, the **Lottery Industry Hall of Fame** ceremony was an especially uplifting experience for everyone, including the 250 people who came to honor the newest members of the Hall of Fame inductees: **Christophe Blanchard-Dignac** (CEO, La Française des Jeux), **David Gale** (Executive Director, NASPL), **Bill Huntley** (President, Lottery Systems, Scientific Games), **Chuck Strutt** (Executive Director of the Multi-State Lottery Association), **Rolf Stypmann** (Managing Director of Toto-Lotto Niedersachsen, Germany), **Donald R. Sweitzer** (Chairman, GTECH), and **Jennifer D. Westbury** (Executive Vice President, Sales & Customer Development, Pollard Banknote). The biographies of the 2012 Hall of Fame inductees are on pages 8, 10, and 12.

You will find the **Lottery Expo program** on pages 51 to 53. The

profiles of the twelve companies that sponsored Lottery Expo are on the previous pages, 46 to 50. These companies and Lottery Expo speakers and panelists are the leaders whose vision is re-shaping the industry. The experience of meeting and talking with them in person cannot be recreated online. But our mission is to convert their vision into reality and to that end we want to give as big a voice to their ideas as possible. The conference is being video-recorded, will be posted to www.PGRItalks.com, and made freely available for all to see. Started three years ago, www.PGRItalks.com has grown in popularity and proven to be a great vehicle to spread the word. Over the past eleven months, the average number of unique visitors per month is 3,867. The average number of page views **per month is 21,428**, which appears to indicate that somebody out there is watching!

In the U.S., we are attempting to stop an attempt right now to manipulate the system to favor private interests in Nevada. **Mark Hichar** explains the precise implications of the Reid-Kyl bill and why states need to make sure it does not pass. My interview with **Fernando Paes Afonso** at WLS Montreal turned into a two-hour discussion which reveals that so many of the issues which drive this industry are common to all markets and jurisdictions throughout the world. The challenge of preventing commercial companies from hijacking the economic benefits of this industry for private interests is now being confronted here in the U.S. in ways that are strikingly similar to what Europe has been dealing with for many years. Next

GTECH WORKS FOR ME



"One reason why my lottery sales have grown is because I treat my customers like they are special. But just as important is the fact that GTECH, working with the lottery, treats me like I'm important too; they are always there for me. When I let Denise in GTECH product marketing know my scanner wasn't working well, right away



up: **Philippe Vlaemminck** trains his legal sites on the new frontier of regulatory chaos: the convergence of social gaming with wagering gaming.

The question that comes to my mind is ... What exactly does a Private Manager do that cannot be done by all lotteries regardless of owner/manager structure? **Martin Kon** and **Tim Matusch** of Oliver Wyman answer that question from the perspective of ones who help governments implement PMA's (as they have done in Illinois, Indiana, and also counseled management structural changes at other lotteries like Ontario Lottery and La Française des Jeux). To be sure, the PMA structure does free up management to operate in ways that a government lottery is sometimes constrained from doing.

However, insofar as the vast majority of lotteries operate within the context of government structures and restrictions, the more pertinent issue is to see how the traditional lottery management structures can achieve optimal performance. Without some adjustments, is it fair to say that the administratively-driven government agency is not the best management model for driving a sales and marketing-driven organization? And if so, how can government lotteries incorporate management tools and approaches that are better suited for success in a competitive market-driven business. The question becomes ... how can the traditional government lottery achieve optimal performance in the world of high-pitched capitalist competition? We invited **Dr. Daniel Diermeier** of Northwestern University's Kellogg School of Management to address this issue at Lottery Expo in Miami (And thank GTECH for sponsoring Dr. Diermeier's presentation). I also reached out to the recipients of a very prestigious award that recognizes excellence in financial management of government organizations. **Tracy Graham**, CFO of the Manitoba Lottery, goes a long way towards answering that original question. There are in fact many things that a government operated lottery can do to break out

of the administrative-driven mold, to integrate management systems that really drive performance, that break down departmental silos and push everyone to produce results, and that integrate the efforts of everyone to build maximum-force impact and exceed corporate objectives on all fronts.

Jeff Hatch-Miller, director of the Arizona Lottery, and **Rollo Redburn**, director of the Oklahoma Lottery, do both operate within a strictly controlled government lottery model. That is the context in which most lottery leaders operate. So, that is where the rubber hits the road and all of my armchair theorizing gets to meet the real-world. Like most U.S. lotteries, Arizona and Oklahoma had record years and are proving that government lotteries are managed by top-flight executive talent. Given the flexibility to operate more entrepreneurially, government lotteries have a proven track-record for delivering the results.

One form of flexibility that is needed now is to allow all lotteries to move aggressively into the i-lottery space, selling traditional products over the Internet. Two articles, from **Betware** and **NeoGames**, address that very topic. There are hugely exciting ways for the Internet to augment the channel mix, bring in new consumer groups, excite the traditional core player, and to do all that just for the traditional games. These are ideas that do not constitute new games, just re-casting traditional and approved games for distribution over the Internet. In other words, it should be easy for legislatures and lottery commissions everywhere to support Lottery's implementation of i-lottery.

Thank you to all of our editorial contributors and interviewees! Your willingness to share your insights and experience helps all of us to understand this industry and hopefully apply that to improving the performance of our businesses. ♦

a technician installed a new one. They always make me aware of new technology, and ask for my opinion on how their ideas will work with customers. That kind of hands-on support from GTECH has helped me grow my lottery sales and keep my customers happy."

Karan Pathania, *Convenience Plus, Rhode Island Lottery Retailer*

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Karan Pathania

Lottery Industry Hall of Fame

Presented by Public Gaming Research Institute

2012 LOTTERY INDUSTRY HALL OF FAME INDUCTEES

The Lottery Industry Hall of Fame was founded by in 2005 as a means of honoring those who have done so much to make the world lottery industry the great success that it is today. These five inductees were selected for this recognition by the current membership of the Lottery Hall of Fame. PGRI, the members of the Hall, and all of our friends and colleagues in the industry extend our heart-felt congratulations to the 2012 Inductees of the Lottery Industry Hall of Fame.

This was a special year for the Hall of Fame ceremony. All seven of the 2012 inductees were in one place at one time: the World Lottery Summit in Montreal. And they were joined by well over 200 industry friends and colleagues to celebrate the great privilege of serving the government lottery industry. We want to thank the World Lottery Association (WLA) and the North American Association of State and Provincial Lotteries (NASPL) for graciously hosting this joyous event. We invite you to visit www.lotteryindustryhalloffame.com to read about the Hall of Fame and its membership. ♦



**CHRISTOPHE
BLANCHARD-DIGNAC**
President & Chief Executive Officer
La Française des Jeux

Christophe was appointed President & CEO of La Française des Jeux in 2000, after a distinguished career spanning 20+ years within the French National Government. During his career, he served in a variety of administrative and technical positions within the Ministry of Economy & Finance, and other national government agencies, regularly assuming positions of progressive authority and responsibility. Immediately prior to his appointment to La Française des Jeux, he served as Director of the Budget, Ministry of Economy & Finance from 1995-2000.

During his tenure as President & CEO of the La Française des Jeux, annual sales (turnover) increased from \$6.03 billion in calendar year 2000 to \$14.82 billion or €11.45 billion in calendar year 2011, improving its ranking in annual lottery sales from the fifth to third largest worldwide. Christophe was a key player in and one of the primary organizers of Euro Millions for its launch in 2004. More recently, he has directed LFDJ's expanded mission and the development of its Internet sales and sports wagering (Total) business segments, the former reaching €315 million in 2009 and the latter reaching €1.13 billion (\$1.47 billion) for 2011.

In addition to his serving as LFDJ's President & CEO, Christophe has served as First Vice President of the European Lotteries Association from 2005 to 2012, and as a member of the WLA Executive Committee from 2000-2012. He has also served as a board member of the French (National) Economic & Social Counsel and the Agency for Sports Developing.

Professional life

- President & CEO, La Française des Jeux

...continued on page 43



ROLF STYPMANN
Managing Director of Toto-Lotto
Niedersachsen GmbH, Germany

Dr. Rolf Stypmann became managing director of Toto-Lotto Niedersachsen in 2001. Dr. Stypmann (doctor's degree in law) began his lottery career in 1989 as the managing director of Nordwestlotto Schleswig-Holstein.

Prior to joining the government lottery industry, Dr. Stypmann worked as a public prosecutor for ten years and as a judge at the appellate tax tribunal in Kiel for three years. Dr. Stypmann has served as a member of the Executive Committee of the World Lottery Association (WLA) since 2004, and also serves as Chair of the Audit Committee for the WLA. ♦

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DAVID GALE

Executive Director, National Association of State and Provincial Lotteries (NASPL)

David B. Gale has been the Executive Director of the North American Association of State and Provincial Lotteries (NASPL) since March, 1995. He has been an active member of the Lottery Industry for over 28 years and has participated in both the public and private sectors. Gale is a graduate of Kent State University, with a BS degree in English. His lottery industry experience began with serving as Director of Marketing for the Ohio Lottery where he was instrumental in the development of the first lottery TV game show, Cash Explosion.

In the private sector, Gale served as Vice President of Marketing and General Manager of the British American Banknote (BABN) Pennsylvania printing facility, where he oversaw the complete instant ticket printing process for the company's North American lottery clients. While at BABN, Gale participated in the 1987 start-up of the Kansas Lottery. After leaving BABN, Gale became Vice President and General Manager of MDL.

Since assuming the role as NASPL Executive Director, Gale has successfully added a long list of accomplishments including advocating for the industry while offering congressional testimony, publishing, conference and trade show coordination, industry leading research, standards and best practices, and day-to-day membership activities. ♦



BILL HUNTLEY

President, Lottery Systems, Scientific Games

Mr. Huntley is responsible for Scientific Game's global Systems business which includes: U.S. Lottery Systems, European Lottery Systems, Video Gaming, Systems, Sports betting and Internet Systems and support business for Scientific Game's lottery customers organizations worldwide. With over 40 years of experience in online wagering systems, Mr. Huntley's leadership role at Scientific Games has played a major role in the growth of Scientific Games from its beginnings as Autotote Corporation, a \$25 million per year racing technology company to the nearly \$1 billion diversified gaming company that it is today.

Mr. Huntley is responsible for the introduction of many "firsts" that are in common usage today to the global lottery industry. A sample of these significant innovations include:

- Mr. Huntley is responsible for Scientific Game's global Systems business which includes: U.S. Lottery Systems, European Lottery Systems, Video Gaming, Systems, Sports betting and Internet Systems and support business for Scientific Game's lottery customers organizations worldwide. With over 40 years of experience in online wagering systems, Mr. Huntley's leadership role at Scientific Games has played a major role in the growth of Scientific Games from its beginnings as Autotote Corporation, a

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JENNIFER D. WESTBURY

Executive Vice President,
Sales & Customer Development, Pollard Banknote

Jennifer Westbury joined Pollard Banknote in 1991. During her more than 20 years here, Jennifer has been a leader in Pollard Banknote's evolution into becoming a key partner and major vendor in the industry. As the member of Pollard's Executive Committee responsible for Pollard's Sales and Customer Relationships, Ms. Westbury has been at the forefront of Pollard's tenfold growth during her time with the company.

Ms. Westbury has been directly responsible for the development of Pollard Banknote's international clientele by securing new contracts in Europe, Asia/Pacific, Latin America, and Africa while overseeing the delivery of products and services meeting the highest standards in the industry. Ms. Westbury also led the growth of the company's presence in the Canadian marketplace, establishing long-term relationships with all Canadian lotteries. She now oversees our team that deals with all our clients and still works directly with lotteries on strategy development and implementation, continuing her involvement with many of the world's leading lotteries.

Ms. Westbury's drive for excellence extends to helping her clients grow their revenues by implementing best practices, launching new products and services, and optimizing the positioning of established offerings. Whether a mature lottery or a new start-up, Jennifer's experience and expertise contribute to the success of some of the world's leading lotteries.

Ms. Westbury's passion for innovation is widely recognized at Pollard Banknote and throughout the industry. As a key member of Pollard Banknote's Executive Committee, Jennifer provides strategic direction and leadership in all aspects of company operations. She has played an instrumental role in the development of our company's many industry-changing innovations, including our Fusion® products—Double Play® and PlayBook™, for example—and our highly successful Scratch FX® process, and most recently our interactive offerings such as Social Instant® and WebPlay®. Recognized as an industry expert by both colleagues and peers, Jennifer is also a regular presenter and panel member representing our company at conferences and meetings around the globe.

Ms. Westbury graduated from Rice University in Houston, Texas, with Bachelor of Arts and Master of Business Administration degrees; she also studied at Oxford University in England. Prior to joining Pollard Banknote, Jennifer held consulting positions with Booz Allen & Hamilton, an international firm based in New York, and with Ernst & Young. Away from work, she is just as energetic. Jennifer and her family enjoy spending their leisure time actively—golfing, skiing, cycling, or hiking—somewhere in the great outdoors! ♦



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CHARLES F. STRUTT
Executive Director of the Multi-State Lottery Association (MUSL)

Chuck Strutt was the first employee of the Multi-State Lottery Association and has been its executive director since 1988. The first multi-state game in the U.S., Lotto America, was implemented by MUSL within months and included the participation of seven member lotteries. By the time that Lotto America was replaced by Powerball in April 1992, 16 lotteries had joined in selling the game. Today, games offered through MUSL are sold in 44 lotteries. The lead product Powerball has become the most famous lottery brand in the World. As executive director, Chuck manages the daily operations of MUSL, with primary responsibility for implementing the decisions of the MUSL Board of Directors.

Chuck was instrumental in establishing numerous other multi-state games including Hot Lotto, Wild Card, 2x2, Power Play and others and also in the production of Powerball the Game Show. Chuck has worked quietly in the background on dozens of major successful lottery projects and innovations with 177 lottery directors that have served on his board since 1988 and with many other U.S. and international lottery directors in non-MUSL game projects. Recent projects include working with a team of lottery leaders to support the cross-selling initiative between the Powerball and Mega Millions games and the change in Powerball to a \$2 game – the last effort resulting an increase of \$850 million in sales in FY12.

Annual sales of MUSL games have surpassed \$5 billion. As the number and variety of multi-state lottery and video games and projects increases, the responsibility for administering those sales has become more challenging with every passing year, and the need to build consensus among 44 member lotteries more pressing than ever. The technical and logistical challenges of managing these multi-state collaborations fall under the charge of Chuck Strutt and the MUSL staff.

Under Chuck's leadership, MUSL has developed initiatives in game accounting, prize pool management, and predictive game spreadsheets that are now accepted as standard practice by nearly all U.S. lotteries. MUSL has also been successful in its goal of maximizing its own non-game revenue in an effort to provide its services to its members at little or no cost. And no morning is complete without the emails from MUSL Lottery Industry News.

Chuck was named one of the Top 100 Marketers in the nation by Advertising Age magazine; has been profiled in Forbes magazine; was awarded the NASPL Power's Award for significant contributions to the lottery industry; and was awarded the Public Gaming Research Institute's Lifetime Achievement Award. He received his doctorate of jurisprudence degree from Drake University Law School in 1977 and has worked as an administrative law judge presiding over hearings regarding occupational safety and health, bingo licenses, sales tax permits, corporate and individual income tax, and professional licenses. Chuck also has a degree in Journalism and, for several years, wrote a humor column appearing in Iowa newspapers.

Chuck's dedication to serving the industry and helping each and every lottery achieve its goals is evidenced by the tremendous success of MUSL and the multi-state games. ♦



DONALD R. SWEITZER
Chairman, GTECH Corporation

Navigating the intersection between public policy and gaming takes a steady hand, and an uncanny ability to understand both people and the mechanics of government. Donald R. Sweitzer, Chairman of GTECH Corporation, understands what it takes to make sound public policy as well

as navigate the politics that accompany gaming and the lottery. With integrity as his guide, he has been able to shape the debate and help introduce lottery and gaming programs that have become vital revenue generators for both states and countries.

A recognized authority on national politics and public affairs, he has advised numerous national, statewide, and congressional candidates throughout his career in government affairs and has worked at every level of government in the United States. Prior to joining GTECH, Don was a frequent commentator on politics on CNN's Crossfire and other nationally syndicated programs. He is the former president of the Dorset Resource & Strategy Group, a public affairs company. He also served as the managing partner of Politics, Inc., a Kamber Company. Don served as the political director of the Democratic National Committee in the first term of President Bill Clinton. He was the Clinton-Gore state director in Kentucky in the 1996 re-election campaign. In 1992, Don served as a senior advisor to the Clinton-Gore Campaign in the State of Michigan.

From 1985-1989, he served as the finance director of the Democratic National Committee. Prior to that, Don was employed by the U.S. Senate as a special assistant to the late Senator Howard M. Metzenbaum, D-Ohio. In 1984, he served on the presidential campaign of former Vice President Walter F. Mondale, in Pennsylvania, Ohio and Illinois in the primaries and as the state director in Ohio in the general election.

Don started working as an advisor to GTECH in 1989 and has been with the company since then – only taking time out to work for President Clinton. Through the years, he has been a catalyst for growth for both the company and the industry. He was the Senior Vice President, Global Business Development and Public Affairs and was responsible for leading the company's efforts in identifying and developing new business opportunities in targeted markets and supporting the expansion of GTECH's products and services in existing jurisdictions. He was also tasked with continually enhancing the company's communications and services to its worldwide government and commercial clients.

Don has been involved with some of the world's largest and most successful lotteries. In South Africa he worked closely with Uthingo, the consortium GTECH participated in to launch the first national lottery in that country. Over the years, he has had a hand in shaping GTECH business and the industry with lotteries in the United Kingdom, Poland, New York, California, Texas, and most recently with the new private manager model in Illinois.

Today, as the Chairman of GTECH, he is responsible for acting as an ambassador for the company when interacting with global customers, current and future potential business partners, and government officials. He and his wife, Sheri, a former special assistant to the White House Counsel, reside in Rhode Island. He is the father of four and has six grandchildren. ♦



SANTA CASA

Misericórdia de Lisboa. Por boas causas.

Fernando Paes Afonso

Vice-President,
Santa Casa da
Misericórdia de Lisboa
Chief Executive Officer,
Games Department

Paul Jason, Public Gaming: *You have a passion for the mission of defending the rights of member states to determine the regulatory and taxation framework that serves them best. Does this conflict with the principles that established the Common Market of the European Economic Community?*

Fernando Paes Afonso: Not at all. According to the Treaty of Rome that established the first foundation for the European Economic Community in 1958, requirements to open the markets to competition and cross-border trade do not apply to gambling and lottery. This point of law has been re-affirmed by the European Court of Justice in numerous rulings since then. The reasons for this are obvious and were recognized then and apply today more than ever.

There are rules that apply across the entire community of European Union nations as regards to almost all forms of trade and commerce. These rules form the basis for the Common Market intended to stimulate economic growth by fostering free trade and open competition. All EU member states are required to allow free-market competition and unencumbered cross-border commerce. However, gambling and lottery are excluded from this requirement and classified as being

...continued on page 16

PGRI Introduction: Mr. Paes Afonso brings the perspective of a private-sector economist to his leadership role in the lottery industry. He served as president of the Portuguese lottery between 2002 and 2005, was re-appointed to that position in 2011, and was just appointed to the Executive Committee of the European Lottery Association.

The 2009 European Court decision supporting Portugal's right to regulate its market, and blacklist illegal operators like Bwin, was a landmark win for EU member states against illegal internet gambling operators; and a victory for charitable causes which depend on funding from state lotteries. Our discussion at the World Lottery Summit in Montreal explores the current gaming environment in Europe and the reasons why lottery operators need to work together to help government defend its right to regulate and tax the gambling markets.



cibela

The Background, Games and Mission of Santa Casa da Misericórdia de Lisboa

The following is excerpted from a Mr. Paes Afonso interview published in the magazine of Cibela, the Association of Latin American Lotteries. Many thanks to Cibela (www.Cibela.com) for granting us permission to share this with our readers.

HISTORY OF SANTA CASA DA MISERICÓRDIA: Santa Casa da Misericórdia de Lisboa (SCML) was founded more than 500 years ago, amidst a society plagued by hunger, poverty and successive epidemics. The main objective of Santa Casa da Misericórdia was to provide shelter, clothing, food and medicine, as well as spiritual comfort to the poor, prisoners, the sick, and to all the needy. Misericórdias were established in every town throughout Portugal and also the lands and territories discovered and colonized by the Portuguese in Africa, Brazil, India and China. Requests for authorization to create new Misericórdias flooded in to the Court.

Severe want among the population and the scarcity of resources to meet requests for assistance led the Queen of Portugal to grant permission to the Board of the Misericórdia to establish an annual lottery. The establishment of the Lottery became an important source of funding for the Misericórdia, which led to a number of measures to protect this form of funding, combating rival lotteries that diverted funds from the Misericórdia and resisting competition from foreign lotteries.

In 1980, new statutes created the Games Department, which was tasked with merging the Department of Mutual Betting with the National Lottery. The Games Department is one of five departments in Santa Casa da Misericórdia de Lisboa whose mission is to manage its ongoing obligations as the sole concessionaire for charity gambling in Portugal, based on the ethical principles of responsible gaming and international safety and quality standards.

THE GAMES: The games currently operated by Santa Casa Games Department are the Classic Lottery, the Popular Lottery, the Instant Lottery, the Lotto, the Totobola football pools, the Joker and EuroMillions. In 2011, EuroMillions was responsible for around 64.5% of gross income from social gaming in Portugal. In 2011, the product contributing the least to gross income from lotteries in Portugal was the Totobola football pools (0.7%), although it is the only mutual sports betting run by the Santa Casa Lotteries Department. Lotteries in Portugal operate via a network of about 4,500 agents covering the entire country, as well as through mobile phone (SMS) and an internet portal. Most lottery players in Portugal use traditional points of sale to take part, ac-

counting for about 95% of sales.

ILLEGAL GAMBLING: Levels of illegal gambling in Portugal have been increasing. It manifests itself in various forms and has existed in Portugal for many years through competition from foreign lotteries; however, its latest form, the operation of online gaming, is a phenomenon that Misericórdia cannot ignore. We are trying to fight it as best we can by recourse to European institutions, so that the most effective and safest betting with which we have been entrusted by the State - through a monopoly - is preserved, and respects the principles of public order and consumer protection. It is our belief that the state has to regulate online gambling provision in order to channel the investment made by those using illegal services, which, by their nature, encourage excessive gambling, promote tax evasion, fraud, money laundering and misuse of household earnings and the interests of the state, into offering legal, regulated, safe and responsible provision. The Games Department has been implementing judgements issued by courts against promoting illegal gambling, in order to discourage those involved in this activity, seeking to channel existing demand for illegal gaming into new provision by the state.

REVENUES AND BENEFICIARIES: In 2011, gross income from charity gambling amounted to 1,643 million euros, of which about 53% was used as prize money. Net income totalled about 525 million euros that year, of which 523 million were distributed in accordance with specific regulations. The main beneficiaries of charity gambling are the Ministry of Solidarity and Social Security, which receives nearly 33% of lottery money, followed by Santa Casa da Misericórdia, with around 27%, and the Ministry of Health, with almost 16%. The various beneficiaries of charity gambling money channel these funds into social, health, sports and cultural activities, and other areas of public interest.

THE FUTURE OF THE GAMING MARKET IN PORTUGAL:

As regards the future, our major focus will be on diversifying what we offer, the technological means we make available to players, investment in the training and knowledge of people, business, and of our Points of Sale (POS), so that good management decisions are taken by anticipating what the market and players want and expect from us, offering them sustainable responses, which are appropriate and responsible within the framework of values we uphold and respect. In the next decade, in terms of our physical network of POSs, we intend to focus even more attention on points of sale and support them in their relationship with lottery players, consolidating their identity by providing them with new ways to link to our products. We believe that the future of the market lies in the physical network but we are also aware that we cannot, of course, overlook new ways of betting. Through the Internet, mobile phones and new platforms, we will be able, within the responsibilities of the Santa Casa, to provide players with an easy, safe and secure service. We are investing in integrity and security, which is why we are currently working on the use of a lottery smartcard. This is a safe and responsible way to play the lottery which consolidates the values by which the Misericórdia de Lisboa continues to be recognized: confidence, reliability, responsibility, integrity and security.

Our largest investment will be in training, knowledge, integrity and security. These are the pillars on which our work in Portuguese society must be based, safeguarding what was handed down to us by the Misericórdia's original Commitment. In today's society, faced with the crisis of values aggravated by the financial crisis, it is vital for us to focus more on others, gear our lives more around the community, striving little by little to educate and instil timeless morality in order to return to a fairer, healthier and more humane society. ♦

something other than "normal" economic activities that fall under those guidelines for free trade and open markets. The reason for this exception, of course, is that gambling and lottery have potential social costs, there is a potential for fraud and illegality, and each jurisdiction is a different market-place with different gambling cultures and different public policy objectives. For these reasons and more, the European Parliament has recently re-affirmed its conviction that the matter of taxing and regulating the gambling and lottery industries should be left completely up to the individual member state. The European Union Commission is charged with creating a common market in Europe but is also bound to consider the will both of the Parliament and of the Council because there are the member states who make up the Union. It doesn't mean this industry should not be subject to rules and regulations that relate to the interests of the European Economic Community, just that member states should not all be forced to regulate and tax gambling as though it were simply another commodity.

What if the European Union Commission disagrees and attempts to impose a pan-European regulatory structure?

F. Paes Afonso: The over-arching rule of law in the European Union has an interesting similarity to the U.S. law. Gambling is illegal until and unless legislation is passed at the member state jurisdictional level making it legal. Given that fact, how can you have a pan-European regulatory structure when each member states has the right to determine whether it even wants to allow the games to be offered? That is why the entire issue of regulations and taxes needs to be determined at the member state level. That is why the European Parliament in 2005 clearly stated its conviction that because of different social contexts, different moral standards, different national approaches to the concept of public order, and different gambling cultures, it is accepted that the legal and regulatory framework will vary from country to country, and that gambling and lottery should be excluded from the scope of the free movement of goods and services in the common markets. The European Court of Justice has been re-affirming this position ever since it was first brought up.

A big issue here in the World Economic Forum is enforcement of the laws against illegal operators, especially as it relates to sports-betting.

F. Paes Afonso: The issue is actually much bigger than sports-betting. The inter-

net has completely reshaped the regulatory environment. Governments and regulatory frameworks need to adapt. New enforcement mechanisms are needed to compel operators to comply with the laws. They need to address this problem immediately because it affects all forms of gaming. And as new forms of social gaming are introduced into the market, the problem of enforcement will explode. This affects everyone everywhere.

Lotteries typically operate within a monopoly model. Even so, we must acknowledge that we live in a market-driven world, which means that the market will find ways to satisfy consumer demand. It does not mean, however, that the market-place should be controlled by operators who do not act in the best interests of society. Gambling is not a brand new economic activity. It has been around for a very, very long time. But governments have always exercised authority over the gambling markets in order to preserve Public Order and diminish the social costs of gambling. Government cannot abdicate this responsibility just because the internet now gives merchants and gambling operators easy and instant access to all consumers. In fact, the exact opposite is true. The need for government to control this industry is more pressing than ever precisely because the internet makes gambling so accessible to consumers.

Internet gambling, including online sports-betting, poses more serious challenges to Public Order than land-based gaming for a number of reasons. The first is obvious, and that is because it makes gambling available in the home of the consumer which increases the amount of time that the consumer can easily gamble. The second is not so obvious but just as important. Games are social. Going to a store to buy lottery tickets is actually a social activity. When people gamble at home, they are taken out of that social context. Removing that social element changes the essential nature of the activity from something that promotes social cohesion to an impersonal transaction that does nothing to promote what we might call "social capital", which is the concept that social interaction is actually a positive force for the health of the individual and by extension the economic well-being of a healthy society. Activities that promote social interaction contribute to social cohesion and that is the basis of "social capital". Internet gaming reshapes the fabric of this activity so that it is less a game that promotes social cohesion and more about an impersonal transaction. It needs to be regulated with that concept in mind. Now, let's bring

this conversation back to more practical matters of what we should do about it.

Internet gambling is a fact of life. The consumer demands it and that demand will be met. However, as a society, we can choose to manage it to minimize social costs and also endeavor to deliver optimum value to the consumer. What we do not want to do, and should not be compelled to do, is to allow i-gaming to be managed for the purpose of maximizing profits to commercial operators. That is diametrically opposite of the public interest. Internet gaming can be a positive force for society if managed with the goal of maximizing social capital, or at the least managing it for the purpose of minimizing social costs. The main point is that it needs to be operated with the explicit objective of promoting a healthy society. The ideas we have just been talking about are quite foreign to commercial operators. That is the reason why casinos have always been strictly regulated. The internet poses more serious challenges than casinos and so should be even more strictly regulated. That does not mean prohibited. It just means that the internet operator should be controlled by the government and its operation should be for a public service mission and not for private profit. That is why the government itself, or an agent that is under strict control of the government, should be the operator of internet gambling.

There are some that contend that uncontrolled access to internet gambling does not result in an increase of problem gambling. Common-sense says that is not true, studies confirm that it does encourage excessive gambling, and the European Court of Justice' decision to protect the state monopoly over sports-betting in the Santa Casa case includes wording from the judges themselves that recognize the validity of those studies. The prevalence of playing excessively through the internet is higher than in the retail network. And that's written right into the decision that the European Court of Justice rendered in favor of Santa Casa over Bwin and others. That is why the games should be made available over the internet only by an operator dedicated to protecting the consumer and serving the public interest.

Are you making progress in the effort to foster an international cooperation to enforce the laws? Or at least a cooperation between EU member states?

F. Paes Afonso: The issue of enforcement is not a European issue. It's a global issue. As

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Manitoba Lotteries

TEAM PHOTO FROM LEFT:

(FRONT) Dale Falkingham, Summer Student; Tom Stokes CGA, Director of Financial Planning; Kate McLachlin CGA, Senior Financial Analyst; Nori Tse, Financial Analyst.

(BACK) Bob Bigwood, Capital Management Analyst; Cory Baron CMA, Senior Financial Analyst; Anthony Wusowicz, Financial Analyst; Tracy Graham CA, Executive Vice President of Finance & CFO.)

Tracy Graham

Chief Financial Officer
Manitoba Lotteries Corporation

PGRI Introduction: As a government entity, there is no getting around the fact that lottery operators will always be held to higher standards on every front. In ways that commercial corporations are not, lotteries are always subject to the court of public opinion and to the sometimes inscrutable will of a diverse political constituency. These are facts and this reality can be an impediment to operating as a market-driven consumer products organization. That is why I have been giving a lot of thought to how government lotteries can operate more entrepreneurially while staying true to their mission as public servants that function within a complex political system as well as a dynamic market-place.

I noticed an announcement that Manitoba Lotteries Corporation was awarded the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) of the United States and Canada. Being a sales guy, I have always thought of Finance as being the department that keeps score and holds the purse-strings to the resources I need to actually get the real job done. But then it occurs to me that perhaps the underlying processes that support operations might be a source to either drive business performance or at least liberate the organization to achieve peak business performance. Little did I know, I am so glad that I reached out to the CFO of Manitoba Lotteries to see how and why that is so true. My over-riding question is: How can lotteries create better alignment between the public policy objectives of political constituents and the goal for lotteries to act more entrepreneurially – and how can Finance and effective business process management support that objective.

Paul Jason, Public Gaming: *Manitoba Lotteries Corporation has complete jurisdiction of all gaming in Manitoba. What does that include?*

Tracy Graham: That includes two casinos in the city of Winnipeg which we operate ourselves. We have a network of approximately 6,000 video lottery terminals in about 550 sites. There are two First Nations (Native American) casinos in Manitoba. Under Canadian law, Manitoba Lotteries has conduct and management authority over those casinos. We own the gaming machines and ensure that they operate with integrity. So we have a very close tie and relationship with First Nations Gaming. Through our subsidiary, Manitoba Lotteries operates the lottery and so offers the national lottery products like Lotto Max and 6/49 plus some local lottery gaming options as well. In April of 2012, we were approved to do online gaming – so that will be a fourth gaming platform. We are working very quickly to hopefully launch e-gaming by February 2013. Manitoba Lotteries is diversified across all games and all channels of distribution, so when it comes to gaming and wagering in Manitoba, Manitoba Lotteries does it all.

What is the relationship between you and Western Canada Lottery Corporation?

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T. Graham: Western Canada Lottery Corporation (WCLC) operates the games on behalf of, and at the direction of, the three provinces of Manitoba, Saskatchewan, and Alberta. The sales and revenues that happen in Manitoba belong to Manitoba Lotteries and the Province of Manitoba. As shareholders of WCLC, the three provinces share the costs, the allocation of costs being based on sales volume in the province.

So, the purpose of having the Western Canada Lottery Corporation support all three provinces is to gain the efficiencies and economies of scale.

T. Graham: Exactly. There is definitely a big benefit to collaborating with the other jurisdictions. Sharing infrastructure, sales, advertising, marketing, distribution, and operational costs reduces those costs for each province. Too, we share technical knowledge and other ideas and this promotes a 'best-practices' approach to the entire business for each of the provinces.

One of the progressive things you did to earn the GFOA award is to leverage the role of Finance and budgeting to promote better communication and collaboration between the different business units.

T. Graham: We have made it a top priority to integrate all of the functional departments so that we are all pulling in a singular direction; we are all driven by the same corporate mission. The Finance department is not endowed with authority over the other departments. But we are in a good position to facilitate the goal of creating alignment between all of the functional departments. The culture of our department and the one we promote through our budgeting process is one of service to the higher-level mission of the corporation. We have worked hard to transform the role of Finance and budgeting into a genuinely meaningful part of the business planning process translated into the actual project management aspect of the business.

How does your organization justify these costs to managers (Do they)?

T. Graham: Of course, leadership

from the CEO is vital and this push to integrate is all at the direction of our CEO. Winston Hodgins is very progressive and he sets the tone from the top. The corporation is actually structured so that we can't operate in our own separate silos. We are effectively forced to operate as an integrated team. Of course, we are all pleased to operate this way now that we see how much better the results can be when we collaborate and work together and support each others' efforts. We are all at the service of our corporate mission but, like all large organizations, we each have our individual responsibilities and assignments. Each department has its objectives but our ability to achieve those objectives is enhanced by a system of mutual support and collaboration.

I was struck by the cover of your annual report, which evokes an emotional, almost visceral feeling for commitment to stretch goals; the kind of ambitious approach more associated with highly caffeinated technology start-ups.

The Extra Mile – It is the expression that sums up our attitude toward each and every aspect of our business. It's the additional time and effort we take to do things right. The new technologies we implement. The innovation we continually strive for and the service and support we provide to communities. From our exceptional customer service programs to our social responsibility commitments, let us show you how Manitoba Lotteries goes the extra mile – and then a little bit further.

T. Graham: Again, that comes from Mr. Hodgins. Our CEO expects us all to accomplish stretch goals and he has enabled us to understand that can only be done if we work together. We are all very grateful for his support, and that motivates us to truly embrace the opportunity to collaborate and exceed his expectations.

It causes us all to think about how our individual business units can buy into the budget and the business planning process. We want the whole process to be about more than just accountability. We want the process of budgeting to contribute to

Manitoba Lotteries Corporation was awarded the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). The purpose of the GFOA is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.

The GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting and then to recognize individual governments that succeed in achieving that goal. Documents submitted to the Budget Awards Program are reviewed by selected members of the GFOA professional staff and by outside reviewers with experience in public-sector budgeting. For more info about the Government Finance Officers Association, visit website <http://www.gfoa.org>.

OBJECTIVES OF THE GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)

- **Expert Knowledge.** Continue to be recognized as a leading source of expert knowledge in public financial management by exercising leadership in research, recommended practice and policy development and information dissemination.
- **Education and Training.** Enhance the expertise and professionalism of financial managers and policy makers and provide recognition for their achievements.
- **Leadership Development.** Engage in efforts to assist finance officers to develop the skills and capabilities necessary to enable them to become organizational leaders as well as technical experts.
- **Raising Public Awareness of Sound Financial Policy and Practice.** Take leadership in promoting public awareness of policies and practices that enhance sound financial management of public resources.
- **Enhanced Cooperation.** Cooperate with and complement the services provided by other organizations (U.S., Canadian and international) to increase the effectiveness of GFOA.
- **Strategic Use of Technology.** Provide information and analytical tools to help governments identify and apply appropriate, economical technologies to support efficient resource allocation, quality services and effective decision-making and to promote citizen involvement.
- **Association Operations.** Conduct the operations of the Association in a manner that exemplifies the highest standards of financial management and member service.

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productivity and effectiveness, to create a higher level of engagement with the tools that measure and monitor progress for the benefit of the business unit managers and, really, for everyone in the organization. It has actually resulted in much more even than that. It is an ever-changing work in progress, but we now operate as a fully integrated system, with twenty-two business units interacting and supporting each other to accomplish our corporate goals.

"How does Finance and budgeting contribute to the goal of integrating the different functional business units?"

T. Graham: We work to implement budgeting process that serves as the vehicle that brings us all together to decide how best to allocate resources to optimize performance and achieve the corporate mission. The budget itself is a 300-page document. While it is written by my department, it is the result of a ten-month process that engages the full participation of executives from all the functional departments. And it serves as our corporate business plan as well as our budget. It is the process of planning and sorting out all the issues, assessing the pros and cons of different initiatives and strategies, assigning values based on ROI and other considerations as the basis for then allocating resources, working together to clarify the objectives and how to allocate resources to best accomplish those objectives – these are the important things we accomplish in the process of planning and building the budget. The budget itself is almost a by-product of this much bigger undertaking. Granted, it is the document that serves as our business plan as well as a budget, but our purpose in Finance is to support an integrated approach towards helping all the departments embrace the corporate mission and their respective roles in pursuit of that mission.

"Assuming you start with input from the different departments, does each executive's contribution need to show how resources will be allocated to accomplish their goals?"

T. Graham: They do establish their own capital and operating business plans and budgets which need to be directly tied to our top-level strategic objectives. Each department has what we call a strategy map which helps them to ensure that every project that they're proposing is aligned with our corporate goals and strategies. They actually write a formal business plan, using our template to make them all consistent. But they

write it. Our financial planning and analysis group works very closely with the business unit managers to provide assistance to the business units, project-manage the process, analyze and vet the business plans. We appreciate that not everyone is trained in finance and we are there to help and support them. But it is their business plan to write, present and execute.

"Time addresses the coordination between Finance and the other departments. How about integration of the different departments among themselves, apart from Finance?"

T. Graham: The whole process is as transparent as possible. There are huge cost-savings and efficiency gains by having a comprehensive inter-departmental approach on every level, not just with Finance. We meet with every department to share all the capital and operating initiatives planned throughout the corporation. For example – almost every department is always looking to implement projects that involve IT. This brings awareness to our IT department how to best budget their resources. Quite frequently, we identify similar IT initiatives brought forward by different departments with slightly different business needs. There is frequently an opportunity to merge common IT agendas that come from different departments. Customer service, sales, marketing, research, product development, communications, logistics, even manufacturing need to all work closely together to identify opportunities to improve performance and optimize our resources.

It is Finance's job to facilitate that inter-departmental communication. And we have a methodology for prioritizing all our capital and operating projects, and for scoring the projects for their alignment with the corporate strategic goals. The process is transparent so everyone understands why we scored a project 150 in a list of 200 projects and why the resources have been allocated to something else. It doesn't mean that everyone always agrees. But we all really do stretch to make the process transparent and responsive to the agendas of our colleagues. The process includes a Budget Review Committee comprised of the CEO, myself, and two or three executives from different departments. Apart from the CEO and me, the other committee members rotate every year. Our CEO does that for a number of reasons. One is for the Budget Review Committee to serve as a training ground for new executives so that they get

a big picture view of the corporation. The other is to keep people fresh and engaged in our business planning process.

The Budget Review Committee sets the key messages and guidelines at the beginning of the process. And then all twenty-two business units present their business plan in a formal presentation to the committee each fall. The process of absorbing twenty-two different business plans helps the committee have a deep understanding of where the leadership of this company wants to go in the next couple years. We challenge them, we ask them questions, and we drill down for more detail. It's really a great forum for the departments to sell their vision of what they want to do and support their budget requests. We then consolidate everything, apply the objectives of our stakeholders to the business plans, start prioritizing, make some tough decisions, and work towards a resolution and resource allocation plan that creates synergy and alignment between the objectives of each department and the highest-level mission of the business. After all that is completed, it is presented to the Board.

"Outlining with limited resources, and the fact that the business unit probably never get all the resources they would like, does the process include mechanisms to encourage the development of additional options, somewhat business strategies that perhaps extend the impact and utility of these limited resources?"

T. Graham: Absolutely, all the time. In fact, that is the main purpose of the integrated approach. We all work together to find ways to mutually support each other and find ways to, as you say, leverage and extend the utility of our resources. As mentioned earlier, that is especially true for IT which crosses across all areas of the business. But really, there are significant synergies to be gained by breaking down the silos that separate marketing, sales, product development, advertising, promotion and all the other departments completely apart from IT. Marketing and Gaming both always have lots of great ideas on how to grow revenue, for instance, but they come at the question from quite different perspectives. The goal isn't to decide between one approach or the other. It's to find that third approach that brings to bear the talent and insights of both perspectives in ways that neither one might have done without

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PGRI Introduction: The Arizona Lottery closed out fiscal year 2012 with a record-breaking \$646.7 million in sales, a 10.8 percent increase over the previous fiscal year and the highest amount in the Arizona Lottery's 30-year history. Director Hatch-Miller credits much of this year's financial success to the introduction of \$2 Powerball, the world record-breaking \$656 million Mega Millions jackpot, a 9.7 percent increase in Scratchers ticket sales, and to the public's recognition of the "How the Money Helps" campaign which speaks to players and non-players alike.

Paul Jason, Public Gaming: *Congratulations for a great Fiscal 2012! Let's start with the two super-jackpot games. It would appear that the AZ Lottery has benefited hugely by the addition of Mega Millions and by the change in ticket price to \$2 Powerball.*

Jeff Hatch-Miller: The world record Mega Millions jackpot gave us a giant boost in sales. Mega sales increased 18.5% over the previous year, and we would have to attribute much of that to the March jackpot run. You know, we are a Powerball state, so we didn't even have Mega Millions until 2010. In Fiscal 2012 we sold \$56 million in Mega Millions tickets. It went from zero to 8.6% of our total sales in two years. Cross-sell has been a huge win for the Arizona



Jeff Hatch-Miller

Executive Director of the Arizona Lottery

Lottery and the people of Arizona.

And I see that Powerball increased by 17% in Fiscal 2012 over FY2011. So there does not appear to be cannibalization of the established brand.

J. Hatch-Miller: Exactly. It's been a big win on all fronts. We now have not one, but two successful super-jackpot multi-state games. Both are performing well, each has carved out a differentiated space in the market-place, and each is set to have its own positive growth trend-line. Increasing Powerball by 17% even with the addition of \$56 million in Mega Millions sales is very exciting indeed. There appears to be no slowdown, cross our fingers. Our average sales for the first 4 draws of a Powerball jackpot

run are approximately 23% above where they were before the ticket price change.

But it's even better than that. Virtually all your games went up in sales in FY2012.

J. Hatch-Miller: That is the beauty of this business. Good marketing people can manage it such that success begets success. The jackpot roll-ups of the national games increases awareness for all things lottery and has the residual impact of helping the sales of all lottery products. Our biggest product category, instant scratchers, comprises 63% of our total sales. Even it increased by over 9% in FY2012, to \$410 million.

What will you be doing differently, or additionally, to maintain this high growth rate

in the two Big Games, Mega and PB, over the next 18 months?

J. Hatch-Miller: We will press forward with strategies that have resulted in the double digit sales growth of the past 3 years. Huge drawing game sales most often are the result of huge advertised jackpots. As the jackpot reaches a certain threshold – about \$200 million – player interest heats up. That's when the more 'casual' Mega and Powerball players join in, dreaming of winning, getting caught up in the "jackpot frenzy." The Arizona Lottery initiates media pushes to create excitement by broadcasting "Jackpot Alerts" on billboards, television, radio, and Facebook.

In addition, we've developed creative ways to increase play at the lower jackpot levels. Currently we're promoting "the Trio." The Trio costs \$4 and includes one Powerball ticket, one Mega Millions ticket, and one The Pick ticket (Arizona's own jackpot game). Using advertising, point of sale materials, and retailer promotions, we've been successful in motivating players to purchase additional tickets even when jackpots are at lower levels. "The Trio" has an added ben-

efit of infusing renewed vigor in our in-state "The Pick" game, which had been in a slump ever since we began cross-selling.

We work hard to generate consumer interest in the early stages of the jackpot rolls, trying to capture consumer interest before the media jackpot triggers kick in. We feel that this promotes synergy between the games so that when the jackpots go higher, the consumer ends up playing all the different games. And in the mean-time, we leverage the brand value of Mega and Powerball to cross-sell the entire portfolio of lottery products.

The holy grail would be to allocate marketing and advertising budgets to maximize short-term sales but in ways that support a long-term sustainable growth strategy. That is what you seem to be doing.

J. Hatch-Miller: Keep in mind, too, that the jackpot roll-ups tend to happen asynchronously. One gets momentum and climbs fast and by the time it gets hit, the other has begun to climb and gains upward traction. So the consumer is already tuned into the notion that they want to play more than one game to optimize the value of their lottery dollar. Well, we're just appealing to

that game-style and encouraging them to consider an even wider variety of options, to look at all the games in our portfolio. It's the best way to play the games, it's more fun and entertaining, and it delivers more value for the lottery expenditure.

The results reflect that it is working. Would you say that the volume of sales in the early stages of the jackpot game are higher with \$2 Powerball than they were with \$1 tickets?

J. Hatch-Miller: Yes, absolutely. The price-point change to \$2 has created a little confusion for the players as to what the jackpot levels are and when they can expect the big ones to be reached. So let's take advantage of this short window of time to shape consumer opinions and expectations. Consumer attitudes are more malleable now and that's not a bad thing, it's a good thing. For one thing, the jackpots of Powerball now start at \$40 million. That is a giant amount of money for anyone! So let's try to promote the concept that the Powerball jackpot is always high, you can always play that game and know that if you win, you will be rich beyond your wildest dreams.

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Because it's true, isn't it? And while we are promoting early-stage Powerball play, let's promote all the other games in the portfolio. We know that all the attention will go to the jackpot games when they reach the triple digits; especially at \$200 million and up. So let's be sure to have a more integrated approach towards building a sustainable business with a broad portfolio of gaming experiences when we can. The point is that yes, early stage sales volume is definitely better with the new Powerball ticket price, but that may be partly due to our promotional focus to produce that outcome.

The future: What more can be done, either by your individual lottery or by MUSL or the Mega group, to improve the performance of the two big games (PB and Mega)?

That's easy – all you have to do is create more world-record jackpots (as we saw with Mega Millions earlier this year) and record-breaking cash jackpots (as we saw with Powerball in early August).

Seriously, players are looking for the opportunity to win more prizes, more frequently. There are some exciting opportunities currently being discussed, including a second chance drawing add-on feature that has the potential to generate excitement, reach new players, and enhance sales. In Arizona, we're employing a number of sales performance measurements to track, in real time, the impact of various promotions at a variety of jackpot levels. In the process, we gather valuable insights that help better guide all our marketing decisions.

Some consideration should be given to re-evaluating matrix options now that we have a sales history with the \$2 Powerball price-point. Re-evaluating the matrix is especially important if we were to add significantly to the population of players, like adding California does.

What do you envision as the next frontier for multi-jurisdictional collaboration? National premium game, perhaps more and better collaboration in the ways that PB and Mega are promoted nationally?

J. Hatch-Miller: There are some exciting new game concepts incorporating features not typically seen in "numbers" based jackpot games. These prototypes provide opportunities for multiple wins, experiential prizes, and enhanced player awareness of what other players are experiencing. Too, completely apart from its use as a channel of distribution, the internet can play a pow-

erful role in helping to gather player information, creating an interactive dialogue with the player, and creating a platform for social networking among players themselves. These are some of the new directions we are exploring for the next iteration of multi-state games.

These new concepts and features also create a more expansive platform to create additional multi-jurisdictional games. Nationwide, and even continent-wide and world-wide marketing opportunities are likely to emerge. I'm very encouraged by the spirit of cooperation and excitement that exists in the Lottery industry. I believe that excitement will propel us into some very exciting new game offerings in the short and medium-term future.

Instant tickets also increased by 9.73%. Was there anything in particular that drove that increase? What will you be doing to sustain that momentum into the future?

J. Hatch-Miller: Arizona has been successful in strategically balancing our game mix within each of the price points to appeal to a broad player base. Knowing that a major growth potential was the \$5 price point, we conducted research helping us identify what motivates players at higher levels. In FY12, the \$5 and \$10 tickets are now our top revenue generators.

Arizona Lottery has formed talented, cross-departmental teams that identify new product offerings. The ability to consider design, programming, marketing and sales simultaneously has improved our products and our sales results.

We are continuing with games that offer a 2nd chance drawing. For example, this past year, in honor of our 30th anniversary, we offered three anniversary games each featuring opportunities for players to enter their non-winning tickets to win additional cash prizes. We also offered the Wheel of Fortune® linked game with MDI which included three trips to Hollywood. Both 2nd chance drawing initiatives were very popular with players. We are very excited about taking the success of the "black series" games to another level. This coming January we will offer a "black series" of games at the \$1, \$2, \$5, \$10 and \$20 price points, each containing a 2nd chance draw element. The 2nd chance drawings will offer prizes ranging from \$100 to \$500,000 – our highest 2nd chance prize ever!

Going forward we will continue to sustain our core games and look for new op-

portunities to expand game offerings.

What product innovations do you expect to have the most impact over the next 18 months?

J. Hatch-Miller: Just a few weeks ago, on September 23rd, our new Weekly Winnings game was introduced in Arizona. Weekly Winnings has a prize structure unlike other drawing games we currently offer in that it offers a top prize of \$1,000 per week (taxes paid) for the entire year. The ticket costs \$2. We are already seeing strong sales; we expect it to be a significant contributor to our in-state drawing game portfolio.

What do you see as the most important player/consumer trends in lottery and gaming in general? What is the Arizona Lottery doing to turn those consumer trends into increased lottery sales?

The Arizona Lottery sees a huge opportunity for reaching its target market by participating in popular social media platforms, including Facebook, Twitter and YouTube. In FY12, we grew our presence on these social media sites, significantly increasing our fans and followers. In FY13, we plan to expand our social media reach by continuing to post fresh and relevant content that engages fans and increases interaction. We are more convinced than ever that at some point in the very near future we must meet the player on his or her mobile device. We are working with our IT developers to find out how best to integrate the new digital technologies that are such a big part of everyone's life into the media and channel mix of the Lottery.

I realize there are lots of obstacles to nationalizing a brand and advertising campaign. But wouldn't there be profound benefits to doing at least some things, however modest in scale, on a national basis? Isn't there any way to overcome the obstacles to doing even one national advertising and/or promotional campaign?

J. Hatch-Miller: Of course there are ways to cooperate and promote nationally. We've already proven that by the strong market presence and high level of cooperation in the sales of Powerball and Mega Millions. Within North America there is a great deal of diversity, yet there is even greater common experience. So I believe that we will leverage that common ground to develop national

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OKLAHOMA LOTTERY

Benefits Oklahoma Education®

PGRI Introduction: The Oklahoma Lottery was started in 2005. Having served in the Office of State Finance for 29 years, Rollo Redburn was among the first to be tapped for the start-up team. Having served as Director of Administration for the first seven years under Lottery Industry Lifetime Achievement award recipient, Jim Scroggins, Mr. Redburn was appointed to lead the OK Lottery in June of 2012.

Oklahoma is a very conservative state and has pursued a conservative approach to the lottery business. One of the constraints imposed on the Oklahoma Lottery is the requirement to allocate 35% of sales to net funds. Requirements like this do make it hard to continue to deliver the kind of value proposition to the consumer, at least in the form of prize-payouts, that drive sales. But that's just part of the job of the lottery director, to find ways to meet the expectations of a diverse set of stakeholders and public policy objectives.

Rollo Redburn

Executive Director, Oklahoma Lottery Commission

Paul Jason, Public Gaming: *Cross-sell of Mega Millions and Powerball has had mixed results for the Oklahoma Lottery.*

Rollo Redburn: Like everyone, we assess the pros and cons of a proposal based on the needs of our own state, our markets, our lottery. We opposed the cross-sell that enabled all lotteries to sell both Powerball and Mega Millions, and we also opposed the increase in Powerball ticket price to \$2. Our analysis at the time told us that cross-sell was not going to be a plus for Oklahoma. Texas is adjacent to Oklahoma and sold Mega Millions but not Powerball. Now Texas and Oklahoma sell both games. Since Powerball was such a strong brand in Oklahoma, we determined that adding Mega Millions to our arsenal was not going to be a valued-added proposition. Mega Millions has sold well, but not well enough to make up for lost Powerball sales which is what we predicted.

The fact is that our Powerball sales started to flatten out before Cross-sell was implemented in 2010. Sales went down by almost 50% between FY2010 and FY 2012, when they ended up just short of \$60 million. And even at the di-

minished sales level, Powerball is 35% of our total sales. So we do not want to see changes that negatively impact our best game. We can attribute part of the decline to the economy, higher gas prices, and other external factors. But the single biggest reason for us is the absence of higher jackpots. There's just no getting around the fact that higher jackpots drive sales. Those high jackpots are so vital not just for the performance of Powerball, but also because they have a powerful residual impact on the entire portfolio of games.

How about the price increase of Powerball?

R. Redburn: We supported a different approach that would have kept the price of the Powerball ticket at \$1. We felt that enhancing the matrix to create larger jackpots was a better way to produce the desired result of higher sales. Another factor we had to consider was the negative impact the change to \$2 would have on Power Play, which it did. In the end, the change to \$2 has helped sales, just not as much as was projected. Powerball FY12 sales ended up 7.3% over FY11. And I'm confident that as jackpots roll better, we will see Pow-

erball and Mega Millions sales increase at a faster rate.

You just started selling Mega Millions in 2010, and your sales are up to \$27 million in FY 2012.

R. Redburn: Yes, and now we have two established brands, two big jackpot games that are differentiated and give the consumer more choices. The additional super jackpot game gives the Lottery a broader portfolio of games and that is important because it gives us flexibility and marketing options. So even though we initially supported a different approach, we hope that this new product mix, a \$1 MegaMillions game and a \$2 PowerBall game, will put us in a better position in the future than we would have been if we kept everything the same as it's been our first 7 years in the state of Oklahoma.

The concern is that we are totally dependent upon high jackpots which may or may not roll. For instance, our Mega Millions sales increased by 30% in FY12. That's good, of course. But that increase is almost entirely attributable to the biggest jackpot in history. And game changes like what we have done over the last three years, with cross-sell and increasing the price of Powerball, introduce an element of risk and uncertainty. From a business point of view, downside risk should be complemented by a commensurate upside potential. I'm just pointing out that the potential has not been realized, we have not achieved the results that were projected, and we need to push for better performance from our multi-state super jackpot games.

The dependence on jackpots could become an even bigger problem if the jackpot threshold that gets the media attention keeps going up.

R. Redburn: It wasn't long ago that we were perplexed that the magic number to get players excited had risen to the unbelievably high number of \$100 million. Then it became \$150 million and now even that pales in comparison to recent jackpots. Where does it end? This poses a challenge that must be solved for the games to be sustainable.

Your website promotes your players clubs and mobile applications. How have these evolved and how do they contribute to sales?

R. Redburn: We are very focused on both of those initiatives and they are going very well. We offer lots of promotions to keep the players engaged. We have 48,000 Players Club members. The Mobile Club is separate and has climbed to more than 55,000 members in less than two years. Our mem-

bers sign up to receive e-mails and text messages which keep them posted on jackpots, new games, and special promotions, some of which are offered only to the Club members. We also use other social media like Twitter and Facebook to keep the players informed and engaged. By the way, a favorite promotion was delivering ice cream to the work site of the promotion winner on one of those 105 degree days we had this summer.

Is there a way to measure the impact that these initiatives have on sales?

R. Redburn: We can observe the impact that these initiatives have on consumer behavior. We can measure the number of members and there are different indices that measure levels of engagement. And our analysis of the data that shows increasing numbers of consumers registering in our Players Clubs and becoming Twitter followers and Facebook fans causes us to be quite confident that this positive consumer response does translate into increased sales. There is no doubt that the ROI on our investment in social media is very positive. And with our low prize-payouts, we need to use every available method to create value for our players, extend game play so that the consumer stays connected to us, and promote our brand and products. The results may not be directly measurable, but we know that the increased consumer engagement can translate into increased sales. Too, we should all realize by now that future success depends upon creating that consumer connection. Millions of people buy lottery products at retail stores. But that is an impersonal transaction. They're just buying our product like they buy any other consumer product and so it is becoming commoditized like any other consumer product. We need to build a relationship with those consumers, turn them into customers so that they think of lottery as something they affiliate with, have a genuinely positive feeling for, and not just think of lottery as a commodity. Social media is our bridge to a future that is based on the kind of interactive relationship that allows us to shape the relationship that consumers have with lottery.

Are you making progress on the National Game, or is it called Premium Game?

R. Redburn: I believe it is "Premium game", but I cover my bases by calling it the National Premium Game. And yes, I do think we are all optimistic about the possibilities for a new kind of multi-state game. In Oklahoma, we still need the games to have high enough margins that they do not impair our ability to pay back 35% to the state. That restriction applies to the revenue derived from

all the games we offer, including those where we do not decide the prize-payout structure.

What do you see as the most important consumer trend line in lottery, or gaming in general?

R. Redburn: The most important thing for lotteries is to evolve the games to stay interesting and fun for a new generation of players. And to make those games available on all the different channels including Internet, Mobile, self-serve kiosks, and whatever new media and POS come into popular usage. We can see some states moving forward with enabling legislation and we hope that will inspire others, like Oklahoma, to be comfortable that we too should expand in that direction. Land-based retail will be the sales driver for many years to come. But lotteries do need to evolve their relationship with the consumer to include digital and social media of all different kinds. Sustainability is a big theme now, and building the multi-channel approach to marketing and distribution is key to a sustainable lottery business. The evolution of lotteries will have to be tied to smart phones and tablet computers. It won't be for quite a few years, but eventually the majority of this business will be an electronic-only business.

Oklahoma has always had a very restrictive prize payout structure. States that have granted more flexibility to the lottery have experienced significant increases in sales and net funds. California is just the latest example. Is the Oklahoma legislature considering doing something similar, giving the Lottery more flexibility to increase prize payouts by focusing on net funds or totals opposed to percentage of sales?

R. Redburn: Oklahoma is a very conservative state and the goal of increasing lottery sales and net funds is just not a high priority for our legislature. The public policy agenda of our legislature appears to be that we meet the consumer demand for lottery products by making lottery products available. And the fact that net funds go to support Public education is appreciated by everyone. But it is simply not the public policy agenda of our legislature for us to drive sales. It's true that this is a conservative way to operate the lottery. But it is the approach that our legislature feels is best for the people of the state of Oklahoma. I, the Trustees of our governing board, and our complete staff all support removing the existing profit restriction so that we can provide more funding for Oklahoma education programs and we will continue to work on getting that law changed. I also

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Doubling Down: Value Transformation in Lottery

Martin Kon, Partner (above left)

Tim Matusch, Partner (above right)

When officials in Illinois and Indiana took an objective look at their lottery assets, they believed that they could do better – a lot better – by working more closely with private-sector operators. Only one year after signing a private management agreement with the Northstar Lottery group, Illinois' lottery leapfrogged peers to become the third fastest growing lottery in the country, in a period when many lotteries also enjoyed strong growth. In its first year the agreement has generated an additional \$100m in Net Income. Indiana, through its new integrated services agreement with GTech, expects to move from the bottom third of lotteries to the top third on key performance measures over the next five years, and is ultimately expecting to generate an additional \$100m to the bottom line every year. Both states have contractual commitments from their private sector service providers to significantly increase lottery profits to their State's treasuries.

As governments continue to struggle financially and search for additional sources of revenue, lottery directors will be challenged by their state's financial managers to ensure they are performing at the very highest levels.

The states of Illinois and Indiana were both advised on growth opportunities and on the process of selecting commercial partners by the global consulting firm Oliver Wyman. In the days following Indiana's announcement of a 15-year operating services agreement with GTech – which is projected to increase returns to the State by \$2.1B.

Paul Jason sat down with the Oliver Wyman Partners involved in both transactions, asking Martin Kon and Tim Matusch to reflect on what can be learned from the Illinois and Indiana experiences and how they see this nascent transactional environment evolving in the context of Oliver Wyman's extensive work in the global gaming & lottery industry, and their own personal experience across North America and Europe.

Paul Jason, Public Gaming: *What should we take away from the experiences of Illinois and Indiana?*

Martin Kon: Two things: firstly, that very significant amounts of value can be added if status quo thinking is challenged; secondly, that these transactions can be completed successfully in relatively short time-frames (under 6 months) if there is a well-defined schedule of decisions and it is adhered to.

Our mandate in both instances was clear: to determine the full value potential of the lottery franchise and then to structure the best possible way to realize this value...within the specific context of each jurisdiction.

The successes in Illinois and Indiana are largely down to the fact that our clients were open to fundamentally transforming their business in order to maximize returns to the state. They recognized that doing better than last year, or being on par with a peer set, wasn't good enough. Instead, they wanted to step back and really understand what was possible. They needed to know what could be achieved given their current state of operations, the market context, as well as the political and policy objectives of government bodies that ultimately own and control the assets.

What is it about the current state of lottery operations that requires a transformational approach?

Tim Matusch: The real upside in these situations doesn't come from incremental improvements; it comes from a complete re-design of the business. And the fact is that there has been remarkably little innovation in product delivery, service delivery or the basic operating model in this sector in the past 10 to 20 years.

However, state-run lotteries are generally considered to be very successful enterprises – they make significant contributions to state funds

and as long as the money keeps on coming in, there seems little reason to question their performance. They are, after all, already the largest non-tax revenue source for many jurisdictions. But what we find is that year-on-year, or peer-to-peer comparisons are not the best way to answer this question, because you are not pushing the thinking and freeing up the constraints which could dramatically improve Lottery performance. Once you have a real sense of how much revenue the State is missing out on, that's when the meaningful policy discussions can happen.

Generally speaking, it's not that state employees are ineffective managers. But the parameters under which they operate often limit their ability to drive step-changes in performance. For example, it can be difficult to establish effective incentive-based compensation programs; it can be difficult to make significant long-term investments in technology or R&D which are key enablers of future value; it can be difficult to make return on investment-based marketing spend decisions. And beyond that, bureaucratic processes often prevent officials from responding rapidly to changing market conditions in the way that today's marketplace demands.

In many cases, the best way to increase value for the state is to approximate a private sector environment, as far as possible within the legislative framework and public policy intentions, to grow the business.

When trends are emerging as more state lotteries consider their options...

M. Kon: One of the most powerful components in both of these transactions has been the unerring focus on profit growth. Too many vendor contracts in the Lottery & Gaming sector are based around top-line performance, which does not necessarily flow through to the bottom-line.

Beyond that, probably the most important trend is the growing appreciation that every situation is critically different in terms of objectives, priorities, and sensitivities. There is no one ideal transaction structure, incentive scheme, or selection process. That being said, virtually all jurisdictions want to realize greater value from their lottery and/or gaming assets.

The question all lotteries, even growing ones, should be asking themselves is, "Are we achieving our full value potential?" As a result of our extensive work in the international lottery sector, we have built a robust Value Identification Platform that can measure performance gaps across all relevant performance levers. The reasons for underperformance are not always the same. But once they have been identified, quantified, and properly understood, the question becomes how to close the gaps under current legislation, as well as under future legislation scenarios reflecting potential changes to public policy, such as new game types, expansion of digital options, etc.

Is an agreement with a private operator always required to close these gaps?

M. Kon: No, not at all. The only requirements are a commitment to transforming the business and an appreciation that such transformation can only be achieved by challenging the status quo. And that takes dedication and investment.

In the cases of Illinois and Indiana, both believed that deeper engagement with the private sector was the fastest and most efficient way to achieve a step-change in performance.

However, Oliver Wyman has also supported other state-run gaming and lottery operators to achieve substantial breakthroughs without engaging private operators. For example, Française des Jeux (FdJ), the national lottery in France and second largest in the world, chose to close the performance gaps that were identified by launching an internal Value Transformation program to upgrade key capabilities and operating standards. Three years later, revenues have increased

Value Transformation in the Public Sector

Oliver Wyman's Lottery & Gaming Practice includes partners and consultants who have deep experience with operators across North America and Europe. The Practice's unique approach balances maximum value creation with sensitivity to public policy considerations. Two former senior government gaming officials, Rob Moore and Jodie Winnett, are Oliver Wyman affiliates, and integral parts of the expert teams working in this sector.



Jodie Winnett is a former Associate Director, Illinois Department of Revenue and oversaw the Illinois Lottery from 2007 to 2011, including the transition to private management.

"Being the first State to interpret the 2008 DOJ opinion in the context of setting up a more

commercial structure for our lottery, we worked with Oliver Wyman and our legal team to define an incentive structure that would keep the private manager focused on ever-improving performance and to introduce a disciplined bidding mechanism – all within the parameters of the federal opinion and our own authorizing statute."



Rob Moore was the Senior Vice President of Marketing, Communications, Stakeholder Relations & Strategy at the Ontario Lottery & Gaming Corporation (OLG) from 2008 to 2011. On behalf of the Government of Ontario he led the 'OLG Strategic Business Re-

view' – a process that evaluated current public lottery and gaming operations and assets, ultimately recommending to the Government OLG's transformational Modernization Plan (www.modernolg.ca). Under this Plan, which is currently being implemented, OLG will contribute, within 5 years, an additional \$1.3 billion a year to the treasury and \$3 billion in private-sector capital investment in Ontario, as well as 2,300 net new jobs in the lottery and gaming industry.

"When you can shift the assessment of the opportunity from incremental improvement to transformational – and you get the complicated balance of market forces and political circumstances right – the value creation potential in these environments is among the more exciting you will find in any industry anywhere in the world right now."

by €2.2b (+24%), even though this period also saw the opening of the digital gaming market to competition.

Market dynamics, operating dynamics, and political dynamics will vary by jurisdiction – the blend of these and other factors will determine the best course of action.

Can you provide examples of market or operational dynamics?

T. Matusch: Sure. These are essentially entertainment companies, competing for consumers' time and discretionary spend, and we approach them in a similar way to other businesses in the entertainment space. Of course, in this sector, there are unique considerations around responsible gaming and regulatory oversight that require specific expertise to reflect properly. But when you look through a 'business' lens, you find three consistent market factors: the state of the existing technology and related contractual obligations; channel penetration; and new product opportunities.

Firstly, technology remains a critical component of any lottery business, and existing technology contracts are a critical consideration in a private operator selection process. The established lottery technology platform providers are very active in these processes, as they seek to leverage their experience and expand their service offering; while any increased interest and competition will ultimately benefit the industry, there's no denying that it adds a layer of complexity when the providers of the platform are also bidders to become the private operator. However, it is essential to keep in mind that the ultimate objective is simply to create the most attractive transaction structure and bidding environment for the state, not for one category of bidders or another.

Given the amount of investment and risk involved in these agreements, private operators are likely to want to oversee at least one, if not two, technology platform renewals over the term of the contract. So, our advice to state lotteries is to really understand the extent of their flexibility within their existing technology contracts. Ideally, lotteries should begin exploring options when they have 2 to 4 years remaining on a system contract. That gives a time for a year-long selection process and an orderly transition to a new platform should that be required. It also provides the opportunity for a completely new system and approach to be considered by the new private manager, if they feel that would enable improved bottom-line performance that they would commit to delivering.

Secondly, every state-run lottery operation has developed bricks-and-mortar retail networks to sell their products, but most of these networks have not kept pace with emerging technologies and changing customer behavior. The degree to which a state is prepared to modernize its recruiting and licensing processes and oversee the introduction of lottery products into new channels such as online & mobile, self-serve environments, multilane sales in grocery or big-box retail environments, bars and restaurants, will have a huge impact on the value that can be achieved from an agreement with a private manager.

Thirdly, for the most part, the basic mechanics of lottery games have not changed in decades – draw and scratch games dominate the market. The appeal of the current product portfolio to younger demographics is limited. So, the ability to innovate and bring completely new gaming experiences to market, especially harnessing the digital innovation we already see in virtually every other media & entertainment sector, is a key consideration.

And how do different political and policy objectives shape the direction of a business transformation effort?

T. Matusch: To achieve success in any public-sector transformation process, it is essential to focus on the "art of the possible." The direction and parameters are being set by the elected officials who bear ultimate responsibility for the assets in question, and numerous overlapping legislative, political, and legal considerations will have an impact on the path each jurisdiction chooses to pursue. At a minimum, issues such as the amount of time remaining in the mandate of the state's chief executive, current public opinion about lottery and gaming, the appetite for new forms of games and channels, and existing legislation must all be carefully weighed.

How do these legislative or legal circumstances affect the ultimate process on which you provide advice?

M. Kon: The most important consideration is political will. As we have mentioned, state-run gaming and lottery operations are vital sources of public revenue. They are also usually managed by a highly visible agency or commission, and undertaking a transformation program will attract considerable public attention and scrutiny. Without the commitment of the required elected officials to take that challenge on, proceeding with any type of significant transformation program would be impossible.

Presuming the political will is there, the varying legal opinions and interpretations of legislation that provide the legitimacy for all legal lottery and gaming have to be factored into the process. For example, in the US, the boundaries revolve around the 2008 U.S. Department of Justice opinion on lottery ownership, while in Canada, that means the interpretation of the Criminal Code. In both countries, there is an acceptance that the state must continue to play an important role in the provision of lottery and gaming. However, agreement on exactly how this role can be played is far from unanimous.

We spend a lot of time with lawyers during our work with lottery & gaming operators, because the prospect of a legal challenge must be understood and evaluated within the timing and scope of the process. Billions of dollars of value, compensation structures, bidding models, as well as numerous other considerations, hinge on the interpretation of "de minimis share of the equity interest" in the US DOJ Opinion and of "conduct and manage" in the Criminal Code of Canada.

Political and legal considerations play a major part in our advice to clients and in the crafting of a deal's structure. Many pundits may claim to have a better approach than the one any given State might decide on, but they perhaps don't have an appreciation of these political and legal parameters, which add complexity to how a state can maximize its interests and ultimately shape the opportunities and processes that are possible.

Presuming you have an alignment of the political and operational sides to seek a private operator, what are the success factors in the signing an effective bid process?

T. Matusch: Every process will have its own unique elements based on what we just discussed, but there are a few simple but critical success factors: 1) understanding the value at stake and what it will take to realize that value; 2) creating a process which attracts multiple high-quality and motivated bidders; 3) iterating key deal elements with all relevant stakeholders, including the bidding community, such that a reasonable contract is in place before the selection process is complete; 4) developing a selection process that is objective and oriented on bottom-line performance improvement.

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E-INSTANTS: The Killer App' for Online & Mobile Lottery

Moti Malul, V.P. Sales & Business Development, NeoGames
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For the past 7 years, NeoGames has been pioneering the field of e-instants. Working with lotteries and leading i-gaming operators, we have created the widest and most success-proven portfolio of web and mobile e-instants, to cater to all the various market segment needs.

Mobile has been a "high potential" channel for some years now. Then, about eighteen months ago, it started to bloom in a "hockey stick" growth curve and continues to present an exponential growth rate. Looking back into the reasons for the change in the growth pattern, we can now identify telling consumer trends that enable us to create the right products for the right consumer groups.

Technology: Mobile applications and mobile data services have been around for more than a decade. Some four years ago, NeoGames was one of the first to adapt it to lottery by developing and launching with its customers downloadable app's for the former generation of high-end 3G phones (Blackberry, Nokia and such) with a package of 15 top performing e-instants. However, the actual

usage level of the service was modest, at best, with mobile sales not passing the mid-single digit percentage of total turnover. The iPhone phenomena led to a very fast adaptation of true smart-phone devices in the past 3 years. That is what forced a fast decision to basically neglect the investment in former technology and move to a totally new consumer environment. The introduction of our HTML-5 mobile solution 18 months ago included a pack of 12 games that is constantly increasing in number. That has resulted in phenomenal growth, exceeding 15% of sales done through mobile.

Demographics: The most interesting change we are witnessing is in the different usage levels of the different demographic profiles. As long as e-instants were available only through their web version, the active player demographic groups indeed showed a significant portion (26%) of active players in the age group of 18-29. However, the average player spend in this group was lower than the player spend in the higher age groups. Then, the introduction of the service for Smart-phones changed everything dramatically, with the group of 18-29 taking leadership not only in active players but also in player spend.

Cross channel value: Pure mobile players still generate a lower player spend than web players. Currently, about 35% lower, but the comparison is problematic since it's a product in the early stage of its life cycle. The interesting point, though, is the cross channel player spend - the web players that started to play on mobile began to migrate to the web and vice versa. We can see that average spend on the web is about 10%, while mobile contributes an additional 27%. So the overall spend grows for more than 15% of the players. It's also worth noticing that web-originated players adopt mobile much more readily than mobile-originated players adopt the web.

Play behavior: In the pre-smart-phone era, the mobile usage of our players was in "kill time" hours, i.e. during lunch breaks and at the end of work day. With the advent of smart-phones, we see an immediate shift to prime-time TV usage where players basically use mobile as a second screen.

Marketing: Introducing the smart-phone-focused service allowed our customers to open up their marketing channels in a search for new players in the mobile sphere. Mobile marketing is changing rapidly because the way people search for content in the mobile sphere is different than in the web-sphere, mainly due to the large adoption of app' stores. But since the app' stores have not yet fully allowed pay-to-play services, even if they are from lotteries, creative solutions are required.

Conclusion: The Smart-phone has transformed the mobile gaming landscape. Many of the younger consumers rely totally on their Smartphone for all their web-based communications. The improving capabilities of the Smartphone to deliver a rich gaming experience will attract more and more gaming options, which will in turn generate more and more consumer adoption of the Smart-phone for gaming. Bill Gates calls this the 'positive feedback cycle' in which success begets scale, increased product attracts more customers, and more customers drive even more innovation and introduction of more quality products. It will be a competitive landscape. The exciting news is that the tools and content are now available for government lotteries to jump out in front and convert their massive consumer base into a Smart-phone connected and engaged customer base.

NeoGames is excited to be a partner to lotteries in this new era of i-lottery. Our mission is to keep lotteries riding the wave of success with each evolution of consumer behavior. Lottery players are the most loyal customers in the world of gaming. They are eagerly anticipating the introduction of creative new game concepts from their trusted lottery operators. NeoGames appreciates the opportunity to be of service and help lotteries connect with this emerging generation of Smart-phone gamers. ♦



THE NEW REID-KYL BILL WOULD SEVERELY LIMIT STATE LOTTERY INTERNET GAME CHOICES

by Mark N. G. Hichar,
Partner, Hinckley, Allen and Snyder, LLP and
Chair of its Gaming Law Practice Group
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Senate Majority Leader Harry Reid (D – NV) and Senate Minority Whip Jon Kyl (R – AZ) have completed work on an Internet poker regulation bill that may be the most hostile federal Internet gambling bill U.S. state lotteries have yet seen. A summary of the bill has been leaked, and it sets forth their vision for the regulation of Internet gambling in the United States. That vision would put U.S. lotteries on the sidelines.

The summary of the “Internet Gambling Prohibition, Poker Consumer Protection, and Strengthening UIGEA Act of 2012” (the “2012 Act”) indicates that the law, if enacted, would “[undo] the impact of the recent Justice Department Office of Legal Counsel (OLC) opinion that the Wire Act only covers sports betting.” (Unless otherwise indicated, quotes are from the summary.) Presumably, this means it would amend the Wire Act of 1961² to make it applicable to all wagering, except for betting on horse racing pursuant to the Interstate Horseracing Act of 1978³ and Internet gambling permitted under the 2012 Act. According to the summary, “all Internet gambling, whether interstate or intrastate, would be prohibited, except offtrack horse-race wagering under the Interstate Horseracing Act of 1978 and licensed poker,” and presumably except also for the small variety of games that could be offered by state lotteries pursuant to the 2012 Act.

If the 2012 Act were enacted, the games state lotteries could offer via the Internet would be limited to those for which tangible tickets also were available via traditional distribution channels, provided further that (i) the games did not “mimic” other Internet games, and (ii) winners in the games were determined no more frequently than daily. While the bill circulated by Senator Reid’s office in December 2010 (the “2010 Act”) would have allowed lotteries to conduct on the Internet all games of chance (presumably poker would have been considered a game of skill), the summary of the 2012 Act states as follows (emphasis added):

The bill imposes strict limitations on online⁴ lotteries, while respecting the right of states and tribes to sell lottery tickets online and otherwise to retain regulatory authority over their lottery activities. As noted, states and tribes will only be able to sell “tangible” tickets online, in games where winners are determined not more frequently than daily. The games themselves cannot be played online and cannot mimic online games. (emphasis added)

While it is not clear exactly what is meant by “[t]he games themselves cannot be played online and cannot mimic online games,” it is clear that interactive online lottery games – e.g., games that players actually play online, including games in which winners are pre-determined and players “reveal” whether they have won or lost by playing an interactive game – would be prohibited. It is also clear that state lotteries could not sell via the Internet games such as 5-minute keno (or any keno game in which a winner was selected more frequently than daily). Slot-machine style games are clearly prohibited. Lotteries would be limited to selling on the Internet only tickets to games that are offered also in a tangible ticket format.

In sum, the utility of the Internet would be denied to state lotteries. They could use the Internet as a sales channel only – like Amazon currently uses the Internet to sell books. The player could buy a ticket online – and presumably the ticket could be delivered electronically – but the player would have to wait for a later drawing to find out whether she had won. No player interactivity with

1) Letter dated September 11, 2012, from Sen. Reid to Sen. Dean Heller (D-NV), “Senator Kyl and I completed this bill [described by Sen. Reid as “a bill that would prohibit internet gambling while legalizing and regulating online poker”] earlier this year.” 2) 18 U.S.C. §1084. 3) 15 U.S.C. §3001 et seq. 4) In the summary of the 2012 Act, “online” presumably means “on the Internet.” 5) Yucca Mountain was the site approximately 80 miles from Las Vegas where it was contemplated that nuclear waste would be stored (and indeed such storage was approved by Congress in 2002), until in 2010 the project was defunded, in large part due to the efforts of Sen. Reid. 6) Letter from Sen. Reid to Sen. Heller described in footnote 2. 7) 31 U.S.C. §5361 et seq. 8) “Federal Online Poker Bill Facing Resistance,” PokerNewsReport dated September 26, 2012, at <http://www.pokernewsreport.com/federal-online-poker-bill-facing-resistance-10590> (last accessed October 10, 2012). 9) “Poker Players Alliance Reacts to Summary of Text of Reid-Kyl Internet Gambling Bill,” PokerNews dated September 21, 2012, at <http://www.pokernews.com/news/2012/09/poker-players-alliance-reacts-summary-text-reid-kyl-bill-13461.htm> (last accessed October 10, 2012). 10) “Kyl Insists Internet Poker Push Still Alive,” Gambling Compliance, dated September 20, 2012. 11) Id. 12) Id.

the game would be permitted.

In addition, the 2012 Act is skewed in favor of Nevada. (As Senator Reid has written: "Legalizing and regulating online poker may be the most important issue facing Nevada since Yucca Mountain.¹ This bill means jobs for Nevada."²) The 2012 Act would direct the Commerce Department to designate "qualified bodies," which would act, along with a newly formed federal "Office of Online Poker Oversight," or "OOPO," as regulators – i.e., licensing bodies – of online poker operators. These licensing bodies would be qualified state agencies or tribal regulatory bodies. At least three "benchmark" licensing bodies would be designated to serve as initial regulators along with the OOPO. The benchmark licensing bodies so designated would have to "have reputations as regulatory and enforcement leaders in the gaming industry, must adhere to a strict regulatory regime, and must have sufficient staff, experience, and resources to regulate this new activity." Given Senator Reid's statement that the 2012 Act "means jobs for Nevada," I expect that the Nevada Gaming Control Board would be among the three regulators designated as "benchmark" licensing bodies. Indeed, it could be the only regulator so designated, as it is the only regulator currently issuing licenses for online poker.

Moreover, a significant portion of the tax revenue would go to the state in which the licensing body is located. Under the 2012 Act, operators would pay a monthly online poker activity fee equal to 16% of eligible online poker receipts. Of this 16% fee, 14% would be payable to the states or tribes, and 2% would be payable to the federal government. The 14% of eligible online poker receipts payable to states and Indian tribes would be allocated as follows: 70% of the state and tribal portion of the online poker activity fee would be allocated based on the location of the players from whom the operator's online poker receipts were generated. The remaining 30% would be paid to the state or tribe in which the operator's licensing body was located. Thus, if the operator received its license from the Nevada Gaming Control Board, that 30% portion would be paid to Nevada – the state in which the operator was located would receive less than 10% of the poker activity fee (i.e., $14\% \times 70\% = 9.8\%$).

Still further, existing large casino operators would be explicitly favored under the 2012 Act. For the first two years after the 2012 Act was enacted, only "regulated operators (or affiliates of operators) of licensed land-based gambling facilities of a certain size and type (including commercial gaming operators, tracks and tribal operators) or manufacturers of certain types of regulated gaming devices" would be eligible to be licensed. Accordingly, state lotteries would be excluded from licensing unless they operated a casino or race track of the required size. Persons that were involved in offering Internet gambling to U.S. residents after the enactment of the Unlawful Internet Gambling Enforcement Act of 2006 (the "UIGEA")³ could not be licensed for five years after enactment of the 2012 Act, unless they could demonstrate to a court by a preponderance of the evidence that no state or federal laws were violated. After the expiration of such five-year period, any such persons could be licensed if they passed a required suitability review.

The 2012 Act has managed to draw opposition from Indian tribes and strong concern from the Poker Players Alliance. Indian tribes oppose the 2012 Act because they may not "opt in" to the federal scheme (i.e., players on their lands may not participate) unless the states in which their lands are located have also "opted in" (i.e., chosen to participate in the federal regulatory regime).⁴ The Poker Players Alliance is unhappy with the 2012 Act as it would subject to forfeiture all property – including player winnings – involved in or traceable to gambling in violation of the 2012 Act.⁵ Usually property is subject to forfeiture only if it is involved in the commission of a crime. (It is not clear whether the 2012 Act would make

criminal a player's gambling on an illegal site.)

Otherwise, it appears that the 2012 Act is similar in many respects to the 2010 Act (which was never introduced). Like the 2010 Act, the 2012 Act would create an office under the U.S. Department of Commerce (called the "Office of Online Poker Oversight," or "OOPO," in the 2012 Act) that would oversee state and tribal regulatory bodies, and like the 2010 Act, the 2012 Act would allow poker play only by persons physically located in states or on tribal lands that had opted in to the federal regulatory regime. The 2012 Act would establish "a voluntary election procedure by which states and tribes [could] choose to participate. A state or tribe [could] opt out simply by doing nothing. To opt in, a state [would have to] elect to participate by a simple majority vote of each chamber of the state's legislature." (Under the 2010 Act, states that already permitted commercial poker – i.e., 15 specifically-named states – were deemed to have "opted-in" unless they "opted-out" within a stated period of time, and Internet poker play within states that did not permit commercial poker – i.e., were NOT on the list of 15 – would have been permitted only if the state "opted-in.")

Like the 2010 Act, the 2012 Act would provide additional tools to assist law enforcement to prevent illegal Internet gambling. Among the additional enforcement tools it would create would be a list of licensed online poker enterprises. Financial transaction providers would be allowed to process U.S. transactions only for online poker enterprises on that list. Also, as mentioned, to deter U.S. players from patronizing illegal Internet gambling sites, the 2012 Act would expressly make subject to forfeiture any property (including winnings) involved in or traceable to a gambling transaction in violation of the 2012 Act. All operator proceeds from any such unlawful Internet gambling activity would similarly be subject to forfeiture. Finally, the 2012 Act would include enforcement mechanisms against "Internet poker cafes" – locations created principally for the purpose of accessing Internet gambling – and it would contain a mechanism to create barriers to future expansion into other forms of Internet gambling.

The anti-lottery aspects of the 2012 Act are quite startling in that they are so openly hostile to state lotteries. Unlike the bill (H.R. 2236) introduced this session by Representative Joe Barton (R-TX), in the 2012 Act, no attempt appears to have been made to camouflage the adverse effects of the act on state lotteries; and unlike the 2010 Act, which would have permitted lotteries to sell via the Internet all games of chance, the 2012 Act would severely restrict the games that lotteries could offer online, thereby greatly diminishing the usefulness and profitability of that sales channel.

Despite some political wrangling between Senators Reid and Kyl in September relating to the race for Nevada's other Senate seat, Senator Kyl has stated that the push to enact the 2012 Act continues. He stated: "It is very important that we clarify the law as it relates to the Wire Act and Internet gambling, and the sooner the better because there are states that are already acting to fill that void."⁶ Senator Kyl stated that Congress must act as quickly as possible.⁷ "So for my purposes," Senator Kyl stated, "I hope that the little political dust up here will subside once the election is over, and we can get back to trying to get [the 2012 Act] passed."⁸

Accordingly, states should expect a renewed effort in Washington to pass a federal Internet poker bill, and if states expect to retain the right to choose for themselves what types of gaming shall be permitted within their borders, they should remain vigilant and strong in opposition to the 2012 Bill. ♦

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Latin America: Moving Quickly into Online and Mobile Lottery

Multi-Sourcing as the Key to Implementing a Best Practices/Best of Breed Strategy

Ingvar Hjalmarsson, Chief Commercial Officer & General Manager Betware DK (below left)
Alejandro Kowalski, Account Manager, Betware Latin America (below right)



www.Betware.com

PGRI Introduction: Betware has been working with Sistemas Tecnicos de Loterias del Estado in Spain since 2007 – the operator for Loterias y Apuestas del Estado (Spanish National Lottery). With vast experience on this market and a team of experts working in the Madrid office, the company was quick to react when the new regulations for the Spanish gaming market were announced. The offering which includes a Regulatory Vault incorporated into the gaming platform has resulted in 3 more Spanish contracts for Betware. In 2011 the company signed with CIRSA and Grupo Egasa, and followed that in 2012 with Eurostar Media Group.

Paul Jason, Public Gaming: *You have built a strong position on the Spanish market. What is the next step?*

Ingvar Hjalmarsson: The natural move is to look into Latin America for our 2013 target, yet not losing the focus in Spain at the same time. We still see a lot of potential for us in Spain and we feel that we can use our experience in there to help lottery operators in the LATAM markets. Betware's offering, which was so successful in the Spanish market, is versatile and can be well-suited to the needs of operators on any other new or already legislated gaming market. The core is always the same – a powerful and open gaming platform and

a regulatory vault which ensures that all regulators' requirements are fulfilled. We see our role not only as a vendor but also as a strategy advisor for the gaming operators, offering our 16 years of experience in bringing lotteries and gaming operators online.

You talk a lot about multi-sourcing strategy as the key to a sustainable business strategy for lottery operators. Could you explain the concept?

I. Hjalmarsson: It is important for operators to be able to offer the

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the other. The process itself forces us all to think bigger, to think outside of our own areas of expertise, to appreciate that we each see only one part of the picture and we need to work to understand the other parts that come from our colleagues in the other business units.

We then move into the project management stage. Our CEO formulated the interdisciplinary approach to identifying and implementing the most innovative projects and strategies. It is a continuation of the budget process in which we are all expected to rely on each other to ensure the optimal end result. I think everyone here has found that mutual support and collaboration not only produces better results, it is a much more enjoyable way to work.

"The budget process, and by extension the Finance department, is integrated into the implementation and project management side of the business."

T. Graham: That is our CEO's vision, to create a holistic approach, a 360 degree view of the business which is only relevant if you preserve that inter-disciplinary approach when it comes to actually managing the projects. We have a project management office within a department called Business Transformation, charged with bridging the budget process and actual execution at the business unit level. Business Transformation also helps the business unit leaders become more efficient and build a 'best practices' approach towards managing change continual improvement.

"So the budget process has become a vital tool to promote interdepartmental communication."

T. Graham: That's it exactly. It's used as an educational tool as well, and not just to groom younger executives for top level roles. Senior executives who in the past may not have participated in the budget process are involved now and I think this has influenced their perspectives in positive ways. The process really drives people from all different areas of the business to get on the same page and channel their efforts towards the same goals. That is the vision of our CEO, to eliminate silo'd decision making, to create a dynamic system where the thought process is always interdisciplinary, and the execution is inter-departmental.

"Lotteries operate so much differently than other governmental entities. And, certainly, like a lottery, are the only winners being recognised by the GFOA."

T. Graham: It's true that lotteries must compete in a dynamic market-place and that is not the economic environment of most governmental services operate. Perhaps that is what drives us to look for new and better ways to leverage our resources to produce better results. But we learn a great deal from our association with the GFOA, and all of our colleagues in the field of managing the finances of government. For one thing, the GFOA gathers and organizes data to provide companies a set of key performance indicators we can leverage. We apply these all the time in every area of the business and they have proven to be a very valuable tool to ensure we are operating on track. And it isn't only to identify areas where we need to improve. We found it to be a most useful tool to identify areas of strength so that we can channel more resources there and take full advantage of the favorable tracking. The key performance indicators do enable us to instantly see where something is tracking unfavorably, enabling us to respond and remediate quickly. And so we've invested a lot of time and energy in our key performance indicators.

"What's an example of a key performance indicator?"

T. Graham: Let's look at the VLT (Video Lottery Terminal) business. Their maintenance department of technicians makes sure that the equipment is operating effectively because if it's not, then we're making less money and our siteholders are unhappy because they're not making money off the equipment. Maintenance involves countless tasks and actions that need to be done to ensure the machines are operating to peak capacity. One key performance indicator that tells us if everything is running smoothly is downtime-of-machines. Of course, we also monitor many other factors like hours of preventive maintenance and visits to sites. Collectively they tell us a lot of what we need to know about the inner-workings of the entire department. If downtime of machines is trending negative, then maybe we need to allocate more resources to preventive maintenance. If it is trending positive, maybe we are not

achieving the optimal balance between preventive maintenance and downtime. Maybe we could save a little money on preventive maintenance and allocate some resources where they're needed more. Key performance indicators are not just about catching mistakes or identifying under-performance. It's about having a minute-by-minute and 360 degree view of the business and seeing how to continually channel or redirect our actions to achieve the very best results.

"I have always been surprised at how many small business have been able to do a lot of a business plan, constructed monthly and reviewed annually by changing circumstances. We don't have 100% visibility into the future. That's one reason, even after 2010, the existing pressure to spend runs out, such planning."

T. Graham: It is so true that things change, and often they change quickly. An effective business plan is definitely not a static document. Part of the initial charter of a good business plan is to anticipate change and plan for it. But it also has to include the mechanisms for updating in light of unforeseen changes in the business environment. The budget review committee does meet monthly throughout the year to constantly re-assess and redirect as needed. And we can make adjustments to our budget as needed throughout the year.

"What was the most relevant in incorporating part of the GFOA guidelines and processes?"

T. Graham: The thing that ties everything together is communication. The trick of it is that in an organization with multiple business units and about 2,000 employees, you need a construct that enables communication and channels it for productive ends. That, along with the vision of our CEO, is what the GFOA provides. Of course, the most interesting thing to me in my capacity as head of Finance is to see the budget process become something that truly contributes to the success of everyone in the organization. It is thrilling to be an integral part of a successful organization like Manitoba Lotteries and in our fashion be a trail-blazer in making Finance become a valued part of the whole corporate mission and a valued partner to each of our business units. ♦

we know by reading the news, many of the problems with illegal sports-betting originate with operators based in Asia. And all of these same issues will emerge in all areas of internet gaming, including poker and new forms of social gaming. Interpol operates globally, but they need the support and cooperation from local jurisdictional governments. Consumers all across the world are now connecting to each other and to gaming operators through the Internet, mobile phones, tablets, and new consumer devices that are being invented every day. The monetary volume of online transactions is increasing exponentially.

Think about how consumer behavior has evolved over the last fifteen years. It was not long ago that the consumer personally knew the merchant where they shopped. Then they bought through mail-order catalogs and over the telephone. Then, when the consumer started buying online, there was a trust factor that had to be overcome. Now, consumers typically have no idea where the online merchant is based, and they don't really care, do they?! The free-market system no longer has any "invisible hand" to ensure consumer protection. That's why we need a completely new infrastructure to police the markets and prevent illegality.

When you think of it that way, that is actually quite a dramatic shift in consumer behavior.

F. Paes Afonso: Yes, it is. Anyone can locate anywhere and be an online merchant. There used to be market-driven barriers to entry into the business of consumer marketing. Those barriers do not exist anymore. So now we need a better system for regulating and policing the global market-place. And that is more true in internet gambling than anywhere for the simple reasons that the amount of money involved is so huge and the potential for fraud so great. We can see it happening now in sports-betting. But those lottery operators who do not offer sports-betting should realize that the same issues will affect all internet game categories, especially any kind of social games but also including the distribution of i-lottery products. Policing the internet gaming space will require a global cooperation. First, we need Interpol and other agents of international law enforcement need to recognize the importance of this challenge. That is not easy. In our industry, we see how much money is involved and how important it is to fight illegal opera-

tors. But Interpol and others who are dealing with terrorism and the highest-profile forms of illegality don't necessarily see the need to allocate resources to combat illegal sports-betting or i-poker. Second, we need to engage the support of governments to allow Interpol and others to enforce the laws. Sports-betting is just the tip of the iceberg.

Sports-betting constitutes less than 1% of your revenue. So, how much does it matter if other operators were licensed to offer sports-betting?

F. Paes Afonso: Our charter is not about raising money, it's about protecting the consumer. It is not our goal to entice people to bet on sports. We make it available for those who want to bet on sports, but we do not market it with the objective of increasing revenues. Unfortunately, there is an illegal sports-betting market. Our goal is to protect the consumer from these illegal operators and channel the activity over to the legal offer. Our low revenues do not indicate that the market doesn't matter. It indicates that the illegal market has taken over in sports-betting and we need to address that.

Do you feel that the agencies of the Games Department, the Lottery, and the government of Portugal are aligned? Do you feel like the legislators of the government of Portugal are responsive to the concerns that we've been talking about today?

F. Paes Afonso: Indeed, the answer is positive. Of course we have to respect that the government is responsible for so much more than just the lottery or just gambling, and that it consists of public servants with a wide diversity of opinions. I can say that the government is taking a very thoughtful approach to these matters and that we appreciate the serious consideration they are giving to the goal of preserving Public Order and the integrity of the games. Portugal's government is currently gathering information and studying the data and working hard to achieve the best solution. The goal of the Game Department and the Lottery is to manage the business to support the public policy objectives of the government. That includes innovating the games to appeal to the consumer, managing the business to minimize problem gambling, and generate funds for the beneficiaries of the Lottery. But the government, the Gaming Department, and the Lottery are all keenly aware of all that is at stake and the impor-

ance of evolving our approach to the industry to achieve the best results for society.

Sustainability is integral to your strategic approach.

F. Paes Afonso: That is another reason why it is so important for government to keep control over the industry. Capitalist markets are driven to maximize profits. But a by-product of that is to maximize sales. The key to maximizing sales in a capitalist market is to continually enhance the value to the consumer. The expedient way to increase value to the consumer in our industry is to increase the prize payout. While it is expedient, it is also misguided and detrimental to society and not consistent with sustainable and prudent public policy objectives. We do want to enhance value to the consumer, but we want to do it by increasing the entertainment value of the games, not appealing solely to the desire to win money. That is the best, if not the only, way to build sustainability into the business.

Increasing the incentive to gamble by increasing prize payouts does three things that are not in the interest of society. First, it decreases the funding to charitable causes. Second, it encourages excessive gambling. And third, it follows the path of all consumer products marketing and that is to create consumer expectations for better and better value. That creates a syndrome of increasing prize payouts, more problem gambling, and less funding for charitable causes. So, yes, we are struggling to preserve a sustainable approach to managing the growth of this industry. We realize that consumer demand for gambling will continue to increase and that the prize payouts will also continue to increase. But we can still manage the business for the purpose of meeting consumer demand and not stimulating it and accelerating the process.

In the end, the sustainable model is also the strategy that optimizes long-term profitability.

You want to make the products available where the consumer is, and there are at least some consumers who now do play on the internet.

F. Paes Afonso: That is true and that is why we make our products available over the internet and mobile. But that is a tiny percentage of our revenues. Our focus is on retail because that is where the Portuguese consumer is. And as we discussed, it is also where we want to be for sustainable ap-

proach to growing the industry. In fact, for all the talk about social gaming, my focus is on retail as being the best venue for social gaming. And the way we want to integrate mobile and i-Pads is to enable our players to create more social interaction, between us and them but also for players to communicate and share with each other.

When can the industry associations like the WLA and EL do to encourage cooperation between lotteries to build a powerful brand that is recognized by governments as the leader in areas like sustainability, responsible gaming, and security standards?

F. Paes Afonso: Communicate, communicate, communicate. That is what our adversaries in the remote i-gambling sector do. They communicate with the press and with the government. We are losing the communications battle. And that is incredible. In terms of revenues, reputation, longevity, and public awareness, lotteries are the elephant of the industry. These remote operators are the mouse that roars and we are like the elephant who is afraid of the mouse.

The WLA, EL and CIBELAE can be the instrument for change and the vehicle to communicate our message to the press, to

governments, and to international governing bodies like the European Union Commission. For our associations to be effective, they need the active support of all the lotteries in the world. They need to meet more to work out the strategies and action plans that will have an impact on public opinion and governmental decisions. I am convinced that we can succeed at getting this message across and persuading the shapers of public policy to support our plans for sustainable growth of the industry. But it will require communication and cooperation between lotteries. That should not be as hard as we sometimes seem to make it. Look at the commercial community of internet gaming operators. These people compete with each other. They are enemies in the market-place and are often even suing each other in court. But when it comes to their political agenda, they all see that they will accomplish more by cooperating and speaking with one voice. Lotteries do not compete with each other and in fact share almost all the same values and operate with similar business models. And yet we do not collaborate as well as the commercial i-gaming operators when it comes to public relations and communicating with the shapers of public policy.

Back in the years just prior to leaving the lottery in 2005, you were instrumental in implementing EuroMillions and also in communicating with the European Parliament about the importance of protecting the rights of member states to determine their own regulatory and taxation policy. Now you have just been appointed to the executive committee of the European Lottery association.

F. Paes Afonso: Of course, there are many others who have worked hard to lead the associations throughout the years, and to great effect. Look at all that has been accomplished, especially by the European Lottery Association. The community of remote i-gaming operators was on the cusp of overturning the fundamental regulatory model in Europe and that was prevented. But there is much more that needs to be done. The debates continue. That is why we must continue to press our case with the European Commission. We need to address their concerns, propose solutions to their questions, help them resolve the trade-off between the principles of the Common Market and the need for member states to control regulation and taxation of gambling. And we need to take this message to the public and to our players as well. ♦

Doubling Down: Value Transformation in Lottery ...continued from page 32

Now, these are public competitive processes, and there is no shortage of opinion on how best to structure them. Some parties have called for up-front payments; others have called for a range of different incentive structures. But let's be clear, these transactions have to reflect what's possible under the law, and the interpretation is not always black and white. Some lawyers advise that upfront payments of any significance from a private operator would be deemed illegal, others may take a different perspective.

Importantly, these are neither traditional service procurements, nor privatizations that concession the use of state assets for a period of time; these are quite unique arrangements. We appreciate that there are participants that are more comfortable at one end of this continuum or the other, but the competitions will likely be between entities with quite different positions in the industry, so you can never select a single-process mechanism that will be fully embraced by all participants. Our goal is not to create the perfect process for all bidders, it's to create the process that delivers maximum value for the state. There is not a cookie-cutter approach; we are all actively participating in and watching the evolution of these processes, and the unique circumstances of each jurisdiction and the varied backgrounds of the proponents in the private sector necessitate an evolutionary approach. Each state will learn from the experiences of those that preceded it.

In our experience over the past few years - advising on most of the recent processes that have come to fruition - there is an increasing level of trust between the government operators and the private sector bidding entities. We would not be so bold as to say there is absolute alignment yet. However, there is a growing appreciation in both the public and private sector of the intrinsic benefits of transferred risk, stability, investment, best-in-breed operations, and continued state oversight. The pace and number of these processes will likely increase, and over the next few years, we will be looking at a very different global lottery industry.

Any final thoughts before we wrap up?

M. Kon: We would encourage stake-holders to really challenge their thinking in terms of what is possible. We firmly believe that there is significant upside in most state-run Lottery businesses, and carefully identifying performance improvement opportunities, through our Value Identification Platform for example, is a crucial first step. We have experienced firsthand the extraordinary incremental value that can be created, through both internal and external transformations, amounting to hundreds of millions or even billions of dollars. And that should be of interest to any Treasurer, Finance Minister or Director of Revenue! ♦

brand awareness and, hopefully, advertising campaigns to support the games.

All the lottery directors deserve credit for working hard to find that common ground. A number of them have stepped forward and are working hard to bring us together. I believe their efforts will benefit all of us.

What are the Arizona Lottery's plans for Players Club?

J. Hatch-Miller: A Players Club is something Arizona is exploring with great interest. We have been gathering data from other states and vendors, learning what works best and identifying obstacles to avoid. We are committed to more fully engaging current players and in attracting new players. We are confident that a loyalty club is part of the 'winning ticket' to reach those two objectives.

You were one of the early adopters of 2nd Chance Draws.

J. Hatch-Miller: Arizona started offering 2nd chance draws at the very beginning of the Lottery in the early 80's. Back then, the process was too labor intensive due to the fact that the entries were mailed in stamped envelopes and the volume overwhelmed us. Long-Term staff members have described our entire conference rooms filled to overflow with entries. Our present ability to conduct entries and drawings via the Lottery's website has made the process much easier.

Our first venture into website-only entries was in FY 2011 with the World Series of Poker game. Last year we offered two (2) series of games, Wheel of Fortune, and the 30th Anniversary games with 2nd chance draws. The number of entries is continuing to grow with each new game series and the response from players has been phenomenal.

On July 3, we launched our new \$5 Bejeweled® ScratchersSM ticket with a top prize of \$50,000. It also features a sensational new prize for the second chance drawings. For the first time ever, we are offering the opportunity to win one of four (4) Caribbean cruise packages. In about two months, we have received over 65,000 entries.

When do you project that the Arizona Lottery will be able to sell traditional products over the internet?

J. Hatch-Miller: This is not a strategic priority for the Arizona Lottery. We will continue to monitor what other Lotteries are doing and learn from their successes

and mistakes.

Even though transaction-based i-lottery is not being considered right now, isn't social media a strategic priority, and so won't the internet play an important role as a communications medium?

J. Hatch-Miller: Absolutely, that is correct. The internet is key to enabling the many social media initiatives that are strategically imperative. The internet enables real-time personal interaction with the consumer. We can respond to their questions in real-time and in the medium of their choosing. We hold discussions with the players, sometimes in chat rooms with multiple players. We can provide information with a level of detail that could not be done with other media, such as print or broadcast. The opportunities to innovate are endless.

The movement to an online marketplace is quite simple technologically. It's being done around the world by organizations large and small. To put in an online store is quite simple. Yet it may very well be that other internet-enabled agendas set up are even more valuable than e-commerce. The value and excitement of the internet really comes from its capacity to serve as a platform connecting your lottery directly with your players. You can educate players about products, instruct them on how to play different games, increase awareness of jackpots and winners, provide players a forum for sharing likes and dislikes, allowing them to share their winning experiences with friends. We have been especially encouraged by player's responses, their posting how they feel about their winning experiences and other dialogue about their lottery play. Social media has become a whole new source for user-generated content.

It's true what you point out that the internet is much more than just another POS. Think about how we use Amazon as a source of information and consumer-generated content, not just e-commerce POS's. Think about how Amazon has leveraged that consumer service, which does not directly generate income, into dominance in the e-commerce space. This is where the action is on the internet and where we are focusing our current efforts.

Do you have an opinion on the attention being given to the Private Management Agreement model for operating a state lottery?

J. Hatch-Miller: I have a wonderful governor to work with, and a great legislature. And that's important. A big benefit of the traditional government lottery is that it ensures alignment between the lottery and broader public policy objectives as defined by the representatives elected by the public. The long-term strategic decisions for lottery are driven politically as well as by business considerations. I would submit that the best of both worlds is for the big-picture, long-term objectives to be defined by those elected to represent the voters. The day-to-day implementation of the business plan should be the work of the lottery leadership and staff. I appreciate the Arizona governor and our Lottery Commissioners for their attention to lottery. They know the importance of balancing the goal of maximizing sales and net funds with other public policy considerations. In our case, the Arizona Lottery has been given clear guidance as to the public policy agendas, along with the flexibility and the support to achieve ambitious business results. It works good for us and for all the lottery stakeholders, like the Arizona state government, and the people of Arizona.

Your "How the money helps" campaign received lots of residual PR traction in Arizona. Does that contribute to sales as well as your public image?

J. Hatch-Miller: We can't claim to have a way to measure the impact on sales. That campaign highlights specific individuals throughout the state who have directly benefited from Arizona Lottery funds. Like all lotteries, we've always reported the large sums of money generated by Lottery. With this campaign, we wanted to convey the impact at the human level. In documentary style, portraying real people and their stories, we show how Lottery revenue actually helps actual individuals, families and neighborhoods. It's a message that has captured the interest of the general public in Arizona. Just this morning I was sitting in the rotunda of our main office where we have a claims area. I watched a lady and her family cashing in her winning ticket. She was standing in the middle of the lobby looking at the photos of the individuals featured in the "How The Money Helps" campaign. It was very exciting for me to stand beside her and tell her the story of Sidney, an Arizona State Parks Junior Ranger, of the Matthews

family, who overcame homelessness, of Victor, who learned the skills of a nurse, and of other people whose personal stories illustrate how Lottery funding adds a great value to the lives of real people right here in Arizona.

An object of study these days is the manner in which the act of playing the lottery aligns, or not as the case may be, with the self-image of the consumer. Insofar as the consumer does not perceive playing the lottery as something that reinforces their positive self-image, doesn't reflect their values, they are less likely to play, even if they would like to play for the conventional motivation of creating a chance to win. We do hope that "How The Money Helps" appeals to these players, allowing them to play the lottery because it's a form of gaming that

benefits society, helps people in need, in such a profound way. The campaign is directed primarily to the general public and non-players to create awareness for all the good that Lottery does and so engender public support for the Lottery. We believe that a residual benefit is more people feel good about supporting Lottery's beneficiaries by actually playing the lottery.

What is the highest priority initiative or objective of the Arizona Lottery for fiscal 2013?

J. Hatch-Miller: Our highest priority is to create a fabulous experience for players. Toward this goal we will be enhancing existing games with the target of increased player satisfaction. We believe that

if we maintain and expand our player base, growth in sales and revenues will be the natural consequence.

Of course, the end goal is increasing the level of funding for our beneficiaries. Since 1981, the Arizona Lottery has generated over \$2.8 billion in net profit for state programs and beneficiaries. We have a diverse array of beneficiaries from education, to health & public welfare, to economic & business development, even environmental issues. All Arizona residents benefit from the programs and services Lottery funds support.

We've been very successful over the past five years. I am very proud of the accomplishments of the Arizona Lottery and the great team here that makes it all work! ♦

Latin America: Moving Quickly into Online and Mobile Lottery ...continued from page 36

most applicable online gaming experience for the players, taking into account not only what they find entertaining today but, more importantly, into the future as well. New games, new ways of communicating with players, new sales channels – the changes are coming faster than existing platforms are suited for, so being prepared is the key to success. When it comes to gaming markets, basic preparation includes being able to grow and expand the business any way the operator feels is beneficial for its players, thus ensuring its ROI. Offering the most entertaining gaming content and the best services and convenient transaction processes is what catches player's attention. In other words – being able to multi-source and pick and choose best solutions offered on the market. The winners are the ones who can stay in full control of their future business – getting their products right and offering them in the right mix of sales channels and differentiating themselves from the competition. Instead of locking in operations with one vendor, operators and lotteries should grow their potential based on support from the best team of suppliers. Otherwise, the growth and success of the online brand will be as limited as the offer coming from just a single vendor.

Betware believes that building on the openness and multi-sourcing is the best armor for operators and lotteries against growing competition, allowing to keep full control of the system. What about the players and their interests?

Alejandro Kowalski: We think the key is to offer players unlimited opportunities to enjoy the games, allowing them to play when they actually feel the urge to buy the ticket. We strongly advise operators and lotteries to benefit from offering the multi-channel alternative. Locking the sales and player experience within simply one sales channel limits accessibility and attractiveness of the games and in the end can turn out to be a step towards losing players' interest. When looking at the fast growing penetration of smart-phones in Latin America (according to recent research, Brazil and Mexico are on the way to become mobile giants on the global scene!) it is obvious that mobiles and smart-phones are one of the best devices to reach players in these markets.

What about the existing retail chain?

A. Kowalski: It is part of the culture in the LATAM markets to trust the local shop to buy certain things, so the multi-channel strategy needs to take into account not just the booming mobile market, but also the retail shops. Even though it may seem to be a difficult relationship at the beginning, Betware's experience shows that these channels complement each other rather than cannibalize.

Most importantly, the retail channel benefits tremendously from a stronger lottery. The multi-channel approach is a key component to the success of all consumer products marketing programs. And with the implementation of QR codes, a great link can be created between these sales channels. QR codes can be used to tie a particular retailer to a particular mobile purchase – utilizing the retailer network to advertise the smart-phone solution and drive sales within the retail store. The technology also opens the door for selling new products via retail chains, with products like branded instant tickets with design and content that can be changed as often as needed. In short, the benefits of the multi-channel strategy are something a lottery or operator cannot afford to miss: maximized marketing ROI, increased players' satisfaction, and last but not least additional revenue streams.

I understand that Latin America is your target focus for 2013. How do you plan to approach this diverse and immense market?

I. Hjalmarsson: We of course plan to build on our Spanish case and believe that our experience with Spanish gaming operators and the Spanish National Lottery will be something very interesting for Latin American market. We have also decided to augment our team by adding Alejandro Kowalski as the Account Manager responsible for Spanish and Latin American markets. We trust that Alejandro's business acumen along with his strong technical background, great business development experience in software companies, and Venezuelan roots will be a great addition to our team of Spanish speaking experts. ♦

firmly believe that the 65-68% of voters who supported our two State Questions back in 2004 want more money to go to education and are supportive of this change. In the meantime, we will operate the best we can according to the law as written.

While I do respect the prerogative of the legislature to decide what is best for the people of Oklahoma, I am still curious about the underlying dynamics in a situation like this. Isn't there any political support for increasing revenues for Public Education (the beneficiary of OK Lottery funding) by giving the Lottery more latitude on how to run the business? Or, do the citizens, the voters of Oklahoma, really oppose the lottery and penalize a legislator who shows support for the lottery?

R. Redburn: It is likely a combination of factors. I would say that there are people in our state who do not believe a lottery is the best way for government to raise funds, regardless of who the beneficiary is. There are several other different reasons why someone might oppose a lottery. The bottom line, though, is that the views of everyone must be respected. And in a democratic system, political representation should reflect the will of the public. The legislature of the state of Oklahoma feels that they are representing the views of the citizens of Oklahoma and that view is that we should take a conservative approach towards the Lottery. My job is to implement the will of the legislature and the Lottery's Board of Trustees. Of course, I am honored to be the person selected to do that.

I know your next question will probably be about Tribal casino gaming, which is huge in Oklahoma. As in, Why the public policy ambivalence about lottery when there is so much casino gambling in Oklahoma? The answer is that the legislature looks at this as two separate issues. And that just because there is lots of casino gambling doesn't mean that we should therefore promote lottery play. Legislators may or may not support Tribal gaming, but Tribal gaming is an issue that is simply not on their radar and won't be for many years. Tribal gaming is in the half-way point of a 20-year compact. I'm not involved in any discussions about tribal gaming, but I would guess that nothing is going to change on the issue of Tribal gaming for at least ten years. There are more pressing issues for our legislature to address than something they can't influence for ten more years. By that time, I predict that the gaming industry in Oklahoma, mostly run by tribal governments who are a valued partner

with the State, and games offered by the State Lottery, will be viewed in an entirely different light. I expect by that time the value of the Lottery will have been recognized and we will have been allowed to maximize our contributions to education years earlier.

While our legislature as a whole does not support our wish to remove the 35% profit restriction, they appear to respect our ability to operate the lottery, seldom criticizing the Lottery and rarely questioning our actions and methods of operation. Yes, the requirement to turn over 35% of revenues to the state inhibits our ability to increase sales. But insofar as the results we produce are consistent with the will of the legislature, then this is just an example of democracy at work and I for one feel very good about our ability to impact that in the coming year or two.

Is there consideration to remove constraints on prize-payouts?

R. Redburn: The material constraint is on the percentage that the OK Lottery is required to turn over to the state in the form of net funds, or "profit". We are required to turn over 35% of sales. Of course, retailers need to be paid a commission and we have operating and marketing costs to absorb. When you add those costs to the 35% that goes to the state, that leaves around 53-55% for prize-payout. Louisiana is the only other state required to allocate this high a percentage to net funding. California used to have a similar requirement and it resulted in lower than average per capita sales. They modified that last year with the result that both sales and total net funding increased significantly. The top-performing lotteries all have much higher prize-payouts. But it is the 35% profit requirement that is the relevant constraint which makes it impossible for us to deliver more than a 53-55% prize-payout, and makes it impossible for us to increase our contribution to Oklahoma education programs.

I suppose there could be a variety of reasons for a constraint like that. But I will be so bold as to observe that some lawmakers seem to have a hard time grasping the concept that lowering the percentage of net profits does not result in lowering the amount of gross profits. In fact, the opposite is always the case. Net funding increases in every single case where the net profit requirement is modified. It is not an accident that the lottery with the lowest percentage of net profits (Massachusetts) actually delivers the highest per-capita net funds to its beneficiary. Eco-

nomics 101 teaches us about price elasticity and that consumer demand, and sales, increases as the value proposition increases.

R. Redburn: It is true that modifying the net profit percentage requirement would enable us to improve the prize-payout percentage. And the evidence is in that the consumer perceives the increased prize-payout as a better value proposition and that results in an increase in sales. And that even though the percentage of sales that goes to net funding decreases, the increase in sales more than offsets that and results in an increase in total funding. What isn't true, though, is that our legislators don't understand that. They do understand that concept, and I think they are acting in what they feel is the best interests of their constituents. I have worked with the legislature for 36 years so I have come to appreciate that and the role they perform. However, my appreciation for the pressures they have to face won't slow us in our efforts to get the law changed.

I still don't understand the purpose of a net profit requirement. The objective of commercial businesses is to maximize profits, and they're happy with 6% net or even less. I do realize that lotteries do not aspire to operate like commercial businesses in that respect. But when the net margins are too high, and the resulting prize-payouts too low, the consumer is discouraged from playing. Decreasing the net requirement to 25%, or removing it altogether, would just be a much better business strategy and result in more funding for Public Education. Of course, the Lottery would still comply with the highest standards of operation and responsible gaming. It's just that you would have a product that would appeal more to the consumer. California is the latest example for how that whole dynamic works in the real world.

You're preaching to the choir. I can't speak to all the reasons behind legislative decisions. I can tell you that legislators, and all of our stakeholders, are very smart people and do understand everything you are saying. The fact remains, though, that there is a contingent of voters in Oklahoma who do not support any kind of games of chance including lottery. Our lawmakers are responsive to those sentiments and so do not come down in favor of initiatives that would help us to increase sales of lottery products, even though that would result in an increase in funding to Public Education. The choice could be between having \$65 million in net with a 35% margin, or \$72 million net with a 25% margin. And they are choosing the lower profit figure. But it is up

to the legislature to decide the importance of funding to Public Education relative to other considerations and needs for funding.

I thought the ad in which you talked about the beneficiary, public education, and the importance of funding for school children, was really excellent. But you were told to discontinue that campaign, weren't you?

Thank you. We received more positive feedback from that ad campaign than any other. For that campaign, we used school children in our beneficiary ad's in which we were telling the public that net funds from the lottery goes to support Public Education and why that is important. The ad talked about all the things that funding from the lottery could allow the Public Education system to buy. Some people objected to the inclusion of children in our advertising, even though the point of the campaign was not to use underage children to sell lottery products, but to promote the public service role that lottery funding supports. Others objected because

there was disagreement over exactly how net funds were being disbursed. So a law was passed that prohibits the use of people under eighteen years old in any of our advertising.

There was disagreement over who was receiving the funds?

R. Redburn: Like most lotteries, we do not actually execute the disbursement of net funds. In our case, Lottery raises the money, but then turns it all over to the state for disbursement according to legislative direction, or appropriation. Technically, under our constitutional provision and under the state laws that enabled the state to implement a state lottery in the first place, the net funds can go to a variety of different causes, all of which relate to Public Education. Some of the funds might go to things like vocational tech education or higher education. The ad talked about some of the recipients but not all of them which caused some people to think that if we are going to talk about the beneficiaries of

lottery funding, we need to be more precise about where the funding goes. Too, technically, Lottery net funds that are appropriated to Common Education go into a more general Public Education fund that is allocated to the individual schools to actually purchase the goods and services. So some people objected that we should not claim that lottery funds actually purchased specific things, like school buses, books, desks and computers, since there is no mechanism that ties a specific disbursement of general funds to a specific source of funds. Frankly, we did not even say that Lottery funds purchased those specific things, only that those are the kinds of things that Lottery funds could help to buy.

For our part, we understood the concerns of those who want more clarity. While we don't agree with the prohibition on using children in such beneficiary ads, we are sensitive about the appearance of children in lottery advertising and we will follow our laws. Overall, another good learning experience! ♦

CHRISTOPHE BLANCHARD-DIGNAC ...continued from page 8

- Director of the Budget, Ministry of Economy and Finance
- Deputy Director General and Advisor of the President, National Postal Service (La Poste)
- Deputy Director of the Budget, Ministry of Economy and Finance
- Technical Adviser Officer of the Minister of State for Economy, Finance and Privatization, Ministry of Economy and Finance
- Assistant to the Deputy Director General, Credit Agricole Bank (Caisse Nationale du Crédit Agricole)
- Administrative Analyst Office of the Budget, Ministry of Economy and Finance

Lottery associations

- First Vice-President of European Lotteries
- Member World Lottery Association Executive Committee

Other organizations

- Honorary Member of the French Economic and Social Council
- Member of the Board of the French Agency for Sport Development

Christophe and his wife Veronique reside in the Paris area with their daughter. ♦

BILL HUNTLEY ...continued from page 10

\$25 million per year racing technology company to the nearly \$1 billion diversified gaming company that it is today.

- General computer industry "open architecture" as the basis for Central Lottery Systems; UNIX, Linux, Windows NT Operating Systems; SyBase & MS SQL relational data bases.
- PC based terminals, Touch screen UI, thermal printer and play slip reader using CCD (scanner) technology.
- First lottery to utilize IP communications protocol and broadband telecommunications.
- Developed SG's Gaming Machine Command and Control system used by many Gaming Machine jurisdictions, regu-

lated by lotteries, around the world.

- Redefined Racing technology in North America by consolidating 10 racing centers for 40 racing associations into 2 world class Operation Centers (East & West coast facilities) utilizing arrays of Blade servers and SAN disk data storage technology. This change brought about a level of service, efficiency and service redundancy to the racing industry that was unprecedented.
- Sports Betting's rebirth in the state of Delaware with SG ultimately winning the sports betting services contract with the Delaware Lottery. ♦

Welcome to Lottery Expo 2012

“The best way to predict the future is to create it.”

- Abraham Lincoln

In his earlier years, Steve Jobs was asked about his disregard for market research, focus groups, customers surveys, and other common currency in the quest to develop better products. He inelegantly quipped “It isn’t the customers job to know what they want. How can they tell you what they want when they’ve never seen anything remotely like it?” In later years, he thought up a pithier response to the criticism that continued to dog him. “Where would the world be if people like Alexander Graham Bell had to do market research before inventing the telephone?”

A Special Welcome

... to all our friends and colleagues joining us from Argentina, Australia, Austria, Bahamas, Bolivia, Brazil, Canada, Curacao, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Greece, Guatemala, Guyana, Honduras, Isle of Man, Israel, Jamaica, Mexico, Nicaragua, Peru, Spain, St Vincent, Trinidad & Tobago, UK, & Venezuela!

Government lottery operators are recognized as being the gold standard in the gaming industry. Their reputation for integrity, the steady hand on the tiller guiding product development and promotion, building a brand that appeals to players and is respected by the non-playing public, managing the expectations of political masters whose agendas and decisions are not market-driven ... has all resulted in sustainable growth. Year in and year out for decades. It is an astonishing accomplishment, really. And the mission still captures the hearts and minds of relative newbies like myself who marvel at our good fortune to serve such a worthy cause as government lotteries.

But now is a time for action. Like Alexander Graham Bell, we know what needs to be done. And like Steve Jobs, we realize that there is no one for us to turn to guide us, or to help us predict the future. It is up to us to create that future. Lotteries are in the catbird seat. The table is set for lotteries to consolidate their position in the gaming and wagering business and deliver the economic benefits to the worthy causes that depend upon lotteries’ support. That’s why the entire community of offshore i-gaming operators spends far more resources trying to marginalize lotteries than they do competing with each other. That’s why the Reid-Kyl bill to federalize i-gaming in the U.S makes a special point of precluding lotteries from entering the i-gaming market. And that’s why bold leadership is needed now more than ever to make sure that lotteries do not snatch defeat from the jaws of victory in this time of reckon-

ing. My goal for Lottery Expo is to tie some of the galvanizing themes together, to create massive-force impact that takes us over the tipping point where the will to make it happen converges with do-able ideas on how to turn this potential into reality. It’s true that we work within a set of constraints (and, to be sure, a responsibility to conduct market research and all due diligence) that inhibits precipitous action. Fortunately, in spite of constraints, the canvass we are working with is so rich with potential that we don’t need a revolution, we just need to build on the foundation of innovation that lies at the center of all lottery progress.

Lottery directors and their executive teams are in the unenviable position of shouldering ultimate responsibility for balancing an impossibly diverse set of constituent agendas. The challenge of satisfying everyone is complicated by a system that demonizes even minor miss-steps and offers no reward for achieving stretch goals. And there is even a market-driven dynamic that promotes a conservative decision-making process: The most valuable asset of a lottery is its reputation for integrity and its brand value. The need to preserve those recommends caution. Perhaps the second most valuable asset is the massive network of lottery retailers which also tends to resist change. It takes a special kind of leader to manage in this kind of environment. In fact, I think it would be fair to say that Steve Jobs and Alexander Graham Bell would not have made good lottery directors!

Those of us who are not in that position appreciate the challenge that lottery directors have and are at their service to try to help them accomplish their goals. That is what Lottery Expo is all about - Coming together for the purpose of finding solutions and figuring out how to make them happen. The community of commercial partners who sponsor this event is especially excited to be a part of the process. They appreciate the position that lotteries and their executive staff are in, one of strength but also numerous vulnerabilities, and are dedicated to helping Team Lottery build on the success of this past year. Our commercial partners are bringing a wealth of fresh and forward-looking ideas, more than ever and many of which promise to be formative to the future of lotteries. Together we have attempted to pull together a more thematically connected program that will hopefully reveal some ways in which many of the issues we face, and the actions we take to address them, are inter-related. Maybe instead of dichotomous pull-the-trigger or don’t pull-the-trigger decisions, we can unearth a richer panoply of ideas that, when integrated, might produce more of a maximum-force impact. I do think you will notice common threads and know that our program of world-class speakers will stretch to deliver a uniquely rewarding conference experience.

Thank you all for coming. I hope you have a most rewarding Lottery Expo experience! ♦

The gaming, gambling, and lottery industry is being reshaped as we speak. Changes in technology, regulations, and consumer tastes are creating tremendous opportunity just as they are obsoleting so much of what has worked in the past. Team Lottery is in the position to take action and shape its destiny - which is a very good thing because it may well be that the only way to predict the future is to be the ones who create it.

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Conference Info & Details: www.PublicGaming.org

News website: www.PublicGaming.com

View presentations: www.PGRItalks.com

e-mail: Pjason@PublicGaming.com

LOTTERY EXPO CONFERENCE PLATINUM SPONSORS



LINQ3:

Linq3's secure payments platform transforms existing unmanned POS locations into highly interactive access points for sale of lottery products. By leveraging existing hardware, securing transactional data and communications, lotteries can now have a unique opportunity to think outside the traditional terminal. The Linq3 solution works in partnership with existing lottery networks, allowing lotteries to efficiently reach a greater market, interacting with players in a brand new way.

In collaboration with state lotteries, their operators, and the nations leading ATM and payment kiosk manufacturers, their owners, and the payment card industry, Linq3 has developed the secure protocol for lottery transactions on ATM's, fuel pumps, taxis and other unmanned points of sale. Linq3 enables lotteries to achieve massive sales growth at a low cost through increased distribution channels that not only reach new players but also reach occasional players sooner. The Linq3 solution promotes a new level of interactivity for the player and lottery. A dedicated web interface, 24/7 call center support and detailed state reporting and security compliance and responsible play features are just some of the benefits to the Linq3 platform. Optimized performance is achieved through state of the art processing and data security. It's secure, it's scalable, and it's ready to change the distributional landscape for lottery products.

Linq3 enables the sale of lottery at ATMs, fuel pumps, taxicabs, and other unmanned POS devices. This new avenue for lottery distribution

represents an extremely cost effective tool for lotteries to reach new customers. By leveraging existing kiosks in the field, lotteries can massively expand their retail footprint at very little cost. Games such as Mega Millions and Powerball are offered on these terminals. Linq3 provides the secure transaction platform that connects these terminals to the appropriate payments' gateways, passes the lottery play back to the appropriate lottery system for processing, and notifies the player of successful completion.

Linq3 is committed to securing customer information as well as maintaining the integrity of lottery transactions. To achieve this, Linq3 utilizes a state of the art multi-tiered security protocol that ensures transaction data is not compromised. Included in the system is a check and balance that employs internal and external (third party) redundancy and verification.

Linq3's technology has been designed and built with three fundamental features: security, reliability and availability, and performance and scalability. Linq3's data centers are housed in SAS70-compliant facilities, which provide a high level of physical security, including onsite guards, multiple forms of verification for access, and visual monitoring. Furthermore, all data center equipment is secured within locked cabinets under recorded video surveillance. Connectivity is provided over multiple carriers to ensure availability and redundancy. This includes both Linq3's external and private (MPLS) connections. All Linq3 equipment and data is under Linq3 control. No systems are hosted by another entity and no data or transactions reside in "the cloud". www.Linq3.com

successfully engage with partners in different jurisdictions and to be able to accommodate the strict requirements of the different regulatory bodies. Our partners enjoy the benefit of our knowledge and expertise driven from our leadership in the soft gaming market. In-house marketing and account management teams work closely with the partners to ensure that they have all the tools required to maximize revenues and ensure player satisfaction.

NeoGames bringing back the fun!

NEOGAMES:

Global leaders of interactive scratch cards and lottery games

Since 2005, NeoGames has been at the forefront of the interactive soft gaming market. Being the first company to dedicate itself to the soft gaming market with the introduction of the first complete package of soft gaming solutions, NeoGames has been a leader and industry innovator. The Company is constantly expanding its offering staying one step ahead of all vendors. Keeping it simple and bringing back the fun is a motto shared by NeoGames, our partners and most importantly, the players.

Understanding what players want and keeping our solutions in line with that has made NeoGames the preferred lottery and gaming organizations provider for their interactive soft gaming needs.

Our offering of soft gaming solutions and services includes:

- An extensive portfolio of successfully proven games
- A complete suite of operational services
- A comprehensive modular state of the art platform supporting the interactive needs of lotteries and gaming companies
- Web-based solution for mobiles and tablets (HTML5)
- Marketing and Account Management expertise

With partners all over the world NeoGames prides itself on its ability to

Our state of the art platform, "NeoSphere" enables us to implement the multiple Responsible Gaming standards required by the different jurisdictions ensuring that our most valuable asset, our players are well protected. NeoSphere comes with different operational modules, all tailor-fitted to the needs of our partners and designed to assist with the unique requirements and characteristics of interactive players.

NeoGames web-based mobile & tablet solution provides lotteries and gaming companies with an additional sales channel providing players with a similar gaming experience anytime, anywhere. Our mobile & tablet solution supports a single login key.

With over 250 million Instant Win games sold worldwide every month, through our network of partners, NeoGames has become a leading gaming technology and service provider serving the online industry with innovative technology, entertaining content and highly professional services. www.neogames.com



THE CAMELOT GROUP:

The Camelot Group is a private lottery operator dedicated to delivering sustainable long term growth with the utmost integrity and social responsibility for the benefit of the public good.

At Camelot we understand the challenges Lottery operators face as we've faced them too. Camelot Global Services takes the proven practices, strategies and processes employed in the UK and localises them to specific markets, working with Lottery operators around the world to benefit from this expertise. Exclusively partnering with our WLA colleagues, we are always keen to share what we have learned, to find new opportunities and overcome challenges together.

Day to day pressures mean that local resources are often stretched in delivering business as usual. Allow us to supplement your internal expertise to research specific areas of interest, however large or small. We are uniquely positioned to help because:

- We are Lottery, therefore we understand Lotteries
- We run the largest Internet Lottery in the world, with a broad-based appeal that meets and anticipates players' needs
- We have multi-channel marketing and operational skills, knowledge

and experience

- We have successfully applied our strategic insight and business transformation skills to our own business in the UK and also customers internationally.
- Our experience and understanding can become yours, empowering you to launch new initiatives or optimise your current enterprise with lottery-specific insight, strategy and knowledge.

Our services:

- **Consultancy:** Leverage our existing knowledge and tools to assess and address your key questions and help identify areas of opportunity
- **Project:** Leverage our people to provide a boost in capability and experience to address specific areas and come up with tangible plans and tactics
- **Product:** Take our proprietary platforms and content for a fast, reliable way to market
- **Managed Channel:** Combine our platforms and our experience for a low risk way to build business and results quickly for shared success

For more information, contact us at CGSenquiries@camelotglobal.com or call Richard Wheeler, Senior Vice President of Camelot Global Services (North America), on 916-955-8721. www.camelotgroup.co.uk



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Architects of Gaming

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Michael K. Prescott: Senior Vice President, General Counsel, and Corporate Secretary

Donald Stanford: Chief Innovation Officer

Federico Tasso: Senior Vice President, Emerging Markets Development

Robert Vincent: Senior Vice President, Corporate Affairs

Frank Ward: Chief Financial Officer

Matthew Whalen: Senior Vice President and Chief Technology Officer

Year of GTECH's inception: 1980

GTECH is a leading gaming technology and services company, providing innovative technology, creative content, and superior service delivery. Lottomatica S.p.A. is one of the world's largest commercial lottery operators and a market leader in the Italian gaming industry. GTECH and Lot-

tomatica together, under the Lottomatica Group umbrella, create a fully integrated lottery operator and gaming technology solutions provider – a combined company with worldwide scale, considerable financial strength, and industry-leading customer solutions. Lottomatica is publicly traded on the Italian Stock Exchange, and in 2011, Lottomatica Group had €3 billion in revenues and 8,000 employees in more than 60 countries.

The Lottomatica Group is comprised of Lottomatica, GTECH, GTECH Printing Corporation, SPIELO International, and GTECH G2.

Lottery: GTECH Corporation is an end-to-end lottery solutions and services provider. GTECH designs, assembles, installs, operates, and maintains online lottery systems, terminals, and communications networks for governments and licensed operators worldwide. Additionally, GTECH provides self-service lottery product vending machines, game design/content, marketing services/best practices, field service for retailers, and promotional and interactive gaming capabilities. Headquartered in Providence, Rhode Island, GTECH's global footprint spans across 40+ countries on six continents.

Instant Ticket Printing: GTECH Printing Corporation (GPC), a subsidiary of GTECH, is a global leader in the design, manufacture, and distribution of instant lottery tickets. As an end-to-end provider of instant tickets and related services, GPC specializes in the delivery of high-quality instant ticket games. With the industry's largest, fastest, and highest quality press and commitment to customer service, GPC is rapidly changing the face of the instant ticket industry.

Machine Gaming: SPIELO International designs, manufactures, and distributes top-performing games, gaming machines, central systems, and associated software to legalized gaming markets around the world. SPIELO offers a complete range of end-to-end gaming products for diverse gaming segments, including distributed government-sponsored markets, commercial casino markets, and Amusement With Prize (AWP) markets. SPIELO serves more than 1,650 customers on five continents.

iGaming: GTECH G2 offers comprehensive solutions for the interactive and sports betting market. G2 was formed through the acquisition of four industry leaders and has gone on to become a one stop shop with a full suite of award winning products and services for Internet gaming. www.gtech.com



IGT: IGT has been the leader in gaming manufacturing and development since 1981. But IGT's history expands far beyond its first 27 years of business. Its long history of innovation is proof that IGT is and will remain the leader in gaming technologies, bringing gaming operators more value and performance, and players more exciting gaming experiences.

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

It is IGT's priority to make more, even better games for all segments of the gaming industry – including the video lottery markets. By offering the latest, specifically tailored products, we are able to help our lottery customers

compete with traditional gaming markets and border-state competition.

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

IGT's games are more interactive and entertaining than ever before. And only IGT can offer some of the most recognizable themes that players love to play.

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

Since the beginning of its history, IGT has offered gaming operators and players the best in gaming entertainment. Still true today, IGT products stand out on a racino/casino floor, and take the gaming experience to the next level. We will continue to develop those partnerships by providing the best-performing games and systems and will continue to strive for solutions to help our customers succeed. www.IGT.com ♦



Pollard Banknote

POLLARD BANKNOTE: With over 25 years focused on serving worldwide lotteries and their customers, Pollard Banknote is the lottery industry's most trusted

and reliable full service instant ticket partner. With a sole focus on instant tickets and a commitment to helping clients achieve their goals, Pollard Banknote aims to understand unique client requirements, however big or small they may be. As a result of this personalized service, over 50 lotteries worldwide have put their trust in Pollard Banknote's expertise and proven track record for driving revenue growth.

What started as high security printing at Pollard Banknote has since evolved into art design, game programming, pull-tab games, sales support, and a growing portfolio of licensed games. Pollard Banknote's tickets are of high quality, high security and are highly marketable. Successful product innovations that have had great sales success include patented Scratch FX® and Fusion® products as well as our award winning WebPlay™ games.

Looking forward, evolution and growth for the future is evidenced by the commitment to innovation and technology. Pollard Banknote's innovations group continues to be at the forefront of the lottery industry with exciting products such as the industry first 'Social Instants' pro-

gram, which integrates instant tickets with the power of mobile technology and social media.

Pollard Banknote clients also enjoy services such as world class market research to provide in depth analysis and insight into a lottery's consumer base. Moreover, the in house marketing team uses this research to provide clients with tangible, detailed, and specific marketing recommendations aimed to effectively reach both new and existing players. To handle the increased distribution and sales, the proprietary Lottery Management System is available to clients, which includes warehousing, distribution, telemarketing, financial reporting, and validation—all housed within one simple user interface.

Listed on the Toronto Stock Exchange (TSX: PBL) and with five plants in North America, total operations encompass over 510,000 square feet and employ over 1,100 people. As a member of the North American Association of State and Provincial Lotteries (NASPL), World Lottery Association (WLA), the Asia Pacific Lottery Association (APLA), and the Latin American Corporation of State Lottery and Betting (CIBELAE), Pollard Banknote is also committed to the growth and sustainability of the overall lottery industry through the pursuit of partnership, excellence, and innovation. www.pollardbanknote.com ♦



JUMBO LOTTERIES
THE RIGHT COMBINATION

JUMBO INTERACTIVE LTD is an innovative and successful Internet lottery retail business that has grown rapidly to become the biggest lottery e-Retailer

in the world. Jumbo is dedicated to helping lotteries around the globe to enhance their digital presence and drive sales across all digital sales channels. Jumbo Interactive follows the traditional retailer/agency model common to virtually all lotteries around the world and applies this model to the digital environment of the Internet and Mobile.

Employing the right combination of assets, skills, experience and momentum, Jumbo Interactive has proven over the past ten years its ability to develop new markets for its lottery partners. Jumbo

Interactive has an extensive portfolio of key Internet lottery related domains, like Lotteryresults.com – akin to owning well located traditional storefronts – designed to appear wherever lottery players are searching the Internet. Jumbo Studios has recently released a new range of technologies to help lotteries enhance their online presence and can be seen at www.jumbostudios.com.

Traditional retailers are concerned about the impact of these effective new sales channels to their business. Jumbo has addressed these concerns and via our Jumbo Internet Lottery e-Retailer Partnership (JILERP) solution gives them an opportunity to participate in these new sales channels. This proven solution creates in the virtual world an extensive retail network across multiple trade styles to capture lottery sales; just like the traditional retail network.

Jumbo begins by assessing the retailer's current online presence

Jumbo Interactive LTD continued...

then shows the retailer the range of options that Jumbo can provide to the retailer. The range begins with a simple "Link" image on the retailer's web-site to a fully integrated "White label" website. Retailers can enhance their own websites with tools developed by Jumbo to enhance the lottery sales experience to maximize the retailer's sales potential.

JILERP serves in effect as a digital sales gateway providing consistent lottery messaging and promotion and ensures compliance with rules and regulations; including age verification, geo-location, self-exclusion, fraud prevention are adhered to for sales on the digital channels. It is much easier for the lottery to audit and control one web portal rather than multiple sites from multiple e-retailers.

intralot

Innovative Game Content, Sports Betting Management, Video Lottery Central Monitoring and Internet Gaming services to government-licensed gaming organizations worldwide. INTRALOT's highly specialized products and services, the dedication, professionalism and attention to client relations of its 5,500 employees around the globe, along with its portfolio of leading-edge technology solutions, give them the ability to blaze new trails in the international gaming market. INTRALOT's passion and commitment to customer satisfaction, as well as its focus on continuous improvement and solid growth in a socially responsible manner, have enabled the company to expand its reach with contracts in 53 countries. INTRALOT has also won 13 contracts in the highly competitive U.S. marketplace.

INTRALOT prides itself on keeping one very important goal in mind: establishing successful, long-term partnerships with its clients by offering them a complete range of innovative products and services and increasing the returns to the good causes of our their beneficiaries. INTRALOT is recognized globally for offering real value to its partners, timely commitment to customer needs and dedication to quality and flexibility.

The integrated Lottery systems developed by INTRALOT rank among the most advanced and flexible systems available worldwide. INTRALOT products are distinguished by their quality, reliability, adaptability, expandability and security. INTRALOT's commitment to cutting edge products is made possible through continual focus on investment in Research & Develop-

INTRALOT: In just 20 years, INTRALOT has become a leading supplier of real-time Gaming and Transaction Processing systems,

Jumbo Interactive has been selling lottery tickets via the Internet for over 10 years and for the past 3 years over Mobile as an authorized licensed e-Retailer in the heavily regulated Australian market. Jumbo has the experience and expertise to help make your entry into the digital sales channels a successful and profitable one not just for the lottery but for your retailers alike.

Australia: johnw@jumbointeractive.com

North America: brianr@jumbointeractive.com

Jumbo Interactive Ltd has been a publicly listed company on the Australian Stock Exchange (ASX:JIN) since 1999.

www.jumbointeractive.com ♦

ment of advanced technologies and software development processes.

The gaming market is evolving rapidly and exciting new opportunities are continuously becoming available to INTRALOT. As Internet gaming is expanding globally, INTRALOT has been paving the way for the future through its new subsidiary INTRALOT Interactive (I2). Most importantly, INTRALOT realizes the importance of the existing distribution channel of its products and will explore all opportunities to include and expand that valuable network of retailers as we move toward selling games over the Internet.

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

INTRALOT, publicly listed on the Athens Stock Exchange since 1999, closely associates the growth and development of its business operations with the promotion of the concept of Corporate Social Responsibility, contributing to the enhancement of the quality of life and the cultural development of the local communities in which it operates. INTRALOT plays an active role in the international gaming community and contributes decisively to the future development of the industry. The global company is a member of all major international gaming associations, including the World Lottery Association (WLA), the North American Association of State & Provincial Lotteries (NASPL), CIBELAE (the Hispanic association that covers South America and the Iberian peninsula), the Gaming Standards Association (GSA) in the USA, the European Lotteries & Toto Association (EL), and the Asia Pacific Lottery Association. **www.intralot.com** ♦



SCIENTIFIC GAMES CORPORATION: Scientific Games Corporation is a leading provider of secure, high quality, player-engaging products and services to over 300 lottery and gaming organizations around the globe.

For nearly four decades, Scientific Games has been at the forefront of the lottery and gaming industry. Beginning with the introduction of the world's first secure instant lottery ticket in 1974, Scientific Games has been a leader in creativity and innovation.

Scientific Games created a number of inventive industry "firsts" that helped advance the marketplace, many of which were developed as customized solutions to meet the unique needs of our customers. This innovative and customer-driven approach makes Scientific Games successful in the lottery and gaming industries, and drives all of the Company's endeavors.

Scientific Games serves customers on six continents with state-of-the-art manufacturing and operational facilities in North America, South America, Europe and Asia, and through additional facilities located throughout the U.S. and around the world based on customer requirements.

The Company has global experience supporting customers in existing and emerging jurisdictions and has a demonstrated track record of complying with strict protocols of international regulatory bodies.

Scientific Games is committed to the highest level of security, integrity, compliance and ethical standards, as well as to the industry's responsible gaming principles and sustainable best practices. In 2009, the Company's game programming groups in Atlanta, Georgia; Montreal, Canada; and Leeds, England earned ISO 27001-security certification. A dedicated internal team continually seeks ways to reduce waste, use energy more efficiently and operate more sustainably.

Through the dedicated efforts of 3,500 employees, Scientific Games

Scientific Games Corporation continued...

brings value to customers through creative and responsible revenue-enhancing game content, secure product offerings, and the proven ability to deliver state-of-the-art technology and network solutions to customers worldwide.

With nearly 40 years of proven experience, Scientific Games provides a full spectrum of gaming products and services, including:

- Instant game design, manufacturing, systems and services – including electronic instant games securely linked to printed games
- Lottery gaming systems, terminals, draw games and operations services
- Internet, mobile and other interactive games and solutions – including players clubs, loyalty programs, subscription platforms, 2nd Chance games, electronic draw and instant games, and poker/casino-style games

- Extensive portfolio of licensed properties for lottery games
- Marketing and research services
- A comprehensive video gaming suite—including systems, software and terminals
- Server-based interactive gaming machines and associated gaming control systems
- Amusement-With-Prize (AWP) and Skill-With-Prize (SWP) betting terminals
- Sports betting solutions

For more information, visit www.scientificgames.com ♦

SILVER SPONSORS



DIAMOND GAME:

THE LT-3 ITVM: GROW YOUR RETAILER BASE. GROW REVENUES.

With over 18 years of experience, Diamond Game's mission is to provide innovative solutions to lotteries seeking retailer growth. To deliver on that promise, the patented LT-3 ITVM was developed. The LT-3 allows lotteries to expand their retailer base into less traditional venues, such as bars, taverns, bingo halls, stadiums, and social clubs. It is the only ITVM designed to cater to venues that encourage longer play sessions and higher sales volumes.

The LT-3 is a ticket dispenser that dispenses pre-printed instant tickets on each play and displays the result on a video monitor in an entertaining manner. The footprint of the machine is less than 2 feet wide, which is smaller than half the size of a standard dispenser, thus allowing one or more to fit easily in even the smallest of venues. Additional features include secure ticket validation and fraud prevention and a sophisticated accounting/sales tracking system.

Combine all that with the ability to customize the LT-3 to meet your lottery's unique needs and you can expect to generate significant new instant ticket revenue.

Contact the Diamond Game sales team at 818.727.1690 to schedule a demonstration. www.diamondgame.com ♦



MLOTTO: mLotto is the end-to-end platform that ushers state lotteries – and their games – into the mobile age. Powered by a national leader in consumer-to-government payments, mLotto creates an environment where game-play is not only intuitive and fast, but also in full compliance with state and federal guidelines.

As a white-label platform, mLotto allows each lottery to maintain the integrity of its brand while dramatically expanding its reach into the mobile space. mLotto's development capability and customer service engine ensure that this is accomplished with little to no effort by the agency. This makes mLotto a safe bet for any lottery. www.mLotto.com

Contact: Gabe Shapiro, Business Development, mLotto Inc.

gshapiro@mLotto.com ♦



ORDERPAD SOFTWARE: OrderPad Software creates software products that enable lotteries to improve their success by helping them to increase sales and operate more efficiently and effectively. Since we introduced the world's first lottery-specific sales force automation solution, OrderPad for Lotteries, in 2004, it has been adopted by 15 North American lotteries ranging from very large lotteries like the Massachusetts Lottery and the New York Lottery to less populated jurisdictions like the Idaho Lottery and the Oklahoma Lottery. Many of the world's most successful lotteries use our solutions to drive sales, improve the quality of retailer visits, enhance winner awareness, and to order instant tickets from the field.

In 2012, we introduced OnePlace, the next generation of lottery sales force automation for iPad and the web, which is up and running at the Iowa Lottery. OnePlace is subscription-based and does not require a large upfront investment, making lottery sales force automation within reach for all lotteries. Great software, like OnePlace, deserves to be run on the world's most advanced mobile computing platform, so it offers a great native iPad app for those in the field and a great web experience for those in the office. It is the best software we've ever created, and guarantee you will be pleased and impressed with its performance and the results it produces for your lottery. Stay tuned in 2013 as we introduce several new products to help lotteries work better with retailers to drive real results. ♦

Lottery Expo 2012 Agenda

TRUMP MIAMI BEACH HOTEL, MIAMI FLORIDA

"The best way to predict the future is to create it. "

- Abraham Lincoln

MONDAY, OCTOBER 22

5:00 pm to 7:00 pm: WELCOME RECEPTION

TUESDAY, OCTOBER 23

8:00 am to 9:00 am: CONTINENTAL BREAKFAST

CONFERENCE OPENS

Paul Jason, PGRI, opens the Conference Sessions

SESSION I

Keynote Speaker

- Margaret DeFrancisco
President & CEO, Georgia Lottery Corporation

Panel Discussion

- "Elephant in the Room"
Private Manager Agreement versus traditional government operator model: Pros and Cons.

Moderator: Arch Gleason

Panelists:

- Gary Grief
Executive Director, the Texas Lottery
- Connie Lavery
Sr. V.P. & Chief Marketing Officer, GTECH Corp.
- Jodie Winnett
Consultant, Oliver Wyman

What exactly can a Private Manager (PM) do that the government lottery operator can't do? Will the advent of the PMA model cause legislators to ask that question and give their government operators more flexibility to act more entrepreneurially, to apply a more reasoned risk-assessment model that supports change and innovation? How will the introduction of this new management model change the industry for everyone? Or will it?

10:30 am: COFFEE BREAK

SESSION I (continues)

- Imagineering the Future of Government-Gaming
 - **NeoGames:** Mobile Instants: Attracting the next gen' lottery player; Moti Malul, Vice President Sales & Business Development
 - **Linq3:** Implementing Change; Daniel Cage, Chief

Executive Officer

- **Pollard Banknote:** Lottery Tryvertising – Isn't that an Oxymoron?; Jennifer Westbury, Executive Vice President Sales & Customer Development

Panel Discussion

- "Leveraging Our Strengths"
Players Clubs and Loyalty Programs are a fabulous step in the right direction. But what's next?

Moderator: Rebecca Hargrove

President & C.E.O., Tennessee Education Lottery

Panelists:

- Rob Arnold
Sr. Vice President of Operations & Marketing, MDI, a Scientific Games Company
- Jennifer Fales
Chief of Staff, Office of the COO, IGT
- Wanda Young Wilson
Executive Vice President & General Counsel of the Tennessee Education Lottery Corp.
- Bishop Woosley
Director of the Arkansas Lottery

How can lotteries increase player registration in Clubs and Loyalty Programs? How can lotteries leverage that registered player relationship into increased sales or even into a whole new platform of that engages the consumer in a direct and interactive relationship with the lottery operator and with each other? Can Players Clubs be the platform to develop new forms of social games based on traditional lottery products, or at a least socially networked community of dynamically connected lottery "fans"?

12:30 pm to 1:30 pm: LUNCH

SESSION I (continues)

- Imagineering the Future of Government-Gaming
 - **GTECH**
 - **INTRALOT**
 - **MDI, A Scientific Games Company:** Social Gaming & Lottery; Amanda Martin, Director of Product Marketing and Brand Integration

- **Special Video from the Florida Lottery and Camelot Group:**
What do our customers think? Why not just ask them...?

Panel Discussion

- **"Not for the Faint of Heart"**
Can commercial vendors who compete with each other also "play well together"?

Moderator: May Scheve Reardon

Executive Director, Missouri Lottery

Panelists:

- **Jenny Canfield**
Director of Operations, Minnesota Lottery
- **Kurt Freedlund**
C.O.O. & General Counsel, Georgia Lottery Corporation
- **Moti Malul**
V.P. Sales & Business Development NeoGames

Lotteries need their commercial partners to work together to enable integration of new games, host new transaction-processing for non-traditional games and POS's, and otherwise get creative to facilitate innovation and assimilate new products and services. As new ideas and innovations come from a wider variety of commercial partners, how can commercial partners overcome the friction of a competitive relationship? What can Lotteries do to create alignment between the variety of sometimes conflicting financial agendas?

3:15 pm: COFFEE BREAK

SESSION I (continues)

Presentations

- **IGT: A New Era for VLT's and Lotteries**
- Jennifer Fales, Chief of Staff, Office of the COO
- **Jumbo Interactive: Lotteries and the Internet - Revolution or Evolution?**; Brian Roberts, President, Jumbo Interactive North America
- **Camelot: The Consumer: What they tell us and what it means for our games**; Matt Osgood, Vice President of Brands & Marketing

Panel Discussion

- **"Powering into the Future"**
How and why is the internet so much more than a "channel for distribution"?

Moderator: Kurt Freedlund

C.O.O. & General Counsel, Georgia Lottery Corporation

Panelists:

- **Nigel Beaney**
Director of Camelot Global Services
- **Nikki Orcutt**
Deputy Director of Marketing, West Virginia Lottery
- **Doug Pollard**

Co-Chief Executive Officer, Pollard Banknote

- **Brian Roberts**
President, North America, Jumbo Interactive

How can the Internet be used to turn the traditional anonymous lottery player into an engaged and known player and what would the benefits of that be? To what extent can the Internet be the central point of the multi-channel approach, tying all varieties of new media and POS's together? What can lottery do today to expand its own socially connected community of player "fans" and "friends"? Are there new game concepts that are uniquely internet-enabled? What might that new game look like and could such a game be the next "silver bullet" for the lottery industry?

5:00 pm to 6:30 pm: RECEPTION

WEDNESDAY, OCTOBER 24

8:00 am to 9:00 am: CONTINENTAL BREAKFAST

SESSION II

- **Cynthia O'Connell**
Secretary of the Florida Lottery
- **Friedrich Stickler**
President European Lotteries and Board Member of Austrian Lotteries
- **Warwick Bartlett**
Founder and Chief Executive Officer of Global Betting & Gambling Consultants (GBGC)
- **Dr. Marco Hincapié**
G.M. & President of FEDELCO, Loteria de Bogota (Colombia)

10:30 am: COFFEE BREAK

SESSION II (continues)

- **Brian George**
Chief Executive Officer, Supreme Ventures Lotteries, Jamaica
- **Imagineering the future of Government-gaming**
- **OrderPad Software: Visiting Retailers is Too Expensive**; Adam Perlow, Pres., OrderPad Software
- **Mlotto: Who says lottery games can't be social?**; Ryan Shapiro, CEO of mLotto

Panel Discussion

- **"Overcoming Obstacles to Success"**
Engaging retailer support for multi-channel distribution.

Moderator: Rebecca Hargrove

President & C.E.O., Tennessee Education Lottery

Panelists:

- **Larry Loss**
Executive Vice President, Iowa Lottery Authority
- **John Pittman**
Vice President Marketing, INTRALOT USA

- **May Scheve Reardon**
Executive Director, Missouri lottery
- **Tom Shaheen**
Executive Vice President for Business development, Linq3
The multi-channel approach which, includes i-lottery, self-serve kiosks, new forms of POS's, is both necessary and inevitable. How can we as an industry overcome resistance from land-based retailers, create alignment between all our channel partners, and then enlist the support of all those channel partners in our quest to keep up with the consumer market-place?

12:30 pm to 1:30 pm: LUNCH

SESSION II (continues)

- **Serving two masters: How can Lottery optimize performance, produce the best results, and otherwise excel in the highly competitive and market-driven consumer products industry while operating within the political/governmental process?**

Speaker: Dr. Daniel Diermeier

IBM Professor of Regulation and Competitive Practice of Managerial Economics and Decision Sciences, Kellogg School of Management, Northwestern University; Professor of Political Science at the Weinberg College of Arts and Sciences; Co-founder of the Northwestern Institute on Complex Systems (NICO); Chairman of the Northwestern Global Health Foundation; Director of the Ford Motor Company Center for Global Citizenship; Academic director of the CEO Perspective Program (Kellogg's most senior executive education program), a joint venture between the Kellogg School of Management and the Corporate Leadership Center.

- **Francisco Ibarra Arana**
General Manager, Lotería de Costa Rica

3:00 pm: COFFEE BREAK

SESSION II (continues)

- **Karina Firme**
Chief Executive Officer of Hebara, operator of the Rio de Janeiro lottery
- **Product Innovation and Core Numbers Games**
Speakers:
 - **Dominicano Salcedo:** Loto Real, Dominican Republic
 - **Camille Forde:** NLCB, Trinidad & Tobago
 - **Sonia Davidson:** Supreme Ventures Lotteries, Jamaica
- **Marta Zabala**
President, Lotería de Córdoba, Argentina
- **Sandra Pérez**
Legal Administration Manager Lotería Nacional, México
- **Francismar del Valle Rojas**
President, Lotería de Oriente, Venezuela

- **Dr. Oduver Ramírez**
General Manager Lotería de Boyacá, Colombia
- **Dra. Janire Parra**
General Manager Lotería de Santander, Colombia

5:00 pm to 6:30 pm: RECEPTION

THURSDAY, OCTOBER 25

(FOCUS ON LATIN AMERICA)

8:00 am to 9:00 am: CONTINENTAL BREAKFAST

SESSION III

- **Imagineering the future of Government-gaming for Latin America**
Scientific Games Corp., INTRALOT, Jumbo Interactive, IGT, Camelot, NeoGames, Pollard Banknote, Linq3, GTECH

12:00 pm to 1:00 pm: LUNCH

SESSION III (continues)

- **Poised for Explosive Growth: Making it Happen in Latin America**
Interactive session between Latin American Lottery operator executives and their commercial partners.
 - What can the commercial community do to earn your business?
 - Just from an account management and customer relations point of view, what would lottery executives like the commercial community to do differently in the ways they approach business in Latin America?
 - What can the commercial community do to help Lotteries become the consumer products marketing powerhouses of Latin America?
 - Will Latin America leapfrog a generation of land-based communications technologies right into the leading edge of wireless technology? And what implications will that have for consumer behavior, game styles and preferences, purchasing behavior, etc.?
 - How is Public and Regulatory policy likely to evolve? Will the lottery monopoly model be preserved, will the market be opened up to multiple licensed operators, will lottery operations be outsourced to "Private Managers"?
 - Will illegal operators be prosecuted and contained or allowed to prosper and grow?
 - In light of all of this, the closing question is: What are the most important things that a Latin American Lottery and its commercial partners can do to position itself for success and growth in the future?

3:00 pm: CONFERENCE CLOSES

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

By Philippe Vlaemminck and Beata Guzik

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

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

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

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



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

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

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

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