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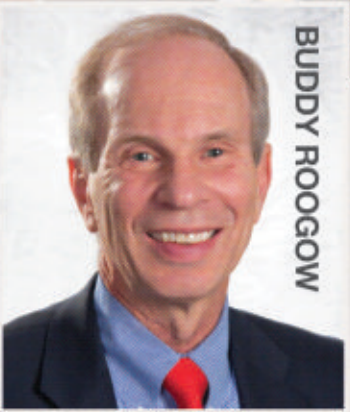
March/April 2013



JIM HAYNES



REBECCA HARGROVE



BUDDY ROOGOW

FEATURE
ARTICLES:



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FORNE WEIL



JOHN PITTMAN



INSIGHTS
FROM GTECH'S
WORLD PLAYER
SURVEY



CYNTHIA O'CONNELL



JIM BRESLO

2013 RECIPIENTS
OF THE
MAJOR PETER J.
O'CONNELL
LOTTERY
INDUSTRY
LIFETIME
ACHIEVEMENT
AWARDS:
JIMMY O'BRIEN
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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.

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From the Publisher

By Paul Jason, Publisher, Public Gaming International Magazine

The themes addressed in the interviews and articles of this issue reflect the current concerns of industry leaders, and are also the focus of our April "Smart-Tech" conference in New York City. The program for that event is on pages

60 and 61. The profiles of our commercial partners who enable Smart-Tech to happen are on pages 54 to 57.

A theme of Smart-Tech, and this issue, and one that PGRI is continually advocating for is how to nurture more intensive collaboration: between lotteries, between lotteries and their commercial partners, between commercial partners themselves, and between lotteries, vendors, and the political constituents that influence regulatory policy. For so many obvious reasons, we need to work harder to forge a truly united front, to harness and extend the impact of our resources by working together, and to work together to engage the support of all lottery stakeholders. We can see the results in the progress made by U.S. lotteries over the past few years. It seems that with each new success ("Cross-sell", \$2 Powerball, EuroJackpot, the short-term shelving of the effort to federalize i-gaming regulation in the U.S., the incredibly productive dialogue between the European Lotteries and the European Union commissioners responsible for EU regulatory policy, and so many more examples too numerous to mention), the ability of lotteries and their commercial partners to power through obstacles and forge collaborative initiatives improves. Of course there have been unanticipated challenges to overcome as a result of these major changes. Hopefully

nobody expected the path to success to be seamless, frictionless, problem-free process. Unanticipated obstacles are simply nature's way of providing the feedback we need to continually fine-tune our methods. In point of fact, pre-planning and research can mitigate, but never eliminate, this element of uncertainty.

Nobody has a crystal clear looking-glass into the future. But we do have lotteries operating in a most diverse set of circumstances and in a wide variety of different evolutionary stages. This provides a rich resource which can give us many answers, or at least insight into, the questions we have about the future. Like, what happens to the sales of land-based retailers when lotteries start to sell traditional products over the Internet? Like, what happens to government lotteries when commercial operators are given license to operate internet gaming? There are countless issues that may seem to be contingent on future events that can neither be predicted nor controlled. But the ability to see how those issues have played out in other markets and for other lottery operators can help us to understand and prepare for this future.

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.

Mark your calendars to attend PGRI's next conference: **Lottery Expo in Miami on November 4 to 7**. For conference updates, please follow our news website, www.PublicGaming.com, and our conference website, www.PublicGaming.org. Thank you for your support. I welcome your feedback, comments, or criticisms. Please feel free to e-mail me at pjason@publicgaming.com. ♦

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Major Peter J. O'Connell
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Lifetime Achievement Award

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"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





Jimmy O'Brien

Vice President,
Strategic Marketing, Scientific Games
Former Director of Marketing,
Massachusetts State Lottery

Jimmy O'Brien was once referred to as "one of the most valuable public servants in U.S. history" in a Washington Post article because his breakthrough methodologies were largely responsible for generating billions of dollars for lottery beneficiaries and

helping build the instant game business to the over \$32 billion business it is in the U.S. today. A 33-year veteran of the lottery industry in the areas of marketing, research and product development, O'Brien has created custom product marketing and game plans for the Company's lottery customers, many of which are the world's top-performing lotteries for instant game per capita sales – including Massachusetts Lottery (#1), Georgia Lottery (#2) and Italy's Gratta e Vinci (#3).

As the former Director of Marketing for the Massachusetts State Lottery Commission, which has perennially ranked number one in the U.S. for per capita lottery sales, O'Brien revolutionized the instant scratch game business for lotteries around the globe in the 1980s. During his 21-year tenure with the Massachusetts Lottery, his mathematical formulas and marketing strategies were credited with growing the MA Lottery's instant scratch game sales from \$54 million per year to \$54 million per week by 2001. As a result, O'Brien's approach to instant games has been implemented at lotteries across the globe and generated billions of dollars to state and local governments. In 1990, O'Brien was the very first recipient of the annual Edward J. Powers Award from the National Association of State and Provincial Lotteries (NASPL) for excellence in sales and development; he received the award again in 1993. A native of Massachusetts, Jimmy O'Brien holds a Master of Business Administration from Northeastern University and Bachelor of Arts in Economics from College of the Holy Cross. ♦



Buddy Roogow

Executive Director,
D.C. Lottery and Charitable
Games Control Board
2013 President of the
North American Association
of State and Provincial
Lotteries (NASPL)

Buddy Roogow was named the D.C. Lottery Executive Director in

December 2009, bringing more than 13 years of lottery experience to the D.C. Lottery. Roogow started in the lottery industry when he was named Maryland Lottery Director in October 1996. Under his leadership, Maryland enjoyed 12 consecutive years of record-breaking sales. With Roogow leading the D.C. Lottery team now, his vision and expertise will be the driving force behind new growth and innovation.

Before joining the lottery industry ranks, Roogow was appointed in 1991 by Maryland Governor William Donald Schaefer to Director of Operations for the Governor's Office. Subsequently, Governor Parris N. Glendening appointed him to the position of Deputy Chief of Staff in 1995. Immediately preceding his career in Maryland state government, Roogow served as Chief Administrative Officer of the Howard County Government from 1988 to 1991. He began his career in the 1970's as an Urban Planning Consultant with a private firm. Roogow received a Bachelor's degree from the University of Maryland and was awarded a Master of Arts degree from the University of Maryland. ♦

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



Rebecca Hargrove

President and Chief Executive Officer,
Tennessee Education Lottery Corporation;
Senior Vice President of the
World Lottery Association (WLA)

PGRI Introduction: There are lots of different ways to measure performance. For instance, PGRI has an award called the "Sharp Award for Good causes" which recognizes the lottery that produces the biggest year-over-year increase in funding to Good Causes. And of course, there are other wonderful awards that recognize excellence. But for perfectly sound reasons, awards like this are typically based on performance as measured in the previous year. With all of our focus on "Sustainability", it occurred to me that perhaps we should assess performance in a longer-term context. How can we position our businesses for ongoing improvement, year-after-year-after-year? I thought I would start with a basic inquiry into longer term measures of Compound Annual Growth Rate (CAGR), looking at how lotteries performed over a four or five or six year period. In researching this (with help from friends on the commercial community), I discovered that the Tennessee Lottery had the highest CAGR over the past six years. That should not have come as a surprise, since the TN Lottery is led by the CEO with the longest tenure of any U.S. lottery director, has started more lotteries than anyone in the modern history of the industry (three: Florida, Georgia, and Tennessee), and launched the Tennessee Lottery in January of 2004. Thankfully, she is also a key player in almost all the efforts of U.S. lotteries around the world to work together for the good of the entire industry and the Good Causes it supports. Inter-lottery cooperation, continual learning, and mutual support based on personal relationships thus became the central theme of our discussion.

Paul Jason, Public Gaming: *I was pleased, and perhaps a little surprised, to have uncovered a most interesting factoid: Of all U.S. states, Tennessee produced the largest percentage increase in sales over the last six years. Not the top in any one single year. But the top for all six years inclusive. Now that's what I call 'sustainable growth'. It must be a combination of vision and practicality that produced that result.*

Rebecca Hargrove: Thank you, Paul; and yes, it's true that over the last six years the Tennessee Lottery has had the highest compound annual growth rate of all U.S. Lotteries. It's a record we're naturally quite proud of. As to our approach, if I had to choose, I would opt for "practicality." Understanding the marketplace, planning ahead, thinking carefully about how the actions and strategies of today will set you up for success in future

years, and consistent execution of business basics are really the foundation for sustainable growth. We're fortunate here in that we operate as a corporation, and we take advantage of the flexibility that affords our operations. Big jackpots that drive sales are always welcome, of course, but we can't and don't depend on that to deliver the results we need on a quarterly, and year-in-year-out basis.

In our last interview from a couple years ago, we talked about your Emerging Leaders Program. One of the main purposes of that program is to create a culture of learning, to encourage young executives to think more expansively and seek out relationships and understanding of the industry as it operates outside of the state of Tennessee. That passion for learning and being open to new ideas must have served you well over the many years of your own involvement with the World Lottery Association (WLA).



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R. Hargrove: Sustainability requires continual improvement, and continual improvement is all about continual learning. In my experience, learning is greatly enhanced through relationships and drawing upon the experience and insights of others. If we ever get to the point where we think we can't learn any more, we won't. That's true for personal growth and it's especially true as it applies to business and leadership skills. Without an open mind to new ideas and insights that come from all varieties of sources, we won't learn, we won't grow, and we won't get better. That's certainly the case with the lottery, where there is no MBA program that prepares us for leadership in this industry. And that is the organizing principle of our "Emerging Leaders Program."

This industry, like all \$100 billion dollar industries, is global. A host of educational programs and conferences have supported the goal of bringing WLA members together for the purpose of learning from others' experiences, exploring best practices, and improving our own individual operations as a result. The regional associations like NASPL also have excellent professional development programs. The curriculum is designed by lottery industry executives, and the relationships we build through these events become the basis of life-long friendships and a valuable ongoing learning resource.

The WLA certification programs have become recognized as world-class.

R. Hargrove: I would encourage all lotteries to get on these tracks that provide a structured roadmap for continual improvement and recognized certification for having met the highest standards of performance. The WLA certification programs apply to Security and Responsible Gaming and will become increasingly relevant to the public policy makers who are deciding how to re-shape this industry. The primary benefit, however, is that the focused process of becoming certified makes us a better operator.

Lotteries share so many of the same concerns, similar products, approaches to the market-place, and business models. And they don't compete with each other in ways that would prevent them from sharing and helping each other.

R. Hargrove: I start with the premise that I can learn from everyone, every personal interaction and every business case-study. We all think of our markets and business challenges as being unique. Of course, they are to some extent. But there is much to learn from one another, sometimes precisely because of the combination of differences and similarities. For instance, I was fascinated

by the presentations from Latin American lottery operators at PGRI's last conference in Miami. These emerging markets do not have as robust a network of land-based retail stores and communications infrastructure as do the more mature markets like the U.S., Canada, Australia, and Europe. So we tend to assume that they have more to learn from us than vice-versa. But turns out that Latin America has a higher penetration of mobile phones than does the U.S. and thus lotteries there are moving quickly into mobile gaming, a space where most U.S. lotteries have little presence. Which shows, I think, that different operators are evolving in ways that can produce learning opportunities in unexpected ways and from unexpected sources. Insofar as we want to understand the opportunities of Mobile gaming, and the ways obstacles are overcome, perhaps we need to look to our neighbors to the south for guidance. Certainly in the U.S. we need a better understanding of how to integrate new channels into existing distributional infrastructures and how to assist our channel partners in adapting to that change. Those lessons will best be learned when we look outside the U.S. experience.

Like Europe, Canada, Australia ...

R. Hargrove: In some cases, yes. They have been offering lottery products over the Internet for many years. They do it successfully, their retailers adapted to the change, and the record shows that retail sales continued to grow right alongside the Internet sales. The record also indicates that growth in the Internet channel is very slow, that consumers do not migrate in large numbers to the Internet, and the Internet ends up creating new retail customers, not cannibalizing existing ones. The point, though, is that we often have to look outside of our own lottery for insights into the way this industry and market-place operates. We need to look outside our own country for real-world evidence as to how new consumer and technological trends are evolving. Regulatory structures, gaming cultures, and lottery history vary from state to state and country to country and that is precisely what makes it so useful as a looking glass into how changes in one area affect another area. The retailer community is concerned about the impact of i-lottery on their business. Fair enough. So let's look at what happened in those jurisdictions where i-lottery has been offered for years.

I think each lottery and each part of the world has developed different core competencies, different areas of expertise. Those lotteries that have less technical expertise may need to acquire a better ability to execute on some of the sales and merchandising basics, and also develop games that connect with the cul-

tural heartbeat of the consumer. Maybe those lotteries with more technological expertise could learn something from them—like how to execute better in the field and how to tap into cultural resonators. One thing for sure is that, as business leaders, we can't wait for the next technological advancement or regulatory change to drive growth. We must continually study lotteries from all around the world in search of answers that will help us to use the resources we have today, to work within the set of opportunities and constraints as they exist today, in order to achieve our full potential. They may come in the form of small nuggets of insight. But we need all the insight we can get. And if we are persistent learners, there will be plenty of ideas that will come together to enable us to accomplish our goals to grow and deliver more funding for Good Causes.


Another example of learning from events and circumstances from all across the globe: I just noticed an article in PGRI's Morning Report about a report commissioned by the Australian government that explains how and why the i-gaming industry should be regulated instead of prohibited. The report found it was less about channeling economic benefits to Good Causes as it was about protecting the consumer from potential harm from unlicensed and unregulated illegal operators. Great insight. We need to look to Australia to find clues as to how we should frame these issues for our U.S. political constituents.

The first industry conference I attended was in 2006 in Singapore. You introduced me to Lothar Lammers, and explained to me that he was the first to implement the modern lotto game when he was the manager of the biggest lottery in Germany (from 1955 to 1988). And that many years ago he helped you create a game that solved a pressing challenge to you at the time.

R. Hargrove: It was also at the first international lottery conference that I ever attended that I met Lothar Lammers. That was in Melbourne, Australia in 1988. I was the Secretary of the Florida Lottery at the time. Florida just had the largest jackpot in the world up to that time. It was over \$100 million, and that was back in 1988. The state legislature thought the jackpot was too big for any one person to win and was intending to cap jackpots thereafter. I knew that capping jackpots was the last thing we wanted to do, but I wasn't sure how best to fight it.

So I sat and talked with Lothar Lammers who helped me map out a strategy. He and I designed for Florida the first five-digit cash-only lotto game in the U.S. It was called "Fantasy 5." This game would have several million-dollar prizes. The legislature was con-

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vinced that players preferred to have multiple million dollar winners as opposed to a single large jackpot. So I suggested that we let the players choose, which was an agreeable solution to our legislature. So we were allowed to continue with a choice of jackpot games, the success of which would be determined by the market - consumer choice - without the imposition of external, artificial controls.

Lothar did not know much about the Florida Lottery, and you did not know much about the German lotteries. In spite of that, the solution for keeping your jackpots from being capped came out of that conversation?

R. Hargrove: Lothar Lammers was one of the undisputed geniuses in our industry. The lottery industry has attracted an incredible wealth of talented and intelligent business leaders and visionaries. And I treasure the opportunity to learn from each of them, to learn about their businesses, and the ways they solve problems and create new opportunities. I make it a point to get to know the industry leaders personally. I believe that it is just this kind of interaction, re-enacted by thousands of industry leaders over the years, that has been a major driver of success for our entire industry. It has certainly helped me.

Now, as Senior Vice President of the World Lottery Association (WLA), you have the opportunity to dialogue even more with industry leaders from around the world.

R. Hargrove: Serving the WLA has always been a pleasure and an honor and I would encourage industry leaders to get involved. Fundamentally, lotteries share many of the same concerns and methods of operation. We have some differences, of course, but we need to look past those to see how the experiences of various lotteries can inform and enhance the understanding of our own businesses. It may take a little creativity to reinterpret events and solutions from other lotteries to see how they apply to one's own. But the effort pays off, often from unlikely sources. There is simply no doubt that the relationships I have developed over the last 30 years in this business have been an invaluable resource.

The U.S. has excelled at the Instant side of the business. Why isn't that being transferred better to other lotteries?

R. Hargrove: Actually, I think it has been. Look at Italy and what GTECH and Scientific Games have done for that market. And it all started with a year of studying the 'best practices' from all around the world. Executives from the Italian operator, Lottomatica, visited with me and my counterparts in Massachusetts and La Francaise des Jeux and I'm

sure many others to see what works best and why. How many games to launch, how many price points to have, etc. Promotional and merchandising strategies all vary from lottery to lottery and there is not necessarily one best solution. Based on research of operations all around the globe, they distilled the myriad approaches and implemented a program that they felt would work best for their market. It's been phenomenally successful, with the big Italian game of Gratta e Vinci now being a world-class case study. Think about how different the Italian consumer market is from the U.S., and about how the success of their instant games is largely based on what they learned from operators in environments vastly different from their own.

A funny example of how a phenomenon can have its genesis in surprising ways: The first McDonalds fast food restaurant that sold lottery tickets was in China. Why China and not the U.S.? Lotteries from other parts of the world investigated, applied the knowledge to their own jurisdictions, and now the selling of lottery tickets in McDonalds is no longer confined to China but takes place in many other markets. Still not in the U.S. The Chinese market is growing faster than anywhere. China is still in the early stages of development, and so very different from markets in other regions of the world, but maybe there are things that the more mature lottery operations can learn from Chinese lotteries.

The concept of "best practices" is not new. Taking advantage of the concept, however, requires a creative and open mind. And it is a team effort. For instance, I found that the focus of U.S. lotteries on technological progress has resulted in a sophisticated infrastructure to market and distribute the products. Much of the leadership for that focus came from the vendor community, which brought to us the 'best practices' as they were applied in operations all around the world.

Euromillions was launched in 2004. U.S. lotteries had already achieved significant success with Powerball and Mega Millions. Did the Europeans get some ideas and guidance from U.S. lottery directors to help them figure out the best way to produce and launch Euromillions?

R. Hargrove: You bet they did. Lottery executives from France and Britain came to spend a week with me in Atlanta, to learn about how Mega Millions operated. At the time in 2004, I was CEO of the Georgia Lottery. They then spent a week in Des Moines with Chuck Strutt and the MUSL team to learn about how Powerball operated. They then took the best from both of those organizations (Mega Millions and Powerball) and added what they

required to meet their needs in Europe, and developed Euromillions. If you dig into the way Euromillions works, you would see that it is almost a cross-pollination of Mega Millions and Powerball. You might say that if Mega Millions and Powerball had a child, it would look a lot like Euromillions.

There is a global network of relationships that inform and guide the progress of this industry. We want it to be more inclusive, to engage the leadership of all the lotteries. It is so valuable for the long-term growth of the industry. And the learning curve is dynamic, with the flow of knowledge going in all directions. For instance, Euromillions is now doing some things that the U.S. lotteries may want to consider, like the 'super-draw'. They take a tiny bit of their jackpot each and every drawing and then they plan four times a year to do a super-draw. Instead of starting at 10 million euros or whatever, they might start this super-draw at 100 million. These are the kinds of innovations we in the U.S. should explore.

I would think that the process of working on the World Game would enhance your understanding of this business in ways that would tie directly into the Tennessee Lottery. Just like your discussion with Lothar Lammers helped you solve a Florida-specific problem back in 1988.

R. Hargrove: We all talk not just about the World Game per se, but about the ways in which we can integrate it into our own individual operations. That is a key part of the whole process. And yes, I do learn a lot just by listening to how my international colleagues approach it, their ways of thinking and framing the issues, their priorities and how they overcome obstacles to implementation. The portfolio of games and the ways they are marketed must all be integrated to achieve the best results, and we are always discussing the best ways to accomplish that in our own businesses.

This is an ongoing theme for me: relationships are a driving force for progress. U.S. directors can see that in the way that they interact with each other. Those of us who are MUSL/Powerball lotteries tend to talk more with each other than we do with Mega Millions state lottery directors. And vice-versa. So our affiliation with organizations like the WLA and NASPL is vital to being a connected, learning, and growing enterprise.

How goes the progress with the World Game?

R. Hargrove: Of primary importance is that the games have distinctly positioned value

...continued on page 46

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Buddy Roogow

Executive Director of the D.C. Lottery

President of the North American Association of State & Provincial Lotteries (NASPL)

PGRI Introduction: The past decade has been one of massive change in the casino gambling industry in the U.S., transforming from a destination-resort model (Nevada and Atlantic City being the only places where casinos operated) to one in which casinos are within a half-hour drive of more than half of the U.S. population. Internet and Mobile technology is changing the cultural fabric of recreational gaming. The next ten years will usher in a convergence of all types of games being made available in all varieties of land-based venues and all manner of digital media. How will government-sponsored gaming and Lotteries adapt to these changes?

Traditionally, the wheels of progress do not move quickly in an industry in which the government is a major stakeholder. While that has held true for the lottery industry in the U.S., it's also the case that the leadership of U.S. lotteries has taken a more proactive stance to evolve the business model and defend its position in the market-place. Some recent initiatives have been genuinely transformational. "Cross-selling" has made Powerball and Mega Millions available to consumers in all states where lottery is sold. Doubling the price of Powerball to \$2 a ticket produced a 78% increase in sales in the fourth quarter of 2012 over the fourth quarter of 2011. An event that may appear to be less dramatic on the face of it, but is nonetheless groundbreaking, is the mission of eight U.S. lottery directors, along with the executive director and staff of NASPL, who met with over 100 lawmakers and representative from the U.S. Congress to express their concerns about pending legislation. Our industry is changing, the leaders of the U.S. lotteries are acting to defend the interests of their stakeholders, and NASPL, which serves the interests of Canadian and Mexican lotteries as well as U.S. lotteries, has become a vital force in the industry. It continues to be an instrumental clearing house for information that helps lotteries succeed. Now that the role of NASPL is changing to become more activist and entrepreneurial, the future for the industry and NASPL members looks bright indeed.



mer because what is "best" in one jurisdiction is not going to be "best" in another?

Buddy Roogow: The world is shrinking, not just in a political sense, and not just because of international trade. Modern media has practically made us all participants in the seminal events that happen on the other side of the globe. That has had a profound effect on the way we all think. While we may not have a deep understanding of all cultures throughout the world, digital media has transformed the level of awareness we have about other cultures and how others think and feel; what they value, what interests and excites them, and how they behave as consumers. Perhaps without even realizing it, our world-view has become global. This applies also to the consumer, whose world-view has also become global. We are exposed, not just to the news and events as they happen, but are also given insight into the underlying feelings and circumstances that give rise to the events. Consumers all around the world are connected by a level of familiarity and mutual understanding like never before. So, while of course the differences can be profound, there are many similarities. And as familiarity with the hopes and aspirations and cultures of others increases, those similarities will increase. It's not like there



NASPL AS INTERNATIONAL ORGANIZATION & OTHER NASPL MISSIONS

Paul Jason, Public Gaming: *It is sometimes said that "all politics, and all markets, are local." Does that mean since circumstances are different, we can not learn from each other, that 'best practices' is a misno-*



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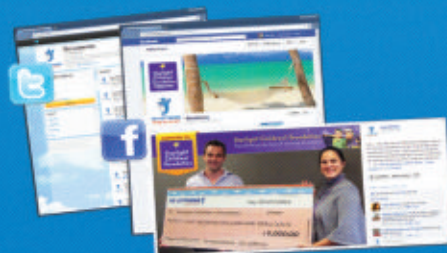
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will be a homogenized world-consumer. In fact, understanding the consumer will become more complex than ever. It's just that the differences that define market segmentation will be less about geographical borders and more about lifestyle and psychographic distinctions. That's one reason why it is vital that the way we manage our businesses be informed by this global perspective. Another is that the technology, business processes, and business model that form the foundation of the lottery business are strikingly similar throughout the world. Lotteries all around the world share similar challenges and opportunities relating to the management of supply chain relationships, distribution, IT and security, and operations in general.

Looking forward, we need to build connections not only with our colleagues in other states and provinces, but with the leadership of this industry in other parts of the world. NASPL has always been very effective as an information clearinghouse, a facilitator of idea-sharing and provider of educational seminars that empower our leaders and future leaders. NASPL will not only continue its service of education and information-sharing but will also prioritize the role of education where it has made significant progress in recent years. Look at the NASPL Lottery Leadership Institute and the Professional Development Seminar (July 29-31 in San Diego. Visit www.NASPL.org to see the calendar of events). These have become world-class educational forums. And there are numerous educational seminars that focus on specific operational issues like security, IT, marketing, etc. We have all come to appreciate that the experience and insights of those with different sets of challenges and different circumstances is just as enlightening, or perhaps more enlightening, than those dealing with problems and opportunities that are just like our own. This is true within the huge diversity of circumstances as they exist within North America. It's just as true within the diversity of circumstances as they manifest themselves throughout the world.

NASPL is an international organization already, and you want to extend that to other parts of the world.

B. Roogow: Absolutely. The Canadian provincial and Mexican lotteries have always served vital roles in the Association. And because of the globalization of the industry, the interaction and mutual support

between all North American lotteries will increase in the coming years. And now, North American lottery directors are working with our colleagues in Europe to explore the possibility of a World Game. So yes, we do need to strengthen the lines of communications to enable a "best practices" approach to optimizing performance and for that to become a truly global effort. Rebecca Hargrove (CEO Tennessee Lottery and Sr. Vice President of the World Lottery Association – the WLA) and Arch Gleason (CEO Kentucky Lottery and former President of the WLA) have long been active in the international community of lottery operators. As time marches on, more and more of us are contributing to the efforts to strengthen the ties that bind the Regional Associations together and NASPL and the WLA. David Gale (Executive Director of NASPL) and his team are also working hard to evolve the Association to serve its members in this new world of rapid change and multi-jurisdictional collaboration.

The NASPL Resource Wizard is such a captivating campaign. Based on the data and statistics that now appear in your fabulous publication, 'NASPL Insights', it would appear to be phenomenally successful.

B. Roogow: It has, but that is just the beginning. We need to start with capturing the data, gathering all the facts and figures available to all our members and organizing it into forms that are useful and coherent. That's being done. But NASPL must become more than the information clearing house that it's so successfully fulfilled in the past. NASPL will continue to expand and enhance its store of data and information. The next step is harder, though. Now we need to create a much stronger research arm in order to really convert this information into insight that drives real-world decisions. NASPL is going to expand its research component to provide help to our member lotteries and support the MUSL and Mega Millions Groups in their efforts to develop exciting products that drive long-term growth. Ideally, we will also work with the other industry associations like the WLA to create information platforms that will enable data from around the world to be combined and integrated. That would be such a powerful resource if we are able to do it.

In one of your letters from the Publisher in Insights, you referred to the possibility that NASPL could contribute to game develop-

ment. How would that work?

B. Roogow: NASPL has worked with the lotteries to conduct surveys that help us to understand the player behavior and consumer trends that inform the whole game development process. We want to build on those research efforts to become a more robust source for marketing and business intelligence; and to expand upon it to other areas like retailer relations, retailer licensing programs, and all manner of issues that drive this industry and affect performance and results. NASPL already has this wealth of information. We need to take it to the next level – by organizing and deploying it in ways that drive decision-making. We're now putting out our own sales data for North America. And we are more aware of the consumer response to the different game offerings. So why can't we go to the next step which is to investigate how to use that information to improve the games? Too, we need to loop in the tremendous resources of our vendor community, to integrate into this informational data-base the business intelligence from our commercial partners.

You personally have a reputation for being forward-leaning, someone who is willing to try new approaches and take the calculated risk to move us forward. And that comes across in your Insights publisher page as well as your inaugural speech at the World Lottery Summit in Montreal. Where are the current fault-lines for progressive action in our industry?

B. Roogow: We need to make sure that we do not become prisoners of tradition and legacy ways of thinking and operating. We do need to push for progress. That means change. Since nobody has a crystal ball, that means an element of uncertainty is introduced. But the operative word in what you said is "calculated." We do what we can to minimize risk, but we need to be willing to evolve in a period of flux and uncertainty.

Something that I would like to bring to the fore is the conviction that innovation and change can be applied to the land-based retail sector of our business. Since Lottery has such a long history of doing business with the retail sector, it might seem that the potential to change and innovate is limited. Or that the potential to innovate is greater in areas where we have less experience, like Internet, Mobile, and Social gaming. In

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Jim Haynes

Executive Director of the Nebraska Lottery;
President of the Multi-State Lottery Association (MUSL)

PGRI Introduction: These are indeed exciting times for U.S. lotteries, especially when it comes to the two big jackpot games, Powerball and Mega Millions. Cross-sell and raising the price of Powerball to \$2 a ticket have changed the entire landscape and positioned the lotteries for even more innovation. I asked Director Haynes if he could help me understand the process that guides initiatives that involve so many lotteries. Protecting the public trust, the lottery brand value, and the revenues that support worthy causes is the paramount guidepost. But change and innovation is also a paramount necessity for lotteries to continue to grow. Building the consensus, creating the long-term strategies and the near-term action-plans for 40+ lotteries is no small challenge. And it is inspiring to know that this industry is being led with both prudence and bold vision.

Paul Jason, Public Gaming: *A lottery director who is elected to president of MUSL has a year to set some larger objectives for MUSL. What are some of your objectives for MUSL, what are some of the obstacles to making them happen, and how are you trying to overcome those obstacles?*

Jim Haynes: One of my key objectives is to set a new standard of security and integrity for the new ways to sell tickets. We are already late to a world where we can sell tickets and deal in other items of value that exist on plain paper or only on various desktop and mobile screens. We are working to find ways to give the lotteries and the vendors independent responsibility over security of the games. We also see this as a way to reduce the current costs of security. There are some aspects of security that follow the "layers of an onion" model; no single layer can provide ultimate security, but taken together, security is assured

to be set at a very high level. If we can implement a new standard using long-tested encryption and security that is controlled independently by the lottery and the vendor, then we can reduce the number of current layers of security and reduce costs for everyone – while making lottery games even more secure.

MUSL operates several games, but Powerball has been in the spotlight the last few years. Can you briefly assess the experience of the cross-licensing effort and the change to the Powerball price-point?

J. Haynes: Powerball is a significant game for nearly every lottery and is the major profit earner for some lotteries. Lotteries sell a lot of instant tickets with a 60% payout and higher, which means that less than 40% remains for Lottery beneficiaries. Lotteries keep 50% of Powerball sales. So, as you can imagine, changes to Powerball is a serious issue for every director. Lottery directors needed to think

clearly about the long-term implications of change. Years ago, the directors mapped out a three-stage plan to evolve these big jackpot games. First, make both games available in all the lottery markets. Hence, the plan was developed to cross-license Powerball and Mega Millions. Second, differentiate the games to give the two games an individual identity and image for the consumer by moving one or both games to a \$2 game. Third, create a new national game, offered by all lotteries, at an even higher price point of \$5.

Cross-selling was a very uneven experience for the MUSL members. An analysis after 133 draws of cross-selling showed that, on average, MUSL states' big game sales were up 8.3%. The Mega Millions consortium sales were up even higher. The longest view of cross-selling, done when Powerball moved to \$2, showed MUSL lotteries with an average increase of only 1%. Everyone agrees that is

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pretty negligible, but we must remember that cross-selling began in the middle of the Great Recession – generally regarded as lasting from December 2008 to September 2010. There was the stock market crash in October 2008, an ongoing financial crises, and home equity loss during this turbulent period. One view is that, even though cross-selling produced only a small increase, the alternative without cross-sell may well have been a decrease.

The price change to Powerball was even more difficult, though it was made easier since nearly all lotteries had diversified their product portfolios to include both Mega Millions and Powerball. There was extensive market testing and research that led to the decision to increase the price of the Powerball ticket to \$2. As a rule, consumers do not want prices to increase. But market-testing indicated that, once the players saw how a \$2 game could play, they supported the price change. The analyses factored in those players who would walk away from the game at a \$2 price-point; and those who would reduce the number of plays they purchased; and those who would delay their purchases. Even considering all of those impinging factors, the math supporting the benefits of a change in price to \$2 was still very positive. The math was not a projection of sales since it relied on a perfectly average game, running without a prize reserve deduction, which was not the case for the Powerball game as it would be running at the start. And “More, Bigger, Better” Powerball did have some bad luck in its first year’s worth of draws. After the change to \$2, for instance, the game regularly got hit sooner than statistically projected. At the same time, the \$1 Mega Millions game took off. It began a 19-draw run, which set a new world record for lotto games. During that one single run of Mega Millions, Powerball was hit four times. Then, near the end of its first 104-draws, Powerball was getting hit every Wednesday, on the second draw in a run; four times in a row. Of course, the faster you get hit, the fewer draws there are that drive up jackpot size and sales, and the less profitable the game is. In spite of that, Powerball still performed. Sales in the new Powerball game alone (not counting Power Play, which we knew would be reduced) were up by 62.5% over the previous year’s worth of sales at \$1 Powerball. In my opinion, 62.5% qualifies as success. I do not know of any billion-dollar companies that would second-guess a change that increased sales and profits by 62%.

As big decisions are being evaluated by U.S. lotteries, is there much consideration given to what economists call “opportunity costs.” For example, if raising the price of

Powerball to \$2 produced a \$2 billion increase in the first year over the previous year, that would mean that the opportunity cost of delaying the decision to implement by one year would have been \$2 billion.

J. Haynes: The lotto ticket has been priced at \$1 nearly since the beginning of modern lotteries. Phrases like “A Dollar and a Dream” or “It’s only a buck” were deeply engrained in our players. The concept of a price change was discussed at least as early as 2007. Some of our MUSL research in 2008 told us that the price-point was a critical purchase factor for our players. No lottery director felt that moving to a \$2 price point was a sure-thing and it certainly was not a slam-dunk in a competitive market with an option for \$1 games that were virtually identical. Cross-selling had to occur first.

It took years to make that change. Many of us would agree that was too long and resulted in significant lost opportunity costs. But the different comfort levels of the various directors meant that we had to continue running research on potential changes and continue to tweak the game design until there were enough directors that could support the change. The careful need to evaluate the proposal even pushed MUSL staff to develop new ways to evaluate the change. Directors were used to seeing a sample game run and an analysis based on the Poisson Distribution. But wanting to explore every angle and minimize uncertainty, MUSL staff added a 10,000-year Monte Carlo run to show minimum and maximum projections. A new way to compare “odds” in games at different price point-points – really different jackpot contribution percentages – had to be developed. In the end, we all understood that the decision to increase the price of Powerball to \$2 held potential for both great reward and great risk. The change took as long as it was going to take to enable two-thirds of the lottery directors to have the confidence to make the change. The long discussion was fruitful, though. It is sometimes observed that lottery directors are conservative and risk-averse. That may be true, but our stakeholders would not want it any other way. We really must avoid anything that could impair the brand value or revenue stream that supports the beneficiaries of lottery funding.

MUSL has tremendous resources that benefit all U.S. lotteries. As an organization that is expert at the conducting of studies and research, and possessing the staff and tools to analyze and interpret the information and proffer recommendations for consideration by the leadership of lotteries, wouldn’t everyone be better off by somehow folding more of the administrative and research functions of

Mega Millions together with MUSL?

J. Haynes: Since cross-selling, there has been tremendous cooperation between MUSL, the Mega Millions consortium, and the vendors. Now that MUSL and the consortium are partners on both Powerball and Mega Millions, MUSL has made its resources available to all lotteries. The Mega Millions consortium, and the vendors, all have online access to MUSL’s game databases and can use MUSL’s online report generator at any time to pull out sales information by draw, by lottery, by jackpot, per capita, and much more. The consortium has asked MUSL staff for new game designs and math projections and MUSL staff has taken advantage of the talent available at the Mega Millions lotteries to assist in designing and evaluating RFP’s and in running complex analyses of Powerball performance. I think we have the very best people working for the vendors, for the consortium, and for MUSL and for the lotteries in MUSL. We do already work very closely together. MUSL and Mega Millions directors get together for face-to-face meetings and teleconferences and are in constant contact through e-mail. The level of cooperation and joint work is already at a very high level.

The two big jackpots in 2012 were hugely exciting and contributed to increased sales. To what extent have those big jackpots increased the tipping point of where the consumers get excited about the jackpot size? Are there any solutions to the age-old problem of “jackpot fatigue syndrome”?

J. Haynes: I think it may be more “press fatigue” than “jackpot fatigue,” though these may be close to the same thing. The general public just doesn’t follow our jackpot games until they start hearing about it in the press. Both Powerball and Mega Millions reached new game records in 2012, and it did take a while to recover player and press interest. The New Powerball game added an element that has been shown to attract at least the local press; although the national press doesn’t always pick up the story. The \$1 million in cash prizes, or \$2 million paid if players buy the Power Play feature, has received great local press coverage. So, even if the national press is not picking up stories about a \$100 million jackpot anymore, the local press does cover local million-dollar winners – usually with a first story about the selling store and a follow-up story when the winners come forward. In the first year of New Powerball, there were 453 second prizes awarded. That means nearly one thousand Powerball stories

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Cynthia O'Connell

Secretary of the Florida Lottery

PGRI Introduction: I tend to think of branding as the task of managing perceptions in a customer-facing, consumer-centric process. The following case study reveals just how much more it can mean to a business. For one thing, the brand is not just about the consumer, it's about appropriately informing the perceptions of all audiences: "employees, consumers, retailers, stakeholders and the media." And for the Florida Lottery, it's about redefining the essence of the enterprise and "creating the story of who we are and who we aspire to be."

2013 is the 25th anniversary of the Florida Lottery. Secretary Cynthia O'Connell was determined to make it special, and the Lottery rebrand has fulfilled that to national acclaim. Please see page 24 for the case study that details the pillars of the Florida Lottery rebrand action plan.

Paul Jason, Public Gaming: *The case study really reveals the extent to which you have taken this opportunity to think deeply about every aspect of your business. How have all the research, study and survey responses changed your vision for what the Lottery should be and how it should operate?*

Cynthia O'Connell: It's not just about how we want to be perceived by the consumer. We think about our brand as being the full expression of who we are and who we aspire

to be. That expression must resonate with everyone, including and beginning with our internal stakeholders. Our brand forms the basis for the way we go about our business – reflecting our mission and shaping our strategies, products and marketing approaches. It gives political constituents, the non-playing public and all stakeholders a picture and feeling for who we are and what we are about.

That is an ambitious goal, but would seem to also be a very broad objective. How

is it focused into an action plan?

C. O'Connell: It begins with understanding ourselves, defining ourselves and what we would like to become. That process is informed by extensive research to clarify how the Lottery is currently perceived by our different stakeholders – players, consumers in general, retailers, etc. We then analyzed the countless touch points where these stakeholders interact with the Lottery, where their experience intersects with the Florida Lottery brand.

The relationship between a lottery and its stakeholders and customers is in many ways different from any other kind of organization, more nuanced and multifaceted than most corporations and other government entities. We exist to serve "Good Causes," which means public education in the case of the Florida Lottery, and to protect the consumer. We serve at the direction of the Governor and the Legislature. And yet we must operate much like any other market-driven, consumer products brand. My point is that our set of stakeholders, and business objectives, is diverse in the extreme. And so, the question of who we are and what we aspire to be is not a simple and straightforward one. Likewise, perception of the Lottery is not a simple thumbs up or thumbs down – it is multidimensional, and we need to make an emotional connection to evoke the most positive appreciation for our mission and what we are working to accomplish.

First off, the buying decision for any product, not just lottery games, is based as much

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FLORIDA RE-BRAND: A CASE STUDY

I. INTRODUCTION

The Florida Lottery saw its 25th anniversary as an ideal opportunity to evaluate successes and challenges and sharpen its focus for the next quarter century. It provided the agency with a special opportunity to reimagine its future, introduce the Lottery to new and lapsed gamers, and to tout the considerable resources and value to the citizens of the state of Florida.

Understanding first that sales were rebounding following an economic slump, our executive team felt it was time to revisit the dated logo, and develop a brand that was representative of the energy and excitement offered by the Florida Lottery. Coming off a record sales year and celebrating our 25th anniversary, the Florida Lottery set a target date to reveal the new brand and logo on January 7, 2013, to officially celebrate the week we started selling tickets in 1988.

II. THE REBRAND... IN MORE DETAIL

Once we committed to rebranding the agency, we knew that additional resources and expertise were needed in order to effectively accomplish this goal. Through a competitive bid process, we hired the public relations firm, Golin Harris, to help guide the rebranding process as well as help the Lottery build a complementary communications strategy. Golin Harris partnered with their sister agency, FutureBrand, to provide creative direction for the rebranding process and design of the new logo. GolinHarris' in-depth knowledge of the media landscape in Florida and strategic communications guidance coupled with FutureBrand, who maintains a strong reputation for rebranding blue chip companies across the world including: American Airlines, UPS and MSN, ensured that our entire process was effective and efficient.

Together with our agency partners, we began the process by defining what our "brand" currently was to our customers. We conducted surveys leading into the branding process to get a full sense of how Floridians felt about the Lottery across a range of topics including playability, role in Florida culture, historical value, social issues, connection to education and more. Then we began to triangulate the ideals for the brand in the next 25 years – what did we want the brand to mean? From there, we developed various rough directional ideas and tested them internally and externally, finally moving to rigorous formative testing on final concepts.

Once the brand was selected, we engaged the entire organization in the process. We created a marketing committee of team members that represented the various levels and departments in the organization. We identified and ranked all the consumer touchpoints (where people saw the logo) and ranked their importance and priorities for the rollout of the new logo. We carefully planned the unveiling, using the new logo as the centerpiece for our overall 25th anniversary celebrations. The website was redesigned and many features were added to help the public understand the parts of our story we wanted to tell more loudly and to more people, in particular our vital role in funding education in Florida.

A. CREATE THE ESSENCE OF THE BRAND

The Florida Lottery has always maintained a powerful presence, a mystique, a magic that has been defined by our brand. Therefore, embarking on the journey to alter that brand mark was a daunting task. We began by revisiting who we are at our core – what we stand for and what the public sees and expects of us. With that understanding, we were able to formulate the foundation upon which the new brand was built. Packaging together our principles, our mission and the essence of the Florida Lottery into a fully-developed brand was essential to creating a true and lasting impression that reflects our organization.



1. Developing the Story of the Florida Lottery

Once we defined the essence of the Florida Lottery, we were focused on creating the story of who we aspired to be – our positioning platform. It was our way of bringing what the Florida Lottery is, and believes, to life. Telling who we are and how we blend with the pride, diversity and vibrancy of our state was vital to creating a brand that is uniquely Florida.

Our Story - "Florida's Way to Play"

Florida is a state unlike any other. Our residents and visitors share an attraction to the unconventional and the surprising – to everything definitively fun. The Florida Lottery celebrates the playful sense that makes this place special, from the Panhandle to South Beach. That's why we take it seriously when we say, those who play, belong. Engaging a community in fun takes hard work. Twenty-five years ago we set out developing products that were both inspiring and trustworthy. Today, we bring sunshine, optimism and a spark of fun into the lives of all who play our scratch and jackpot games. Our funding of education delivers smiles throughout Florida with programs that form the foundation of a vibrant state and diverse communities. Everything we do is inspired by Floridians. By embracing differences and celebrating fun as a way of life, the Florida Lottery reminds us all that people were made to play.

2. Establish the Brand Pillars

By utilizing research gathered from consumer and retailer focus groups, as well as evaluating our peers, the Lottery began developing our five brand pillars – the foundation of the Lottery's brand positioning.

Driving Excitement: For 25 years, we have pushed ourselves to redefine excitement. That started with our first draw and set of scratch cards, which have since grown to include 45 innovative and inventive games that delight players of all ages and backgrounds. All of us believe that we play a part in leading Florida forward, and we strive to show lotteries and citizens in states across the nation the true meaning of fun.

Funding Tomorrow: We wake up every morning committed to improving schools and supporting students – whether through merit scholarships, infrastructural renovations, or educator salaries. By annually investing over a billion local dollars into the educational system, we safeguard the community's greatest need and brightest hope: a more inspiring future for all.

Integrity Above All: We know that a lottery is only credible if it operates with complete transparency: without trust, our winning slips are simply a scrap of paper. That's why we practice with the utmost professionalism, providing good, clean fun that's always above-board. Clear in our principles and forthright in our focus on the public's best interest, we invite all Floridians to hold us accountable to the highest ethical standards.

Optimistic Moments: Bound by hope and deep optimism, Florida Lottery players believe that any day could be the start of something big. In all we do, we invite them to share "what

if" moments with friends, colleagues and family. To believe in the future, to let their imaginations soar and to experience the thrill of living in the moment. Whether they hope to hit the jackpot or simply enjoy an instant escape, Floridians trust us to deliver new ways to dream and moments to remember.

Flamingo Pride: Whether you enjoy our state year-round or simply to weather the winter; whether you're a lifelong resident, a retiree, a student, or a sojourner, you know what it means to be Floridian. At the Florida Lottery, we inspire imagination in all those who choose to live and play here, bringing communities from Miami to the Panhandle together in memory-making. From the small businesses that benefit from our products to the residents who play our games, we are of and for Florida.



3. Logo

A great deal of market research went into exploring public opinions relating to the Florida Lottery's now-retired logo and what attitudes they had toward what became the new logo. The retired logo was widely recognized and served us well, but as a product of the 1980's, it was showing its age.

The overall feedback we received was clear – the flamingo had to stay. It was the part of the logo that best represented the Florida Lottery. We always intended for this to be an evolution of the existing logo rather than a total departure and our research confirmed this to be true. There

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Lorne Weil

Chairman & Chief
Executive Officer,
SCIENTIFIC GAMES

Paul Jason, Public Gaming: *The WMS acquisition would seem to have exciting implications for all of your customers, including traditional lottery customers. Can you explain the opportunities created by the combination of Scientific Games' competencies, your core markets and those of WMS?*

Lorne Weil: We expect that when it is consummated, our acquisition of WMS will be far and away the most transformative development in our company's history. There is virtually no competitive overlap between WMS and Scientific Games. But the irony is that although we are not to any significant degree competing companies, we are nevertheless very, very, very complementary. And this is the uniqueness of this opportunity.

We see the acquisition of WMS as a way to broaden our offerings and enhance our capabilities across the board. We followed a similar course last year when we acquired Parspro and integrated sports wagering, interactive and mobile into our portfolio. We see huge opportunities by just keeping it very simple and marketing and selling one another's products, systems and services through both companies' channels of distribution. But it doesn't end there. We have the opportunity to create new products, systems and services that neither WMS nor Scientific Games, nor the gaming or lottery industries have ever seen. And that's really what I am very excited about.

Quite ironically considering that we don't compete, a number, if not most, of the core competencies and functions of both companies are very similar. There's tremendous opportunity for integration, resource sharing and content development. These shared capabilities also allow us to develop and launch new

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GREECE/OPAP CONSORTIUM,
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THE VITAL ROLE OF E-COMMERCE
FOR TRADITIONAL LOTTERIES ...

product opportunities for our customers.

For example, Scientific Games is very proud of our development of the instant product in China over the last five years. There are significant future development opportunities in China and we believe our existing infrastructure should prove very beneficial for our future collaboration with WMS in China.

So adding this together, I think you'll agree this acquisition has the potential to create tremendous opportunities for us in the gaming and lottery industries.

The Greek government has awarded responsibility to operate the Hellenic Lotteries to a consortium which now includes Scientific Games, OPAP and Intralot. What can you tell me about the plans going forward for the Greek market?

L. Weil: We are very proud that our consortium has been provisionally selected to operate and manage traditional lotteries and re-launch the instant game product in Greece as part of a 12-year concession. We've worked with OPAP and INTRALOT on a joint business plan over the last 24 months, and believe we are very well-positioned to help the Greek government succeed in its objectives of raising revenue for the Greek state while giving Greek players access to world class lottery products.

The opportunity to bring instant games back to the marketplace in Greece is a strategic business initiative for our company over the next year. It's also a very interesting opportunity, given that the instant lottery has been inactive in Greece for more than 10 years – and particularly given the challenging economic situation in Greece. To the economic environment, when we re-launched the instant lottery in Italy back in 2004, we faced some of the same challenges. But we had success there and believe we will have success here too. We currently design and produce nearly 80% of the world's best-selling instant games. So, we are confident that implementing the instant product category management best practices we have advanced here in the U.S., China, Italy and around the globe will result in a successful re-launch of instant games in Greece.

To take this a little further, Paul, while we are really at the starting line in Greece, we are taking a very deep look at the marketplace, doing research, creating a game plan and assessing distribution. What we are seeing in the re-launch of instant games in Greece again has many parallels to our re-launch of instant games in Italy about 10 years ago. There, we were entering a jurisdiction that was experiencing a period of economic depression; the players had moved away from the games and effective distribution needed to be put in place. Our plan is to take the many lessons learned in Italy, inte-

grate with all the best we have to offer and create a thriving instant games category in Greece.

Private Management Agreements are in a number of stages across the U.S. and Europe and are under close review at the upper levels of government. Rather than pursuing a PMA structure with the goal of optimizing performance and results, could PMAs be replaced with something that could achieve the same results without being a radical change?

L. Weil: I think that it's great news that at the policy level, there is a new level of attention being given to the performance of lotteries. The economic value returned to the state through the sale of lottery games is being truly recognized and appreciated. Across the country, there is unprecedented support for lottery organizations as they seek to enter new channels, launch new games and reach new players. The importance of the mission is understood more broadly and supported at new levels. Good news.

As to your question on private management contracts, we view this model as just one of many different kinds of operations models that are possible. Outsourcing the core functions of the lottery's operations, and in some instances creating different financial structures, are models we see around the globe. A recent trend here in the U.S. is to outsource services, bundle contracts and name it "privatization". While private management agreements might be the right solution for some lotteries, they are not the right solution for all lotteries. There are multiple contract opportunities within the current lottery tool-kit that should be fully explored before privatization is chosen.

For us at Scientific Games, the recent focus on privatization has brought about a newfound attention from governments on their lottery as a valuable asset, and on that asset's current performance as well as future potential performance. I think it's great that this is happening. Scientific Games has found that in our most successful lottery endeavors, where partnership alignment, and close execution of a joint vision and shared collaboration are present and advocated for, results happen.

Are lotteries embracing Players Clubs, Loyalty Programs and other Internet-based initiatives as the key to migration towards a CRM-driven business model? What is your assessment of the current attitude towards the role that Internet should play for traditional lottery?

L. Weil: The internet is not going to go away. More than ever before, the internet is absolutely a front-burner topic for U.S. lotteries. Arkansas, Iowa, Kentucky, Missouri, North Carolina and Tennessee are all live with our thriving internet-based rewards programs. They are digitally engaging with their players, implementing

direct marketing programs, and learning how to be in an interactive relationship. Minnesota, Georgia and Illinois are actively selling games and/or subscriptions over the internet. They've begun to learn what works, what needs to be changed, what needs to be added. In the first quarter of 2013, we have seen an unprecedented number of requests from lotteries for internet solutions – California, Michigan, Virginia and Delaware have all issued RFPs as they each plan their own rollouts. North Carolina is finalizing their vendor selection and looking to be live with internet games before the end of 2013. So e-commerce, being on the internet, engaging with players, using digital technologies to sell and promote lottery games, is actually a very important issue for lotteries in the U.S. And to learn, to become successful at anything new, you have to first begin.

Outside the U.S., lotteries in Europe are in varying degrees of development with internet and digital engagement. An amazing performance trend is at traditional retail: in those lotteries with a digital channel, their traditional retailers perform significantly better. This is because there is greater engagement, more players, more excitement, and more unique opportunities for promotions. The entire category does well by adding an additional distribution channel. We believe our key developments in interactive over the last decade will help grow our business even more in China in the coming years, particularly with interactive 2nd Chance games, which have proven to be very successful in growing sales, attracting new players and adding additional excitement to the games. And we hope to further extend player loyalty programs in China, where Scientific Games brings leadership and superior capability in the lottery industry.

Really Paul, there is no way that such a major consumer industry can expect to thrive, let alone grow without adding an internet channel to reach players. The internet will be the primary way of engaging with the next generation of lottery players. The urgency to enter new channels and create new content has never been stronger. The misconception by opposition groups is their belief that internet sales will cannibalize traditional brick and mortar sales. However, the true goal is connecting with new players. Lotteries understand that adding new channels with new kinds of products is the path to growth. Research has confirmed that new consumers garnered through the internet channel not only mean new sales growth for lotteries, they also mean new traffic to traditional retail locations as well. So the good news is that momentum is building – and in our industry once a new direction takes hold, it won't turn back. ♦

John Pittman

Vice President,
Marketing,
INTRALOT USA

PGRI Introduction: Lottery sales are driven by Lottery's massive network of retailers. That will continue for many years, probably decades, to come. At the same time, the consumer has come to expect products to be made available on the Internet, Mobile, and new self-service options. Our retail partners are concerned that may result in a loss of sales and commissions. The question put to Mr. Pittman was: How can lotteries evolve with the consumer, make the products available through multiple channels of distribution, and maintain the mutually supportive relationship with land-based retailers?



intralot

Paul Jason, Public Gaming: *How can Lotteries and their retail partners work together, for mutual benefit, to evolve their relationship and adapt to a multi-channel world that includes Internet, Mobile, and self-serve?*

John Pittman: First, thank you for the opportunity to discuss these issues. As consumer trends move forward with other channels of distribution such as Internet, Mobile, and self-service, it is incumbent upon us to work together so that our partnership with retailers remains vibrant and continues to grow for the benefit of all – consumer, retailer, and lottery operator alike. The customer has come to expect to be provided options for being able to interact with merchants through all these different media and channels. And they expect the channels to be integrated to enable a seamless and user-friendly consumer experience. We call this the “Universal Gaming Experience” that is a player-centric approach. It positions the cus-

tomers in the center where all player interaction points moving through retail channels, Internet, mobile or iTV are managed in a single and transparent manner. It means that we can all benefit from moving our business forward through new media channels, new ways to play, new games, reduction of paper and overall service to our players. It is a complete package that benefits the traditional retailer, State Lotteries, vendors and certainly the players as the central figures. The implementation of a multi-channel approach will definitely not hurt traditional retailers; it will help them. Traditional lottery retailers have been the backbone of this industry since the beginning of the modern era of U.S. lottery some 50 years ago, and that won't change. Almost all the sales are transacted through the massive network of land-based retailers. Our retail partners have always been the face of lottery to the consumer and they are key to the future growth of lottery. But like all industries, Lottery needs to move forward. Nobody can stop the Internet from continuing to grow as a significant distribution channel and medium. By embracing this fact, Lottery and retailers alike will forge a successful future together.

How will Lottery keep the traditional retailer involved as the industry implements Internet and Mobile sales?

J. Pittman: As you know, traditional retailers have been reluctant to see lotteries moving toward the Internet as a lottery distribution channel because they are afraid that they will lose commissions, sales of other in-store consumer products, and customers. On the contrary, if we clarify our goals, map out a concerted plan, and truly embrace the idea together, retailers can not only continue to get commissions from the sale of lottery products, both from in-store and online, but also have a tremendous opportunity to expand their business and customer base by utilizing self-service options, and technological tools and information about their customers. And these will all be provided by the Lottery. By investing in the retailers, the lotteries would receive the benefit of a cost effective and efficient way to acquire online players, and the retailers would enjoy the benefit of bringing these new consumer groups into their stores.

One of the most expensive administrative costs in establishing an online Internet gaming operation is player acquisition. We estimate the cost of acquiring an online player

to be \$150 per player in a non-competitive environment and much higher in a competitive market. If lotteries tried to acquire players on their own by paying that \$150 acquisition fee to a 3rd party affiliate, they would have to generate more than \$2,500 in sales from each player in order for the fee to be less expensive than a 6% commission paid to retailers. The lotteries will be far ahead by continuing their partnership with the retailers and asking them to sell lottery products for multiple channels and rewarding them for doing so. For instance, if a retailer "acquires" an Internet player for the lottery, that player's account could be directly linked to that retailer who will then receive a commission on the sale of every game that player plays online, regardless of how and where the financial transaction takes place. The Lottery retailer really does have the best opportunity to acquire players and can do so more efficiently than state lotteries can do by themselves, and certainly more efficiently than we as vendors can do. Retailers could also sell lottery products online by providing a link on their website directly to the lottery. In that case, the player would be linked to that retailer who would receive commissions. Newly acquired and lapsed players are really what we are talking about here because the legions of core Lottery players probably will likely not venture from the traditional games and methods of purchase that they are very accustomed to.

What are some of the new self-service options and technological tools that will be available to the retailers to help them grow their business?

J. Pittman: Technology and consumer trends are enabling new self-service options and new technologies that will benefit retailers by allowing players to interact and play the Lottery in non-traditional ways. One example of that is a new product we call the "Gablet," short for gaming tablet. The Gablet is a self-service device for retail shops. It has a large 22" multi-faceted screen that provides eye-catching, full high-definition content and stereo sound, and, like a tablet, uses touch and gesture based navigation. The player simply logs in to her account or presents a voucher purchased at retail to the built-in camera. Gablets provide interactive information about different types of games, entertaining interactive game options, or traditional lottery games without clerk interaction. And where legal, the Gablet provides the ability to wager on live or virtual events while viewing those events. When the Gablet is not in use, it provides an excellent medium for digital signage. Through the Gablet, the

retail shop can offer all of the lottery games that are available on the Internet or mobile devices. There are many technologically advanced features relating to security, responsible gaming and other functions including face-recognition software when authorized by registered players and the Lottery. The Gablet will invigorate the retail shop and attract more players, especially from the younger demographics.

INTRALOT also offers other self-service equipment such as our award winning Winstation that sells both instant and online products, and the MP that sells online tickets, including a library of instant-online tickets called FastPlay. The MP also sells interactive touch screen games.

As I mentioned, the Gablet, when not being used by a player, becomes a 22" advertising display. Both of the other self-service terminals also double as advertising displays. Advertising at the point of sales is not new, but we know that it is effective and generates results, both for the lottery and the retailer.

Another example of tools to help the retailers is NFC (Near Field Communication). A player would use her phone to choose her numbers, play a lottery game or receive coupons from the lottery and the retailer without any clerk interaction, simply by using a poster inside, or even outside of the store. The player would tap the numbers she wants to play and then receive a paperless receipt of her wager on her phone. In this scenario the player came into the store and played the game without taking up one second of the clerk's time to create the transaction, yet the store is identified as the selling agent and receives the commission. The store could also receive a cashing commission for winning tickets redeemed. Someone reacting to an outdoor promotional poster with an NFC code could also receive mobile bonus points to spend on gaming or promo items in-store or online. As you can see, these new technologies would generate new income for the store without increasing their labor costs. These are just a few examples for how retailers can benefit by being open to new technologies and new ways of doing things. The time that the consumer is in the store is really the moment of truth for both retailer and lottery because that's when the majority of consumer's purchasing decisions are made. Whatever we can do to enhance that consumer experience and, in many cases lengthen the time the consumer spends in the retailer's place of business, the better will be the results for both the retailer and the lottery. And the great thing for Lotteries is that our products

lend themselves most readily to those objectives by providing entertaining games and enhancing the in-store experience.

What other ways will retailers benefit by partnering with the lotteries on their expansion to the Internet?

J. Pittman: In most cases, our players remain anonymous to retailers unless they have some sort of rewards program. And they remain anonymous to lotteries unless they elect to join a players club or they are lucky enough to win big. Retailers benefit from the lottery player shoppers because they typically spend 50% more in the retail shop than shoppers who do not play the lottery.

As we move to the Internet and other new ways of purchase, the lottery player will identify himself to us in order to participate in our games because of age verification, location, messaging, banking and responsible gaming restrictions. We can use this information to help the retailers expand their businesses and attract new customers. For instance, a player that a retailer acquires for the lottery could be linked to that retailer. During an online registration process, a player could identify a traditional retail store that she wants to be affiliated with. In both cases, the identified retail store could receive commissions on all that player's lottery transactions.

As an additional benefit, we could provide meaningful value to the retailer by providing information to them about their customers. The retailer then has the ability to market to that customer/player directly. Maybe he alerts the player that they have had a streak of Lottery winners and they need to come in to get a ticket before the luck runs out. The player could also be enticed to come in to the store by other offers that are not Lottery related.

In addition, we have the ability to 'geo-fence' the Lottery retailer so that if a player comes within a certain distance of the store she would be automatically solicited by the store with a predetermined offer or announcement. A retailer could also offer its customers Mobile or Internet coupons with QR codes to entice them to come to their store to play on a Gablet or take advantage of other store offers. In the case of large chain retailers, we can link to their own customer targeting system (loyalty cards) so their shopper's benefit from an integrated approach. Imagine, the retailer can now employ a CRM that knows all of their 'affiliates' by practice and can market to them how, when and with what product they want. This will become a very powerful tool for the retailer. It's also an

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Ilan Rosen

Chief Executive Officer, Neogames

PGRI Introduction: The role of the Internet as a distributional e-commerce channel for traditional lottery games is vital. In fact, it's not just about reaching the "younger demographic", since the Internet is now a part of everyone's life. However, there is another, perhaps even more important, component to this picture. Presently, there is a massive population of lottery customers who buy the product in land-based retail stores. That won't change. What needs to change, though, is the nature of the relationship between lottery customer and lottery operator. The future of Lottery depends on converting that anonymous retail consumer base into a connected and interactive customer base. The Internet is the key to making that happen – to building a foundation based on dynamic communication and interaction.

That's the mission of Neogames. Having pioneered the online scratch cards market, NeoGames focuses on the soft-gaming segment through its extensive portfolio of revenue-generating games for the web and mobile environments. NeoGames provides a complete and field-proven soft-gaming solution, consisting of the world's largest instant win and lottery games portfolio. Laid over a flexible and robust management platform and complemented with a complete suite of managed services that facilitates lottery growth. With over 200 million games sold worldwide every month through its partner networks of government lotteries and regulated gaming operators, NeoGames understands the needs of the government-gaming operator and is dedicated to supporting the growth of its customers in this sector.



NeoGames®
bringing back the fun!

Paul Jason, Public Gaming: *How is the Internet changing the mass-market approach that has driven the growth of consumer products, like lottery, for decades?*

Ilan Rosen: The Internet has caused a major shift from mass-marketing to completely new ways of tailoring products to appeal to increasingly tighter, smaller consumer segment. That may not sound like a positive thing – why do we want to appeal to smaller groups? The reason is that it is much more profitable.

The cost of designing, then creating, then marketing, and then distributing the product in the mass-market world entails a high break-even. Those high up-front costs result in a very high minimum threshold of sales to cover those costs. This has two problematic impacts. First, there is no room in the portfolio for products that may have strong consumer appeal but fail to meet that minimum threshold. Second, the high cost of a mistake makes it difficult to try new product concepts, and so therefore inhibits innovation.

The industry is very dependent on its blockbuster products to generate the income. The cost of developing, launching, and promoting new products for the Internet channel is much lower than for the retail channel and the products can be offered for a longer time. That brings down both the cost of trying new products and also the sales-threshold at which a product breaks even. The irony is that the Internet enables the operator to gather so much more data to guide the product development process and promotion strategies – so the ability to target the consumer with products that appeal to their specific preferences is much greater with the Internet customer.

Perhaps because of the physicality of the retail experience, retail lottery operations and their platforms tend to focus on the product. There is no physical environment for the operator to focus on in the Internet world, apart from a computer monitor or hand-held device. This results in the focus of Internet platforms being more squarely on the lottery players. This major shift in mindset produces a different approach towards everything ... game development, Customer Service and Relationship Management, promotional strategy. Etc.

This points us to data-analytics.

I. Rosen: Exactly. Data-analytics is truly the

key component to any effective e-commerce strategy. The Internet customer has registered with the operator, so the basic demographic information is captured with every transaction. You're no longer surveying small samples of consumers who may or may not give accurate information about their buying motives, and then extrapolating from that survey to generalize the behavior of the entire population of players. On the Internet, you have the facts of which customers are buying which products. That information is captured in real-time with every transaction. And you can isolate product attributes to determine which are most appealing and continually fine-tune the product for maximum appeal.

For instance, one of our newest clients was achieving some measure of success with i-lottery products that targeted younger male audiences. They did not deliberately exclude other segments. It's just the products they were offering at the time tended to skew towards those play-styles that people associate with consumer groups with high game-playing Internet activity. But that's a misguided approach. It might seem to be a logical strategy to go for the "low-hanging-fruit" but there are three big problems with it. First, the play-style of the young male demographic identified as the

most dedicated i-gamer is not Lottery's sweet-spot. It is a highly competitive space and the young male is typically looking more for high-velocity games that deliver gaming thrill than for the "hope-and-dream" soft-games that appeal to lottery players. Second, it neglects the core player, many of whom do want the option of playing online and whose loyalty and repeat business is reinforced by enabling an Internet-based relationship. And third, it foregoes one of the major cornerstones of an effective Internet strategy which is to create an interactive relationship with the core player; with all players for that matter. We have found that it's actually the core player demographic, the consumer who is used to buying at retail and will continue to buy at retail, who contributes the highest revenues in proportion to its population.

Obviously the internet is used as an effective tool to also reach an audience which may not be buying at retail, to introduce new consumer groups to Lottery, and it succeeds in that. This new relationship is built over time, and in the future will grow to be a new significant income source however they should not be the only target of iLottery marketing. So, back to that operator who had been focusing on the young, male demographic and wanted us to refresh their i-lottery strategy: We created a product mix that appealed to a number of new segments, identifying a cross-section of 25 different play-styles and preferences. Additionally, we prepared 15 games for the pipeline, just waiting to refresh the experience of players in each segment every few weeks. And our data-analytics team guided us on how to modify the games based on the feedback we get on a real-time basis. This almost doubled the revenues within 2 months and allowed the lottery to increase the active audiences in these new segments. We then constantly continue to add new identified segments and prepare a marketing approach with targeted games and incentive offering for them.

By the way, we think of the future of market segmentation as being based on psychographics instead of demographics. In our NeoSphere platform we work by automatic and dynamic creation of dozens of segments, based on a wide matrix of parameters such as frequency of play, game preferences, age, gender, depositing behavior, times and days in the week of player activity, impulse to buy factor, and more. These make up the psychographic profile.

We still want to create products that appeal to a market segmented by play-styles. But we are no longer constrained by preconceived notions based on those traditional attributes of age/gender/socio-economic segments. For instance, we recently showed our game port-

folio to a large US lottery and presented one of the games which we created for a "young male" audience based on a spooky Dungeon & Dragons theme called Forces of Terra, and when we showed it in a meeting with a US lottery, one of the female 30+ in the marketing team said "I'll play this game, I love it, I used to be a D&D fan when I was young." So if we didn't have a dynamic analytic tool in the NeoSphere to recognize that she would actually play it, how often she would play it, when and how much, we wouldn't place her in a segment that would receive marketing offers relevant for her taste. Second example, obviously mobile games would intuitively be identified as a younger audience games, and indeed they are. However, if you miss out on marketing to the 55+ group that are active mobile players you would miss 7% of the market which that is a great revenue opportunity. By the way, psychographics is not only measured in in-play behavior but also by the way they like to be rewarded. For example, men tend to prefer cash-back or product rewards; women tend to prefer to be rewarded with tangible and lifestyle products.

How does the information gleaned in the online gaming world improve off-line retail product development and strategy?

I. Rosen: Products can and should be designed to take full advantage of the uniqueness of each medium and channel of distribution. Still, the fact remains that the fundamental game attributes that appeal to the consumer are similar across all media and channels. Our portfolio is divided between online scratch cards and instant win games, and we are often asked "what's the difference?" An example of how our online approach is nuanced to take full advantage of the medium but also relate to the play-styles with traditional consumer appeal: online scratch cards are a fun and entertaining version of games which are close in look and play behavior to the printed games sold in retail stores. Conversely, our interactive instant win games carry the same mathematical psychology, as well as other mandatory regulatory attributes, but the play mechanics include a much wider interpretation of casual games. Some lotteries are bound to take the first, other are more keen on the latter. Our approach is that both are needed because they serve different audiences. For example, in Mexico the lottery has decided to discontinue a TV show with a famous local Bingo game. We were then asked to develop an interactive instant version of this popular game that would be available in the web. But it's interesting to see how many requests we have from lotteries to see if we could make printed versions of our interactive

games. They see the online games and want to recreate printed version for their retail stores. We thought most of the requests would be vice versa, to recreate the printed games for the online channel.

Instead of transplanting off-line games to the Internet, your approach does the opposite. You use the Internet to inform and enhance the off-line business.

I. Rosen: Neogames is typically approached initially because of our portfolio of game content. Then our clients realize that what we really offer is the experience and knowledge to help them develop a much more expansive strategy to enhance game development and promotional strategy. The content we have on the shelf forms the basis for developing products and strategies that are custom-made for each individual market. The case-studies inform our approach to promotional strategy. It is these assets combined with our expertise in data-analytics derived from our NeoSphere management platform that enables us to appeal to the unique needs of each market-place. I would have to say that it is data-analytics that forms the heart of our approach to serving the lotteries with a dynamic system for delivering the right products to the right targets with the most effective promotions.

How difficult is it to measure the impact of Players Clubs and Loyalty Programs?

I. Rosen: Not only is it not difficult to measure the overall impact, you can and should get precise data on exactly which attributes of your programs are having the optimal effect and which are not as relevant. It's like the old adage that "50% of my advertising doesn't work; I just don't know which 50% it is." We now have the tools to not accept that kind of sloppy thinking. That's the off-line world. In our online Player Club program, Players collect points automatically and can transparently see their progress between the their levels of play and the points collected. We then offer them ways to redeem their points, or use their points to collect double and triple points. The rewards are tailored to appeal to the specific player profile. We then analyze the results to always be in the process of customizing and fine-tuning the games, target segments, promotional strategies, and reward structure to be most relevant and effective for each player segment. Most players would benefit more from a lottery product reward as opposed to pure tangible gifts. Obviously, the lottery itself would benefit from such a tighter connection to sales. That's also why lotter-

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Jim Breslo
Chief Executive Officer,
Diamond Game

PGRI Introduction: Lotteries have tremendous strengths and are always seeking ways to build on and leverage those strengths. The massive network of retail stores has codified a consumer connection based on physically seeing and touching the product, on a physical interaction with people, and on executing a transaction with another person. That's why the focus continues to be on expanding the number of retail stores, vending machines, and other forms of physically present POS's.

What if there were ways to transform the retail experience, to build on the proven strength that has formed the foundation for Lottery's incredible success? This has been my question du jour for lottery executives and their commercial partners alike. What if there were ways to dramatically increase the number of land-based POS's and their sales volumes? That's what self-serve vending machines can do, that's what in-lane checkout vending can do, that's what pay-at-the-pump can do, and that is what the Diamond Game solution for making Lottery accessible to entirely new consumer groups can do. This solution engages patrons at age-regulated venues like bars and taverns, bingo halls, race-tracks, charity, and fraternal organizations with the lottery in a wholly unique way.

Paul Jason, Public Gaming: *Describe the Diamond Game solution. I think of it as fundamentally an entertainment-enhanced self-serve vending machine that dispenses the traditional products. So it is a much more engaging playing experience for the consumer, but one that is fully compliant with all regulatory laws.*

Jim Breslo: I think that is correct. The LT-3 is legally and functionally an instant ticket vending machine (ITVM). As you know, ITVMs are a common tool for most lotteries and have advanced greatly over the last decade. The LT-3 continues the trend of more technologically advanced ITVMs, employing a unique feature which can greatly increase revenue from ITVMs. Like most ITVMs today, the LT-3 dispenses instant scratch or pull-tab tickets one at a time. The tickets are pre-printed and come on a roll or fan-folded stack, which is placed within the machine for dispensing. The game result is printed on the ticket and is also encoded within a barcode on the paper ticket which is read by the machine. It scans the barcode on the instant ticket as it is dispensed and, for the convenience of the player and to enhance entertainment, displays the result of the ticket on the video monitor in an entertaining fashion. The tickets are not activated until they are scanned by the machine, which is an important security feature as the tickets are of no value prior to scanning.

The LT-3 isn't meant to supplant existing ITVMs which generally reside in high-traffic, highly-transient environments like grocery stores. Rather, the play style has been designed for stay-and-play entertainment destinations such as charitable clubs, bars, bingo halls, and racetracks and OTBs. The stay-and-play format of the LT-3 allows lotteries to expand their product portfolio into non-traditional retailers.

In most states, no change in law is required for its lottery to deploy this product. Other than the display of the ticket result on a video screen, it is no different than traditional ITVMs. Numerous courts have reviewed this feature and determined that it does not change the fundamental nature of the

machine. The display of the result is simply an aid to the player and has no impact on the outcome of the game. The outcome of the game is solely determined by the pre-printed instant lottery ticket.

Further on the last question – what makes the Diamond Game solution so unique?

J. Breslo: There are several features of the LT-3 that I believe make our solution unique. The LT-3 is an ADA-compliant device. This has been a key feature that we've kept top of mind in the development process. The LT-3 dispensers actually go beyond ADA compliance and act as an aid to the disabled and visually-impaired in their play of the game. By displaying the result of the ticket on a 20" monitor, we assist both those with the inability to open or scratch a ticket and those who have difficulty seeing the ticket. Further, for the blind, we offer braille plates and unique sounds which assist them in learning the result of the ticket. An optional remote play button is also available.

The ability to provide the core functions of a standard ITVM but in a device with a smaller footprint and an added entertaining component makes the LT-3 a highly appealing product for locations that do not have the space for conventional vending machines, such as bars, taverns, and fraternal halls. These are significant, often untapped markets that are well suited for lottery products. They are typically already age-regulated, and patrons visit these locations looking to be entertained and to spend disposable income.

Describe some of your current implementations.

J. Breslo: Our most recent installment has been in Ontario. We began launching the LT-3 in November of last year in bingo halls across Ontario as part of the OLG's Charitable Revitalization Initiative. We have deployed 200 machines so far, and the OLG has already ordered another 200 machines.

Over 400 machines are also in operation in Maryland bingo and fraternal halls. In part due to the success of these machines, in September 2012 the state approved the expansion of these type of ITVMs into veterans' halls throughout the state. In addition, there are two other states poised to commence immediate deployment of the machines into fraternal halls which we intend to announce within the next month. Thus, as you can see, the LT-3 is now receiving wide acceptance as a new and permissible ITVM product.

Are there any super-low-hanging-fruit venues that should serve as the launch-

pad for the DG solution?

J. Breslo: Well, the LT-3 is really designed for stay-and-play environments, where patrons are going to spend their disposable income and want to have a fun time out. Typically these include bingo halls, race tracks, bars and taverns, and fraternal halls. These are ideal venues for lotteries as well because they are all age-regulated locations. The venues also typically have built in service staff with experience on electronic games. They are also existing local businesses that have been hurt by economic downturn, as well as, in many places, recent bans on smoking. These businesses need a shot in the arm and this product can provide that, resulting not just in increased lottery revenue, but in the creation and saving of jobs.

We also believe that the LT-3 could be a terrific product in existing lottery retail locations, such as convenience stores. With many lotteries looking to add online sales, these retailers are concerned about what impact that may have on their business. If they were offered something like the LT-3 as a product enhancement, they will likely see that as a very fair accommodation.

I notice that the implementation of the DG solution is tied to a specific revenue need or problem on the part of the state. How important is it to have a specific hook, a concrete rationale, to propose the DG solution? After all, it's really just a form of dispensing the traditional ticket, isn't it?

J. Breslo: While increasing revenue, adding retailers, supporting existing retailers, and helping local businesses are all great "hooks," we do not believe one is necessary. As you said, the LT-3 really is just a modernized way of buying instant tickets. Lotteries must be permitted to take advantage of modern technology. If not, they will not be able to remain competitive with other forms of gaming, and the important revenue they provide will necessarily decline.

I know that 2013 is Diamond Game's 20th year in business. Congratulations!

J. Breslo: Thank you! Yes, we are proud of that accomplishment. So far our 20th year is shaping up to be our most exciting year yet. We are very grateful to all of our customers for being such great partners through the years. Working with them to accomplish positive things for local economies and education has been rewarding, along with providing a lot of fun and entertainment along the way! ♦

www.diamondgame.com

DIAMOND GAME LT-3 HELPS ONTARIO LOTTERY REVITALIZE CHARITABLE GAMING INDUSTRY

Diamond Game is pleased to announce that it has entered into a 5-year agreement with the Ontario Lottery and Gaming Corporation (OLG) to provide electro-mechanical Break-Open Ticket (BOT) dispensers. The dispensers launched in November of last year in Ontario bingo halls as part of OLG's Charitable Gaming Revitalization Initiative.

Like in many other states and provinces, the charitable gaming industry in Ontario has been experiencing significant declines. The number of bingo halls in Ontario has declined approximately 68% since its peak. The Charitable Gaming Revitalization program is the OLG's effort to revive the industry. The program features multiple products, including electronic bingo and Diamond Game's BOT dispenser, which will play a key role in the success of the Charitable Gaming Revitalization initiative. The OLG, in its September 4th, 2012 Joint Industry Communication, stated that the dispenser is "an important product in the Charitable Gaming Revitalization, which will assist in driving revenues to over 2,000 of Ontario's charities."

The electronic Break-Open Ticket dispensers add new entertainment value to traditional BOT game play by revealing the results of each ticket on a video monitor with exciting video animation. Thus far, 190 machines have been installed in 7 locations, and the deployment is expected to continue in additional locations over the next 2 to 3 years.

The contract, which runs through 2017, is a result of a procurement process that Diamond Game was involved with from the onset. "This is a project that we have been working on for several years and we are excited to now be able to contribute to this charitable initiative," said Jim Breslo, Diamond Game President and CEO. "We look forward to working with the OLG and helping all of the stakeholders achieve the goals of the Revitalization program."

Diamond Game, established in 1994, designs, manufactures, and services games and gaming systems for the public gaming, Native American, and charity markets. As a Company Where Innovation Plays, Diamond Game continuously develops new and thrilling gaming experiences for a variety of gaming markets. Diamond Game maintains its corporate headquarters in Los Angeles, California, and sales and service facilities in Oklahoma City, Oklahoma and Hamilton, Ontario. ♦

TRYING TO SEE THE TREES IN A FOREST OF MARKET RESEARCH

Read any good market research lately? You probably have, since the lottery industry produces a ton of it from a variety of sources (from in-house to advertising agencies to vendors), done by any number of experienced market research firms. We see general tracking studies, game concept development studies, attitude and usage studies, and focus group research. We see specialized studies on narrow topics such as Internet opportunities, pricing models, prize payout maximization, graphic design, and policy questions such as responsible gaming. The challenge for lottery professionals is to wade through this wealth of information and translate it into actionable steps that grow lottery profits.

What research does do for us is to keep us close to the customer – the retailer, the player, and the non-player. It makes us aware of the changes in the marketplace – technological, lifestyle, cultural, and competitive aspects that affect our business. The essence of effective strategic planning is recognizing the “points of inflection” in the marketplace where fundamental changes impact consumer behavior. At times these changes are hidden. Some, such as self-service, begin slowly but accelerate over time and others, such as mobile location technology and location-based services, have a rapid impact on the marketplace from the time of their initial introduction.

GTECH, along with the independent research firm KS&R, recently conducted another in its series of World Player Attitude and Usage studies with 8,000 players across 10 countries. While some of the insights from the study may make us feel good, others are potentially troubling. Rather than recite research findings, we thought it would be interesting to pick some lottery themes and use facts from different sections of the research to provide insights. Here are some issues facing lotteries today, with some being at “points of inflection” and what the research suggests we do:

SAME-STORE SALES

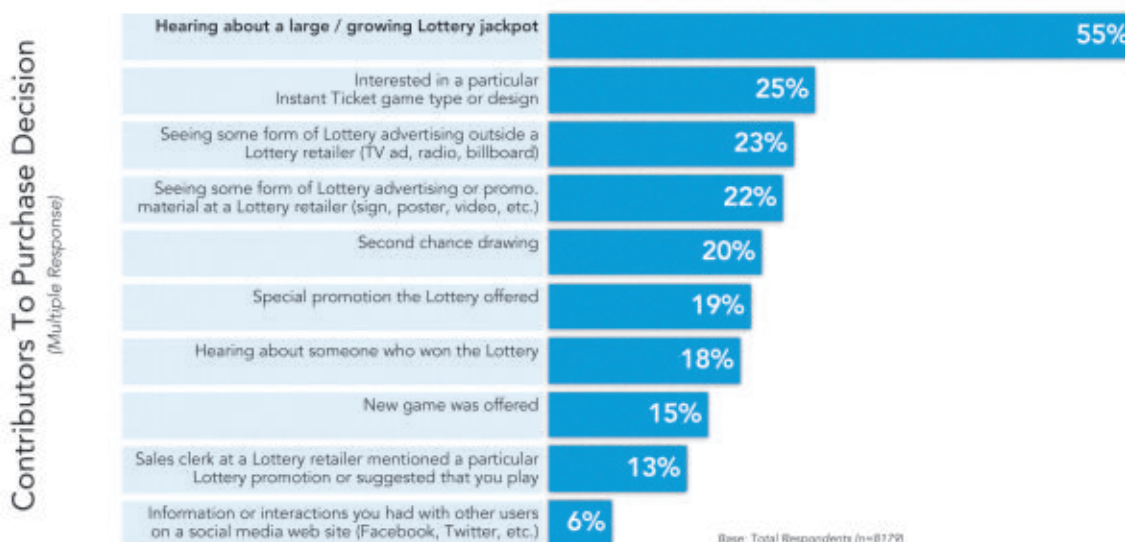
Several points in the study reinforce the importance of focusing on same-store sales, the basic bricks-and-mortar building block of our business. First of all, there appears to be headroom in the U.S. for higher player participation levels. Median U.S. lottery participation is half the level of Germany, Ireland, and Denmark, and less than 40% of the participation in China. By comparison, U.S. non-lottery participation on gaming is close to the highest in the world.

GAME PORTFOLIOS

Jackpots are still “king.” This may be a blessing and a curse as Lotteries attempt to expand their brands outside the jackpot game image. Players all over the world still enjoy the big traditional games that have fueled lottery growth for decades. Multi-jurisdiction games, big jackpot games, daily numbers games, instant games, and even original Lotto remain the predominant and preferred games. There is no discernible trend toward radically different play styles or new kinds of games. In fact, big jackpots have the greatest potential for increasing lottery participation. 33% of players rated it first whereas introduction of new lottery games, not currently available, was rated first by only 4% of players.

IN LOTTERY, A LARGE / GROWING JACKPOT IS STILL KING

About one in four also cite lottery advertising and/or promotions as a driver of lottery purchases.



SOCIAL PLAY

Lottery play is not considered a very social activity, but rather something that is done individually (60%) versus discussing and sharing with family and friends (27%), or discussing with other players, pooling bets, etc. (13%). The troubling aspect of this finding is that it may suggest the merging of social media and lottery play could be

even more challenging than anticipated. Among lottery purchase drivers, social media was ranked last (6% vs. jackpots at 55%). Related to this finding was a relatively low interest in a lottery-centric social site (58% not interested), and large differences of interest in a lottery VIP Club by country (5% in Denmark vs. 57% in China with the US splitting the difference with 25% interest).

THE INTERNET

Buying lottery products over the Internet is a nice supplemental distribution method that can generate incremental revenue, but the world's playing habits are not shifting in such a rapid way that will it dramatically alter the distribution landscape. Only 7% of U.S.

players indicated an interest in playing lottery games exclusively on the Internet, while 54% would continue to play in-person only, and another 39% would play both in-person and on the Internet. These results should reassure anxious retailers that Internet lottery play will not damage their current lottery business.

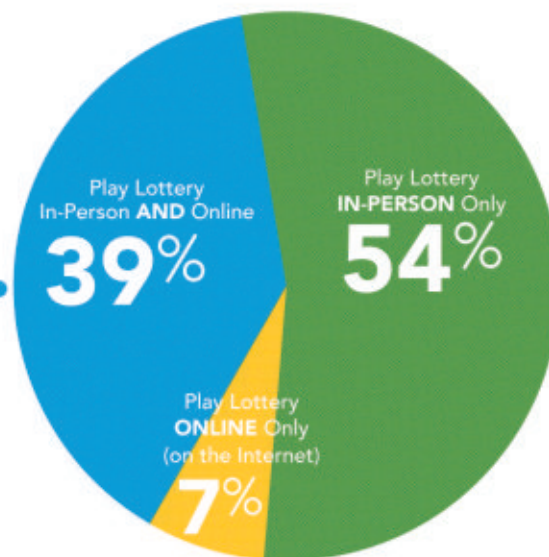
US (TOTAL) LIKELIHOOD OF PURCHASING LOTTERY TICKETS ONLINE VS. IN-PERSON

Total: World-Wide

In person only	43%
Online only	14%
Both in-person AND online	43%

Percentage Of Lottery Tickets Would Purchase Online vs. In-Person (n=330)

	(Mean %)
Online	42%
In-Person	58%



US (18-34)

In person only	54%
Online only	10%
Both in-person AND online	36%

Base: Total Respondents (n=8179); Total US Respondents (n=848); US Respondents 18-34 (n=242)

MOBILE DEVICES

A quite surprising finding was the relative lack of interest in playing lottery games through mobile devices. Only 28% of mobile-device users expressed any interest in doing so while 60% were specifically not interested. One of the primary reasons was that people still enjoy the sense of security and integrity of a paper ticket. Even with a mobile purchase, 67% still prefer a paper ticket.

CONTROL DRIVERS

Motivation to buy lottery tickets is driven by several factors, some of which are random, such as jackpot size, but the research found encouraging strength in the ability of controllable factors to drive lottery purchase motivation. In fact, the top motivators in the US are lottery promotions (33%), followed by jackpots (27%), and second-chance drawings (10%). Curiously, since only 37% of lottery purchases are impulse buys, we have the ability to drive the two-thirds of planned-in-advance purchasing behavior through advertising, promotion, and marketing.

LOTTERY MOTIVATORS



Base: Total US Respondents (n=848); US Respondents 18-34 (n=242)

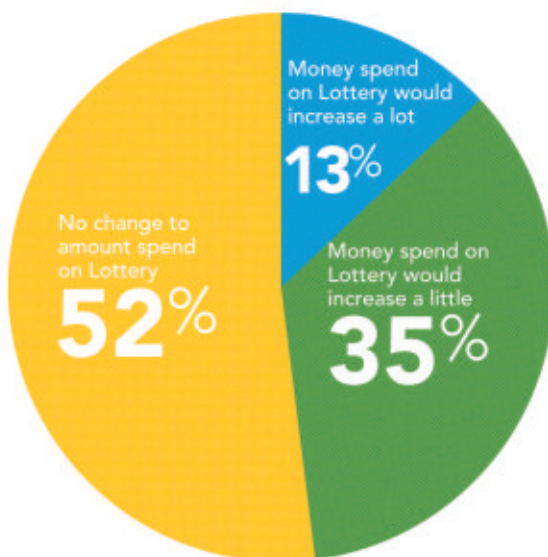
RESPONSIBLE GAMING

Some surprising findings here as well, with higher income males (U.S. \$100k+) tending to play more frequently in most countries, including the U.S., especially with multi-jurisdiction, daily, and lotto games. The same group also plays non-lottery games (e.g., sports betting) more frequently. Also, high-income (\$100k+) players spend two and a half times more than lower income (<\$50k) players, while high-income non-lottery spending is only double low-income. This is useful news for those fighting old perceptions of who play lottery games and how much they participate.

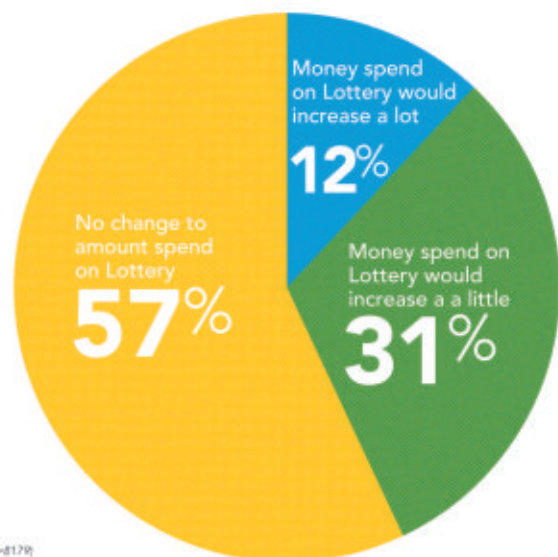
EASE OF PURCHASE = INCREASED SAME STORE SALES

Lotteries sometimes fear self-service purchase options. Although on-counter lottery sales are often higher than vending machine-only, we risk alienating the younger consumer who wants a less time-consuming purchase experience, such as grocery store in-lane checkout (48% would increase spending) and self-service machines (43% would increase spending). Such an option would also give lotteries a better tool for getting into the big-box stores that increasingly dominate retail activity. And with 37% of lottery purchases being impulse based, availability at the point of sale is a critical convenience factor. Self-service options won't replace the strength of on-counter sales, but can add incremental same store sales and drive acceptance in new retail outlets.

Impact On Lottery Spend If Available To Purchase At
CHECKOUT OF A MULTI-LANE



Impact On Lottery Spend If Available To Purchase At
A SELF-SERVICE VENDING MACHINE



Base: Total Respondents (n=8179)

YOUNG PLAYERS

The recurring problem of attracting younger players to lotteries doesn't get any easier. We all assume that young players will become our customers when and if we create an Internet/mobile social experience for them, but the research revealed several cautionary, and sometimes contradictory, aspects of young player behavior. As mentioned earlier, there was reluctance to embrace mobile devices as transaction hubs, and less interest in

the social side of lottery play. Young players spend less, play less frequently, prefer self-service purchases, and are more likely to make impulse purchases. However, their spending on entertainment is growing and they spent more on Lottery than during the previous 12 months. Possibly the signal here is that their image of the Lottery Brand must first change.

With all of this data and insight, some global and some local, lottery professionals still need to listen most closely to their own customers and filter these observations through their unique local perspectives. There is no "silver bullet" to winning in the lottery business – just good old-fashioned optimization and execution of every detail and aspect of lottery management. Strategic studies such as the GTECH World Player Study offer hard market-based data to include in the decision mix as we work to assist our Lottery customers to improve their Lottery Business Plans, maintain relevance with consumers, and continue to increase lottery profits generated for good causes.



WHO WILL REGULATE I-GAMING IN THE U.S., STATE GAMING COMMISSIONS OR STATE LOTTERIES? THIS DECISION MAY DETERMINE WHO BENEFITS ECONOMICALLY AND HOW MUCH THEY BENEFIT, AND WILL AFFECT THE COMPETITIVE LANDSCAPE OF THE ONLINE GAMING INDUSTRY

by Mark Hichar and Jacquelyn Mancini
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Two bills filed in the Massachusetts Senate at the start of this year would authorize and provide for the regulation of certain types of online gaming in that state. The first, Senate Bill No. 101, would authorize the Massachusetts State Lottery to conduct lotteries online, to determine the types of online lotteries to be so conducted, the manner of selecting winners, the manner of paying prizes and the frequency of drawings or winner selection. The Bill would require that regulations be promulgated pertaining to online lotteries, and that such regulations provide, at a minimum, (i) age verification measures reasonably designed to block access to and prevent the sale of lottery tickets online to persons under 18 years of age, and (ii) measures reasonably designed to prevent the sale of lottery tickets online to persons located outside the Commonwealth. The Bill would specifically authorize the Lottery Commission to enter into the agreements with one or more states or other jurisdictions for the purpose of conducting multi-jurisdictional lottery games to be conducted online provided that any such online lottery game was properly authorized by each participating state and jurisdiction.

The second Massachusetts bill introduced at the start of 2013 would amend the 2011 Massachusetts law providing for three brick and mortar casinos and one slot parlor in the Commonwealth. Senate Bill 197 would provide for additional gaming licenses for online gaming operations, "provided that such operations do not include or reflect gaming mechanisms operated by the State Lottery Program [or] simulating or resembling slot machines, so-called ..." Thus, online gaming under this Bill would be conducted under the regula-

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1) NGC Reg. 5A.140. 2) NRS 463.750. 3) American Gaming Association, 2012 State of the States: The AGA Survey of Casino Entertainment 18 (2012). 4) Id. 5) P.L. 2013, c.27, §17. 6) <http://www.nj.gov/casinos/home/faq/index.html#br16>, last accessed March 17, 2013. 7) P.L. 2013, c.27, §17. 8) <http://www.state.nj.us/lottery/mobile/where.htm>, last accessed March 18, 2013. 9) Id. 10) Gov. signs internet gambling into law," NJ.com at http://www.nj.com/politics/index.ssf/2013/02/gov_christie_signs_internet_ga.html, last accessed March 16, 2013. 11) 29 Del. C. § 4801(b). 12) 29 Del. C. § 4815(a).

tory authority of the Massachusetts Gaming Commission.

These two Massachusetts Bills present clearly the question that will be faced by states that determine to implement online gaming within their boundaries. Specifically, such states will need to decide whether the online gaming should be conducted by the state lottery pursuant to its regulatory authority and under its regulatory structure (appropriately amended to address the myriad issues online gaming presents), or whether online gaming should be regulated by existing (or newly established) state gaming commissions, which commissions usually are separate from and do not oversee state lotteries. This article does not purport to answer that question, but rather discusses three of the issues that will need to be considered by states facing this issue – (1) the state authority (e.g., the lottery or a gaming commission) that shall oversee online gaming; (2) the effect the choice of regulator may have on the percentage of online gaming revenue to be taxed, and (3) the effect the choice of regulator may have on the state-designated good causes to benefit from online gaming revenue. States can be expected to take guidance on these issues by looking to states that have already enacted laws authorizing online gaming. We refer herein to the online gaming laws enacted recently in Nevada, New Jersey and Delaware.

NEVADA: Nevada has no state lottery, so the decision to put online gaming under the authority of the Nevada Gaming Commission was therefore perhaps obvious. The Nevada Gaming Commission has extensive experience in licensing brick and mortar gaming facilities and, in addition, has issued licenses for “mobile gaming” since 2006. (“Mobile gaming” involves the use of mobile communications devices for the transmission of wagers that operate within the general boundaries of a casino/hotel resort facility). In November, 2011, Nevada passed a law authorizing intrastate “interactive gaming,” including, but not limited to poker, but excluding pari-mutuel wagering on racing events or wagering on sporting events. However, regulations promulgated under the law currently limit interactive gaming in Nevada to poker and its derivatives.¹ Nevada has been issuing licenses with respect to interactive gaming since approximately June, 2012, and to date has issued approximately 19 interactive gaming licenses (including operators and manufacturers) with 888 and Treasure Island recommended by the Nevada Gaming Control Board to be granted the 20th and 21st licenses by the Nevada Gaming Commission at the Commission’s meeting on March 21, 2013. Licenses to operate interactive gaming (in contrast with licenses to manufacture interactive gaming systems or provide critical interactive gaming services) are available only to existing licensed Nevada brick and mortar gaming facilities.² An interactive gaming operator’s revenue from interactive gaming is included with its revenue from non-interactive gaming and thus taxed at the same graduated tax rate, with a maximum tax rate of 6.75%. Additional fees and levies may be imposed by counties, municipalities and the state adding approximately 1% to the operator’s tax burden.³ Revenue generated from gaming in Nevada benefits education, local governments, problem gambling programs and the State General Fund.⁴

NEW JERSEY: On February 26, 2013, Governor Chris Christie signed into law a New Jersey bill, Assembly Bill No. 2578, authorizing licensed Atlantic City casinos to conduct online gaming under the supervision and control of their existing regulator, the New Jersey Casino Control Commission. Permitted are all wagering games determined by the New Jersey Division of Gaming Enforcement to be suitable for online wagering. Because the operators of online gaming will be casinos already regulated by the Casino Control Commission, the decision to have online gaming regulated and overseen by the Commission is logical and efficient, and placing such gaming under the authority of the New Jersey Lottery would have subjected the casino operators to duplicative, and likely inefficient, regulation.

After initial licensing fees, online gaming gross revenues in New Jersey will be subject to a 15% tax, which shall be paid into the New Jersey Casino Revenue Fund.⁵ This money shall not be subject to further taxation as casino gross revenue (brick and mortar casino revenues are taxed at 8%). By law, “moneys in the Casino Revenue Fund are appropriated exclusively for reductions in property taxes, rentals, telephone, gas, electric, and municipal utilities charges of eligible senior citizens and disabled residents of the State, and for additional or expanded health services or benefits or transportation services or benefits to eligible senior citizens and disabled residents.”⁶ Online gaming operators shall be subject to the additional requirement that they invest at least 5% of online gaming gross revenue in cash contributions or real property improvements that benefit the state tourism industry or the health and well-being of the people of the State. In the event such investments are not made within the applicable time periods, an investment alternative tax in an amount equal to 2.5% of internet gaming gross revenue is imposed.⁷

By contrast, the New Jersey Lottery remits approximately 34.5% of its revenues to the State.⁸ Lottery revenues in New Jersey are used to assist state college and universities, construct schools, provide assistance to psychiatric hospitals, veterans’ homes and special education programs, and to provide scholarships and grants.⁹ Thus, although placing online gaming under the regulatory authority of the New Jersey Gaming Division was logical and efficient, a side effect of this decision appears to be that the rate at which online gaming revenues are taxed to benefit the State is in line with the tax rate applicable to brick and mortar casino gaming and not State Lottery gaming, and the revenues flowing to the state from online gaming will benefit primarily the same entities that are benefitted by casino gambling generally.

Note also, that unlike the Massachusetts bill that would place online gaming within the Massachusetts Gaming Commission, the New Jersey Lottery is not protected at all under New Jersey’s online gaming law. This is not surprising, because the purpose of the new New Jersey law was to help the State’s gaming industry in Atlantic City; protection of the State Lottery was not foremost in the minds of the sponsors of the new law. “Sponsors [of the New Jersey law] hailed the measure as one of the last chances to revive the state’s gaming industry, which has been battered by the proliferation of casinos in neighboring states.”¹⁰

DELAWARE: Delaware, has taken a different approach than Nevada and New Jersey. In 2012, Delaware passed a law authorizing online gaming under the regulatory authority and oversight of the Delaware Lottery. In authorizing the use of the internet for lottery games, the purpose of the Delaware legislature was to:

- (1) Expand access to certain lottery games by offering them on the Internet in a well-regulated and secure system designed to create a positive customer experience that limits access to minors, those with gambling problems, and others who should not be gaming;
- (2) Improve the competitiveness of Delaware’s video lottery licensees by encouraging reinvestment in their facilities and promoting the utilization of lottery games on the Internet at websites branded and promoted by the video lottery licensees and Delaware Lottery Office;
- (3) Provide further support to Delaware’s harness and thoroughbred horse racing industries by expanding the gaming offerings benefitting video lottery licensees and the horsemen who race there; and
- (4) Enhance the offerings of the Delaware Lottery by allowing it to develop keno and the sports lottery in a manner that promotes additional convenience and choices for Delawareans.¹¹

Under the new law, revenues from lottery tickets, keno and online games shall be paid into a State Lottery Fund. After payment of lottery operation and administrative expenses (not to exceed 20% of the gross sales of such games) and prizes (not to be less than 45% of the aver-

...continued on page 53



THE NEW FATF RECOMMENDATIONS ON COMBATING MONEY LAUNDERING IN THE GAMBLING SECTOR: The Need for Lotteries to Take the Lead in the Debate

By Philippe Vlaemminck and Beata Guzik

In 2012, the Financial Action Task Force of the OECD (FATF) issued its new International Standards on combating money laundering (ML) and the financing of terrorism (TF). The FATF Standards are comprised of the FATF Recommendations, their Interpretive Notes, and applicable definitions from the Glossary.

According to the Recommendations, countries should identify and assess the ML/TF risks for the country, and should designate an authority or the mechanisms to co-ordinate actions to assess risks (recommendation 1.1 & 1.2)

Those rules apply globally also to casino activities. In the EU, the EU Commission is proposing in its new draft Directive to extend the obligation to all gambling activities including lotteries, sport betting, and remote gambling services. Operators supplying gambling services are to be considered as Designated Non-Financial Businesses and Professions (DNFBP) and obliged to implement a full Anti Money Laundering policy (AML) and Risk Based Assessment (RBA) strategy. Such broader approach taken by the EU towards the gambling sector has been welcomed by the State Lotteries and is indeed important to combat effectively and efficiently the risks of ML and TF. The implementation of the new AML rules in the various EU member States will need to be done by 2016 latest and is a big challenge for State Lotteries and their suppliers/vendors. It will affect all aspects of the business, right down to the POS, and require the setting up of Customer Due Diligence programs enabling the identification of any transaction (stake and winning) exceeding 2000 EURO, any suspicious transactions, and the proper assessment of business relations.

In practice, Lotteries will need to make detailed risk based assessment studies identifying the various levels of risks of the games they operate and implement accordingly an enhanced, normal or simplified due diligence approach. It is clear that pari-mutuel lottery games will be assessed differently than casino operations or odd-set based sport betting games. Further, Lotteries will need to have specific record and data keeping and reporting obligations enabling them to respond fully and rapidly to enquiries from the authorities and to establish internal procedures, training and permanent feedback. Lotteries will not only be totally responsible for their Points of Sale (POS), but also for their own staff. The liabilities are high, and criminal penalties and other adminis-

trative sanctions are severe. The whole process will require Lotteries to have a compliance officer at management level and dedicated AML staff. As safeguarding public order and the integrity of their operations, full and immediate compliance is essential for State Lotteries and their business partners. Several Lotteries have a long standing experience in this area, but others not.

As the EU Commission mentions in its Staff Working paper accompanying the proposal, "... professional organizations can also play an important role to ease the burden of compliance, through the provision of guidance, organization of training courses, submitting law clarification notes, answering doubts in the application of the legislation, etc..." Commission Staff Working document – Impact Assessment 5 February 2013, p.55).

So there is a clear role for the Lotteries Association at EU level to provide assistance to the members. But there is more to be considered. At the global level the threat of ML and TF is a permanently evolving, as it also is in the gambling sector where technology plays an increasing role.

Lottery associations could consider entering into a dialogue with the FATF, like the remote gambling industry from both the EU and the USA did. The issue requires a multidisciplinary approach involving legal, security, IT, finance and sales.

In that regard, it is very relevant to refer to recommendation 15.

Recommendation 15.1 states: "Countries and financial institutions should identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products."

It is clear that the way remote gambling continues to be organized by certain operators established in off-shore jurisdictions creates severe threats that must be addressed. The question is, however, whether the scope of the approach is even large enough. Today we see the rapid emergence of social gaming and social gambling. To the extent that real money gambling is offered through SNS (Social Network Sites), the problem could be covered by the legislation applicable to gambling as such. The problem actually starts when we enter the area of social gaming. While gambling activities are also offered on social media platforms, it does not mean that all forms of social gaming qualify as

(social) "gambling." To be so qualified, three conditions need to be simultaneously fulfilled: there must be a stake with monetary value (a "consideration"), there must be an element of chance (predominant or not depending upon the local definition) and there must be a potential for players to win a prize with monetary value. To the extent that virtual currency is involved and not monetized, or that there is no "real money" stake, or no element of chance, social gaming remains largely outside the scope of gambling regulation.

As a service available on social media platforms, thus on the Internet, social gaming is subject to general rules applicable to e-commerce. Social Network Sites (SNS), such as Facebook, are most likely only "intermediaries providing hosting services" with limited liability. Indeed, they are in general only obliged to act as soon as they become aware of illegal activity. Of course, they can also be ordered to act by the courts against social gambling operators hosted by them who do not comply with national laws in the country where their services are consumed.

However some additional rules are required: the risks of addiction, the easy accessibility to children, and especially the risk of ML and TF need to be looked into, even outside the scope of the gambling regulations. All these questions need to be addressed by the authorities and will require the cooperation of operators and intermediaries as SNS. In the context of the fight against ML and TF, if money laundering could take place through SNS, which needs to be studied and properly assessed, there is an urgent need to address this matter and bring it into the scope of the legislative framework to combat ML and TF.

Social games are indeed a huge phenomenon and a major source of revenue for companies like Facebook. It is enough to refer to the way Zynga was growing and the revenues Facebook obtained from Zynga. Social gaming was already in 2012 a \$6 billion market in the US and is expected to grow to more than \$ 8 billion by 2014. As lucrative as it sounds, the market is immensely competitive and crowded with a huge number of games.

The monetization of social gaming requires a detailed risk-assessment study. Monetizing could happen when players can monetize the virtual currency they bought to play and/or the virtual currency they did win by playing. If it happens accidentally that a player as a private individual sells its virtual currency on an auction style website, so actually monetizes it, it is important from the perspective of the gambling legislation, but it may be less of an issue for ML and/or TF. However, when it is organized as a business, like the "Gold farming" as it takes place in countries like China with MMOG and other video type games, the situation is clearly different and enhances the risk of ML and/or TF.

However, monetizing of social gaming by the operator is an even more delicate question. The majority of revenue for an app' comes from a very small section of users who substantially buy virtual goods. But successful apps, like Angry Birds, generate high volumes of money every month due to the very high number of buyers. As on average apps are very cheap, large scale buying of "fake" apps from an operator beneficially owned by the Organised Crime (OC) through 100 000 computers used simultaneously by the same OC, is not totally unlikely to happen one day. Today, Russian and Chinese look-a-likes of Facebook as Qzone (primarily used in China), Renren ("the Facebook of China"), VKontakte ("the Facebook of Russia"), et al do already exist. They are not on our "radar" and other SNS may easily be set up through off shore jurisdictions escaping our control. Bringing social gaming in the scope of the legislation to combat ML and TF seems to be necessary and urgent. ♦

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John Pittman ...continued from page 29

example for how Lottery will provide new tools and business processes that will help the retailer in every aspect of her business, not just sales of Lottery products. Lottery has the technological vision and resources to help the retailer upgrade the entire way they do business.

So it is non-traditional games and purchase methods using multiple channels that drive new player acquisition and grow the business. And your value proposition to traditional Lottery retailers is that they will benefit from the vision and progressive agenda that Lottery brings to their business?

J. Pittman: I believe that it will likely be a combination of traditional Lottery type games that can be played over different types of media, as well as new games that Lotteries have not sold in the past, and possibly more new games that are borne from the advances in the ways we deliver our product to the customer. Our partnership has benefited retailers for decades, as Lottery expanded the number and variety of games at multiple price-points along with new POS materials, digital signage and technological advances. I believe that the traditional retailer will be able to significantly benefit from this evolution as we move forward as partners. To do that, retailers need to have the faith and confidence to trust that a partnership that entails change and modernization will continue to benefit them.

How much of what we have discussed is ready to be rolled out now?

J. Pittman: The products I mentioned are fully developed and ready to go now, and there is a lot more in the pipeline. Of course, we have to see what happens with gaming on the Internet and where that takes us but the central ideas and scenarios are all easily realized now. The original topic of discussion was basically, how would traditional retailers fit into a business and Lottery landscape that must evolve with technology and consumer trends. The answer is that we need to continue to nurture a mutually supportive relationship, we need to be open to new and non-traditional ways to drive progress, and we need to get comfortable with change because that's what will enable us to grow and succeed. We have been working towards many solutions for years and believe we have answers that benefit not only traditional retailers but also Lotteries and maybe most importantly, new players. ♦



Paul Jason, Public Gaming: *How long has the Hazen Paper Co. been involved with the Lottery Business?*

Robert Hazen: The Hazen Paper Company, which was founded in 1925, has been working with the lottery industry for more than thirty years. Initially, Hazen laminated foil to lottery board which gave the industry the ultimate security for scratch-off games. Because of its total opacity, the foil layer was able to insure that lottery ticket numbers could not be read when held in front of an intense light. In addition to providing the ultimate in security and integrity, Hazen's foil tickets are now being used for graphic enhancement by providing scratch-off games with a premium, "eye-catching" look. Some of the most successful lotteries in North American

Robert Hazen

Executive Vice President, Hazen Paper Company

and beyond are gravitating to foil more than ever before. Lotteries such as Ontario, Camelot, Lottomatica, New York, Minnesota, Florida, Illinois, New Jersey, and Georgia are all using Hazen foil products today.

About 15 years ago, Hazen Paper introduced the first holographic instant game with the Illinois Lottery. Since that point in time, Hazen has remained the leading supplier of holographic board for the international lottery marketplace. To date, Hazen has provided holographic lottery board for games produced by more than fifty lotteries worldwide.

What exactly are "holographic substrates" and how do they enhance the appeal of the game to the consumer?

R. Hazen: Hazen's transfer holographic substrates are created by using lasers to micro-emboss an extremely thin layer of aluminum containing only 300 angstroms of metal. This microscopically thin layer of metal is comparable to that of the inks being used in the printing of scratch-off lottery tickets. This thin aluminum layer is then transferred onto the surface of lottery board, and then special coatings are applied to insure the proper adhesion of the inks and latex scratch-off layers that are applied by lottery printers. Hazen's transfer metallized holographic Envirofoil® products are all environmentally friendly and every ounce of Hazen's foil and holographic scrap is recycled. We take great pride in our recycling efforts which have been in place for years.

The reason that Hazen's holographic games enhance the visual appeal of instant games to the consumer is that they're exceptionally eye-catching. This is because they create visual effects such as continually changing colors, three dimensionality, and they can also simulate the effects of movement. This results in consumers' eyes being attracted to holographic games, which has been confirmed by their superior performance in the marketplace.

What types of games are best suited for use with your foil and holographic substrates?

R. Hazen: The best uses for foil and holographic substrates are for games that you want to appear either special, such as a lottery anniversary games, or more valuable. Holography is generally used with higher price points games (\$5 or more) to add perceived value and differentiate these games from lower priced offerings. That said,

we have seen several successful "Series" games where holography has been used across a number of price points sharing similar graphics or themes. Doing a series approach allows the lottery to spread the cost of the holography across both high and low price points. Foil games, because of their lower cost, can be used to cost-effectively add impact to even the lowest priced games.

Can you describe some of the actual results you've seen so far.

R. Hazen: Since holographic games were introduced, lotteries have typically reported that they have experienced sales increases for their holographic games of 15% to 30% when compared to comparable conventional games. Depending on the face value of the game, the cost of the cost of holographic material is fully absorbed with a 1% to 6% increase in sales, so the ability of holographic games to increase both lottery sales and profitability has been acknowledged in the industry.

Recently, the first quantitative test of a holographic game was conducted by the Tennessee Lottery in which holography was isolated as the only key variable. When four months of sales for this game both with and without the holographic background were compared, the holographic game outperformed the plain board game by 79%.

What has been the biggest obstacle that you have faced with the marketing of holographic games?

R. Hazen: Because holographic games cost more than conventional games, budgetary restrictions are typically used as a reason that holographic games cannot be run. However, when looked at from a big picture perspective, when the increased sales of holographic games are built into the equation, it's typically found that the overall impact of the sales and profitability of holographic games is significantly greater than that of comparable conventional games.

Are holographic games used primarily for graphic enhancement, or can they provide additional security as well?

R. Hazen: Although scratch-off games are typically extremely secure, we have recently become aware of situations where the counterfeiting of scratch-off games is becoming an issue. Because of the complexities and highly specialized equipment used with the production of holography

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EXPANDING RETAILERS AND POS'S: LOOK TO THE E-RETAILER

By Brian Roberts, President, North America,
Jumbo Interactive; www.JumboInteractive.com



Jumbo Interactive began as an off-line Lottery retailer in 1984, selling TattsLotto in land-based retail stores in the Pacific Islands off the coast of Australia. We continue to operate there today, providing a full portfolio of instant and draw games under an agreement with the lottery licensee. In 1986, to make operations more efficient, Jumbo developed its own online gaming system and terminals that linked into Tattersall's gaming system in the state of Victoria. Our roots and our consumer connection are with the traditional lottery player who buys at retail. That's important because it

informs, and continues to inform, our whole approach towards delivering games that appeal to the core player as well as new-style games that attract new consumer groups.

In 2000, the Australian government passed legislation prohibiting all forms of gambling over the Internet, except for lottery draw games and sports betting. Jumbo then decided to leverage its interactive retail channel "Jumbo Mall" to pursue this opportunity through the sale of several charity lotteries. Within a short period of time, it became apparent that the Internet and lottery sales were surprisingly compatible. They complemented each other such that the Internet channel actually supported retail sales and reinforced the consumer connection at retail. In 2004, Jumbo set about with a new business model to leverage the intelligence gained by its successes in both channels, build on this mu-

tually supportive relationship between retail and Internet, and expand its retail license with Tattersalls to Internet sales. Subsequent to its success with Internet sales for Tattersalls, Jumbo became the e-retailer for the New South Wales Lotteries and the South Australia Lottery prior to those organizations being privatized by Tattersalls.

Since the early ground-breaking sales of lottery over the Internet, Jumbo's unique e-Retailer program has evolved, not only in terms of sales but also features and functions. The e-retailer program actually does exactly what all lotteries have been doing for years; expanding distribution through a diverse network of brick and mortar retailers across multiple sales channels. Jumbo's program replicates that practice but across the Internet. Jumbo forges relationships with existing lottery retailers and affiliates to maximize the number of touch-points across the web. This strategy creates exposure and enhanced awareness for lottery and for providing convenience to players and potential players. A good analogy is the travel industry, where each airline has its own web-site but they rely heavily on e-commerce through a host of online retailers such as Orbitz, Kayak, Expedia, etc. It would be misguided for airlines to limit consumer access to their own web-sites. Similarly, the single lottery web-site only attracts those who are already buying lottery, already know the brand and the lottery website, and thus restricts sales potential.

Jumbo's model touches players and potential players as they live their lives – whether it be surfing the web, looking for news or sports results, visiting an existing lottery retailer, or viewing their weekly news flier. Even at the traditional retail point-of-sales or browsing their weekly fliers, smart-signs engage the player through QR, NFC and GPS technology, and track subsequent lottery purchases back to the retailer.

We all know that most if not all lotteries have restricted marketing budgets, which tends to result in a one-size-fits all approach to point-of-sale, advertising and promotions. Yet all lotteries have that handful of retailers who are the peak performers, who set the bar higher and create a retail environment that allows them to far exceed the sales of similar retailers. Jumbo's niche is in creating that special retail environment that achieves stretch goals for its retail partners and affiliates. We do that by adding value to the lottery purchase through our CRM, loyalty program, sweepstakes, second chance drawings and special promotions. The key to our program is that the funding for all of that comes from Jumbo, not the prize fund. In that sense, the program is "budget-neutral," having no impact on the marketing budgets and so taking nothing away from the existing advertising, promotions, and marketing of a lottery's products and traditional retailers. The Jumbo's clientele have an array of purchase options from combination bet types to group play and social group play and an

run by a local newspaper, TV or radio station, and their websites. While stories of a new Powerball millionaire being created doesn't immediately drive a big jump in sales – like a big jackpot story does – these local stories do get the brand out there and show that, besides the bigger jackpots, New Powerball is regularly creating millionaires all across the country. From a national view, few know that New Powerball created over 500 millionaires in the first 13 months of sales. And MUSL Committees are currently working on new marketing, promotional, and game features that should help to maintain interest in the game at lower jackpot levels

If it's less about "jackpot fatigue" than "press fatigue," why couldn't MUSL hire a full-time publicist whose job would be to stimulate more press coverage of the multi-state games, especially on the national level but really on all levels? Why couldn't we try to convince the general mass-media press to give as much coverage to jackpot levels as it does to sports events and scores and such?

J. Haynes: When the Powerball jackpot is getting wall-to-wall coverage, we do sometimes see efforts from firms to help us, but we just don't need it at that time. MUSL makes good use of the experience available in the state lotteries to identify the talking points and to get them out. If you take a look at the coverage during the last big Powerball jackpot run, you can see that stories were everywhere and that the press covered the points we wanted to

cover; and was incredibly positive.

Any ideas on how to get more traction and accelerate the run-up early on in the Powerball game?

J. Haynes: The New Powerball game already does that with the guaranteed jackpot starting at \$40 million and minimum jumps of \$10 million between jackpots. The two committees I mentioned earlier, Marketing & Promotions, run by Cindy O'Connell, Secretary of the Florida Lottery, and the Development Committee, run by Arch Gleason, CEO of the Kentucky Lottery, are working to boost sales for those starting jackpots. They have a number of innovative ideas that will be refined and then submitted to the Board.

Any news about GeoSweep and MUSL? More specifically, are there any ideas as to how to facilitate the integration of innovation and new games from smaller suppliers who are not able to comply with terms of indemnification or other conditions that create high barriers to entry and effectively impede innovation?

J. Haynes: Right now, MUSL has a lot on its plate, including changes to Powerball and new games. The GeoSweep concept is just one of the new games under development. Indemnification is still an important issue for most lotteries, with patent issues now an added major concern. But lotteries know that changing conditions will compel us to find new solutions and evolve some of our past practices.

Are there ways that MUSL could integrate social media, or some other internet-based tools and vehicles, into the multi-state games?

J. Haynes: Some new features and concepts for all our games include all of these things as we reach for a new demographic and find new ways to reach our current players. During the world record Mega Millions jackpot run, we saw the website hitting 1.3 million current connections and nearly 40% of that was from mobile phones and tablets. Those are some amazing numbers. It seems a natural and easy move for those players who now can only check draw results. Live Powerball draws should be available on mobile devices this month and other games will follow.

How can we improve our public relations and messaging processes?

J. Haynes: It is important for us to focus on new, creative and innovative messaging when describing our current and future product offerings. Messaging is critical if we are to keep the consumer informed, our products viable, and our businesses growing. But I do not think of it as "public relations." The kind of messaging we need is most effectively realized when it reaches the market specific to a product. The consumer responds much better to that kind of focus, and it's important for us to be able to measure impact and results; and also to ensure we are indeed hitting the target market and accomplishing a material objective. ♦

Expanding Retailers and POS's: Look to the e-Retailer ...continued from page 44

extensive set of tools and features that add some fun to selecting their numbers.

All successful businesses throughout the world have embraced the Internet to extend their retail reach, while enhancing distribution and operating efficiencies. While we recognize the social and moral issues that surround Internet gambling that has been created by the off-shore i-gambling casinos, the lottery industry really needs to change the dialogue, to re-frame the issue. Using the Internet to extend and enhance the distribution of lottery products is not Internet gambling; it's providing the player the convenience of e-commerce to purchase traditional lottery products that are played off-line.

Consumers are rapidly adapting to an environment in which merchants provide multiple points of access and interaction.

They have come to expect it. Creating this new category of retailer, the e-Retailer, is the low-hanging-fruit method to stay connected to the modern consumer and allows the Lottery to effectively utilize the Internet as a convenient sales channel to drive incremental sales and revenue for good causes. Of course, in doing so, it attracts new consumer groups. Perhaps more importantly, though, is that the e-Retailer keeps the operator in step with its core players. Everyone is "online" and expects their Lottery to be online with them. The result for Lottery is an engaged consumer, an increasing player base, and increased incremental sales. Increasing retailers and POS's is a part of every lottery's agenda. What we are proposing is that you think of e-Retailing like any other retailer. And we have designed a program to enable

the lottery to integrate the Jumbo Interactive solution right into the existing business model of the traditional lottery.

To be clear, Jumbo is not a lottery vendor or a systems supplier. We are a lottery retailer that has harnessed technology to effectively sell lottery products over digital channels. Our e-Retailer model has been described as a budget-neutral offering as we earn the retail commission like other retailers but we provide so much more. Perhaps Budget-Neutral-Plus is a better description, because we create the extensive web based retail network of touch-points that: i) provides convenience to regular plays and ii) engages potential players and converts them into players and we advertise and promote extensively at our own cost to drive and maximize lottery sales and revenue for good causes. ♦

propositions that appeal to different consumers for different reasons. The World Game will not be just another jackpot game with two draws a week and otherwise function like Powerball and Mega Millions. We need something distinctive. We might consider a quarterly event draw much like some of the traditional products in South America, or like El Gordo in Spain. Of course, we would need to build a branding strategy that would have universal appeal. The main thing is that, as we expand the number of products, they all get positioned to expand the market. That will be accomplished by refining our ability to further segment the consumer market and target more precisely defined player profiles. The very concept of a global game provides an exciting foundation for new branding and promotional strategies.

I should add that I think that the future of multi-jurisdictional games may not be limited to national games or the World Game, but will likely include smaller regional games operating in maybe six or ten or fifteen lotteries. The regional games allow the individual lottery more control and in some ways may be easier to integrate into the broader portfolio of lottery products.

A big theme in Europe is corporate social responsibility (CSR). Is that a theme that will become important in the U.S. as well?

R. Hargrove: It already is, though most U.S. Lotteries have not yet figured out how best to develop and implement the full concept. This was the topic of the keynote speech at the last WLA/NASPL event, the World Lottery Summit in Montreal last September. It was delivered by Professor Michael Porter of Harvard University and maybe the most renowned management academic/consultant in the U.S. He talked about how corporate social responsibility is much more than a useful adjunct to a public relations agenda. The consumer has become aware of the culture and ideals of companies and they now seek to affiliate with companies whose values and ideals are similar to their own. Think Whole Foods, Apple, Starbucks, Toyota Prius. Think about how Nike had to re-arrange its whole manufacturing apparatus because using low-cost labor in foreign countries conflicted with the world-view of the status-conscious consumer who paid a premium for their shoes. Professor Porter pointed us in the direction of understanding the tremendous intrinsic value to society that Lotteries possess and encouraged us to find ways to really integrate it into the brand.

European lotteries are ahead of U.S. lotteries in this because their markets are being opened up to competition, especially in Internet gaming. So they are being compelled to leverage every aspect of their model to add value to their brand. More so than U.S. lotteries, they really need to differentiate themselves from the commercial operators, and find ways to brand that difference. So they're blazing a trail for us in Europe and we'll learn from them and likely apply some of their methods in the U.S. It is not an easy thing to do because it's not just a matter of talking about the Good Causes that Lottery supports. It's a more nuanced challenge to create that emotional bond, and brand that connection, in ways that truly add value to the relationship between Lottery and player—and society at large.

My team just got back from a corporate responsibility and responsible gaming conference in British Columbia which opened their eyes to ideas that are just not prevalent yet in the U.S. But we need to actively seek out the ideas that may not be top-of-mind right now but are emerging and will be important in the near future.

I have been thinking about the concept of managing risk and avoiding mistakes. Am I wrong in thinking that the burden of proof for a proposal lies with those making the proposal, and that those opposing change are not under the same expectations to defend their position? It seems to me that we should look at the decision to not move forward with a promising proposal as itself being a proactive decision. Shouldn't we consider the cost of delaying a decision to move forward with a proposal that promises to produce revenues and profits?

R. Hargrove: You're preaching to the choir. I don't disagree with your basic point, but would point out that lottery directors really must avoid putting their brand or their reputation for integrity and security at risk. Even so, lotteries would clearly deliver more funding to Good Causes if they were to apply a more effective risk-assessment model, with cost-benefit analyses that gave more weight to the cost of delaying decisions to move forward with positive changes.

There is another impediment to progress – namely, the impulse to over-reach with ambitions that are not likely to be adopted. I don't think I've ever been accused of lacking the will to push for positive change. But seeking radical transformation may be the bigger impediment to real progress. Realizing progress in the real-world is first and

foremost a matter of practicality, how best to make it happen. And when attainable progress requires the support from the leadership of the industry, as it often does, we need to shape our efforts to recognize that reality.

Powerball increased by some 78% in Q4 of 2012 over Q4 of 2011. Pretty phenomenal.

R. Hargrove: The main thing it implies is that the way to expand the portfolio of games in the lotto category isn't so different from the methods that worked so well for Instants: Multiple price-points and differentiation of the games. The core lottery players understand the games and will play to maximize value. So the pathway to increased revenues is a variety of price points, which is not a hard thing to do; and more variety in the games to appeal to different player styles and buyer motives, which isn't so easy and requires more creativity.

One of the big changes to Powerball was that, in addition to bigger jackpots, there would be more millionaires. We've just had our 500th millionaire since changing Powerball to \$2. Five hundred millionaires in just over a year! That's pretty exciting and it creates lots of great local press. But we're not resting on our laurels. We are looking for even more enhancements to increase interest in the \$40 million starting jackpot and to ensure that the revenue growth continues.

I think it's odd that consumer studies that talk about the gaming industry in general insist that Mobile will be the device of choice for gamers in the future – yet people in the lottery industry seem to be convinced that Mobile is a non-starter for lottery.

R. Hargrove: Surveys that ask about things that people are not familiar with do not always yield accurate information. As Steve Jobs said, surveys would not have revealed consumer interest in any of the innovations that Apple produced because the consumer does not know what they will like until they see it and understand how it makes their life better or, in the case of gaming products, what they will think is cool and fun to play. That does not mean we shouldn't survey or pay attention to survey results; just that we should consider their limitations. As you point out, there are surveys which indicate that Mobile will be the device of choice for young adults to connect to the Internet. Clearly that has important implications for the Lottery industry, and we dismiss such findings at our long-term peril. ♦

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ies should want to create a customer base that migrates back and forth between off-line retail stores and online. The online relationship is what will inform every aspect of product development and promotion. It also creates the opportunity for the operator to communicate directly with the player. New product ideas and promotions can be delivered online that drive off-line retail sales. It is often said that we need to go online because that's where the consumer is. The reality is we need to migrate the consumer to online because that's where the operator can create the connected relationship that will drive success in the off-line world as well as the online world.

How do you see the U.S. market evolving in the interactive space?

I. Rosen: We see a trend towards best-of-breed to deliver superior performance. Clearly, innovative content is key for success and it is going to come from multiple suppliers. There really is no technological obstacle to enabling a dynamic flow of content coming from a number of sources. Obviously the lottery needs to maintain the highest standards of quality assurance and security. Many vendors are not able to meet those high standards and that fact reduces the number providers down to only the best and most experienced and qualified. The same has happened in the Casino land-based market and it happens in online as well. We might call it the multi-sourcing model, enabling a larger number of commercial partners to help lotteries innovate, evolve, and deliver the maximum value to the consumer. The goal is to produce the best operating performance to maximize profits for Good Causes. And it is vital that lotteries clear a path for that to happen. Nothing stifles progress more than the inability to exercise freedom of choice. The private iGaming industry in Europe has already reached a maturity of technology integration that has become a de-facto standard way of working between experienced game providers and a central management system. This model has been adopted by lotteries in Europe as well and will probably make its way into the US market as well. In fact, the Canadian lotteries are adopting a similar strategy as they prepare to introduce their second phase of online offerings. But the movement towards multiple suppliers does need to be driven by the operator.

Your NeoSphere is a platform that facilitates the integration and inter-operability of multiple game content platforms?

I. Rosen: Exactly. Among other important modules for Player Management, Customer

Care, Marketing, Payments and more, our NeoSphere includes a Game-Server module that has a dual-end integration ability. On one hand it connects with existing iGaming or iLottery PAM (Player Account Management) systems and on the other hand can connect 3rd party game libraries to it. It may sound complicated, but in the iGaming industry it is really an almost de-facto standard that was created in recent years to facilitate the basic desire of iGaming operators to add significant content providers into their offering. This module has been implemented in lottery operations all around the world and works well.

As a supplier to i-gaming operators, NeoGames decided to focus on lottery and government-sponsored operators. Why was that?

I. Rosen: We do have good relationships also with our regulated private gaming operators in Europe. The thing is, our focus has always been on the soft-gaming products that appeal to the lottery player. We have found that the core customer base of commercial i-gaming operators is the hard-core gamers playing Casino and Poker games and not the soft-gaming products like Lottery Instants. We have also found that the hard-core gamers do not tend to convert over and play the soft games. Instants are becoming a side-dish to their main meal. The hard-core gaming market is focused on making high revenues from a relatively very small number of VIP players. It was only natural for us to see that, given our corporate DNA, our success lies with Lottery and so therefore our focus should be on cooperation with lotteries. Instead of small target group of high-profit VIP players, Lottery focuses on a mass audience brand with customers seeking lower risk entertainment products and marketing approach that is consistent with that as well. For Lottery, our products are clearly the main dish on the menu and that's why our innovation flourishes in the Lottery space.

Our most recent addition to complete this offering is our new Bingo platform. Bingo is a soft-game that migrates lottery into the realm of longer-play, higher-entertainment consumer experience. We believe that US lotteries will in time be able to launch Bingo solutions to their markets and that it will become an integral part of their offering

The percentage of gaming done on mobile is increasing faster than any other channel. Won't Mobile drive a further re-invention of the games themselves?

I. Rosen: The mobile business is the fastest growing channel for our customers and

we are highly invested in the goal of helping lotteries take full advantage of that space. We started very early with Mobile, 2009. For a long while, revenue growth in the Mobile space as very slow. Only once the smart-phone market reached a mass penetration, a tipping point occurred and we now see a striking hockey-stick jump in revenues. For the moment mobile revenues are at a point of ~25% of the online revenues. But they are growing fast. Due to this, we've tripled our investment in the mobile team across the different layers and we are planning to almost double our offering in 2013 from about 14 games we have today to as many as 25 early next year. There will be a focus on optimized versions for Tablets as well as mobiles.

Lastly, an important part of an effective online program is its ability to cross-promote with land-based retail, and otherwise enlist the support of retailers.

I. Rosen: Obviously the issue of how to get the retailers support is of a highest importance to lotteries in the US. I know that US lotteries have been shown numerous cases from Europe demonstrating that launching online did not hurt retail sales at all. Actually, retail sales grew even though the approach of European lotteries did not include deliberate strategies to support their retailers, certainly not to the extent that North American lotteries are doing. One strategy I have seen for helping the different channel partners to adapt to change is to identify the 5% who are leaders and focus on them and get their support. Change of any kind relies on the leadership of a small group of early-adapters. Once others see how change benefits them, they are more willing to jump on-board to be a part of the leaders of the future. The case of Loto-Quebec and how they have built a cooperative relationship with their retailers is impressive. They have shown that it's not only possible, it actually benefits all parties including retailers.

We just need to communicate with all our channel partners that an effective online strategy both expands the market by bringing in new consumer groups, and engages the current customers in a multi-channel approach. As has been repeated in various interviews in your magazine, Paul, the lottery player who buys through more than one channel is a much more engaged and loyal customer. Everyone wins, including the land-based retailer. And this fact is being demonstrated in lotteries all around the world. ♦

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fact, it seems like the concept of innovation in lottery has become almost synonymous with new media technologies. I think that's a mistake on two counts.

First, retail is where Lottery's sales have always come from. Land-based retail accounts for 99% of our sales. Maybe that will change a little as lotteries begin to sell over time. But don't expect major change because that will not be happening for the foreseeable future. Witness the growth rate of Internet sales in lotteries with mature i-lottery programs. The Canadian lotteries and many in Europe and Australia have been selling over the Internet for many years and land-based retail still accounts for over 90% of their sales. Finland and a couple other lotteries have deliberately moved a larger portion of their sales over to the Internet. But they are definitely the exception.

Second, there is huge potential to innovate at retail. I think we will see quite interesting changes in the retail space. Leaders in the consumer products marketing space are recognizing that the business will never migrate en masse to the Internet. So there is a lot of very exciting activity in the business of retail and creating a more enticing consumer experience at retail. I also would like to weigh in that the pathway for innovation exists in all areas of the business, including or perhaps even especially land-based retail. And that we should not think that the Internet is going to "change everything." It hasn't and it won't – not for the way that lottery is distributed. Retail is king, and we need to allocate our resources and creative energies towards optimizing the consumer experience at retail.

Powerball has performed very well after the increase in ticket price to \$2. Mega Millions has not done so well. The aggregate results are a significant net increase, so that's good. But don't you need a better pathway to sustainable growth?

B. Roogow: Of course. These games are presently based on high jackpots. We need to find ways to refresh the product and engage the consumer without depending on stratospheric jackpot levels. The constant re-set of consumer expectations to higher jackpot levels produces an unsustainable business model. Mega Millions is already struggling to beat this syndrome. The Powerball brand

is strong enough right now but it's hard to imagine how even it will be able to keep hitting expectations that get bigger and bigger. Mega Millions is looking at ways to renovate its game, to refresh its game. I believe they'll move forward on that in the near future. Powerball is also looking at ways to make the game more exciting. Both games need to provide prizes that capture the imagination of the public with a wide variety of lower level prizes. And yes, creating a strategy for long-term sustainable growth is definitely top-of-mind for all of us.

And how will the pending national Premium game be integrated into the mix?

B. Roogow: The Premium game will likely have a \$5 price point and be positioned differently in many important respects. That's the challenge with launching the Premium game. We need to have a clear plan on how we'll make the Premium game worthy of national publicity. We need to have a more comprehensive strategy for engaging the public on a national level, as opposed to a new game that is offered in different states but with a promotional mechanism that is essentially local to the state. I believe that for the new Premium game to work, we need maximum participation from all the lotteries. Then, we need to engage major companies, big consumer products brands, to get involved in co-branding and collaborative promotions of the game. We need to overcome obstacles to distribution through national chain stores, the "big-box" stores. We need to have a strategy to loop in social media in a big way. We need to have a larger variety of prizes, including experiential prizes, like exotic trips and Super Bowl tickets and the kinds of experience or prizes that corporate participation is needed for us to make it happen. Hopefully it will include a television component and perhaps other national media partners. The thing is, we need a national audience and we need to think and act like sophisticated marketers who succeed at this kind of grand plan to launch a new national consumer products brand.

The multi-state games have always been managed by the MUSL and Mega Millions Groups. I would think that NASPL could help the process. Does NASPL have a role in this?

B. Roogow: NASPL is not going to try to take the place of MUSL or Mega Millions in terms of game design or administration. But NASPL could assist with research and surveys that contribute to our common goal of understanding consumer behavior and how that manifests itself in the lottery industry. NASPL also is the only organization that represents all the lotteries. So it already needs to have a refined process for managing the message for our industry and for getting that message into the national media. And NASPL is spearheading efforts to consolidate positive relationships with the retailers and the retailers' associations; and studying ways to improve performance at retail. NASPL could play a major role by trying to get some of the big-box stores to carry our products. The basic idea is that NASPL would like to use its resources to help its members in any way it can. But NASPL does not and will not have influence over the management of the multi-state games.

I know there are limitations to what NASPL can do in the realm of political action. But insofar as it is in the interest of the majority of the membership, couldn't NASPL use its position, as spokes-person for its members, to assert a political action agenda?

B. Roogow: Absolutely. I don't know that I would characterize it as a 'political action agenda'. But NASPL can and should contribute to the national dialogue on matters that affect its members so profoundly as regulatory legislation does. I think we showed that we could do that in December when NASPL organized the mission of lottery directors to meet with legislators in our nation's capital to inform and educate them on the implications of the Reid-Kyl Bill. That bill, which would have severely impaired the interests of states, their lotteries, and the Good Causes supported by lotteries was not brought forward. I'm sure there are many factors contributing to that outcome; however, NASPL and its members did play a role in that process. I do believe that NASPL can play an even more substantive role in the national legislative dialog.

What is the state of the National Standards Initiative (NSI)?

B. Roogow: Procurement is so much

different for lottery than other governmental agencies. The NSI is an ambitious effort to raise the standards for government procurement as it applies to lottery, and to get lotteries onto a common IT platform that enables us to collaborate more efficiently. We're continuing to promote the NSI so that all lotteries can be on a similar platform. Many states have adopted it and we hope that all states, or as many as possible, will become certified. It is a dynamic process, evolving and improving over time and to keep up with changes in the industry.

PGRI is one of many who appreciates the ability to be a part of NASPL that the affordable Associate Member program makes possible.

B. Roogow: NASPL has to continue to expand its outreach to vendors. The Associate Membership program has been incredibly successful. It's good for you but it is also very good for the Association; not so much for the income it generates, but for engaging a broader cross-section of support from people connected to lotteries. Basically it greatly expands our stakeholder base which is so important for us to do. Now we get advertising agencies, game design firms, publishers like PGRI and Lafleurs, and many others who become interested partners in our mission to serve the members and the industry. David Gale is just providing terrific leadership in this area of reaching out to the community of corporate supporters.

Designing Contracts that drive performance, encourage innovation, and lower the barriers to entry into the lottery industry

To what extent is operational effectiveness, and in the end business performance and results, determined by the contracts that define the relationship between lotteries and their commercial partners?

B. Roogow: As marketers of consumer products, lotteries operate in a business environment that other governmental entities do not. Still, lotteries also operate within the forms, rules, structures, and culture of government. Our procurement processes are geared towards acquiring goods and services at the lowest price possible. The result is good in the sense that the competitive environment has resulted in a business model with

phenomenally low overhead and business costs. It is not necessarily good in the sense that lottery, as any business, is about much more than keeping costs down. In fact, keeping costs down is only half of the equation, or less than half of the equation. The other half is producing the desired outcomes. Increasing sales would be one of those outcomes that needs more focus. Contracts that support better alignment between lottery operator and its commercial partners would keep costs down and create the potential for producing a far better outcome. This is a problem because lottery is a fundamentally top-line driven business. The margins are very high so any increase in sales produces income that way offsets any increase in costs. I am certainly not advocating that we be less prudent in cost control. I'm just pointing out that lotteries should function more like entrepreneurial enterprises and focus on outcomes as well as costs. And that goes back to the contracts that lie at the heart of how lotteries collaborate with their commercial partners to produce those results. We need to evolve the ways that contracts are designed to elevate the focus on sales and other outcomes.

I would think that state legislators might look at results being produced where a Private Manager has the latitude to operate more entrepreneurially. And then, instead of turning the business over to a Private Manager, they simply employ the 'best practices' that are observable in those operations, or any operations for that matter. They might observe that increasing the advertising budget and allocating more resources towards retailer support and enlisting more retailers produces an ROI that is completely off-the-charts. What is the likelihood of something like that happening?

B. Roogow: The procurement laws that lotteries operate under are not designed to support a market-driven enterprise. But I agree that change is happening. State legislators are observing these different attempts at new approaches. The Private Manager model should open their minds to the rich possibilities that various approaches to outsourcing and incentivized contracts could produce.

How can contracts be designed to smooth a path for third-party solutions to be integrated more easily into the business operations?

B. Roogow: Let's look at the Instant side of the business for part of the answer to that. Most lotteries have contracts that assign a prime vendor but include the option to buy from additional vendors. So, vendors other than the prime can propose great ideas that the lottery can choose to implement. The online contracts are more problematic because there is a big up-front capital investment with the installation of a central system and terminals and such. But as innovative solutions are being developed by a larger number of vendors, lotteries do need to adjust the online contracts to facilitate the acquisition of these third-party solutions.

Like myself, many lottery directors prefer to work through as few a number of vendors as possible. There are costs to bidding and establishment of new vendor relationships that we like to avoid if possible. So we try to persuade our primary systems vendor to enter into contractual relationships with software and third-party solutions providers that enable us to obtain new games or transaction-processing technologies such as Racetrack games or Pay-at-the-Pump technology. You're right, though, that the framework that facilitates that starts with the prime vendor contracts. Stipulating terms and conditions that mandate cooperation and providing incentives that enable all parties to share the rewards must be built into the contracts. As our understanding of these issues improves, that should be a very doable thing.

But state procurement rules can still be an intractable obstacle, correct?

B. Roogow: Not necessarily. But the problem is that nothing happens quickly in state government. Markets, consumer tastes, technology ... everything is changing quickly. And now we were just talking about how changes in contract design could help to create better alignment between lotteries and their vendors and to smooth a path for third-party solutions. The problem isn't that state government and their lotteries can't adapt. It's that by the time we adapt, everything has moved on to new issues so it is difficult to get in step with what needs to be done right now. ♦

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on emotion as anything else. We need our brand to evoke an emotional response from the consumer. It's not just about selling the product. It's about connecting with everyone, and the connection that matters most is largely emotional. We need the retailer to feel good about the Lottery, the products, the Lottery people they interact with and the image that the Florida Lottery represents. We need the general public to feel good about the Lottery and to connect with us on an emotional level regardless of whether they like to buy Lottery products. The same is true of our political constituents. And we need the staff at the Florida Lottery to have a deep, emotional affiliation with their mission and to have a self-image that reflects the positive and ambitious goals we have for the Lottery. In perhaps the most important ways, branding is all about that emotional connection.

Florida's Way to Play is our brand platform and heads up what we call our "essence statement." It's not a tagline or mission statement. It's our guidepost that includes an emphasis on emotional content, the True North that we returned to on a regular basis to make sure we stayed on track. Once we had that, everything else followed and fell into place.

I would think that grasping the emotional essence would be a tricky thing to accomplish.

C. O'Connell: It's not like we sat down and ruminated about the emotional essence, but it was an underlying objective throughout the entire process. Instead of measurable objectives, we worked to clarify our aspirational goals, and used that as the guidepost for our research questions. It's crazy it had to be so complex, but we just felt like we should use this opportunity to refresh not just the brand, but our corporate mission.

Did you set out in the beginning with these broader objectives, or did they sort of reveal themselves as you went along in the process? Did you have to adjust the budget upwards as you saw how much more could be accomplished?

C. O'Connell: Actually, we could have gone higher in the budget. In some ways, this process sidestepped some of the conventional activities involved in a major rebranding. In fact, we started out with more on the agenda in terms of surveying and redoing POS materials and creating the brand guidebook. I wasn't comfortable with the direction things were going and decided to cut through some of the conventional procedures that I felt were interfering with our ability to grasp and

pursue the real purpose of the rebrand.

Which is to create that emotional connection.

C. O'Connell: Well, yes, but in terms of execution, to make it all happen more quickly than standard operating procedure would normally allow and avoid spending money where I did not think it was making a difference.

It sounds like the concept of rebranding invites a level of Imagineering that can get out of control, not just costwise but also losing focus?

C. O'Connell: You're absolutely on the mark. Some people approach it from the point of view of "out with the old and in with the new." I feel that it's important to first identify and capture the positive aspects of our cultural heritage and image and to celebrate those just as much as promoting the new changes. We're trying to set the stage for the next 25 years. There is so much for the Florida Lottery to be proud of in our first 25 years, and we certainly don't want to lose that. We want to celebrate that.

You know, operational efficiency and business effectiveness are hallmarks of our brand too. We want the rebranding effort itself to be a reflection of those core values. So we want the effort to reflect a willingness to use what is still useful, and to respect the asset value of all that has transpired prior to the rebrand. And we do not want the appearance of an extravagant campaign. That would not only be wasteful, it would not be consistent with our core values of efficiency, prudence and respect for the traditions that have made the Florida Lottery the success that it is today.

You talk about the emotional connection, using that word a number of times. That seems to point at the aspect in which rebranding isn't just about image and perception.

C. O'Connell: In the end, perception always catches up to reality. The emotional connection is what's genuine and real. The emotional reality shines through without deception or obfuscation. It's got to be genuine. That is why everything we do, the advertising and promotion, needs to be true to the core values that the Florida Lottery stands for. Without that comes what psychologists refer to as a cognitive dissonance, a perception of the world that is conflicted. Nothing limits the clarity and impact of your messaging and image more than that. Everything must align so that the consumer has a simple, straightforward and consistent impression of who you are and what you aspire to be. And the litmus test for that shines brightly in the emo-

tional connection.

We felt that it was important to remain consistent with our traditions, and to ensure that we preserved the emotional connection of the old logo and transition it over to the new logo. And so we did that through color schemes and similar design patterns that kept that emotional hook intact. There is an invisible thread to the past that can be extended but mustn't be broken. We just brought it to a new place.

So we looked deeply inside our own organization. And we did extensive research on what people outside of the organization thought of us, how they felt about the Lottery. Then we worked collaboratively with our retailers to set the tone for a mutually rewarding relationship going forward. It wasn't until all this was done that we began to think about the logo itself, and to survey people's feelings about the logo. The overwhelming consensus was that it was time for a refresh.

But you kept the flamingo.

C. O'Connell: Yes! We did not realize it at the outset, but everyone loves the flamingo. It absolutely is one of the pillars of our whole rebrand. We call it Flamingo Pride. Integrity, funding for good causes, player protection are some of the values that all lotteries stand for. But what makes the Florida Lottery unique? The research revealed that the old brand evoked an emotional affiliation with images of setting sun, calm waters, tranquility and trust. But not excitement. We wanted to migrate to today's social media environment, which is engaging, active, vibrant and moving. The research also showed that the iconic flamingo was the one item that retailers and players said we could never abandon. We live in a beautiful state with great weather that attracts visitors from all over the world. We want to celebrate with everyone the spirit of joy and optimism and energy of being a Floridian. So the flamingo had to stay and just be recast to be the symbol of youthful, fun-loving exuberance. That's what Flamingo Pride is all about.

Expressing Flamingo Pride in your logo goes a long way toward preserving that emotional connection that's been a part of the Florida Lottery from the beginning. That probably gives you a lot more flexibility to be edgy or adventurous in other aspects of the rebrand?

C. O'Connell: That's it exactly. Flamingo Pride became the anchor, the pillar of our image and with that set in stone, we are able to play around with many different

ideas and approaches.

For instance, we are hard-wired to not mess with the flamingo and we do not use that image in anything other than the logo – almost a reverent respect for that flamingo. So we generated a lot of buzz and kudos when we digressed from that rule and had the flamingo actually wink in an animated commercial. Shocking! Scandalous! But be assured that kind of daring will not likely be repeated any time soon!

That's so funny. It's like that one tiny little wink sort of pokes fun at the whole status of the flamingo as a precious icon. So the mission was to preserve the image of trust and cultural heritage, but add in excitement for a one-two punch.

Your rebrand is not just a consumer-facing campaign. Instead, you looped everybody in to the process. Were you clear that you wanted this all-inclusive approach from the very beginning, or did it sort of evolve as you went through the process?

C. O'Connell: I was very clear on that from the beginning. My professional experience prior to this was the rebranding of two universities, both multifaceted, billion-dollar enterprises. I saw some things that worked well and many that didn't work. If you do not engage all your stakeholders in the process, then they will not help you implement. Therefore, they must be part of the process to actively support it and help you implement. Frankly, we were careful to draw lines of responsibility and influence. We enlisted everyone's support but did not subject the material decisions to any kind of consensus-building process. Transparency and buy-in is important. But it's also important to avoid decision-making gridlock or bland creative resulting from attempts to integrate too many opinions.

I would think the business of rousing a big public relations bump in the beginning would be easy. But what can you do to sustain and extend it into the future?

C. O'Connell: Well that is the elephant in the room. That's why you need to look way past the basic pillars of logo redesign and the marketing campaign. You have got to look at your entire portfolio of games, how you operate the business, and how you compete in the marketplace. You've got to look hard at the future, visualize who you're going to be, and translate that back into action plans that can be implemented today.

Nobody likes change, including yours truly. That disposition probably informed my approach to ensuring that we not lose the asset value of our brand as it has been built over the past 25 years. But we do have to refresh and create a new energy. That requires change, and so we embraced the opportunity to reassess everything about the business. We moved deliberately but cautiously. For instance, it's true that we knew late last year that Mega Millions was approved for us to launch. But we wanted to wait for just the right timing to take full advantage of this event. We're launching Mega Millions in May now. We need to eke out every ounce of value from everything we do. So we did not want to do the Mega Millions launch at the same time that we were getting all the media attention for our rebrand. We did not want to diminish or distract from the rebrand. We do have some new games. We are placing additional media against key initiatives. But the challenge is that we've got to do more of the same, and yet do it differently, and do it with our existing portfolio of products.

I'm sure you used the rebrand as an opportunity to revitalize and motivate your retailers?

C. O'Connell: Yes, in a number of ways. The new \$25 Instant game enabled them to make more money. We designed and implemented lots of new and different promos. We did a comprehensive thank-you card campaign that is still going on. Thousands of Bright Futures scholarship recipients signed thank-you cards, and we staged fun events to give those cards to the retailers. Many of the retailers created beautiful displays right in their stores. They love them because it in effect is a testimonial for them. And we love them because they promote the Lottery. We did ads thanking our retailers, complimenting them for their contributions, and promoting goodwill that also helps the retailer connect with the consumer. We did something we called a "cup promotion" in which we distributed four million little heavy-duty Styrofoam cups for promotion throughout retailers in Florida. Customer who bought multiple tickets received a free cup of coffee – in a cup with the Florida Lottery logo. The retailers loved it, and it got our logo into the hands of four million consumers. Now we're looking at additional ways to remunerate retailers through incentive programs with the launch of Mega Millions.

We think of the consumer as being the customer. But for the Lottery, the customer really is the retailer, isn't it?

C. O'Connell: Right on so many levels. We had numerous retailer focus groups to help us better connect with them and, yes, we do absolutely think of the retailer as being our customer.

Congratulations for setting the Florida Lottery on course for the next fabulous 25 years! ♦

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Robert Hazen ...continued from page 42

ic lottery board, the use of holographic games, especially on higher value tickets, will significantly discourage counterfeiting, while at the same time, visually enhancing the performance of the games on that it's used on. We're currently developing multi layered holographic patterns with changing images that will provide an even higher security barrier against counterfeiting.

Have there been any recent innovations with your foil and holographic technology?

R. Hazen: Hazen Paper is always at the forefront of technological innovation with its foil and holographic materials. With foil, our objective

has always been to increase the reflectivity of the foil board to maximize its visual appeal. To accomplish this, we recently started laminating our foil to the coated side of lottery board, which has resulted in a significantly more reflective foil product. Our coatings and adhesives have been developed to meet the stringent security requirements of all lotteries across the globe, and to compliment each printer's printing technology.

We are currently in the process of introducing a new foil product called Transfer Reflector Envirofoil® which is our brightest foil product ever. It can best be described as having "mirror like" appearance. This particular product has

been used extensively in decorative and tobacco packaging to add an element of enhanced value.

With our holographic board, we are in the process of introducing a new line of patterns that combine all three of most powerful elements of our holographic patterns together. These new patterns integrate our new Lens technology with changing colors and moving shapes to create the most eye-catching holographic patterns that we have ever introduced. The New Jersey Lottery recently launched a \$20 game using our new "Star Struck" Lens pattern, and the sales of this holographic game are exceeding their expectations. ♦

FLORIDA RE-BRAND: A CASE STUDY

...continued from page 25

was an opportunity to do more with the flamingo, to bring him to life in a stronger way. Our research showed that people have such a strong affinity for the flamingo, that it only made sense to keep the flamingo and add more personality. When we showed the new logo side-by-side with the old logo, survey participants felt even more strongly about updating the old logo. The new logo evokes greater interest, more energy and excitement, and a broader appeal which we hope will generate more revenue for the Lottery and increase our contributions to education. Of course, we love the old logo, and it will always remain a part of our history.

B. YEAR OF THE FLAMINGO

With a variety of moving parts, from the approaching 25th anniversary to a comprehensive marketing and communications plan that was guiding our efforts, the "Year of the Flamingo" served as a brand wrapper that encompassed all rebranding initiatives.

The purpose of the "Year of the Flamingo" was to also serve as an umbrella theme to clearly and effectively communicate the core messaging of the Florida Lottery's past 25 years and our vision for the future.

The "Year of the Flamingo" kicked off in September with the introduction of our transitional logo, a modified version of the former logo, which featured the familiar flamingo but replaced the background with the "25 years of winning" and "Year of the Flamingo" slogans. The transitional logo was designed to be a reflection of our proud past while foretelling a new look to come.

The Lottery also carried out a number of campaigns as part of the "Year of the Flamingo." The first was hosting Ice Cream Socials at 13 of Florida's colleges and universities to recognize Bright Futures scholarship recipients. The Bright Futures Scholarship Program is primarily funded by the Florida Lottery, so we wanted to stop and celebrate the program and the promise of these young students as they study and prepare to carry our state and world into the future.

Next, in an effort to send a giant "Thank You" to our retail partners, Lottery retailers were presented with oversized "Thank You" cards that included hundreds of college student signatures collected at the Ice Cream Socials events. We felt the "Thank You Retailers" campaign was appropriate as our retailers are the backbone of our organization, the ones selling the tickets, and their efforts to promote and sell Lottery tickets deserved recognition.

We also launched new games as part of the "Year of the Flamingo" celebration that combined both nostalgic and reimagined elements. The special 25th Anniversary Edition MILLIONAIRE ticket, reminiscent of the Lottery's first Scratch-Off ticket, offered players the highest prize payout percentage ever in Florida Lottery history with more than five million winning tickets. Plus, like the original MILLIONAIRE ticket, the game featured a second chance giveaway of a \$1 million cash prize. In addition, the Lottery brought back a player-favorite raffle game, in the form of the 25th Anniversary MILLIONAIRE RAFFLE. This raffle not only offered a Grand Prize drawing on New Year's Eve, but also offered six weekly drawings for \$1 million!

C. IMPLEMENTATION/EXECUTION

1. Messaging

To successfully communicate the new brand, we developed core messaging focused on the 25th anniversary, education funding and specific messaging to expand upon each brand pillar. The messaging was tailored to each of our key audiences. The audiences identified in the initial branding strategy included: employees, consumers, retailer, stakeholders and the media.

Employees: We used a number of mediums to communicate with employees during the rebranding process, including a monthly newsletter, monthly meetings during which a new brand pillar was revealed, frequent updates on our Intranet site, and we staged special logo unveiling events for employees in offices around the state.

Consumers: We communicated with our players in a variety of ways, beginning with the launch of our new website that went live the same day the new logo was revealed to the public. We also used our social media platforms, where in addition to frequent posts, we held a T-shirt giveaway contest on our Facebook page.

Retailers: It was necessary to keep our more than 13,000 retailers in the loop about the upcoming changes in order to have their support in advance of the logo unveiling. During meetings with both our corporate chains and Lottery sales representatives' visits to independent stores, we teased the rebranding to generate interest in what was to come.

Stakeholders: The outreach to our stakeholders was executed by sending let-

ters to the Senate President, Speaker of the House and Cabinet Members, which touted our accomplishments and shared our vision for the reimagined Florida Lottery. We also provided supporting documents that included 25-Year Milestones, Commitment to Education and Economic Impact Fact Sheets.

Media Relations: We developed a comprehensive media outreach plan comprised of informative whiteboard videos; press kits that included b-roll an infographic and fact sheets (also distributed in Spanish); a press conference; targeted pitching to statewide media; and media interviews. We also updated our boiler plate and tagline used on all press releases.

2. Logo Unveiling and 25th Anniversary Events

While the brand re-launch was just one aspect of the 25th anniversary commemoration, it was the most high profile. Therefore, containment of the new logo was the number one priority throughout the planning and implementation phase. Each vendor, consultant and anyone not employed by the Lottery, included people surveyed in the focus groups, had to complete a non-disclosure agreement. The new logo was so heavily protected that prior to the unveiling events held for Lottery employees, less than five percent of our staff had seen it.

The week leading up to the Florida Lottery's 25th anniversary of ticket sales, we unveiled a new logo and held several 25th anniversary celebration events to commemorate a quarter century of Lottery achievements for education.

On Monday, January 7, Secretary O'Connell unveiled the new logo and brand identity to the media, public, industry representatives and two former Florida Lottery Secretaries at Lottery headquarters in Tallahassee. Florida Secretary of State Ken Detzner participated in the event, unveiling the Lottery's new FLORIDA TREASURE HUNT Scratch-Off game, which included multi-organizational partnerships to cross-promote the game and the 500th anniversary of the European discovery of Florida.

Concurrent with the Tallahassee unveiling event, the Lottery's mobile stage, an 18-wheeler Showvan featuring the new logo, was revealed in Miami to the Hispanic market via Telemundo, the premier Hispanic media outlet in Florida.

In celebration of the Lottery's 25th anniversary, we participated in an assortment of events surrounding the BCS College Football National Championship game, which included a BCS Fan Zone event at South Beach in Miami. The Lottery provided on-site entertainment including a variety of fun games and giveaways. Live on the field at the National Championship game, we awarded \$2 million among the five finalists selected in the MILLIONAIRE Second Chance Promotion.

On Saturday, January 12, the Lottery's official 25th anniversary, we held a series of 20 statewide radio remotes. These events included drawings where players had the chance to win TVs, gas and movie gift cards, Scratch-Off tickets and more.

3. Asset Replacement

In the months leading up to the new logo unveiling, each unit within the Lottery was tasked with identifying all materials that would require logo updates. The Lottery's branding committee then prioritized these materials into four tiers based on visibility, impact, cost and benefit to sales. Examples of first priority items were: retailer playstation decals, billboards, business cards and promotional goods needed for the events during the 25th anniversary week. We then moved to second and third-tier items and will continue to replace the retired logo.

Similarly, our Sales division formulated a strategic plan for rolling out the new logo at each of our more than 13,000 Lottery retail locations. As the new logo was being revealed by Secretary O'Connell at Lottery headquarters, our sales force was redressing Lottery equipment and replacing signage at 757 Publix stores around the state. By focusing first on our largest corporate chain, we were able to maximize exposure to a large audience right away. Next, we focused on redressing our highest-traffic retailer locations and have continued to work systematically until all retailers are fully-displaying the new logo in their store.

III. CONCLUSION

Over the past 25 years, the Florida Lottery has experienced great growth, but we felt it was imperative that we remain fresh and innovative moving forward. Introducing a vibrant and exciting brand that attracts new players was a key component for our future success, and we believe the new logo and brand puts us in the position to excel for the next 25 years and beyond.

Our new brand was developed with one goal in mind: to refresh the appeal and excitement of the Florida Lottery in order to increase sales and maximize profits. Our plan included extensive research on our current and potential players; a thorough review of how we communicate the Lottery's message to the public, players, retailers and stakeholders; an audit of all our materials; a redesign of our outdated website; a plan for increasing social media efforts; a complete restructuring of our visual and graphic systems; and the redesign of the logo, including testing and review of the new logo.

We began this project with cost efficiency in mind as we did not want the rebrand to interfere with our mission of generating as much money for education. Knowing the new logo would soon be in place, we did not purchase any additional promotional items featuring the original logo. We have already begun recouping the costs of rolling out the new brand and will continue to with additional sales and transfers to the Education Enhancement Trust Fund.

Our organization is now better positioned to reach new heights with this brand refresh. We've already seen renewed excitement from our employees, retail partners and players, and are looking forward to sharing the Florida Lottery's reimagined future. ♦

age of the total amount of games sold), the funds generated shall flow to the State General Fund.¹² The Lottery shall undertake to provide into the General Fund 30% of the total revenues accruing from the sales of such games. Thus, the decision to place online gaming within the regulatory structure of the Delaware Lottery has resulted in the tax rate on such gaming and the beneficiaries of such gaming to be the same as that applicable to the Lottery, generally. As was the situation in New Jersey, the choice of regulator appears to have dictated the tax rate applicable to online gaming, as well as beneficiaries of such gaming revenues.

Like each of the above-referenced states, every state that considers online gaming will have a different historic and different policy approach to gaming generally, including different philosophies with respect to the uses of gaming proceeds. For example, lottery proceeds go to different causes depending on the state. In Massachusetts, they benefit cities and towns. In Pennsylvania, they benefit Pennsylvania's seniors, and lottery proceeds in Georgia are used for education programs, including early childhood education and scholarships for students studying at Georgia colleges and universities. In Colorado, lottery proceeds benefit environmental protection efforts, and in Delaware and in many other states, lottery proceeds go to the state general fund. So far, although only a few states have enacted laws authorizing online gaming, the decision as to what state agency regulates online gaming appears to have dictated to a large extent the online gaming tax rate and the beneficiaries of online gaming proceeds. This need not be the case. These issues should be considered separately, along with consideration also of the impacts, if any, online gaming will have on existing gaming in the state. (The economic effects of online gaming include not only tax revenue to be generated, of course, but also declines in gaming taxes generated by existing gaming that may suffer due to competition from online gaming.)

In summary, states that choose to implement online gaming will do so in a manner intended to yield the greatest possible benefit to their residents. Across the United States, in general, a greater proportion of lottery sales proceeds is returned to states than the proportion of proceeds returned from (i.e., taxed on) casino gaming. While a higher return rate (or tax rate) does not necessarily translate into a greater absolute economic benefit to states, it is a good indicator, if all other factors are nearly constant (which is rarely the case). It therefore will be instructive to learn whether online gaming proceeds returned to state in Delaware – i.e., approximately 30% of online game sales – are more per capita than in New Jersey, where online gaming proceeds will be taxed at a 15% rate. (Admittedly, such a comparison between or among states can be one of apples to oranges, as there will be different games, different prize pay-outs and different propensities to play between and among states.) In addition, as more states authorize online gaming, it will be interesting to see if the choice of state regulator dictates the entities that benefit from such online gaming. Such appears to be the case thus far, but need not be going forward. No doubt Delaware, New Jersey and Nevada will be scrutinized closely by other states considering authorizing online gaming. While each state will implement online gaming differently, over time we expect that the implementation, applicable licensing and operating regulations and the online gaming tax rates will become more uniform. ♦

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- Arrigo Bodda - Senior Vice President Human Resources and Organizational Development, Lottomatica Group
- Christopher Caldwell - Vice President, Business Development
- Erik Dyson - Senior Vice President, Latin America and Caribbean
- Alan Eland - Senior Vice President and Chief Operating Officer, GTECH North America; President, GTECH Printing Corporation
- Alberto Fornaro - Chief Financial Officer, Lottomatica Group
- Scott Gunn - Senior Vice President, Global Government Relations and U.S. Business Development
- Dedan Harkin - Senior Vice President and Chief Operating Officer, GTECH International
- Connie Lavery O'Connor - Senior Vice President and Chief Marketing Officer
- Stefano Monterosso - Senior Vice President of Marketing Operations
- 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

GTECH COMPANY OVERVIEW

Lottomatica Group is a market leader in the Italian gaming industry and one of the largest Lottery operators in the world based on total wagers and, through its subsidiary GTECH Corporation, is a leading provider of lottery and gaming technology solutions worldwide. Together, the companies are the only vertically integrated full service lottery group. Lottomatica Group is majority owned by De Agostini, which belongs to a century-old publishing and media services group. Lottomatica is listed on the Stock Exchange of Milan under the trading symbol "LTO." In 2012, Lottomatica Group had approximately €3.1 billion in revenues and 8,600 employees in over 60 countries.

As 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.

GTECH Printing Corporation (GPC) 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.

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. 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. ♦

intralot

INTRALOT

www.intralot.com

In just 20 years, INTRALOT has become a leading supplier of real-time Gaming and Transaction Processing systems, Innovative Game Content, Sports Betting Management, Video Lottery Central Monitoring and Internet Gaming services to government-licensed gaming organizations worldwide. INTRALOT's highly specialized products and services, the dedication, professionalism and 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 our clients by offering them a complete range of innovative products and services and increasing the returns to the good causes of 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 & Development 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. ♦



JUMBO INTERACTIVE LTD

www.jumbointeractive.com

North America: brianr@jumbointeractive.com

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 decade 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 viewed at www.jumbostudios.com.

Traditional retailers express concerns 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) solutions give retailers the opportunity to participate in these new sales channels. These proven solutions create 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 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 and fraud prevention are adhered to for all sales over the digital channels. The benefit to a Lottery is that it is much easier to monitor, audit and control one web portal rather than multiple sites from multiple e-retailers.

Jumbo Interactive has been selling lottery tickets via the Internet for over 12 years and for the past 4 years over Mobile as an authorized licensed e-Retailer in the heavily regulated Australian market. Over that time we have committed millions of our own dollars to effectively advertise and promote the awareness and availability of lottery over the digital sales channels. *This is our niche.*

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

NeoGames®

bringing back the fun!

NEOGAMES

Global leaders of interactive scratch cards and lottery games

www.neogames.com

Being the first company to dedicate itself to the soft gaming market, NeoGames offers the widest range of iLottery and soft gaming products, a comprehensive back-office platform that was tailored to manage lottery players and products, complemented with an array of operational services that allows fast time to market with the highest quality.

NeoGames is constantly expanding its offering to cater for market needs and tastes. Our product portfolio includes the widest range of market-proven interactive scratch and instant win games, innovative Keno and instant Bingo games as well as a highly flexible and feature-rich Bingo platform.

Mobile and Tablets are a part of our philosophy of "anytime anywhere" experience and we provide a wide range of mobile products from our portfolio.

Our NeoSphere backend platform has been developed and continues to be evolved through true market experience of providing operational services to soft gaming websites. The player-focused platform includes all modules for complete iLottery operations. From a central player management module, extensive payments and financial controlling functions through CRM and player club management modules and up to a complete games library management and publishing module.

With lottery partners all over the world NeoGames prides itself on its ability to successfully engage with partners in different jurisdictions and to be able to accommodate the strict requirements of the different regulatory bodies. All our products and platforms have been tested and certified by leading global testing laboratories. NeoGames carry and ISO 9001 and 27001 through its activities.

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.

With over 200 million 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.

NeoGames is a proud Associate Member of WLA, NASPL and CIBELAE. ♦

SMART-TECH CONFERENCE SPONSORS *It's the collaboration between operators and their commercial partners which makes this business all work. It's that relationship that drives innovation and progress in our industry. PGRI endeavors to support and nurture that relationship, confident that together we can build successful businesses that meet the needs of our stakeholders and customers. The leaders of the commercial community play a vital role in our industry and we are thankful for their invaluable contributions to the exchange of ideas that happens at SMART-Tech. Their products and services are the result of a tremendous investment in R & D, and their insights and capabilities are informed by a deep experience in all aspects of the lottery business. Following is their story. Please also visit the conference website (www.PGRItalks.com) to see their presentations from this and past conferences.*



OpenBet™
www.Openbet.com

Who are OpenBet? With over 17 years in the industry, we are the software supplier and betting platform of choice for bookmakers, national lotteries and other government-backed organisations. We have a strict stance on compliance and a proven track record in probity; only dealing with legal jurisdictions around the world.

As an associate member to WLA and NASPL, OpenBet supplies the underlying technical infrastructure powering lottery providers and enabling them to expand beyond traditional markets by offering a centralised account (PAM), casino, poker and sports betting alongside traditional retail lottery products.

Over the last few years, OpenBet has built a dominant position in the North American lottery sector working with an increasing number of key provincial lotteries in Canada including British Columbia Lottery Corporation and Loto-Québec, who take advantage of OpenBet's market-leading platform. As well as its player account management system, OpenBet offers a truly open casino with integrated online content from partners including IGT, Bally, WMS and Aristocrat.

WHY CHOOSE US?

- Our products are developed with 20 of the world's leading gaming operators
- Reliable, scalable solution that powers the largest share of the world's online bets
- Open platform focused on a central account providing operators a single view of all player activity
- Comprehensive product suite including: Account, Sportsbook, Casino, Poker & Retail
- Comprehensive channel support including: Online, Retail, Telephone and Mobile
- Seamless integration of any third-party provider
- A future-proof platform allowing lotteries to expand their product offering and channels
- The technical expertise to build new products and services specifically for lotteries ♦



SCIENTIFIC GAMES

www.ScientificGames.com

Scientific Games is a leading innovator in the global lottery and regulated gaming industries. Beginning with the breakthrough technology that launched the world's very first secure instant lottery game in 1974, the company has continued to advance the games, technology, programs, marketing research and security that have been a driving force behind the success of more than 300 customers on six continents over the last 40 years.

The world's top-performing lotteries and gaming organizations partner with Scientific Games for game content, technology, customized programs and managed services that engage today's players in new and exciting ways, provide solutions for both traditional and interactive channels – and ultimately, increase revenues.

After revolutionizing lottery sales and marketing around the globe, Scientific Games continues to innovate with patented gaming technology and research-driven programs delivered to customers with the highest level of security, integrity and ethical standards. The company is committed to worldwide responsible gaming principles and has received international certifications for environmental sustainability.

Through the knowledge and experience of over 3,500 employees, Scientific Games serves customers from advanced-technology manufacturing and operational facilities in North America, South America, Europe and Asia, with additional facilities located throughout the U.S. and around the world based on customer requirements.

Scientific Games is the industry's only full-service provider offering diverse products, technology and services that can be customized to meet the unique requirements of virtually any lottery or gaming jurisdiction, including:

- Instant, Interactive & Draw Games
- Instant Game Product Management
- Lottery Systems
- Retail Technology
- Video Gaming Systems
- Gaming Terminals & Gaming Terminal Content
- Lottery & Gaming Operations Management
- Marketing Research & Analytics
- Licensed Properties
- Loyalty & Rewards Programs
- Internet, Mobile & Social Gaming ♦

POLLARD
banknote limited

POLLARD BANKNOTE

www.pollardbanknote.com

For nearly 30 years, Pollard Banknote has served as a trusted and reliable full-service instant ticket printing and related services partner, currently counting over 50 clients worldwide. Our success is based on our unmatched ability to form strong partnerships with clients where the focus is on the mutual goal of driving lottery revenues.

Pollard Banknote's offerings include strategic, lottery-specific recommendations based on market research and industry best practices in the areas of product and category management including game design, ticket graphics, prize structure design, Licensed Games, second chance draw programs, retail development and social media strategies. We produce high quality tickets with unsurpassed security within a very flexible production environment with second to none customer service.

We have also been a proven driver of instant ticket innovation in the marketplace. Pollard Banknote has brought some of the most important, revenue-generating product innovations to the industry including our translucent marking system, Scratch FX,® and Fusion® products, including Pollard PlayBook® and Double Play.® This trend continues with a number of exciting new instant products that break the mold of traditional tickets with value-added, web-based and mobile social media elements that are sure to reinvigorate existing players and entice new ones, particularly those in younger demographic groups. Interactive solutions including mobile apps, Web-Play™ website tie-in games and the Social Instants™ program leverage emerging technologies and social media into viable avenues for driving instant ticket revenues at retail, effectively bridging bricks-and-mortar products with the internet.

Pollard Banknote clients reap the benefits of world-class market research to provide in-depth analysis and insight into a lottery's consumer base. Moreover, our 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 requirements, our 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 committed to the growth and sustainability of the overall lottery industry through the pursuit of partnership, excellence, and innovation. ♦

CORPORATE PROFILES 2013

SMART-TECH SILVER SPONSORS



DIAMOND GAME

www.diamondgame.com

The LT-3 ITVM: Grow your retailer base. Grow revenues.

In its 20th year of business, 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 and age-regulated 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.



GEONOMICS

www.Geonomics.com

Turning the map of America into the world's biggest ever instant game.

We're the Geo guys who make location-based draw and instant games. Our most recent creation, the Treasure Hunt 2nd Chance Game, attaches to traditional scratch and lotto tickets to bring instant interactivity to the tech-hungry retail masses.

For your Geonomics 101, talk to Henry Oakes or Carly Mae Penworthy, or send us an email to sales@geonomics.com



HUDSON ALLEY SOFTWARE (FORMERLY ORDERPAD)

www.hudsonalley.com

aperlow@hudsonalley.com

info@hudsonalley.com

OrderPad Software has changed its name to Hudson Alley Software, Inc. to better reflect its future. It's the same company and the same people, now offering more products under a new name. When we spun-off from Cole Systems in 2008, we were a one-product company, and that product was OrderPad. With the introduction of our newest products, OnePlace and Engage, we now offer three great 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.

Less than a year ago, we introduced OnePlace, the next generation of lottery sales force automation for iPad and the web, which has already been adopted by 3 U.S. Lotteries, with more planning to come online in 2013. One-

Place 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.

Our newest product, Engage, will forever change the way that retailer promotions are executed. Stay tuned over the next few months to learn more.



LINQ3

www.Linq3.com

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, auto redemption of low tier prizes, 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.



MLOTTO

www.mlotto.com

Contact: Gabe Shapiro, Business Development, mLotto Inc.
gshapiro@mLotto.com

mLotto is a white-label web and mobile platform designed to usher in the next generation of lottery. 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, including geolocation, age verification, PCI standards, and money transmission licensing.

mLotto excels in third party and host system integration, allowing the company to partner with global leaders in the social, gaming, loyalty & rewards and mobile sectors to deliver the most comprehensive platform in the industry.

A calculated mixture of design and development is what makes mLotto's end-to-end platform anything but off-the-shelf. On the front end, the player experience is optimized whether connecting from a PC, laptop, mobile phone or tablet. On the back end, a robust analytics engine and enhanced administrative functionality provide lotteries with better insight and more control over decision-making. The result is a platform built for innovation and geared for growth.

mLotto allows each lottery to maintain the integrity of its brand while dramatically expanding its reach into the web and 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." ♦

**Open the Door
to a World
of Possibilities**

**P G R I
LOTTERY
EXPO
2013
CONFERENCE
NOVEMBER 4-7
TRUMP HOTEL, MIAMI**



LOTTERY EXPO: UNLEASHING THE POWER OF BRAND LOTTERY THROUGHOUT THE WESTERN HEMISPHERE

Lottery Expo 2013 will be held at the Trump Miami Beach Hotel, November 4 to 7. Tuesday will have a focus on the North American lottery industry. Thursday will focus on the Latin American lottery industry. And Wednesday will bring us all together for a convention of industry leaders from all across the entire Western Hemisphere, the New World of Lottery. This ambitious agenda begins with a Reception on the evening of Monday November 4, conference sessions will be held all day on Tuesday, Wednesday, and Thursday.

One of our purposes is to bring people together and PGRI receptions are a great place to start – So there will also be Receptions following the Tuesday and Wednesday conference days. Conference program with speakers will be posted as it becomes available. We promise to deliver a uniquely rewarding conference experience. Registration is free for all Lottery personnel. So please join us and your colleagues from all around the world for this special event.

PLEASE GO TO WWW.PUBLICGAMING.ORG FOR MORE DETAILS AND REGISTRATION INFORMATION.

THANK YOU TO OUR PLATINUM SPONSORS



SMART-Tech 2013 CONFERENCE PROGRAM

GLOBALIZATION OF BEST PRACTICES

3 hosted-bar receptions, 2 luncheons, and 4 coffee breaks with selection of snacks and refreshments, are provided to everyone.

MONDAY, APRIL 8

5:00 pm to 7:00 pm: Welcome Reception!

TUESDAY, APRIL 9

8:00 am to 9:00 am: Continental Breakfast

9:00 am

Paul Jason, CEO of PGRI, Opens the Conference Sessions

SESSION I

Keynote Addresses

- **Rebecca Hargrove**
CEO of the Tennessee Education Lottery and Senior Vice President of the World Lottery Association (WLA)
- **Jean-Luc Moner-Banet**
Managing Director of Loterie Romande in Switzerland and President of the World Lottery Association (WLA)
- **Friedrich Stickler**
Managing Director of the Austrian Lotteries and President of the European Lottery Association
- **Buddy Roogow**
Executive Director of the D.C. Lottery and President of NASPL

Turning Vision into Reality

Sponsor Presentations

Scott Bowen

Commissioner of the Michigan Lottery

Panel Discussion: Portfolio Management

As the number and variety of products increases, the challenge of managing a more complex portfolio of products becomes more critical. Smart portfolio management minimizes cannibalization and maximizes synergy between the products. *How should Powerball, Mega Millions, the next National Premium Game, and the in-state lotto games be differentiated and positioned for optimal overall performance?*

Moderator:

- **Terry Rich**
President and Chief Executive Officer of the Iowa Lottery Authority

Panelists:

- **Gary Grief**
Executive Director of the Texas Lottery
- **Jim Haynes**
Director of the Nebraska Lottery
- **Connie Lavery O'Connor**
Sr. Vice President and Chief Marketing Officer, GTECH Corp. and Chief Executive Officer, GTECH Indiana
- **Chuck Strutt**
Executive Director of the Multi-State Lottery Association (MUSL)

12:30 pm to 1:30 pm: Lunch

- **Jenny Canfield**
Director of Operations for the Minnesota Lottery

Panel Discussion: Designing contracts that align the objectives and action-plans of the Lottery Operator and its Commercial Partners

Effective execution depends on seamless integration of operational teams from Lottery Operator and its commercial partners – creating a unified team pursuing a singular mission. That can be challenging even when there are only two parties involved. This challenge is complicated when the operational teams of third-party vendors are introduced to the mix. What are some of the obstacles to forging that hand-in-glove teamwork between all commercial partners and the lottery operator; and how can those obstacles be overcome? What can be done to lower the barriers of entry for third party vendors whose products and services would, given the opportunity, contribute to the success of Lottery? *How can contracts be constructed to smooth a path to integrate innovation from these new entrants into the lottery business? And how can contracts be designed that support a true partnership, alignment of objectives, and drive peak performance of all commercial partners?*

Moderator:

- **Gardner Gurney**
Acting Director, Division of the Lottery, New York State Gaming Commission

Panelists:

- **Jeff Anderson**
Executive Director of the Idaho Lottery
- **Sean Athey**
Vice President, System Sales, SCIENTIFIC GAMES
- **Jenny Canfield**
Director of Operations for the Minnesota Lottery
- **Alice Garland**
Executive Director, North Carolina Education Lottery
- **Doug Pollard**
Co-Chief Executive Officer of Pollard Banknote

Turning Vision into Reality

Sponsor Presentations

Panel Discussion: U.S. Lotteries and the Internet

The recognition and appreciation for the key role of land-based retail is causing some to wonder if it's worth 'upsetting the apple cart' with the divisive issue of Internet distribution of traditional lottery products. The fact is that the Internet does not upset the basic distributional model – the impact on sales is slow, it's incremental, and it does not cannibalize retail sales. In fact, it complements and augments land-based retail. More important, though, is the role the Internet plays in converting an anonymous player base into a connected, interactive, and loyal player base; in capturing and converting data into meaningful business intelligence, in introducing an entirely new Customer Relationship Management (CRM) dimension to the business, in transforming lottery into the consumer-centric, market-driven enterprise that will serve the interests of all lottery stakeholders, including or even especially land-based retailers.

Moderator:

- **Kurt Freedlund**
Chief Operating Officer and General Counsel of the Georgia Lottery Corporation

Panelists:

- **Kevin Gass**
Vice President Lottery Gaming, BCLC in Canada
- **Amy Hill**
Senior Vice President, MDI Interactive, SCIENTIFIC GAMES
- **Moti Malul**
Vice President Sales & Business Development, Neogames
- **Peter Miles**
Commercial Director, Openbet
- **Mike Veverka**
Chief Executive Officer, Jumbo Interactive

5:00 pm to 7:00 pm: Reception

WEDNESDAY, APRIL 10

8:00 am to 9:00 am: Continental Breakfast

Panel Discussion: Engaging stakeholder support

The lottery director is a resource that can give expert and impartial guidance as to the different ways for the state to manage and regulate the lottery and gambling industries. And yet the political constituents of lottery do not always seem to appreciate the tremendous resource they have in their own lottery. *What can be done to engender more support from lottery's political constituents for the worthy mission of government-gaming?*

Moderator:

- **May Scheve Reardon**
Executive Director of the Missouri Lottery

Panelists:

- **Byron E. Boothe II**
Vice President, Government Relations, INTRALOT USA
- **Stephen Martino**
Executive Director of the Maryland Lottery
- **Charles R. McIntyre**
Executive Director, New Hampshire Lottery Commission
- **Jodie Winnett**
Affiliate, Oliver Wyman Group

Turning Vision into Reality

Sponsor Presentations

Presentations:

- **James Maida**
Chief Executive Officer, Gaming Laboratories International (GLI)
- **Lynne Roiter**
Corporate Secretary, Vice President of Legal Affairs and member of the Board of Loto-Quebec and Secretary of the WLA
- **Rebecca Hargrove**
President and Chief Executive Officer, Tennessee Education Lottery Corp. Interviews **Lorne Weil**
Chairman & Chief Executive Officer, SCIENTIFIC GAMES

12:30 pm to 1:30 pm: Lunch

- **Cynthia O'Connell**
Secretary of the Florida Lottery

Panel Discussion: Sustainability

Keeping pace with the market-place means continually delivering more and better value to the consumer. The evidence clearly shows that increasing prize-payouts increases sales and, when executed properly, net profits. The evidence shows that prudent initiatives like increasing the price-point of Powerball also increases sales. But what happens when consumer expectations adapt to the "new normal"? Consumers may re-adjust their per-

ception of value, possibly causing demand to slip back to where you started – perhaps even with lower margins than you started with. *What does Lottery need to do to manage consumer expectations and ensure that innovation that produces short-term gains also includes a long-term and sustainable growth plan?*

Moderator:

- **Arch Gleason**

President & Chief Executive Officer , Kentucky Lottery Corp.

Panelists:

- **Carole Hedinger**

Executive Director of the New Jersey Lottery

- **Anne Noble**

President and Chief Executive of the Connecticut Lottery

- **Paula Otto**

Executive Director of the Virginia Lottery

- **Paul Sternburg**

Executive Director of the Massachusetts lottery

Presentations:

- **Philippe Vlaemminck**

Partner, Altius Law Firm in Brussels and Legal Counsel to the European Lottery Association

- **Warwick Bartlett**

Founder and Chief Executive of Global Betting and Gambling Consultants (GBGC)

Panel Discussion: Outsourcing the Sales Force;

Opportunities and Challenges – Texas Lottery Case Study

The concept of “PMA” should probably be traded in for a more nuanced model better suited to analyzing the optimal combination of in-sourcing and out-sourcing. Shouldn’t we de-construct the “PMA” model and ask ourselves which operational activi-

ties could be performed better by an outsourcing partner? How should we go about the business of assembling the best combination of in-sourcing and out-sourcing the management of business processes and operational functions? How can lotteries overcome the obstacles to outsourcing? How can lottery directors engage their political constituents in a discussion about the optimal multi-sourcing model? This is the first in a series of panel discussions that will explore this issue. The Texas Lottery will present a “real world” overview of the pros and cons of utilizing an outsourced sales-force.

Moderator:

- **Gary Grief**

Executive Director of the Texas Lottery

Panelists:

- **Michael Anger**

Texas Lottery Operations Director

- **Joe Lapinski**

GTECH Texas Account Development Manager

- **Tom Stanek**

GTECH Texas Director of Sales and Marketing

- **Robert Tirloni**

Texas Lottery Products Manager

Major Peter J. O’Connell Lottery Industry Lifetime Achievement Award Ceremony

- **Jimmy O’Brien**

Vice President, Strategic Marketing for SCIENTIFIC GAMES

- **Buddy Roogow**

Executive Director of the D.C. Lottery and President of NASPL

5:00 pm to 6:00 pm: Reception

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EUROPEAN LOTTERY CONGRESS 2013

JUNE 3 TO 6

TEL AVIV, ISRAEL

CONFERENCE WEBSITE FOR CONFERENCE PROGRAM,
LIST OF EXHIBITORS, ACCOMMODATIONS, REGISTRATION,
INFO ABOUT THE FABULOUS VENUE, AND THE MAGIC OF
TEL AVIV AND ISRAEL: WWW.EL2013.ORG

WEBSITE FOR COMPLETE INFO ABOUT THE EL
(THE EUROPEAN LOTTERY ASSOCIATION):
WWW.EUROPEAN-LOTTERIES.ORG

The seminal EL Congress comes around just once every other year. What makes this conference so vital to lotteries all around the world is that the issues being addressed here anticipate the future of this industry. And they do that like no other event in this industry. All regions and all lotteries are unique, but the diversity of Europe makes it an especially important looking-glass for the rest of the world to learn from. The EL Congress reflects the character of EL members and the unique European market-place they operate in. Eighty member lotteries range from start-ups to lotteries that are into their fifth century of operation, from those that focus on traditional lottery games to those that offer the broadest range of products - from lotto to Instants to internet-gaming and land-based casinos and sports-betting, from strictly controlled monopoly models to multiple operator, free-market competition models.

Like all lotteries, European lotteries are evolving the games, marketing approaches, technologies, distribution channel mix, and business processes to keep pace with the modern consumer and the demands of a fast-moving competitive landscape. The industry has evolved, though, such that the European lotteries are wrestling with many challenges that others have not confronted. Yet, for most, now is the window of opportunity to learn about what the future holds for us, to understand how these political and market-driven dynamics evolve, and most importantly, to learn from the experience of European lotteries.

Many of the markets in Europe are among the most evolved in the world. Their survival skills are fine-tuned to not only overcome adversity, but to remain the leaders in the industry. The mission of the **EL Congress** is to unveil the solutions and success strategies that will enable lottery operators to thrive in the most competitive market-places in the world. The latest thinking is both practical and creative, forward-looking but capturing the wonderful legacy and spirit of government lotteries. Just like the consumer we're trying to connect with.

As the umbrella organisation of national lotteries operating games of chance for the public benefit, the **European Lottery Association**

brings together state-owned and private operators, both profit and non-profit, who operate on behalf of the state. The EL advances the collective interests of its members by defending the government lottery model and the societal, political, economic and regulatory framework for gambling that is the necessary foundation for that model to survive and thrive. The sustainable government-gaming model is based on the values of subsidiarity, precaution, solidarity and integrity. To that end, the **EL Congress** offers a cutting-edge conference program to prepare Lotteries for a future rich with potential.

In Tel Aviv in June, EL are gathering a unique and impressive set of keynote speakers from Israel, UK, Switzerland and San Francisco to present the latest thinking and ideas from the business, technology, media and marketing worlds. These speakers will be joined by the thought leaders of the European Gaming and Lottery sector who will give their views and share their experiences in intimate and novel formats. Intensive sessions covering sports betting and integrity and an innovative parallel technology session uniquely designed for IT and technology managers will be topped off by presentations from the future management of the gaming and lottery sector - the Young Lions. Other **EL Congress Highlights** include:

- Meet the next generation of Lottery Leadership. The "Young Lions" is a special program that puts those leaders, and their forward-leaning concepts, front-and-center.
- The Future of Gambling and Gaming Regulation in the EU
- Forum on Legal and Political issues within the EU
- Trends and new methods in Market Research
- Digital Marketing and Crowdsourcing
- International cooperation to prevent corruption in sports-betting and protect the integrity in sports
- Sustainable Gaming and Public Order Panel
- Re-inventing Risk-Management Guidelines
- Social Gaming and Traditional Lottery
- How will Technology change the future of gaming
- Consumer-driven marketing tactics
- Competitive and Strategic Intelligence comes to Lottery
- Lottery Advertising Awards Prize Ceremony

Tel-Aviv, the EL Congress hosting city, is one of the liveliest cities in the Middle-East, a modern Israeli city with an ancient past. Tel-Aviv is not only the cultural center of Israel, and a major touristic attraction in itself, but also a convenient base for country-wide tours of major cultural, historical, religious and natural attractions such as Jaffa, Jerusalem, Nazareth, Capernaum, The Sea of Galilee, The Dead Sea, Massada and more. And if Israel is a culinary superpower, Tel Aviv is its capital. Tel-Aviv - majestic in beauty and rich in culture - with a unique history all of its own. proudly boasts museums, opera, theatre, music and dance, and fine cuisine.

The EL Congress is more than a conference, it's a passionate embrace of the mission of government lotteries. Join the mission. See you in Tel Aviv! ♦

7th European Lotteries Congress | June 3-6, 2013 | Tel Aviv, Israel





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