

FEATURE INTERVIEWS



GARY GRIEF



SCOTT BOWEN



MARIOS MITROMARAS



MICHELLE CARINCI



PAT MCHUGH



TORBJØRN ALMLID



KEVIN MULLALLY



JIM BRESLO



MARK HAGEN

FEATURED ARTICLES...

Data and Insight Integration that Drives Planning and Decision-Making
- Jessica Powell

The Big Freeze: Quantifying and Overcoming the Impact of Weather on Lottery

Powerball Goes Mobile

The Big Debate: Skill vs. Chance
- Mark Hichar

Regulatory Impact on EU Lotteries
- Philippe Vlaemminck

Lotteries as Market-Driven Businesses
- Tom Jurkovich

Why Engaging Your Retail Partners is Key to a Multi-Channel Approach
- Dianne Thompson

Player-Centric Product Development
- Henry Oakes



ILAN ROSEN

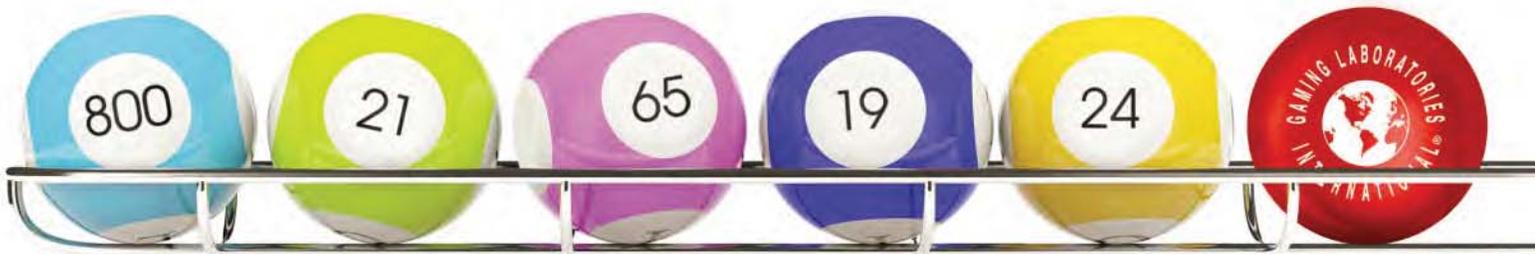


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PGRI Institute is much more than a news aggregator. We follow-up on the news to deliver the perspective and genuine insight you need to understand the gaming industry and how it is likely to evolve. Any questions or comments, e-mail Paul Jason at pjason@PublicGaming.com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

Thank you!

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Feature Interviews and Editorials

- 6 Paul Jason:** From the Publisher
- 8 On Multi-State Collaboration and NASPL Informational Resources**
 Gary Grief, Executive Director, Texas Lottery
 President of the North American Association of State and Provincial Lotteries (NASPL)
- 14 Going National with a Lottery TV Game Show**
 Scott Bowen, Commissioner, Michigan Lottery
- 18 From Atlantic Lottery Canada to an Island Paradise in the Indian Ocean**
 Michelle Carinci, Chief Executive Officer, Lottotech Ltd., Operator of the Mauritius National Lottery
- 22 Listening to Our Biggest Retail Customer**
 Mark Hagen, Category Manager – Lottery Services, 7-Eleven Inc.
- 26 Legal/Regulatory Debate: State Interpretations of “Skill” and “Chance”**
 Mark Hichar, Partner, Hinckley, Allen and Snyder, LLP and Chair of its Gaming Law Practice Group; Jacquelyn Mancini, Associate at Hinckley Allen and Snyder, LLP
- 28 The Lotteries’ Position under EU Law: The Times They Are A-Changing!**
 Philippe Vlaemminck, Partner ALTIUS & Bart Van Vooren, Senior Associate, ALTIUS Law Firm
- 30 Lottery as Both a Public Trust and Market-Driven Business**
 Tom Jurkovich, Vice President for Corporate Affairs, Tennessee Education Lottery
- 33 Changing Hearts and Minds**
 GTECH's model for planning through data and insight integration.
 Jessica Powell, Vice President Marketing, GTECH Indiana
- 37 Norsk Tipping Launches Suite of 65 Internet Games**
 Torbjorn Almlid, Chief Executive Officer, Norsk Tipping
- 38 The Key to Player Engagement: Integration of New Content Across Multiple Channels**
 Pat McHugh, President, North American Lottery Systems, Scientific Games
- 40 The Hottest Growth Markets in the World: Asia Pacific**
 Marios Mitromaras, General Manager of INTRALOT Asia & Deputy Managing Director of Asia Pacific
- 44 Connecting Lotteries to the Digital World**
 Doug Pollard, Co-Chief Executive Officer, Pollard Banknote; Ilan Rosen, Chief Executive Officer, NeoGames
- 46 Why Engaging Your Retail Partners is Key to a Multi-Channel Approach**
 Dianne Thompson, Group CEO, Camelot, Operator of the UK Lottery
- 49 Player-Centric Product Development: The Key to Building a Truly Great Interactive Lottery Game**
 Henry Oakes, Co-Founder, Geonomics
- 50 Amaya Gaming Group Acquires Diamond Game**
 Jim Breslo, Chief Executive Officer, Diamond Game
- 52 The Big Freeze: Lottery Adapts to a Changing Environment**
- 55 LotteryHUB: the Mobile Home of Powerball**
- 57 High Value Instant Games – How the Use of Foil and Holography Drives Sales by Enhancing the Appeal of Instant**
- 58 Pro-Lite Customizes GPRS-Equipped Jackpot Signage**
- 66 Security and Protection of Consumer Information as a Market-Driven Imperative**
 Kevin Mullally, Vice-President of Government Relations & General Counsel, Gaming Laboratories International
- 68 Pulse of the Industry News**
- 72 Scenes from ICE Gaming Show in London, and PGRI's Lottery Expo Miami**
- 76 Corporate Profiles: The Lottery Industry Drivers of Innovation and Progress**
- 80 Smart-Tech 2014 NYC Program**

PUBLIC GAMING INTERNATIONAL

PUBLISHER & PRESIDENT

Paul Jason
pjason@publicgaming.com

EXECUTIVE VICE PRESIDENT

Susan Jason
sjason@publicgaming.com

ART DIRECTOR/DESIGNER

Lisa Robinson

HONORED FOUNDERS

Doris Burke
 Duane Burke

CONTACT PUBLIC GAMING

Tel: (425) 449-3000

Fax: (206) 374-2600

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From the Publisher

By Paul Jason, Publisher, Public Gaming International Magazine

I am often asked for an “editorial calendar” that describes the theme and focus for each of the magazine issues over the coming months. The fact is, I can’t predict what the pressing issues will be in the year ahead, or even months ahead. The issues reveal themselves in the course of interviewing industry leaders and studying the news and editorial contributions. This particular issue is so dense with material that it serves as an interesting crystal ball for gleaning the trend lines that are driving this industry.

One of those themes is that the business of operating a government lottery is becoming much more complicated. The revenue streams have always been huge, which requires responsible stewardship of resources and keen attention to protecting the integrity and value of the brands. But insofar as the variety of products is limited, and the life-cycles of those products is so long, and the channel mix is limited to land-based retail, and the competitive landscape is ruled by the monopoly model, and the prospects for steady growth at least somewhat predictable, and stakeholders who are happy with low or middle single digit sales growth ... the business of managing the Lottery has not been profoundly complex. To be sure, Lottery has its own set of bedeviling challenges. But now, in addition to the issues we have always dealt with, lotteries are facing an increasingly complex business climate. Land-based retail is modernizing, the internet has become the pivotal medium for communication, multi-state initiatives require resourcefulness to manage complex operational, logistical, political, and relationship challenges, and overlaying social gaming and networking onto traditional lottery adds yet another layer of complexity.

Increasingly sophisticated management tools and processes are needed to deal with this complexity. And the tools themselves add to the complexity! The rush to “Big Data” has made it difficult to sift through and extract the pertinent information. Then comes the challenge of transforming massive data and information into insights that actually inform the planning process. But the power of informational resources to help us identify, understand, and effectively exploit opportunity is profound. The effective application of data collection and analytics is fast becoming the key competitive differentiator in other industries and will do the same for Lottery and Gaming.

Capturing and organizing data, and then converting it into a resource that informs the decision-making and planning processes is no small task. Gary Grief explains the goals and the utility of NASPL Resource Index (NRI). This is a tremendous accomplishment on the part of NASPL and the result is an incredibly comprehensive resource that will help lotteries identify opportunities to grow their businesses.

Another source of increasing complexity is the need to integrate digital media and distribution channels and the wider variety of games with the IT platforms that manage the business. Fortunately, there are lots of lottery operators who are blazing a trail for the rest of us to learn from. And the commercial partners and industry leaders who graciously share their insights with the readers of this magazine are at the ready to smooth the transition to a multi-channel world. As the multi-channel approach is adopted by more and more lotteries, the challenge to integrate the

platforms in the back-office with the user-friendly consumer interface on the front end becomes an imperative.

Last thought on complexity is that it is not a good thing for businesses. The business of managing complexity can end up absorbing a disproportionate share of our attention, causing us to look inward, to focus on internal operations. It takes discipline to retain the “player-centric” focus that lies at the heart of all successful lotteries, while dealing with all this complexity. The theme that takes center stage in every article and interview in this issue is that while we are blessed to have increasingly sophisticated tools to manage an increasingly complex business, delivering value to the customer will always be the singular goal of any business.

Our Gary Grief and Scott Bowen interviews both point at the potential for multi-state games to be an even bigger growth engine than they already are. The extra measure of liquidity that accrues from a larger population of players drives jackpots, and it delivers an economy of scale that enables nationalized promotions and entirely new game concepts, like a Lottery TV Game Show.

Our legal/regulatory experts, Philippe Vlaemminck and Mark Hichar, as well as Kevin Mullally, GLI’s legal and government relations expert, all point at a changing regulatory environment in which lotteries will be best served by working together to defend their business model and the interests of their stakeholders. Lottery is surrounded by well-funded commercial interests that are dedicated to destroying the Lottery Model which depends on market protection and high margins to channel the economic benefits of Lottery back to society. Lotteries all around the world have the common cause of defending the interests of their stakeholders from those who would re-shape regulatory and tax frameworks to benefit commercial gaming operators. These adversaries hope that Lottery is more focused on their in-state, local jurisdiction-specific constituents and fail to see the need to coordinate a broader agenda that includes addressing the actions of federal, EU, and multi-national governmental bodies. A unified front is vital to the effective communication to shapers of public policy at all levels of government.

The other over-riding theme of this issue is that Retail is King. Land-based retail is what has always driven this business and that’s not changing anytime soon. The exciting thing is that, like Lottery, Retail is modernizing too; and integrating a digital connection with its customers is part of its agenda and so maybe we can just go there together. The door is wide open for Lottery to carve out a bigger role for itself in the retail environment. Retailers love lottery. They just want Lottery to be more entrepreneurial, deliver better service, provide better data, and otherwise help them to improve their store profitability. In return, they will be our staunch allies, doing everything they can to help increase Lottery sales.

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. And thank you, the reader, 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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PGRI Introduction: Powerball and Mega Millions have made enormous strides since cross-sell enabled all lottery states to sell both games. One of the results is that the combined sales of both games have increased from less than \$6 billion in 2009 to over \$8.5 billion in 2013. Questions now facing the leadership of U.S. lotteries include: How can lotteries work together to build an even bigger and stronger foundation for the management of national games; How can branding strategies, promotions, and advertising be nationalized to reinforce the growth of these national brands; and how can lotteries create additional game concepts and branding strategies that operate on the national stage.

The NASPL Matrix and National Resource Index (NRI) form a comprehensive database of information that is now freely available to everyone. The power of this resource is incredible. We all need to understand it and turn this information into knowledge that drives our real-world decisions and planning. Gary describes its scope, its mission going forward, and how it can be applied to effect growth in our businesses.

Gary Grief was appointed Executive Director of the Texas Lottery Commission in March 2010, overseeing a \$4 billion enterprise whose mission is to generate revenue for public education and other good causes in the State of Texas. Gary has been an integral part of the success of the Texas Lottery Commission since its inception. Appointed in 1991 to the original eight-member Lottery Task Force, Gary was assigned to research and launch the Texas Lottery. Gary assumed the role of Statewide Manager of Claim Centers in 1992, overseeing 24 field offices statewide. Serving in this role until 1997, Gary then accepted the position of Director of Lottery Operations. While serving as Director of Lottery Operations, Gary was the recipient of the 2002 "Powers Award" for Performance Excellence in Lottery Operations by the North American Association of State and Provincial Lotteries (NASPL). This award is presented annually to the outstanding performers in the North American lottery industry.

Between 2002 and 2010, Gary served as Acting Executive Director for three separate terms, and as Deputy Executive Director during the periods when not serving as Acting Executive Director. In recent years, Gary has taken on a leadership role not just for the Texas Lottery but in the national lottery industry initiatives as well, assuming the Lead Director position for Mega Millions in September 2010, and the presidency of NASPL in October of 2013. Gary was the 2012 recipient of the Major Peter J. O'Connell Lottery Industry Lifetime Achievement Award.



Gary Grief

Executive Director, Texas Lottery
President of the North American
Association of State and
Provincial Lotteries (NASPL)

Paul Jason, Public Gaming: *Congratulations to Team NASPL for pulling together the comprehensive resource that is the NASPL Matrix. It's quite an astonishing accomplishment.*

Gary Grief: Paul, I give all the credit to David Gale and the NASPL staff for the incredible tool that the NASPL Matrix has become. In 2009, NASPL began to collect its sales data through a newly created online data site. Each quarter, lottery representatives are asked to input and update sales data to the database. After input, the information is then reviewed and approved, and ultimately offered in compilation within "Insights" magazine and the annual

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“NASPL Resource Index.” The entire effort is actually a direct result of past NASPL strategic planning sessions.

As an organization, we realized that this information was being individually maintained by each NASPL member lottery and how valuable it would be if it could be centrally located, organized and rendered into an easy-to-use format. It just needed to be collected and disseminated in an efficient way in order to make it relevant and keep it current. Matrix has now become an excellent tool for lotteries to track the industry and research best practices around the country. NASPL staff work diligently to track down the most interesting and relevant information that may not have been reported from a jurisdiction and get that added into the database. It is an ongoing job. That effort continues even today. Our job now is to educate the NASPL lotteries on the availability of this information and the impact that having easy access to current data can have on their efforts to improve performance and generate revenue.

The Matrix is packed with such useful information that could benefit everyone. Is it freely available to everyone?

G. Grief: Yes, the site is currently freely available, but the site is password protected. To take advantage of these new features, interested professionals are required to contact NASPL headquarters. A username and password will be created and distributed. Currently it is available on a global basis to the entire industry. The Matrix has visitors to the site twenty-four hours a day from

all over the world. While the Matrix is currently available at no charge, later this year NASPL is planning to introduce annual paid subscriptions for those who are not NASPL Members or Associate Members. The association thrives on feedback and suggestions and the Matrix is no exception. It can and will get better over time, but we welcome input from everyone.

How is the data organized?

G. Grief: Currently, there are four specific areas available on the Matrix; Awards, Presentations, Research and Webinars.

Each one of these areas is very unique. For example, regarding the Awards area, in past years, NASPL offered a DVD series of the nominated entries to advertising agencies and their respective lotteries. Now the entries are entered and uploaded via a special website. The result is an ability to review every award entered from the NASPL Annual Conference within days of the event ending. Every awards category winner, the finalists, and the remaining entries are all housed on this site and can be reviewed much more efficiently, and the results can easily be turned into print and show production materials. An additional feature is that each entry can be quickly downloaded directly to a user's computer.

In the Presentations area, and this is similar to your PGRI website, Paul, every presentation the association has collected from NASPL Conferences is available “on demand” in this section. PowerPoint presentations can also be obtained along with any other electronic presentation.

Under the Research area, probably the one aspect of the Matrix that I'm most excited about, a searchable tool is now available. Users can sort, review, or even download the most current sales information available in Excel or PDF formats. Quarterly and annual sales data from the NASPL research database can be obtained from this site quickly and easily. Waiting for up-to-date information is now a thing of the past with this latest electronic query option.

NASPL will also be releasing monthly webinars from past speakers and presenters that participated in our educational events. If our attendees missed a popular speaker or want to share what they learned with other staff members back at their home office, the website now offers that capability.

This is absolutely fantastic. It is so wonderful that all the lotteries did their part to

enable the creation of the Matrix. Now the goal is to make sure everyone knows about it and uses it to improve their businesses.

G. Grief: I do hope that the same energy and effort that went into providing all of this data will now be rechanneled into using this information to fine-tune performance and the results achieved throughout the lottery industry.

Our hope is that sales, marketing, accounting, and operations executives and staff within the lottery industry, the people capable of turning this data into actionable information, will take the necessary time to review the Matrix and give us feedback. We want to hear from those people. They can help us continue to evolve the Matrix and make it an even more effective resource tool.

The Matrix is not something static that just gets updated periodically. I see it as a dynamic tool for the industry, changing and growing over time. For example, we're in the process of putting a responsible gambling section on the Matrix. Under Stephen Martino's (Executive Director, Maryland Lottery) leadership as chair of NASPL's Responsible Gambling Committee, NASPL has partnered with the National Council on Problem Gambling (NCPG) to create a comprehensive and worthwhile database of information on this important subject. Stephen has done a wonderful job in all aspects of that committee's mission. This database isn't live on the Matrix yet but we expect it will be within the next few months. We will be including information on advertising (print, electronic, radio, and video), presentations from various conferences, relevant research and studies, training opportunities, a problem gambling “tool kit,” and a link to the NCPG website.

You have stated that one of your goals is to “chip away” at the barriers to penetrating multi-state retail chain stores. One of those barriers is the lack of standardized business processes and reporting across state borders to make Lottery amenable to multi-state retailers. We know that it is impossible to overcome some of the obstacles to standardization across state lines. Product lines vary, as do statutory rules and requirements. Focusing not on what we can't do but instead on what can be done ... what are some areas for potential standardization?

G. Grief: Paul, that is an ambitious and lofty goal, and I certainly don't have all the answers or solutions. But here are

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some thoughts.

I believe the recent dialogues that we had at the PGRI Conference in Miami and the NASPL Conference in Providence really opened some eyes to these issues. Having representatives from 7-11, Wawa, CVS and Wegmans at these conferences, and providing them with a forum to air their concerns about the lottery product, has certainly generated much interest and conversation in our industry. This is a great start – now it's up to us to try to turn this into action.

Obviously licensing, accounting and reporting come to mind when considering areas for potential standardization where such standardization could improve operational efficiency and effectiveness. Frankly, we have known about this need for standardization for some time. These aren't new ideas, but now is the time for action and not just words.

Paul, I have said repeatedly that I have extremely high expectations for the lotteries that have moved further in the area of outsourcing; Illinois, Indiana and New Jersey, to be specific. I believe these lotteries may be in a better position to aggressively pursue opportunities with the Walmarts and Targets of the world as a result of the private sector being better situated than government to address the barriers that have thus far limited our success in this area.

As is typical of many challenges in our industry, once one state is able to break through a barrier, others can follow. We must stay in close contact with the vendor community and our colleagues in these states to make sure we move quickly to take advantage of any breakthroughs that are made. The trend towards increased outsourcing is bringing the vendors more directly into the process of managing sales and retailer relations. I expect that we will see more options and some new ways to frame the problem and hopefully craft solutions, as a wider variety of skill-sets and business experience is applied to the problem.

Does the leadership of all state lotteries appreciate the benefits of working hard to overcome the obstacles that impinge on their ability to distribute through the multi-state chains stores? Is there the requisite will to make it happen, the tenacious desire to find the work-arounds and to compromise and to incur the costs and inconveniences needed to move everyone to adopt standardized, interoperable procedure where possible?

G. Grief: Paul, every lottery jurisdiction

has its own unique circumstances, challenges and political environments. And, of course, its own lottery product line which varies somewhat from state to state. So, the challenges to standardize in this environment are formidable. I could not fairly or accurately comment on the amount of effort nationwide being given to this important initiative. But, that said, I do know that there are many lottery directors and vendors alike who are deeply committed and motivated to keep pushing this along and are working hard to address the need to accommodate the big national chain stores like Walmart, Target, Walgreens, 7-Eleven and others.

Costs are the most important component of the whole equation. Multi-state retailer chains are driven primarily by their bottom-line return on investment. The budgets of state lotteries, on the other hand, are extremely restricted. The retailer community makes the argument that the profit margins for state lotteries are high enough such that lotteries should be able to fund initiatives like standardization out of the profits generated by increased sales. The reality is that lotteries must comply with the financial management structures of their particular state government. Even lotteries that are quasi-governmental entities do not have unilateral flexibility to manage revenue and expenses to align with an end-of-quarter or end-of-year profit target like the private sector. We do need to meet financial targets, but we are also accountable to political oversight that does not provide most of us carte blanche to make research and development investments. In fact, "return on investment" is just one of several factors typically considered when state government expenditures are evaluated, and, counter intuitively, many times it's not considered the most important factor. That's why we need the help of our vendors in making these critical improvements to the standards of our business nationwide.

But even with the assistance of the vendor community, U.S. lotteries must have the will to work together to overcome differences, to compromise, to really stretch to find the common ground where agreement is reached and progress made. For instance, it has been three years since cross-sell began, and now all lottery states sell both games, Powerball and Mega Millions. And yet there remains two different management structures. I would think the two games should be managed as a single product category to optimize their combined performance.

G. Grief: Paul, I'm not saying anything to you that I haven't said to my colleagues around the country, probably more times than they care to hear. No, the current structure does not provide us with the ideal scenario to fully leverage all lotteries toward unified multi-state game goals. That said, both the Mega Millions consortium and the MUSL organization are extremely well run and both games have produced excellent results since the "cross-sell" initiative was approved. Can we do better? Yes, and that is why continued collaboration between the two groups is so important, to enable all jurisdictions across the country to both broaden their player base and achieve their revenue goals.

I'm hopeful that the day will come when we all operate under the same multi-state organization. I know there is interest in this and discussions are occurring, and I'm optimistic that lottery directors around the country will come to that decision at some point in the near future and formally unify the two groups. The benefits of doing that are clear and compelling in my mind. If that unification can be achieved, my expectation is that new multi-state opportunities may quickly become apparent. Until that happens, the two groups must continue to work closely together.

They already work closely together. I still would think that the structure of managing them as two cross-licensed games is not conducive to the kind of open, friction-free collaboration so necessary to the expansive thinking and dynamic creativity that drives genuine innovation.

G. Grief: I do believe that ultimately there will be a genuine meeting of minds and that state lotteries will come together on these issues. The one thing I know for sure is that the community of U.S. lottery directors and CEO's is filled with dedicated public servants who, at the end of the day, will take the right course of action.

Are the two organizations working together to create a more national approach to branding, promotions, and messaging and such?

G. Grief: We are a community of lotteries – each one of us with the mission and purpose to serve our in-state stakeholders. The MUSL and Mega Millions groups are definitely working together on a number of initiatives and we all certainly realize the awesome power and potential of truly uni-

...continued on page 56

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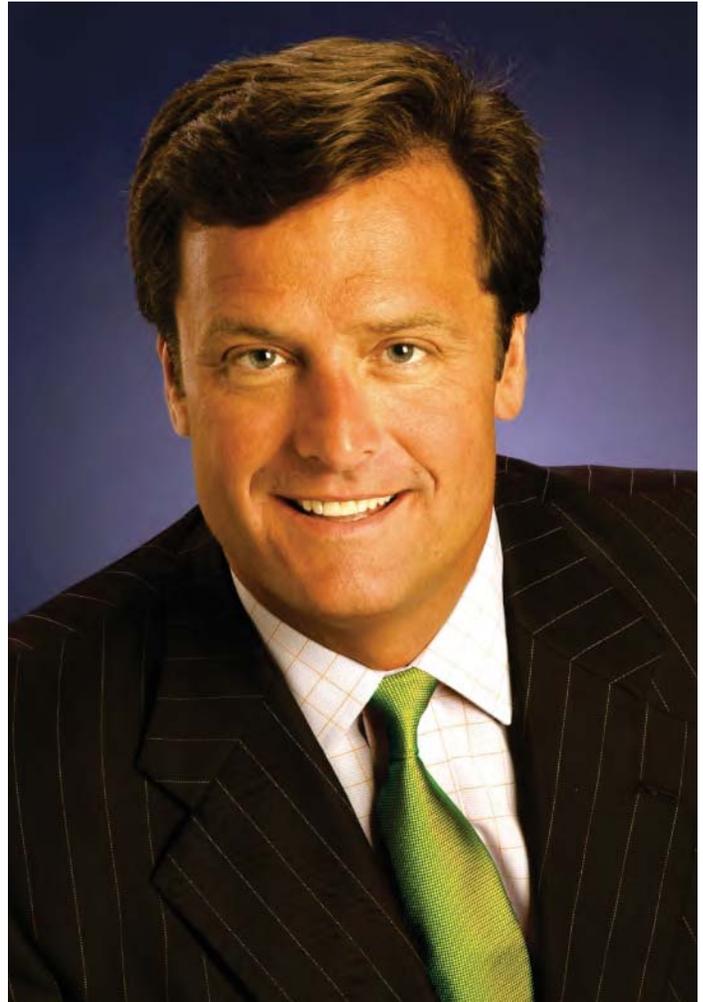
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MICHIGAN LOTTERY™

Scott Bowen Commissioner, Michigan Lottery

PGRI Introduction: The Michigan Lottery is on the forefront of two initiatives that are changing the face of Lottery in the U.S. First, it is poised to launch iLottery services, the distribution of traditional lottery products over the internet and to mobile devices. Second, the Michigan Lottery produced a TV game show that ran for two years. This is the kind of innovative concept that has huge potential to benefit all lotteries. There is one caveat, though. For a TV game show to benefit even one lottery, it needs the participation of all lotteries, or at least most lotteries. The cost to produce and syndicate a high-quality TV game show requires scale to make it economically feasible. So how fun is this – Mr. Bowen and I get to talk about iLottery services, multi-state collaboration and a genuinely innovative game concept all in the same interview!



Paul Jason, Public Gaming: *It would appear that your legislature is supportive of the Michigan Lottery distributing existing lottery products over the internet. What's the next step, how soon will it actually launch?*

Scott Bowen: We expect to launch in the fourth quarter of this year. Our vendor contracts are already executed. Pollard Banknote and NeoGames are collaborating on the main portion of it. We are working with them to scale up and scope the whole project. We are making a very concerted effort to get our retailers involved early on in the project work. We are developing cross-promotional strategies to use all media channels – internet, retail, and others – to drive consumer traffic to our retailers and website. The goal is to meet the needs of the multi-channel consumer-shopper. It's not

our goal to get the consumer to shift their lottery purchases from retail to online. We want them to buy from both channels, migrate from one to the other. And that's not just for the benefit of the retailer. It benefits all Michigan Lottery stakeholders – players, retailers, and lottery alike.

The multi-channel consumer is the more engaged lottery customer. They buy more than the consumer who only buys at land-based retail or only buys online. By the way, these insights are gleaned from the experience of lottery operators which have been offering lottery products online for many years. The Canadian, European, and Australian lotteries have been building their online business right along-side of their land-based retail business. We have studied their businesses to learn how they keep the support of their retailers while

moving towards the multi-channel model. Of course, the main thing they do is make sure their land-based retailers continue to grow their sales even while developing that online consumer connection. The result is an expansion of the market. New consumer groups come to Lottery, and the existing customer base buys more. And we leverage the tremendous reach of our online consumer connection to benefit our retailers with strategies that drives even more traffic to our retail channel partners. It really is a win for retailers, a win for consumers, a win for the Michigan Lottery, a win for our beneficiary which is public education, and a win for all Michigan Lottery stakeholders.

It sounds like part of what you're doing is making sure that you leverage your Internet connection with the consumer to de-

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liver benefits to your retailers to cross promote or cross sell or otherwise encourage the consumer to buy at retail and to create cross promotions that make that happen?

S. Bowen: That's exactly right. Our retailers will always be our most valuable partner and we will always want to preserve that face-to-face connection at land-based retail.

Creating cross-promotions that drive traffic to the retailers is a key. Our customer database has expanded over the last four or five years with the growth of Second Chance Draws, Player City, now Players Club, and other tools that we developed. Half a million people are registered members of our Players Club. But the population of Michigan is ten million, and the number of regular players exceeds five million. We need the transaction-based component to make it fully relevant to all our players, and to leverage that consumer connection to integrate our retail channel partners into this 360 degree relationship that our players want to have. The reality of online sales is that it does not produce a big revenue increase. Look at the Illinois and Canadian lotteries. I-lottery is still a low single digit percentage of their sales. In fact, the online connection to the consumer drives at least as much sales to retail as it actually generates for itself. The reason online is so vital to our business is that the internet is the medium that ties everything together – our Players Club, our retailers, and the consumer.

It was so smart for the Michigan Lottery to launch Player City in 2005. That evolved into your Players Club, which has half a million members, so you certainly have a fabulous baseline to start with.

S. Bowen: Let's keep in mind that we haven't sold one ticket online yet! At this point, we are not projecting the outcomes and do not presume that success is a given. We are taking this one step at a time – constantly working to discern and evaluate what the players want, assess the options for giving them what they want, looking for all the ways to cross-promote with our retail infrastructure, and deliver value to our players and re-sellers alike. We have so much to learn and are doing everything we can to ensure that the online player experience benefits everyone.

Did the fact of your pre-existing database of half a million help your retailers appreciate how your online connection will benefit them? Not only more lottery sales,

but also the fantastic residual benefit that retailers get from the increased store traffic that the Lottery will drive.

S. Bowen: Yes, our retailers do recognize that. And we also plan to keep some of our most popular draw games off-line. Specifically, our plan is that players will be able to buy Daily3 and Daily 4 tickets only in stores, not online. The logic behind that is that those games generate a large amount of store traffic for retailers. So our retailers do appreciate that we are fully committed to making this work for everyone, and to protect their interests. Using our online connection to drive store traffic does not just generate more commissions from lottery sales for retailers. The lottery customer buys an extra \$3 to \$4 for every \$1 of lottery sales. There are 11,000 retailers in Michigan. That is better than 1/1000 ratio of retailers to overall population, which is a high level of retail penetration. Our retailers understand the value of the lottery customer, and we consider them to be the foundation to our business, so we're going to make sure their needs from Lottery are met.

Others seem to start their online business with the Draw games. Are you focusing more on the Instants?

S. Bowen: Our plan does call for selling Powerball and Mega Millions online. But we feel that the Instants category provides a rich canvas for innovating and creating the kind of entertaining player experience that will work very well online. And especially on Mobile, which is where the next generation of consumers will be playing the lottery.

Has it been challenging to enlist the support from all your stakeholders and vendors?

S. Bowen: We have been working on this for years and we have included information about this project in our ongoing communications with our stakeholders and vendors. We've answered a lot of questions about this project and we continue to work hard to help everyone understand the benefits that iLottery services will bring to public education – an estimated \$480 million in the first eight years – and to retailers. We get a lot of questions about the schedule. Our contract with Pollard Banknote was finalized in mid-January and we have a very aggressive schedule. We're pleased with the system development and the performance of Pollard Banknote and NeoGames to date. We still have a lot of work ahead, but we're excited about the progress so far.

You have clearly taken a very thoughtful, methodical approach towards the whole process. Congratulations for making it happen.

S. Bowen: It's going to be a constant struggle to get it all right, to keep all the pieces moving together in the run-up to launch. And then it will be a struggle to constantly monitor and re-evaluate every detail of operation so that we continuously improve. This is a marathon. We've been at it for so long now that we realize there are countless ways that forward momentum can be stymied. So we just keep our shoulder to it, keep driving it, stay committed to the resource allocation required to bring it all to fruition. We feel good about the progress we have made, but it's too early to congratulate us, since we haven't sold a single ticket yet.

Well, it's that clarity of vision and tenacity that will keep everything on track. Don't state lotteries need to apply that same resolve to the efforts to collaborate on a national basis?

S. Bowen: State lotteries have made huge progress and continue to forge new ground when it comes to working together, creating new games, new promotions, and news ways of doing business that requires collaboration. But there is much more we could do, and we need to do it because the benefits of collaboration are so compelling. Some of us have been clamoring for years to do a new national game that would be a Thursday night draw game. It would be a great way to launch a \$5 national game.

Rising jackpot levels have always been necessary to generate consumer and media excitement. It is just a fact of consumer behavior – lottery players just don't get really excited until the jackpot gets to a certain high level. So we need to keep innovating to meet that expectation.

Rising Jackpots as the cornerstone to our value proposition may be a fact of life. Nevertheless, I would be concerned about its sustainability. That's why I am especially interested in the TV Lottery Game Show that you have been championing for over a year now. I am very excited about its potential to reshape the way the consumer thinks about Lottery, to provide an alternative to rising jackpots which would seem to me to be an unsustainable model.

S. Bowen: I don't agree with that at all. Of course we want to create new game concepts. But the jackpot games are doing very

...continued on page 59

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Michelle Carinci

Chief Executive Officer, Lottotech Ltd.
Operator of the Mauritius National Lottery

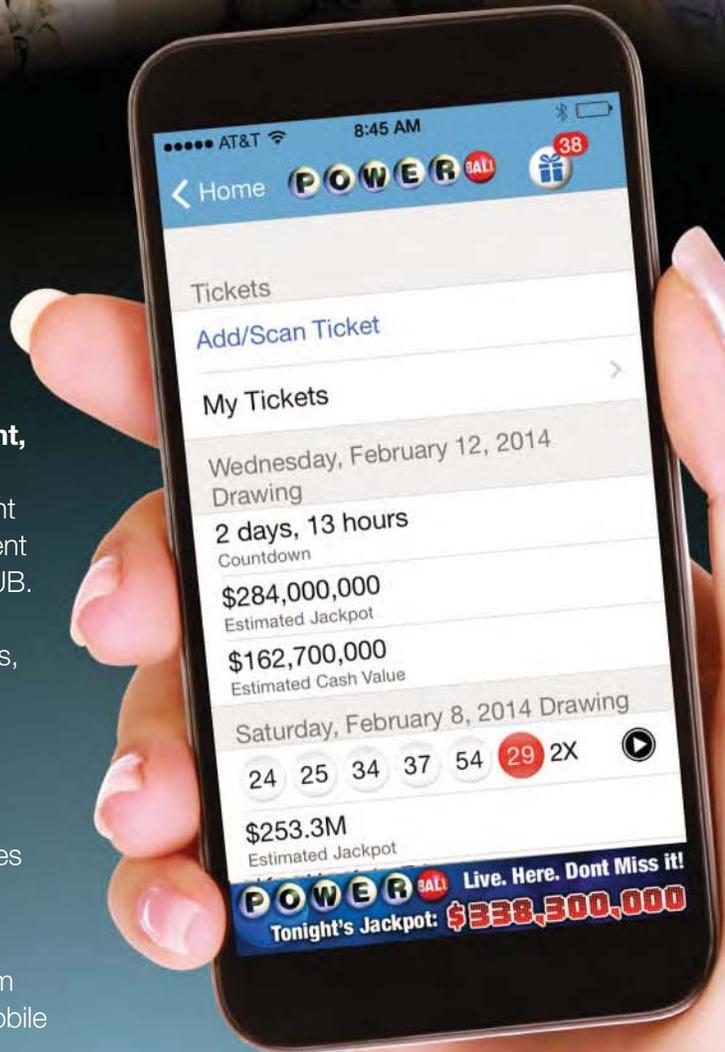
PGRI Introduction: Another success story is developing in our industry. But what's special about this story is that it isn't about a North American or European lottery; it is about an African lottery nestled in the heart of the Indian Ocean. This is the story of Lottotech Ltd, the operator of the Mauritius National Lottery. Sitting in her (quite modest) office on the 4th floor of the HSBC building in Cybercity Mauritius is someone most Gaming professionals know very well. In fact, Michelle Carinci is part of an elite group having served over 3 decades in the Lottery Industry and having been named to its Hall of Fame in 2006. Following a 10-year period at the helm of Atlantic Lottery, Michelle has been acting as CEO of Lottotech Ltd since April 2012. She, along with Jean Marc Landry (also previously with Atlantic Lottery) who is leading the Sales & Marketing team, are the latest Canadian duo to set foot in what many call "Paradise on Earth."

The Mauritius National Lottery is entering its 5th year of operation. "Loterie Nationale" offers a lotto product which has grown to achieve nearly 100% unaided awareness and 69% monthly play. It also offers a suite of Instant products at 5 different price points which enjoys 46% monthly participation from the adult population. Total turnover in 2012 was over Rs2.5 Billion which equates to USD \$63.85 per capita, an index of 54 as compared to the overall average. However when taking a percentage of per capita sales over per capita GDP, Mauritius' success takes an impressive jump, performing almost exactly as the US (0.40% vs. 0.42% respectively) and indexing at 98 as compared to the overall average.

As an active member of the World Lottery Association (WLA) for decades, as the co-chair of the Responsible Gaming Committee who (with Dianne Thompson of the Camelot Group) spearheaded the establishment of the first Responsible Gaming standards and certification process for the WLA, and as a top executive at BCLC (British Columbia in Canada) and GTECH prior to being CEO of Atlantic Lottery Corporation (ALC), Michelle Carinci has been a formidable influence in the North American and the global communities of government-lottery. Michelle has also been a keynote speaker at PGRI conferences and we miss her now that she is 6,000 miles away! When this life-long Canadian told me that she was moving to Mauritius to lead Lottotech, I said "what a wonderful adventure that will be for you!" Not knowing anything about Mauritius, I was thinking "Are you sure about this." That was over two years ago. Following a few late night (early morning in Mauritius) discussions via Skype, we uncover how Michelle has adapted (quite well thank you) and how the team at Lottotech has been able to build such a successful lottery in such little time, and most importantly how they plan on driving continued growth in the future.



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FAST FACTS

Mauritius has a population of almost 1.3 million people. Another estimated 1 million tourists visit Mauritius every year to enjoy one of its many high end hotels, beaches and amazing weather.

Mauritius sits east of Madagascar but is nowhere near the size of its African neighbor. To put it in perspective, Mauritius is almost 5,000 times smaller than Canada and 54 times smaller than Cuba.

The per capita GDP (PPP) of Mauritius is \$15,591 which places them at 68th in the world however among the top of African countries.

For the fifth consecutive year, the World Bank's 2013 Ease of Doing Business report ranks Mauritius first among African economies and 19th worldwide out of 183 economies in terms of ease of doing business.

The most commonly used languages are Mauritian Creole, French and English

Mobile telephone penetration is over 100% (many have more than one cell-phone)

Lottotech Ltd, a privately owned and managed company, was granted a license to operate the Mauritius National Lottery in April 2009

The Government of Mauritius receives 46.16% of Net Win (Sales net of Prizes), which it invests in social programs such as Sports, Health and Education

In its first 4 years, it has realized total sales of over Rs 11 Billion, almost USD \$358 Million.

Since its inception, Lottotech has partnered with GTECH as its technology partner and instant ticket printer



Paul Jason, Public Gaming: *What inspired you to move to the complete opposite side of the globe in the first place?*

Michelle Carinci: It was time to change time zones again! You recall I moved from the Pacific Coast of Canada to the Atlantic Coast and after 10 years I thought why not try the Indian Ocean! Seriously, after 10 years in Atlantic Canada my family thought it was time for a new adventure. The rest is serendipity. Lottotech, the operator of Loterie Nationale in Mauritius, was searching for an experienced lottery professional to lead the company at the same time I was looking for the right opportunity that would align with my values, aspirations and skills. Loterie Nationale was only two years old and at the beginning of its life cycle, with a young and talented team and favorable market conditions so it was a perfect fit. I should also mention it happens to be located in Paradise!

It is paradise (judging by the websites and photos and also the social and cultural history). But still, so far away from Canada, you must get lonely!

M. Carinci: Of course I miss my family and friends and the regular networking with lottery colleagues. I did manage to recruit one of those colleagues to Mauritius! In April 2013, Jean Marc Landry joined Lottotech as the Chief Sales & Marketing Officer. Jean Marc and I worked together at the Atlantic Lottery for several years and I am delighted to be working with him in Mauritius. He has deep experience from working on the national lottery scene in Canada as well as being the author of the Instant category turnaround plan in Atlantic Canada. Both of us have been able to make a lot of friends from all over the globe. I am also part of the BCLC Lotto Early Birds (retirees) group which keeps me up to date with my BCLC pals.

What's it like living in Mauritius?

M. Carinci: It is fascinating. A republic, with a parliament modeled after the British system, Mauritius is 2000 kilometers off the southeast coast of Africa and 2040 square

kilometers of natural beauty, surrounded by turquoise lagoons. While it is a small island and far away from just about everything, it is easy to forget about that as we have access to just about everything one needs. The only thing I really miss, besides family and friends, is Starbucks! Hey could be a business opportunity!! Mauritius prides itself in being a multi-cultural, multi-ethnic country. Most people speak English, French and/or Creole. There is a lot of special holidays because everyone celebrates each religious holiday and there are many religions. It is believed that Mauritius is spared the wrath of the Indian Ocean cyclones because they spend so much time praying! At the moment the country is celebrating Maha Shivaratee which is a special day when the Hindu religion honors Lord Shiva, however it is a public holiday for the entire country. It is a country that welcomes expatriates so in our neighborhood you are likely to meet someone from France, the UK, Spain, South Africa, Sri Lanka, Russia and even Canada. My daughter has school mates from the USA, Switzerland, South Africa and Germany in addition to her Mauritian friends.

How did the Mauritius lottery come to life?

M. Carinci: Following a competitive bid process Lottotech Ltd. was granted the license and monopoly to operate Loterie Nationale in April of 2009, by the government of Mauritius. In fact the government through the State Investment Corporation is a 25% shareholder in Lottotech. The launch was a very high profile event with the Prime Minister of the country making the inaugural speech. It was introduced as a lottery for good causes.

Describe the Gaming market in Mauritius?

M. Carinci: Today the gaming market is approximately \$700 million USD. The lottery represents 12% with one Saturday night lotto draw and the instant category. The balance is on track and off track betting, sports betting, casinos, gaming houses and a few small passive lotteries. The grey market is significant so we have some of the same challenges as others, exploring ways to regulate all forms of gaming, keep the money home and the players safe.

The country is situated geographically closer to the African continent; does it align with the Africa marketplace?

M. Carinci: While I haven't travelled extensively in Africa, I would say it is a market more aligned with North America and Europe than Africa from a lottery per-

...continued on page 60



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Mark Hagen

Category Manager,
Lottery Services,
7-Eleven Inc.



PGRI Introduction: 7-Eleven is the key customer account for lotteries for a few reasons. One, they account for more lottery ticket sales than any other retailer in the US. Two, they operate with the over-the-counter and sales-assisted model that we know produces the best results for Lottery.

7-Eleven is the world's largest operator, franchisor, and licensor of convenience stores with more than 52,300 outlets. This number of locations surpassed the previous record-holder, McDonald's Corporation, in 2007. And the number of stores has been growing at a double-digit rate. This is a world-class operation with a level of retailing sophistication that sets them apart from other retailers. Let's listen to what our biggest customer has to say ...

Paul Jason, Public Gaming: *What do you see as the most important sales drivers for the lottery business?*

Mark Hagen: Scratch tickets are about 60% of our lottery sales and they are the part of the lottery business over which we have the most control. We want to drive Scratch tickets because these customers are our regular, habitual customer. The sales of Scratch tickets are highly impacted by in-stocks, timely activation of new games and merchandising. We have found that Lottery's sales and customer service reps can play a key role in helping us stay in stock on best-selling games, activating new games and with merchandising. Merchandising goes well beyond just providing new POS materials. For example, most states have worked with us in upgrading our in-counter merchandising units. Without exception, when we make those upgrades we have seen double-digit increases in scratch ticket sales which pays back the investment by the lottery in a matter of months. We work with 33 different state lotteries, but unfortunately, there are some states that refuse to work with us on upgrading our in-counter merchandising. Not surprisingly, those are the states where we have our lowest average lottery sales. We even did a 10-store test for one of those states that resulted in a significant increase in scratch ticket sales by just upgrading the in-counter merchandising unit to our recommended standards. I am hopeful that those results, which the state doesn't dispute, will allow us to move forward with a program to upgrade our in-counter merchandising. With Lotteries making 25-30% margins, this initiative could be a huge win for the lottery's beneficiaries.

And you would contend that the evidence is solid that at least a 10% percent increase would in fact be achieved?

M. Hagen: I'm saying the evidence is solid that the increase would be at least that much if not more.

What are some other best practices that you've seen from your most successful lotteries?

M. Hagen: How often the lottery rep

visits our stores is another key success factor. Some states have their reps visit our stores every one to two weeks to talk to our sales associates about activating new games and making sure everything is always properly stocked with the right games and displayed and ready to sell. Other states have their reps visit the stores once every three to four weeks. What we have found is that higher call frequency results in higher sales. Stores in states with higher call frequency have better in-stocks, closer adherence to plan-o-grams and faster activations of new games, all factors that help drive our scratch ticket sales.

Can you elaborate on what exactly a Lottery rep does to help the stores increase scratch-ticket sales?

M. Hagen: It's really much more basic than that. The rep just tells the store managers about new games that are coming out and makes sure that the franchisee orders it. And in some states, we actually allow the Lottery rep to place the orders for the franchisees. They also make sure the assortment of product is current and correct. And it doesn't hurt for the Lottery rep to remind the franchisee about the new product that



launches tomorrow, and to make sure that the game is activated and available for sale on the first date.

Some states do an extraordinarily good job of that. We're at over 99 percent execution of first-day activation in Florida. Maybe that's why that state's sales are increasing faster than most. In other states, with a much



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lower call frequency, we're at about 60 percent execution of first-day activation and their sales, at least on the 7-Eleven channel, reflect that. That's a lot of money being left on the table for lack of doing these simple, basic support functions that absolutely drive sales. Of course, some of these functions could be thought of as being our responsibility. That's fine, but the states where our Lottery partner has a bigger-picture outlook and focus on how we can work together to achieve mutually desirable outcomes – those states have much higher sales per store. And that's a good thing for all of us.

We talk about how innovation and technology is changing the world. But you seem to be saying that the biggest impact can be made by better execution of simple, low-tech sales and merchandising support functions.

M. Hagen: Absolutely. It's not about big investments and long learning curves to implement new technology. Retail is about execution – the basics of “blocking and tackling.” The Instants Scratch business sales are purely a function of having the right games stocked, properly displayed and activated on the first day. Lotteries that take the time to work with us to make that happen are delivering a lot better results for the beneficiaries they serve.

Lotteries insist that they sell more tickets with on-counter displays than in-counter displays.

M. Hagen: I'm sure that's true. I have no doubt that if I put scratch tickets on the sales counter, I'd sell more scratch tickets. But that's not the point. The point is that we are simply not going to do that. That's just strategically not where we're going. Given that, I would respectfully submit that lottery organizations work with us on things that we do want to do. We value our relationship with Lottery, we value the product and the role it has in our product mix, the residual store traffic and sales that it drives. We have lots of ideas for how to increase Lottery sales and excellent ways to display and promote the product. I'm just asking that Lottery work with us on things that we can do, that we want to do and help us optimize our lottery sales. We are committed to this category. We embrace the philosophy that the lottery player needs personal service from store employees. We are not relegating Lottery to self-serve vending machines like most of the other big chain stores do. We are invested in

the business model that we all know works the best, and that is to sell lottery products over the counter with a sales associate providing that service. This is a more expensive retail model than self-serve vending, but we are invested with Lottery in optimizing this personal-service sales model.

Personalized service is the retail model of smaller independently owned c-stores. Big chain stores tend to be going with more of the self-serve vending model. Thankfully, 7-Eleven provides the same kind of shopping experience that the independents provide -

and we have 8,000 of them. 7-Eleven is by far the largest player, and we are as committed as anyone to optimizing sales of lottery products. So I would respectfully submit that it will benefit Lottery to do what they can to fully capitalize on the potential that a productive working relationship will yield. Independents may put displays on the counters and try to up-sell (ask for the order) lottery. We won't. But if we work together to capitalize on all the things that we can do, I guarantee we will sell more lottery products.

It would seem that 7-Eleven is an untapped

In summary what I'd like our lottery partners to take away from this interview is 3 main points:

1. Your local sales associates can help us increase lottery sales by making sure stores have the right games, well merchandised and activated on the 1st day
2. Let's work together to continually improve the guest experience for lottery at the store level.
3. Let's find some synergies across the states that can improve the accounting for the lottery category and introduce some efficiencies that can benefit both 7-Eleven and lottery.

the personalized, sales associate-assisted, over-the-counter service. Maybe Lottery needs to appreciate that 7-Eleven is in fact a sophisticated operation with its own set of procedures and methods of operation.

M. Hagen: I do think that may be part of the challenge. Independents may need a different kind of service than we need, and we may require a different level of flexibility than the independents require. It is a mistake to try to apply the same procedures to 7-Eleven as might be applied to the thousands of independents. The thing is, there are probably 120,000 convenience stores in America,

representing the largest seller of lottery products in the country. I wonder if the fact that your stores resemble an independent c-store more than they do a giant Wal-Mart causes you to be treated more like an independent than the 8,000-store powerhouse that you actually are.

M. Hagen: I would say that we do expect to be treated with at least the same respect that other large chain retailers, like Walmart, are treated. For many suppliers 7-Eleven is their largest customer, and we are accustomed to being treated that way. It

...continued on page 61

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STATE INTERPRETATIONS OF “SKILL” AND “CHANCE”

INCONSISTENT OPPORTUNITIES FOR STATE LOTTERIES AND OTHERS



By Mark Hichar
Partner, Hinckley, Allen and Snyder, LLP
and Chair of its Gaming Law Practice Group
mhichar@hinckleyallen.com

& Jacquelyn Mancini
Associate at Hinckley Allen and Snyder, LLP
jmancini@hinckleyallen.com

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The gaming landscape in the United States is quickly evolving and gaming operators, including state lotteries, are working to innovate within the existing regulatory framework to access a new generation of players. Games of skill offer one opportunity to expand game offerings. Generally, U.S. states define a “lottery” as an activity that involves (1) the opportunity to win a prize, (2) determined on the basis of chance, (3) for which one gives consideration. Thus, if the outcome of a game is determined by player skill (rather than chance), usually it may be lawfully conducted by commercial operators without a license. See, for example, www.Skillz.com, which makes available cash prizes for winners of video skill games, except in thirteen states.¹

Given the potential opportunity within the games of skill space, whether a particular game is one of skill or chance is increasingly relevant. For example, much debated is whether poker is a game of skill or chance. Though overturned, District Court Judge Jack Weinstein’s opinion in *DiCristina* analyzing voluminous expert testimony and holding that Texas Hold’em poker is a game of skill is instructive as to the legal debate and because it may signal the types of decisions we can expect in the future.

Though the District Court decision in *DiCristina* now provides little legal support for the argument that poker is a game of skill and not chance (because the decision was overturned² and the U.S. Supreme Court declined to hear the case³), it highlights the fact that states define gambling differently. These differences may soon produce odd and surprising results, among them, that in some states, peer-to-peer poker will be considered a game of chance, and thus able to be offered as a state lottery game, while in other states, the same game will be considered a game of skill and thus prohibited as a state lottery game.

In most states, whether a pay-to-play game involving skill and prizes is a lottery depends on the relative degrees of skill and chance present in the game. Most states and federal law make this determination using what is known as the “predominance test” – meaning that if the element of skill predominates over the element of chance,

1) See: <http://skillz.com/legal> (last accessed March 4, 2014). 2) *United States v. DiCristina*, 726 F.3d 92 (2nd Cir. 2013). 3) *DiCristina v. United States*, 2014 U.S. LEXIS 1457 (February 24, 2014). 4) Indiana Code § 4-30-3-7 and New York Tax Law § 1604. In regard to the manner of selecting winning tickets, the Indiana law also provides: “However, if a lottery game involves a drawing, the drawing must be public and witnessed by an independent certified public accountant. The equipment used in the drawing shall be inspected before and after the drawing.” Also, “[c]oins or currency may not be dispensed from an electronic computer terminal or device used in a lottery game.” *Id.* 5) *Id.* 6) *George v. NCAA*, 945 N.E.2d 150, 157 (Ind. 2011), citing *Tinder v. Music Operating, Inc.*, 142 N.E.2d 610 (1957) 7) *Tinder v. Music Operating, Inc.*, 142 N.E.2d 610, 614 (1957) 8) *Meinert v. State*, 131 N.E. 515 (Ind. 1921), referring to poker as “a game of chance.” 9) N.Y. Const., Art. I, section 9(1). Pari-mutuel betting on horse races, as prescribed by the legislature, is also allowed, and, pursuant to a 2013 amendment to the New York Constitution, New York allows casino gambling at up to seven facilities as authorized and prescribed by the legislature. *Id.* 10) NY Penal § 225.00(2) 11) NY Penal § 225.00(10) (Note: raffles, as defined in subdivision 3(b) of Section 186 of the general municipal law, are excluded from the definition of “lottery.”) 12) NY Penal § 225.00(1) (emphasis added) 13) *Dalton v. Pataki*, 835 N.E. 2d 1180, 1192-1193 (NY Ct. App. 2005), affirmed as modified (5 N.Y.3d 243), reargument denied (5 N.Y.3d 783), and certiorari to the U.S. Supreme Court denied (546 U.S. 1032 (2005)). Video lottery meets this description in New York, because players purchase virtual instant tickets and receive a prize in the form of compensation or chances to play additional games. “Multiple participation is satisfied in that the VLTs are linked through the site controllers to a central system, and players compete against one another for prizes by purchasing tickets from a finite depleting pool of electronic instant lottery tickets, with a set number of predetermined winners randomly distributed, or by choosing a series of keno numbers, colors or symbols from a finite pool in the hope that they, as opposed to other players, will have matched those colors, numbers or symbols later drawn, thus satisfying the element of chance. It is of no constitutional significance that the tickets are electronic instead of paper.” *Id.* 14) Note that in 2013, New York voters approved a constitutional amendment to allow casino gambling in as many as seven casino facilities. See footnote 11. 15) *Dalton v. Pataki*, 11 A.D.3d 62, 90 (N.Y. App. Div. 3d Dep’t 2004).

then the activity is a “skill game,” and the game is not a lottery. Other states, however, employ what is known as the “material element” test. In these states, a game is considered a game of chance if chance plays a material role in the outcome, even if skill is also involved – indeed, arguably even if skill predominates. Accordingly, it is more risky for commercial operators to offer skill-based games in those states. To be lawful, player skill must clearly determine the outcome – i.e., chance cannot play a material role. A handful of states use the “gambling instincts” test. This subjective test deems a game to be a gambling game if it appeals to the players “gambling instincts.”

The application of these different tests may, in the future, lead to differences in the types of games state lotteries can offer. By way of example only, the laws in Indiana and New York give the state lottery authority the power to determine, among other things, (1) the types of lotteries to be conducted, (2) the method to be used in selling tickets, (3) the types of locations at which tickets may be sold, (4) the manner of selecting winning tickets, and (5) the frequency of drawings or selections of winnings tickets.⁴ Further, in each state the state lottery is limited to the conduct of “lottery” games.⁵

The term “lottery” is not defined in the Indiana Constitution or lottery laws. However, in interpreting Indiana’s criminal statutes, Indiana courts have defined “lottery” to mean “a scheme for the distribution of prizes by lot or chance among those who provided or promised to provide consideration. Under this definition, there are three essential elements to a lottery, as described above: (1) a prize; (2) chance; and (3) consideration.”⁶ Indiana follows the “predominance test,” and thus for a game to constitute a lottery, chance must predominate over skill in determining the outcome of the game.⁷

Accordingly, because poker is currently considered a game of chance in Indiana,⁸ it appears that the Indiana Lottery Commission has the authority to conduct it as a state lottery game.

In New York, the Constitution prohibits all lotteries “except lotteries operated by the state and the sale of lottery tickets,” the proceeds of which must benefit education”⁹ However, as in Indiana, what constitutes a “lottery” is not defined in either the Constitution or state lottery laws. Under New York’s Penal Law, “lottery” is a subset of “gambling.” “Gambling” means wagering upon the outcome of a contest of chance (or a future contingent event not controlled by the player) and the opportunity to receive something of value in the event of a particular outcome.¹⁰ The term “lottery” similarly has three elements:

- a) the players pay or agree to pay something of value for chances, one or more of which chances are to be designated the winning ones;
- b) the winning chances are to be determined by a drawing or by some other method based upon the element of chance; and
- c) the holders of the winning chances receive something of value.¹¹

However, what constitutes “chance” under New York law is different from “chance” under the laws in Indiana. While Indiana follows the “predominance test,” in New York, a “contest of chance” means any contest, game, gaming scheme or gaming devise in which the outcome depends in a material degree upon an element of chance, notwithstanding that skill of the contestants may also be a factor therein.¹² Thus, there was no question in DiCristina that the peer-to-peer poker at issue was a game of chance under New

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The Lotteries' Position Under EU Law: Times, they are a-changing.

By Philippe Vlaemminck, Partner, ALTIUS (Philippe.Vlaemminck@altius.com) & Bart Van Vooren, Senior Associate, ALTIUS (Bart.VanVooren@altius.com)

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Lotteries are on the eve of a potential legal and regulatory watershed, which will require a collaborative effort of Lotteries within and beyond Europe in order to appropriately address the challenges which this development will pose to the sector.

In the Member States of the European Union, Lotteries have traditionally enjoyed, both in law and fact, a position which – if not privileged – has been distinct for many years if not centuries. Taking a slightly generalized perspective, this privileged position has been derived from a social contract whereby gambling was considered as a darker aspect of the human condition which – if not fully prohibited – required canalization towards legal and entertaining offers, and insofar as gambling was considered socially permissible and thus legally accommodated, that proceeds should support socially beneficial objectives such as charities, research, sports, the arts ... Legally then, this specific position was entrenched, sometimes as a monopoly, and in other cases certain exclusive rights were accorded to Lotteries in terms of position on the market, offering of games, and so on, but always under strict governmental control.

In the early 1990's, when the European Union pursued the completion of the single market, this position was challenged by the discipline of the EU freedoms which required that no obstacles be erected to – in this case – the free movement of gambling services between the member states of the European Community (now EU). However, the Treaties then, as they do now, permit that Member States impose certain exceptions for reasons of maintaining public order and/or consumer protection. The process that ensued is essentially one whereby the Court of Justice of the EU in Luxembourg over the course of two decades, progressively hammered out the framework within which Member States were permitted to organize their gambling policies within strict conditions. The first ever such judgment concerned Lottery tickets being sold between the Germany and the UK. In Schindler – where one of the present authors acted as agent for an EU Member State – the CJEU drew up conditions under which Member States could organize a distinct position for lotteries. Thus, the Court related this special position of lotteries to the public order exception to free movement of services. In doing so, the Court thought it relevant, that

Lotteries make a significant contribution to social works, charities, sport or culture. However, it was not sufficient to justify limiting the free movement principle, as the Court essentially found that merely seeking to fill Member States' coffers cannot justify limiting the fundamental principles of the European Union (free movement). Thus, alongside the special position of lotteries, there must be a dominant dimension of consumer protection, fighting crime or preventing fraud on order to justify any derogation.

That is the regulatory reality under which Lotteries operate today, and the most remarkable aspect is indeed that the EU legal framework in gambling was essentially judge-made. National legislators and governments drew up their national policies; but any policy-engagement between the national level and the EU level, occurred in Court. This meant that in terms of political process, especially in the early years, the European Commission, the Council and the European Parliament remained relatively inactive. Times, they are a-changing sang Bob Dylan, and indeed, for Lotteries, a huge shift is occurring. The legally distinct position that Lotteries have held in EU Member States faces a significant regulatory risk from the direction in which EU Law is presently moving.

In our opinion, the position of Lotteries will be (positively or negatively) affected by a dual judicial and legislative strategy which is being pursued by the European Commission: On the one hand, there are infringement proceedings launched by the European Commission against the gambling policies of numerous EU Member States to remove what are alleged to be unacceptable barriers to free movement. On the other hand, simultaneously (soft) legal instruments with a very weak and low level content are being published to organize the pan-EU market of games of chance in a fashion that is not unbeneficial to purely-for-profit private operators who have no affinity with the social contract of which Lotteries are an integral part.

The reason we call this a regulatory strategy on the part of the Commission, is based on the present authors' experience in other EU regulated markets: for example, the EU common market in aviation (and notably the extent to which member states were able to regulate relations with third countries in civil aviation) was proactively shaped by the Commission through exactly the same dual strategy: between the end of the 1990's and the early 2000's, the Commission published several non-binding documents favouring integration of the EU market to the detriment of national flag carriers. These were then followed in 2002 by a wave of nine infringement cases. The Member States partially won those cases, yet the fact that it was only partial was sufficient to change the political direction towards a harmonized EU approach. A similar dynamic can be observed in the regulation of gambling services: several non-binding documents have been or will be published on how regulation should develop at the European level, and seven infringement proceedings are being pursued against the Member States, while others are in the pipeline. While evidently speculative, there should be little doubt that the final objective of (at

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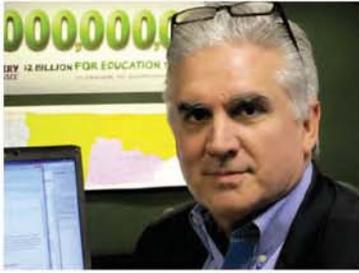


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Lottery as Both a Public Trust *and* Market-Driven Business

Tom Jurkovich,
Vice President for Corporate Affairs,
Tennessee Education Lottery

Lotteries, whether state sanctioned or privately operated, have long been with us, going back to ancient times, and have almost always been used to fund public purposes and good causes. It is believed that officials in the Han Dynasty funded portions of the Great Wall of China through lottery proceeds. From at least the time of Augustus, the Romans employed lotteries for city repairs and portions of the public infrastructure conceived by the Empire's fabled engineers. And many of the landmarks in Europe's Medieval cities – what we still see as stolid walls and fortifications, quaint bridges and cobbled roads – were made possible through lotteries common in those times.

Early America saw a similar reliance on lotteries as a form of needed fund raising for both private and public purposes. Prevalent on the Continent, lotteries were brought to the New World for all sorts of uses and impacted all manner of significant – and historically meaningful – undertakings. Indeed, iconic Jamestown itself, our first permanent English colony, was established and funded in part through lottery-derived financing made available to the Virginia Company in London. Thereafter, with the settling of the colonies, countless lotteries were used to finance roads, canals, bridges, hospitals, and even churches, and were utilized by such notable figures as George Washington and Benjamin Franklin. In addition to providing much of the needed infrastructure, lotteries in colonial America funded most of the colleges established at that time, including such revered institutions as Harvard, Yale and Princeton, and the Continental Army could not have survived the outset of the Revolutionary War without early reliance on funds generated from lotteries authorized directly by our fledgling Congress.

That contemporary lotteries trace their lineage across the span of time and place, including some of the most noteworthy moments in the American experience, gives context and historical understanding to our contemporary industry setting. It's revealing, maybe even comforting, to know that for centuries enterprising folks have tapped the widespread attraction to "chance" to accumulate resources needed for a larger good. Still, while these early lotteries share a fundamental concept and basic purpose with our modern version, they were relatively simple affairs, often more akin to a large raffle or a simple numbers drawing, a far cry from the sophisticated operations of today's state-sanctioned lotteries.

Unfortunately, all too often the view from the outside lacks understanding of the nature of today's lottery industry. The notion that lotteries are little more than a simple game delivering easy proceeds is encountered far too often among the general public and policy makers alike.

That lotteries exist for and serve myriad good causes – e.g., scholarships and education, environmental initiatives, after-school services, programs for seniors – is increasingly recognized and appreciated. Enough money has been invested in enough good causes with a multitude of beneficiaries that the stakeholder community is now vast.

It remains the case, however, that the characteristics of the lottery business are not widely understood. And that's the critical concept: business. The modern lottery operates as a business, a complex, sophisticated, market-driven business. Operating much as any other private sector enterprise, the modern lottery is a business that provides a consumer product that competes for consumers' discretionary dollars in the same manner as do countless other products.

Yes, there are certainly some differences with the run-of-the mill private sector consumer product company. Lotteries, in fact, have additional burdens, unique challenges apart from the need to satisfy the profit imperative. Foremost perhaps is the obligation to pursue proceeds in a responsible fashion, safeguarding against the potential social costs that sometimes accompany uninhibited gaming practices. And, as Paul Jason of Public Gaming Research Institute has written, in addition to fulfilling commercial and financial objectives, lotteries and their executives are held "accountable to a dizzying array of political constituencies, to the player community, to the retail channel, to the media, and ultimately to the larger general public." Such is the nature of the industry.

Still, in most every relevant respect, a lottery is a business enterprise and operates accordingly, with an eye to delivering on the bottom line. Whether set up as a traditional state agency or commission, or in the corporate form found in more recent iterations, contemporary American lotteries operate as a commercial, profit-driven enterprise, albeit one with a public purpose. Acting pursuant to a budget prepared by executive leadership and often approved by commission members or boards of directors, lotteries, like all businesses, seek to sell their products and operate in such a fashion as to maximize profits. That ongoing effort involves constant attention to such things as prize payout, marketing and advertising efforts, retailer needs, distribution channels, sales force goals and organization, technological advancements, player services, and, of course, customer demand. The better structure allows lotteries to operate with appropriate oversight but minimal intrusion from regulators and bureaucratic requirements. Such an approach vests authority within the lottery executive structure, allowing decisions regarding strategy, budget, expenditures, organization, advertising, and similar matters, to be based on business-related factors and address market demand.

As in any business, lottery profits can't be mandated or pre-determined. The same qualities that give rise to private sector success – such as flexibility in decision making, a commitment to customer service, an understanding of the relevant market forces, a willingness to innovate and the wise use of technological advances – lead to high-performing lotteries. Success, then, is the result of a series of sound business choices and the effective allocation of the available resources. Operating as a business in this manner means profits are maximized and proceeds increased for good causes.

Knowing that many of our oldest and most esteemed universities were originally financed with proceeds from colonial lotteries gives context to our understanding of this industry. But knowing the subject matter taught in the business schools now housed in such institutions is what gives us the tools and insights necessary to create and sustain the high performing enterprise that is today's modern lottery. History may provide the foundation, but today's lottery edifice requires so much more. ♦



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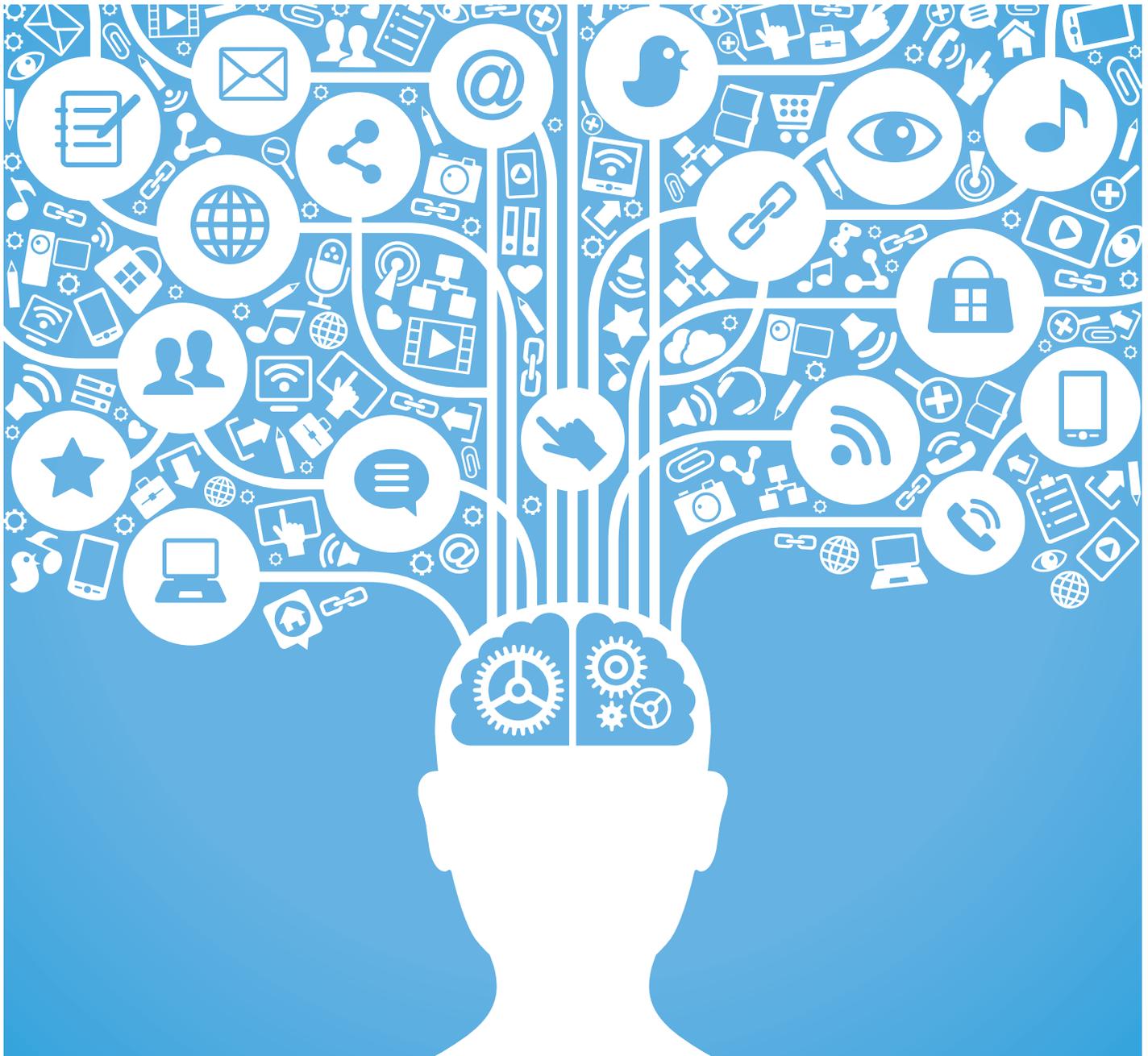
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GTECH[™]

CHANGING HEARTS AND MINDS

GTECH's model for planning through data and insight integration



Lottery marketers are facing a conundrum. We're blessed with unprecedented amounts of player intelligence at our disposal, yet we're stymied by how to use it. From sales and inventory tracking collected by our central systems to demographic data compiled from players club registrations and social network streams, we're sitting on a gold mine of customer intelligence – one that remains largely untapped.

Paradoxically, the rush to “big data” has actually made it harder for lottery marketers to make actionable decisions.

- › How do we extract valuable information from the volume of customer intelligence?
- › How do we transform information into insights?
- › How do we use these insights to meet increasingly aggressive sales goals so that we can deliver more revenue to good causes?



THE GTECH SOLUTION

GTECH has developed a simple planning approach that focuses on the consumer experience. GTECH’s PlayerXP® process for marketing plan development integrates quantitative data with qualitative insights, enabling lottery marketers to drive brand health, purchase intent, and, most importantly, incremental revenue. It leverages “the head and the heart,” combining the rational thought process and the emotional reactions of consumers during their journey to purchase a lottery ticket. Truly understanding the steps a player takes in the purchase funnel, including barriers and drivers, helps marketers to speed a consumer’s progression through the purchase experience and to invest Lottery marketing dollars more efficiently.

PlayerXP methodology helped increase year-over-year sales in Indiana more than 11% while keeping marketing investment flat. In October 2012 the State of Indiana hired GTECH to optimize

Lottery operations and generate additional revenue for good causes. The first step in the Lottery’s transformation was a deep dive into research and analytics. The result was enough reams of paper to nearly fill 20 three-ring binders. Quarterly tracking research was used to understand player and non-player participation, frequency, and play habits. An Attitude and Usage study showed brand perceptions. Regional focus groups were conducted to assess views of the Lottery and knowledge of the beneficiary. A retail audit was fielded to track curb-to-counter impact. Sales data from Business Objects showed regional and daypart spending trends. Google analytics and Foresee results indicated the efficacy of digital marketing efforts. The amount of data seemed endless.

But instead of drowning in intelligence, the GTECH marketing team was able to synthesize the relevant actionable data into a concise and simple plan. Using the PlayerXP process, the situation became clear: Only 48% of residents (and just 20% of non-players) held a positive opinion of their Lottery; the

Understanding sales barriers and drivers helps marketers accelerate consumers’ progression to purchase

remainder had a neutral or even negative perception. Many Hoosiers did not believe that the Lottery was a part of their community: Only 32% of Indiana residents considered the Lottery “for people like me,” and fewer than half (47%) said



THE NON-PLAYER PURCHASE FUNNEL

AWARENESS

STATUS

- › 63% can name any Lottery game
- › 48% recall seeing advertising
- › 59% think lottery is an appropriate way to raise revenue
- › 46% unaided awareness of Powerball
- › 36% unaided awareness of Scratchers

GOAL

- › Create awareness that a Lottery exists in Indiana

INSIGHT

- › “I didn’t know we had a Lottery”

TACTICS

- › News stories
- › Retail POS and winner awareness
- › Events and promotions

UNDERSTANDING

STATUS

- › 47% feel informed about lottery
- › 59% believe makes positive contribution
- › 48% think proceeds go to education
- › 44% believe the lottery is well-managed
- › 21% indicate that knowing where money goes would make them purchase

GOAL

- › Develop understanding of the Lottery’s mission, beneficiaries and games

INSIGHT

- › “What is it?”
- › “Where do the proceeds go?”

TACTICS

- › “Where the Money Goes” report
- › “How to Play” videos
- › Jackpot billboards
- › TV documentaries
- › Press coverage
- › Product brochures at retail
- › Website

that the Lottery is a “part of life in Indiana.” Clearly, there was a great opportunity to increase sales. The solution to the Hoosier Lottery’s challenge and the resulting marketing plan for the first year of operations fit on a single sheet of paper.

PlayerXP methodology breaks the consumer purchase funnel into distinct phases, or steps. Within each step, data is used to provide a situation analysis, research is synthesized to garner a consumer insight, a goal is established, and strategies and tactics are prescribed. In Indiana, Hoosiers who had never played the Lottery would need to travel through five distinct steps in order to purchase a Lottery ticket:

AWARENESS | Surprisingly, some citizens still don’t know a lottery exists in Indiana, and even more don’t care. Currently, only 62% can name a Hoosier Lottery game and a mere 36% recall seeing any Lottery advertising. In the Awareness phase, marketers should utilize proactive public relations to become a common topic on local newscasts. Heavy participation in events and promotions around the state will also ensure that the Lottery is a ubiquitous part of the community.

UNDERSTANDING | During the second step of the process, lottery marketers must begin forming both a rational and an emotional connection with the brand. This can be accomplished by creating an understanding of the Lottery’s mission and the personal impact that it has on local communities. The Hoosier Lottery successfully implemented a campaign, including a “Report to the People” in newspapers and viral videos from firefighters, to increase understanding of its cause and build relevancy within its communities.

AFFINITY | Now that non-players have started to understand the deeper importance of the Lottery, affinity will build as relevant products come to their attention. The top brand health

metric for determining Lottery growth is: “the Lottery is for people like me.” Identifying with the values of the Lottery and building pride in the Lottery institution are key brand health measures.

INTENT | Once a consumer has a positive overall impression of the brand, purchase becomes more likely as new, attractive products are introduced. During the Intent phase, the Hoosier Lottery leveraged licensed properties such as “The Walking Dead™” as well as niche-interest games like “Lucky Dog” to appeal to the personal interests of Hoosiers. Draw game innovations such as Poker Lotto and raffles also drew a new segment to the Lottery.

PURCHASE | Just because a consumer is attracted to a product doesn’t mean he or she will purchase it. “I forgot” and “it wasn’t convenient” are among the top barriers to playing the lottery. To overcome these objections and secure a purchase, lottery marketers must utilize radio, billboards, and mobile banners to re-engage consumers during their commutes. In-store signage, ask-for-the-sale promotions, and clerk recommendations serve to secure the purchase. Even when a lottery product has been purchased and the fifth phase of the process has been concluded, the lottery marketer’s job isn’t complete. To ensure sustained growth, we must constantly develop new games and promotions that bring new players back while incentivizing them to tell a friend about their experience.



AFFINITY

STATUS

- › 56% positive opinion, a 8% increase since 2012
- › 38% believe “is for people like me”
- › 32% are proud of the Lottery
- › 52% part of Indiana life
- › 53% think the lottery is fun
- › Familiarity, Scratch 82%, PB 80%

GOAL

- › Create a positive opinion and an emotional connection to the Lottery

INSIGHT

- › “Now that I know it’s for a good cause, I’d buy one.”
- › “There’s finally a game for me!”

TACTICS

- › TV advertising
- › Events and promotions
- › Geo-targeted banner ads
- › Social media shares

INTENT

STATUS

- › Likelihood to play Scratch 30%
- › Likelihood to play PB 30%
- › 13% would like to purchase at the gas pump
- › 16% would like to purchase at Walmart
- › 39% are spending more because of product visibility at retail

GOAL

- › Create the urge to purchase a Lottery game

INSIGHT

- › “I should buy that...”

TACTICS

- › Innovative draw games
- › Licensed properties for Scratchers
- › Radio advertising
- › Billboards near retailers
- › Parking lot advertising
- › Coupons
- › Word of Mouth recommendations

PURCHASE

STATUS

- › 3-10% purchased a lottery game for the first time in 2013

GOAL

- › Sell a Lottery game

INSIGHT

- › “I’ll take a....”

TACTICS

- › In-store signage
- › On counter dispensers and disruptive merchandising
- › Ask for the Sale promotions
- › In-store events
- › Office pools
- › Positive purchase experience
- › Terminal promotion
- › Winning experiences

GTECH CAN BE YOUR PLANNING PARTNER

Utilizing PlayerXP as its planning methodology was extremely effective for the Hoosier Lottery. In just one year, overall positive opinion increased 8 points to 56%, with a large part of the growth coming from non-players, whose positive opinion doubled from 20% to 40%. Research showed that the efforts to be more relevant had succeeded, with “for people like me” scores growing 6% and “part of life in Indiana” increasing 5%. In addition, a sense of pride in the institution was starting to blossom, with a 4% lift in “I am proud of the Hoosier Lottery” statewide and a 10% increase in the southern district. More importantly, the marketing efforts not only lifted perceptions of the Lottery, they also improved revenue in a responsible manner. Product sales increased more than 11% fiscal year to date, with new players leading the way— between 3%-10% of players say they purchased their first Lottery ticket in the last year.

PlayerXP planning methodology is just one of the approaches that GTECH offers to diagnose opportunities and drive sales and profitability growth for its lottery partners. From libraries of best practices from around the world to a comprehensive program for building innovative business plans, GTECH provides a full range of consultation services.



HOOSIER LOTTERY KEY PERFORMANCE INDICATORS

	2012	2013	+/- Change
Overall Positive Opinion	48%	56%	+8%
(Is) for People Like Me	32%	38%	+6%
(Is) Innovative and Modern	30%	38%	+8%
I am Proud of the Hoosier Lottery	28%	32%	+4%
(Is) Fun	41%	53%	+12%
(Is) Boring	21%	12%	(- 9%)
(Is) Part of Life in Indiana	47%	52%	+5%
Markets Games Responsibly	44%	53%	+9%
Provides Entertainment Value/Dollar	39%	48%	+9%
Facebook Followers	13,468	80,158	+66,690
Klout Score (Online Social Influence)	50	71	+21

Sources: Hoosier Lottery Attitude and Usage Studies, 2012 and 2013. Sales data shown is fiscal year to date through January 1, 2014



Author Bio: Jessica Powell, Vice President of Marketing, GTECH Indiana, is a 20-year veteran of the marketing industry and expert in the gaming and hospitality categories. She has experience in every facet of the gaming category including state lotteries, Las Vegas mega-resorts, dockside and riverboat casinos, and Indian gaming properties, and has worked with notable industry leaders such as Walt Disney World Resorts, MGM Resorts International, and Cathay Pacific Airways. She is currently working on behalf of the Hoosier Lottery ensuring the product development and marketing strategies connect with new and current players. Jessica is the author of “Beyond Myopic Marketing” and “Finding Opportunity in Troubled Times” and has been quoted as an industry expert in such publications as Adweek, Advertising Age, and DMNews.



PGRI ASKS TORBJØRN ALMLID ...

Paul Jason, Public Gaming: *I have been thinking about the Norsk Tipping operation, and reviewing the news items that describe your implementation of i-gaming. The scope and scale of this is most interesting and raises some questions as to the details of implementation.*

Do I understand correctly that your terminal business is provided by Scientific Games – that the terminals and central server that supports the network of 5,000+ terminals in retail stores are provided by Scientific Games? And that the Interactive games and the hosting service for the internet-based games are being provided by GTECH? I realize that the Interactive and the land-based are two different types of games delivered through two different channels of operation. Even so, isn't there an overlap of IT infrastructure and service? Even though the two sectors may operate separately on many levels, isn't there some overlap when it comes to player management, data-base management, payment processing, and even the games themselves? How do you integrate the IT functionality and platform that drives the terminal business with the IT that drives the interactive business?

Torbjørn Almlid: Correct that Scientific Games is our terminal vendor and that includes the central server for the terminals. And GTECH is doing all of the Interactive. The extremely short answer is that our different vendors develop and deliver the products, and Norsk Tipping integrates and operates the systems internally. So, Scientific Games provides us with new lottery retail terminals. GTECH Interactive is the provider for our newly launched interactive portfolio – games launched only on web, tablets and mobile. But our infrastructure and technical architecture is designed around what (in simplistic terms) we have defined as an 'integration platform.' This is designed, developed, and operated by resources internal to, and controlled by, Norsk Tipping. This integration platform functions as a 'core hub' which combines all key systems. This means that our different back-office systems (eg. economy, payment/ID, customer systems) and our core gaming systems all communicate with our different sales channels and systems through this platform, this 'core hub' integration platform. In practice, this means that there is no direct interface between different vendors within different business areas.

There are a few notable exceptions to this method of operation in which all functions are controlled by the core hub, i.e. with the systems controlled and operated internally by Norsk Tipping. Among the key exceptions to the rule of internal operation is our payment/ID system, which is operated by our payment/ID vendor (a Norwegian company called Buypass) and our interactive gaming platform, where operation of the gaming platform is part of our cooperation with GTECH Interactive.

In fact it is an important strategic objective for Norsk Tipping to have an open integration platform to which different vendors can hook up so that we do not have a 100 % dependency on one supplier. For the time being we have essential cooperation with Scientific Games, Gtech, Aristocrat, and Genera. We think we have found a model which suits our needs and strategies in a very sound way. ♦



NORSK TIPPING

Norsk Tipping has launched its first range of iGaming products exclusively for the Norwegian market. The operator of the Norwegian Lottery and gaming was asked by the Norwegian Ministry of Culture to develop online games to provide the Norwegian public with an attractive offering and at the same time be in the forefront of Responsible Gaming. "With this launch, Norsk Tipping is challenging foreign betting companies not licensed in Norway by providing attractive games that are not as aggressive as the cross border operators.' Responsible Gaming is our trademark," said Norsk Tipping CEO Torbjørn Almlid.



Torbjørn Almlid

GTECH has supplied Norsk Tipping with its award-winning iBingo product, an iCasino portfolio including a range of slot games, and eInstants designed to ensure that the new portfolio appeals to a wide range of players. The games, which are available to registered Norwegian players across mobile, tablet, and desktop channels, were launched on January 14, 2014. This is Norsk Tipping's first agreement with GTECH, which is also providing the Lottery with hosting, Player Account Manager system, integrated Player Services, and operational services.

"This is a much-needed and long-awaited renewal of Norsk Tipping as a provider of money games in Norway. Norsk Tipping must be up-to-date to survive as a gaming company and provide customers with attractive games. We will launch a series of new games in 2014 and we will especially concentrate on new games for mobile," continued Mr. Almlid. "We are thrilled to see these solutions come to life, thanks to GTECH's integrated platform and entertaining game solutions. GTECH has ensured a historic launch, and early indications suggest that this program expansion will well exceed our objectives," concluded Mr. Almlid.

As part of the five-year agreement with Norsk Tipping, which was announced in December 2012, GTECH has supplied the Lottery with its Player Services and Player Account Manager back-office system, in addition to a range of new games. The Player Account Manager system features a fully scalable and powerful open architecture that works seamlessly across platforms, securely captures all player data, and allows easy integration of third-party products. The system has been integrated with Norsk Tipping's current Player Card program, giving the Lottery a complete view of player activity across all gaming channels, including the retail gaming channel. ♦



Pat McHugh

President,
North American
Lottery Systems,
Scientific Games

Paul Jason, Public Gaming: *Government lotteries are expanding into new games and channels. What do they need to consider as they go about the business of acquiring the technology and services to support this increasingly complex mix of product types, media and distribution channels?*

Pat McHugh: There is tremendous development happening across global lottery jurisdictions in the areas of channel expansion, new games and deeper player engagement. From the consumer's perspective, the gaming landscape is rapidly changing. Players have more gaming options than ever. Significant advances in game content and technologies are necessary to remain relevant to these consumers.

We see successful lotteries adapting to focus more effectively on engaging new

players and retaining existing players to generate sustainable profits for beneficiaries. When acquiring technology and services, we recommend starting with a strategic business review. It's important to establish objectives in order to evaluate which companies are best qualified to maximize lottery profits through the integration of diverse content and programs to engage players on their terms.

At Scientific Games, we look broadly at player engagement and how to maximize our lottery customer's full portfolio in a rapidly evolving market. We've developed games, technology, research and marketing programs that integrate well together to attract players, maximize entertainment value and create consumer loyalty to the product.

More importantly, we've actually deployed these integrated products for our customers. It's easy for companies to say they have open technology platforms; however, very few have proven it by doing the hard work to integrate new content, expand distribution channels and launch unique marketing programs for player engagement. One key value area that differentiates Scientific Games is we are really doing this now. Results-based innovation is part of our company DNA, as is working hard for our customers. We collaborate across our Lottery Group teams to develop exciting programs for our customers that increase their sales and profits. We've extended this strategy by collaborating directly with third-party providers to integrate our products and deliver creative solutions for our customers. This is something I am very passionate about, and really believe is at the core for success in our industry. It's a philosophy we live by every day.

And it is working. We've recently demonstrated our commitment to this strategy with our Scisplay™ technology, which is designed around a service-oriented architecture to support a multi-channel platform. In Minnesota, we collaborated with third-party businesses to sell lottery games via ATMs, gas pumps and, most recently, introduced electronic instant tickets that allow players to purchase the same games that are sold at retail via internet. Last year in Delaware, we assembled a team of companies to bring the iGaming solution chosen by the Delaware Lottery to the market. Last year in Delaware, we also integrated our traditional

lottery system with our sports betting system to expand NFL sports wagering from the casinos to lottery retailers to support the state's legislative initiative. All of these unique, complex technology programs required very close collaboration with our lottery customers, and all represented firsts in the U.S. gaming industry. Our strategy is to create products and services that align to the lottery's business goals. We see ourselves as a business partner with our customers, not solely as a technology provider. This certainly proved to be the case in both Minnesota and Delaware.

Are there trade-offs going with the multi-supplier model?

P. McHugh: Yes, I believe it is complex and challenging for a lottery to negotiate technology or content contracts with multiple companies. The typical government procurement process is not usually conducive to growing the lottery's business or providing flexibility in purchasing. It's not an agile, fast process and it's not always focused on creating the greatest upside and value for the state. Frequently, the process rewards the cheapest, not the most profitable, solution. That generally doesn't align to investing in the business and facilitating growth.

On the flip side, if a lottery chooses a single technology partner that doesn't embrace innovation and integration, that lottery will often spend its time negotiating instead of collaborating. What makes sense is for lotteries to use, where possible, a single provider model. But the provider must be a willing partner in collaboration and be adept at integrating new technologies and content. Or at the very least, provide a structure where the lottery can directly incorporate third-party content and services.

Government lotteries are in the business of generating revenues for good causes. Won't the diversification of games and channels put pressure on margins? How can lotteries protect those margins, or at least decelerate the rate of margin decline?

P. McHugh: Good question. Yes, there will continue to be pressure on funding the good causes that the lottery industry supports. We see the most successful lotteries around the world focusing on increasing actual dollars returned for their beneficiaries, versus focus-

ing solely on margin as a percent of sales. However, we also frequently see other lotteries forced into product decisions that reduce actual profits because they are trying to meet a mandated margin percentage. Interestingly, if we look across the industry, the jurisdictions with the lowest percentage margin return tend to have the highest actual dollars per capita profits. And the reverse is true as well – the jurisdictions that mandate higher percentage margin return tend to have the lowest contribution in actual dollars per capita. This generally occurs because mandated margin returns constrain product decisions, such as prize structures.

As lotteries look to new channels, each channel comes with its own margin dynamics. Based on our global customer base of over 120 lottery jurisdictions, we see lotteries wanting to make sure they have the right mix of channels that can maximize the total dollars that they're returning to their beneficiaries. It's really about expanding incremental sales in these new channels in a way that outpaces any decrease in margin in any individual channel. That's the goal – at the end of the day, it's about net new dollars returning more to good causes. It doesn't matter if a channel has 10% less margin, as long as the dollars it produces are meeting the profit contribution needs, are incremental and they're not cannibalizing another channel in the process.

The proven performance out of Europe show those of us in the United States that technologies can facilitate sales over multiple channels and overall profits do grow. In fact, European lotteries with an internet presence grew instant game sales 6% over a five-year period compared to those with no internet presence growing just 1%. It circles back to lotteries choosing supplier companies that can bring both creative content and creative methods to reach and engage players. It's not just about the technology; it's about delivering solutions that are relevant to growing the business.

Won't the consumer eventually migrate to the games with the higher prize payout percentage?

P. McHugh: Not necessarily. There are other ways to create consumer value in games. Our Jackpot Party® social game is a perfect example of consumer willingness to play, and pay, entirely for the entertainment value. The art is developing a balanced game portfolio that appeals to different player segments. Different gaming propositions do have different payout percentages.

What appeals to the player involves a combination of many factors. Payouts are just one factor, others include the type of game involved and what the consumer's objective is when they choose to wager. Are they seeking the chance to win a big jackpot, an entertainment experience or a short-term win? Are they seeking a few minutes of engagement or a few hours?

There are so many variables involved and that's why there are so many different gaming products available to the consumer. And they can all exist together. A consumer who plays Powerball® makes a completely different kind of purchase decision than a consumer who wants to go to the casino and play a slot machine for an afternoon, which is completely different than a consumer who spends a few dollars for the chance to win a couple of thousand dollars instantly and be entertained in the process. The prize payout percentages on each of these propositions are completely different, yet a consumer's decision to purchase each of these game types is based on many factors beyond just payout percentage.

In markets such as the U.K, where all of these products co-exist, a player can go on different websites and choose to spend their wagering dollar on anything from a lottery draw game that has a chance to win millions, to a casino game with a high return, a poker game where they can go head to head with other players or an e-instant game where they can have some casual fun and try to win some money. All these products successfully co-exist with very different prize payouts. The consumer experience in Europe has not shown that players migrate to the higher payout games. So, while there's certainly a market for higher priced games that have better payouts, there is still a huge market for players looking for entertainment. Lotteries have many ways to make games engaging to players without moving to significantly higher payouts.

There are a wide variety of ways for lotteries to begin to embrace a multi-channel player model. Why are so many lotteries paralyzed over retailer concerns about cannibalization? What are some things that Lottery can do to use digital channels to add value to their retailer relationship?

P. McHugh: The retail channel is of critical importance, and is a key area of business focus for us at Scientific Games. Retailers are an important distribution channel for the lottery industry and lottery is a very important product for driving foot traffic into retail. It's



natural that new channels are viewed with some apprehension. However, experience shows that digital channels connect with new players and increase retail sales. As an industry, we need to engage more closely with major retailers and the trade associations so we all benefit from our consumers' evolving digital world. Scientific Games is doing that through our lottery customers, NASPL, with great industry partners like you at PGRI – and also through our work directly with major chains and the trade associations.

The digital experience in itself is a multi-dimensional concept. A player can have a completely digital experience of purchasing an e-instant ticket or draw game on the internet. But there are also many more digital experiences that can tie directly to lottery retail products. We offer products that take an in-store retail purchase and use a digital experience to extend the value to the player – such as extended game play, an internet second chance drawing or points in a rewards club.

Scientific Games views this as an ecosystem with plenty of ways lotteries can engage players via the internet that ultimately lead the players back to retail. Many of these digital experiences are already happening with our U.S. lottery customers. Today, we connect the digital engagement to the retail product very successfully. For instance, right now we are running MONOPOLY™ Jackpot, where the player purchases a MONOPOLY-themed instant game at retail and can win instantly. The game ticket also connects the opportunity for players to visit a mobile website and play an extended version of the game where they can win more cash prizes; they can enter to win a progressive jackpot; and they can collect game pieces that unlock different ways to win. Ultimately, their internet experience creates a dynamic where it's fun to go back and buy more games at retail.

The internet is both a medium for communication and a channel for distribution. What types of things are lotteries doing today to create digital connections that support loyalty and long-term sustainable growth?

...continued on page 63



Marios Mitromaras

General Manager of INTRALOT Asia & Deputy Managing Director of Asia Pacific

most importantly, a trend-setter in the region, bringing state-of-the-art technology and operational expertise that has supported its partners in their endeavors to modernize the Asian gaming market.

Today the company has established offices in Beijing, Seoul, Taipei, Hanoi and Hong Kong. We also provide our technology (s/w & h/w) in Malaysia and Philippines.

The majority of INTRALOT's employees in the region are local professionals with an excellent academic background and deep knowledge of the local markets and cultures. We thus have a globally recognized and tested portfolio of gaming solutions that our people in the countries undertake to customize and adapt to the local needs, all with the resources and support provided by INTRALOT's Athens Headquarters. As in all regions including Asia, we implement INTRALOT's operational strategies and expertise that have been acquired over decades of global experience, but with a keen focus on the local gaming culture, as it is very well described in the phrase "think global, act local."

What is the strategy of INTRALOT going forward in China?

M. Mitromaras: China has always been a target market for INTRALOT. China is a "tough" market with its own "codes". Entering and establishing an operation there has not been an easy ride for INTRALOT. We needed to convince our Chinese colleagues and partners that we are a long term investor, so locals could trust and do business with us. While we established our first offices in 2005, our first major projects did not launch until 2012, after seven long years of business development.

We are proud to have become the only international company in China that is a certi-

PGRI Introduction: When INTRALOT decided to enter the Asia market back in 2004, it was with the expectation that the emerging Asian gaming market would soon become the land of opportunities for the gaming sector.

Today, after nine years of hard work, major investments in the region, and a strategy that focuses on sustainable long term growth, INTRALOT has managed to establish a strong presence in several countries and become very well positioned in numerous others. The investment of human capital and the experience of global operations is just as vital to developing a market as products, services and materiel. With six local offices joining forces in Asia Pacific region, INTRALOT now offers world-class, industry-recognized gaming solutions and services to five countries.

Marios Mitromaras, General Manager of INTRALOT Asia & Deputy Managing Director of Asia Pacific talks about how the Company's motto "gaming industry is a marathon, not a sprint" is being implemented in the Asian region and explains why the Company has sharpened even more of its focus on China, with a population of 1.5 billion people.

The story is not just about INTRALOT. It is about the gaming consumer markets in Asia, how they differ from other global regions, how the shapers of public policy are positioning Asian countries to build a responsible and sustainable growth industry that focuses on recreation and fun more than winning a big jackpot.

Paul Jason, Public Gaming: *Could you please give us a brief overview of INTRALOT's activity in Asia?*

Marios Mitromaras: We first entered the Asia markets in 2004. During our first years in the region our ambition was to set the basis for a long term operation. We were driven by the corporate vision to enter into new markets and offer INTRALOT's innovation across many geographies and to pen-

etrate new consumer markets.

In Asia, INTRALOT was first settled in China and then expanded its operations in Taiwan, Korea, Malaysia and Philippines. Through a variety of large-scaled and demanding projects, the majority of which were assigned to INTRALOT following competitive international tenders procured by licensed organizations, INTRALOT has managed to become a dominant player and,

fied and approved terminal supplier by China Sports Lottery (CSLA) for our Photon terminal. By receiving this certification we are allowed to provide Photon to the 31 provincial CSLA lottery companies in China during the upcoming terminals replacement cycle. This is a major project for INTRALOT, because we can participate on all the upcoming tenders of the CSLA provincial lotteries which will gradually replace their approximately 130,000 terminals installed in their Points of Sale countrywide.

The potential of the gaming market in China is estimated at over 100 billion US dollars. The competition there comes mainly from Chinese companies. Major international players have tried to gain a share of the market. Many of them have left and only few are still there, trying to get a foothold. A company should have patience and persistence, a good product portfolio, well-built relationships and a significant investment of resources. Chinese expect to see a level of commitment by any company that wants to operate in their country. China is a country in transition with a fast development pace. A foreign company has to deploy a team of capable local employees with a high degree of loyalty to the company. Fortunately, in INTRALOT we have a good team with a capable management who has very good knowledge of the local needs.

In China there is still plenty of room for the company's further development. The groundwork has been laid and specific partnership agreements have been made, however we need to be patient until the implementation process is completed.

What is INTRALOT's activity in the rest of Asia?

M. Mitromaras: We are really satisfied with our business in Taiwan so far. We have established strong relationships offering an excellent product portfolio. Taiwan's lottery is among the biggest in the Asian market. Our first contract there started in 2007. Recently we have signed three contracts in the country, we won two new competitive tenders and renewed our presence in Taiwan for 10 more years. We have signed a lottery contract, a betting technology supply contract and most recently a sports betting services contract, our first one in the region.

In Korea we operate as part of the "Nanum Lotto" consortium, tasked with the national lottery's operation since 2007. Recently, Nanum Lotto won the tender to continue to operate the lottery for the next 5 years.

In Malaysia and Philippines, we operate primarily as technology providers. Our

partners / clients are local operators and license holders from local Governments.

In Vietnam, the legislation has recently changed and an international tender process was procured. According to the tender, specific providers were invited to bid for a 20-year license to operate the national lottery. INTRALOT was among the companies invited and submitted its offer. The selection process is still ongoing.

What are the company's future plans in Asia?

M. Mitromaras: Southeast Asia is of particular interest for INTRALOT. We have already made moves in the AS AN emerging region, targeting countries with a clear legislative framework, since it is our philosophy at INTRALOT to only operate within regulated jurisdictions.

Right now we concentrate our efforts on mainland China, with its billion and a half population and two major lotteries, the Sports Lottery and the Welfare Lottery, which generate an annual turnover of more than 50 billion dollars. China has 33 provinces, some of which are so big that they are easily comparable to the entire European continent; therefore a new project in any of these states has an immense potential value for us.

Are there "best practices" that can be applied to operating methods throughout the world of gaming and lottery?

M. Mitromaras: There is one commonality to INTRALOT's approach all around the world. And that is that the gaming experience is all about the player. The player may differ from culture to culture. But INTRALOT's focus on the player applies throughout all the markets that we operate in.

We do manage a global data-base of informational resources that support the management process of operations all around the world. And we can certainly all learn from each other, even though the differences may outnumber the similarities. But vital to the effectiveness of operations everywhere is the "Act Locally" component to our mantra of "Think globally, act locally". INTRALOT's wealth of global experience is no more relevant than the insight and understanding of our local partners.

Are there commonalities between consumer behavior in Asia and in other parts of the world? And do other market conditions differ between Asia and other parts of the world?

M. Mitromaras: China and Asia in general, is quite different from other markets in many ways. Certainly, the whole regulatory

environment is different. The retail shops and the way people shop is also different. Most of the lottery/gaming shops are very small. And there is a much more social interaction in the shops and in the streets. In northern Europe and the U.S., people tend to go into the shops with an objective of purchasing something and then leave as quickly as possible. There is a similarity, though, between the Mediterranean and Asian cultures in that respect. People there like to socialize, in the streets, in the tea shops, the coffee shops, the restaurants. And they like to have easy walking accessibility to all different kinds of shops. That's why you see so many different shops, and not so many big malls. And people like to shop from their friends, relatives, and the shop-keeper who convinces them that theirs is the lucky store.

And, of course, numbers hold a special significance in Asian cultures. Even though the games are random number generated, they have very strong feelings about the significance of the numbers they choose.

They make a real game out of betting on anything. I was in a hotel and noticed the people waiting for the elevator were laughing and having so much fun. It turns out they were betting on which elevator doors would open first, how many people were in the elevator, would it be an odd number or an even number, more male or female, and so on. They bet and play not just to win money, but because it is fun.

Now we understand how Macau went from having no gambling to generating six times more revenue than Las Vegas, in just six years.

Is distributing though millions of small shops a logistical nightmare?

M. Mitromaras: It is a logistical challenge, but they are very well organized and operate efficiently the distribution of coupons and programs. It is really not a problem at all.

Do you provide the broader range of support services or are you mostly a seller of technology and game content?

M. Mitromaras: Every country is different. In Korea, the lottery license holder, the Korean Lottery Corporation (KLC), which has granted the lottery operations license to Nanum Lotto. Nanum Lotto does all the logistics, runs the IT hardware and software, they do the marketing, Nanum Lotto is licensed to do pretty much everything. It's different in Taiwan. Both lotteries, the sports lottery and the welfare lottery are established separately from Taiwanese entities and we

...continued on page 62



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CONNECTING LOTTERIES TO THE DIGITAL WORLD

Paul Jason, Public Gaming: *How did Pollard Banknote and NeoGames forge this partnership?*

Doug Pollard: We have been having discussions with NeoGames for a number of years in order to find a way to leverage the strengths of our respective organizations. Pollard Banknote has nearly 30 years of experience providing an array of instant ticket products and marketing expertise to a long list of North American and international lotteries. NeoGames has a proven track record developing and operating soft gaming internet products to a mostly European market. We discussed the changing market for lotteries and explored how we could synergize our efforts in order to meet the demand lotteries increasingly face for revenue for good causes we all support.

Why is this partnership such a good 'fit' for both Pollard Banknote and NeoGames?

Ilan Rosen: We have seen tremendous growth in internet gaming since our founding in 2005. NeoGames now has over 30 clients worldwide, to which we provide a variety of products and services focusing on soft gaming. If we define a lottery as an 'ecosystem,' made up of a network of interactions across channels, then I like to say that we occupy the online interactive channel of

PGRI Introduction: Having teamed up to provide the full range of iLottery services, Pollard Banknote and NeoGames have been selected to develop, implement, operate, and maintain a system to provide iLottery services to Michigan Lottery players. (See the Scott Bowen interview in this issue). The Michigan Lottery's iLottery services will allow Michigan residents to play their favorite existing lottery games through new distribution channels – over the Internet and on mobile devices. The introduction of iLottery services in Michigan will also allow for the cross-promotion of traditional paper products with digital channels, and is expected to enhance and strengthen the Michigan Lottery's existing retailer network. Michigan Lottery's iLottery services are scheduled to launch in the fourth quarter of 2014 and are estimated to increase the revenues that the Lottery provides to the state's schools by approximately \$480 million over the next eight years.

"The Michigan Lottery is excited to work with Pollard Banknote and NeoGames to bring iLottery services to the residents of Michigan," expressed Tom Weber, Chief Deputy Commissioner, Michigan Lottery. He continued, "Pollard Banknote is a respected, long-term instant game supplier that understands the gaming interests of Michigan's population and knows how to appeal to those interests. It has also played a major role in introducing instant game apps to the Michigan market and has helped the Lottery leverage mobile technology and social media through its innovative products. In addition, NeoGames brings eight years of successful iLottery services experience to the table. We are confident that this is the right team to assist us in increasing revenues for Michigan schools through the use of modern digital channels while also enhancing our retail partnerships."

In the following interview, Doug Pollard and Ilan Rosen discuss how their combined efforts are being applied to help their lottery clients connect with the digital world of the modern consumer.

this lottery ecosystem. This channel is very new to the North American lottery industry. Some lotteries have already added this channel in various forms; others will surely follow in the coming years. Pollard Banknote has traditionally inhabited and contributed to the 'bricks & mortar' business of lotteries, specializing in instant tickets at retail with great success, and has built an internationally recognized reputation of trust, integrity, and security. What is even more interesting to us is Pollard Banknote's reputation for product innovation that exists in the 'space between' retail and the internet. So again, if we see a lottery as an ecosystem, Pollard Banknote inhabits two channels: the bricks & mortar channel and the 'space between.' Together, our 'light bulb moment' was realizing that if we put these three channels together we could offer lottery clients one simple solution for iLottery. Out of this, we developed a mission statement for the partnership: to empower lotteries to create their own unique optimized interactive channel to grow sales using our knowledge, technical and operational expertise, and wide-ranging marketing experience.

How will this partnership benefit lotteries?

D. Pollard: Our mutual strength is our collective knowledge of the various channels of the lottery business and understanding how these will interact in the future. We know that the way customers 'consume' entertainment has dramatically changed. It's all about convenience and has become a culture of 'consumer on demand;' consumers want to consume entertainment how they want it and when they want it. We therefore need to make it available through a number of different channels to optimize sales. While this is generally true of all consumers, it's particularly true of the 18-34 year-old demographic. This demographic is under-represented in traditional lottery sales and in particular depends more on mobile technology and the internet. NeoGames collective data from its client network shows that the 18-34 demographic represents 39% of active mobile players and contributes 42% of income in this channel. By adding iLottery to its menu of entertainment options, a lottery can now respond to consumer demand for a dynamic, secure, and conveniently accessible channel that provides continuously evolving entertainment. We can give lotteries a customized iLottery solution that will convert consumers to 'multi-channel' players. This will help

lotteries grow and expand their player base, optimize player engagement and retention, and ultimately, generate more revenues for good causes.

What strengths do your respective organizations bring to the partnership?

Ilan Rosen: We have proven market success launching mobile, web, and app products at lottery payout levels, and offer the world's largest market-proven portfolio of interactive lottery games. Our technical expertise, including our ability to provide a complete portfolio of marketing and operational services, in addition to our rigorous security and quality standards are, in my opinion, key contributing elements that will make this partnership successful.

D. Pollard: I agree with Ilan – NeoGames' experience and expertise in the interactive space, and in particular for iLottery, is unmatched. At Pollard Banknote, we have a long history of providing the most innovative and market-proven instant ticket products to lotteries, and more recently, interactive innovations that inhabit and successfully leverage the 'space between' bricks & mortar and iLottery. With over 50 clients worldwide, Pollard Banknote understands the needs of lotteries, including an understanding of the various legislative frameworks, and provide tailored market entry advice that is specific to each jurisdiction that we serve. Our company provides that link between the interactive space inhabited by NeoGames, the traditional bricks & mortar retail business, and the 'space between.'

How will lotteries benefit from iLottery? How do we know players will want to play across different entertainment channels?

Ilan Rosen: We are not guessing the future. We are responding to current behavior. Our existing customers provide the best proof of this change in player demand, showing constant sales growth across a range of interactive products. Every lottery and country has in its portfolio a unique set of localized games which are developed based upon player preferences. By responding to these player preferences, our lottery customers saw sales growth across their interactive product range increase from a more modest 10% to close to 70% in the eInstants category. In other words, we succeed when we respond to how players want to play. They want a variety of options across different entertainment channels. Smartphones

have accelerated the need for convenience, so lotteries have to offer a more convenient and immediate way to play. By investing in a new iLottery channel that interacts with the traditional retail channel, lotteries can increase player participation across both channels. If done correctly, retail and interactive channels will both grow. Each adds value to the overall player experience. A recent article in iGaming Business North America described the multi-channel approach as, "a mutually beneficial symbiotic relationship." We've seen this across a number of lotteries. Camelot in the UK comes to mind, and has published data demonstrating growth of retail sales in tandem with interactive sales growth. Of course, this in turn benefits lotteries by responding to the new realities of consumer behavior.

D. Pollard: The cross-promotion success that we've seen between draw-based games, like Powerball and others, and instant tickets is a great example of how this works. Cross-promotion powerfully leverages the appeal of these two highly visible entertainment options, which encourages migration across channels. This opens new channels for existing players and attracts new players to new channels.

Promotion across lottery channels is powerful and in fact, critical to converting instant ticket customers into multi-channel players. At Pollard Banknote, we are always looking for ways to achieve this. In fact, we have just been granted a patent for an exciting new concept called 'Cash Up™,' which lets players redeem their winnings on instant tickets purchased at retail, or multiply their prize value in the form of iLottery credits, by entering the winning tickets online. The iLottery credits can then be used to play any games available on the iLottery site. This innovation helps migrate the player's experience from paper products to online soft gaming. Again, this adds value to the customer experience. I would also like to note that another one of our interactive innovations, the Cashword WebPlay™ app, has been successful in multiple North American jurisdictions, and assists lotteries in cross-promoting brands across channels. The instant ticket has a QR code that links players to an interactive Cashword game online that they could play for fun or as part of the extended play feature on the game. Our data also shows that players who play the game online for

...continued on page 64

Why Engaging Your Retail Partners is Key to a Multi-Channel Approach

Dianne Thompson, Group CEO, Camelot



Historically, Camelot has always had a good relationship with its retail partners – as the UK National Lottery has been so successful and seen each of them earn the equivalent of thousands of dollars in commission. To date, our retailers have earned over a massive US\$8.1 billion in total commission – an impressive figure, I'm sure you'll agree.

However, we faced the challenge of keeping them on-side when we launched our interactive channel 10 years ago – and that was quite a trick to pull off. It was that strong relationship that allowed us to do it and, today, we are a very successful multi-channel lottery operator – with a strong and growing interactive operation, alongside a strong and growing retail op-



eration.

I know one of the key topics of concern at the moment is online play – how to do it well but not lose your retailers' support at the same time. In this article, I want to focus on our experience in the UK in terms of how we have managed to get this difficult balancing act right – and continue to work very hard to do so. I don't pretend to have all the answers – as every lottery market is unique and its relationships are nuanced in often very different ways – but I hope our experience and successes can be of some help at this time of transition. Before I go any further, let me give you some context about Camelot.

Camelot holds the licence to operate the UK National Lottery, which we've run for 20 years now. We are in our third licence period as operator and hold the current licence until 2023. Each week, Camelot generates more than US\$58 million for UK National Lottery Good Causes. Unlike many US lotteries, we don't raise money for one specific good cause. We raise money for a broad spectrum of projects across the arts, heritage, sport and charities. Since The National Lottery was launched in the UK in 1994, over US\$51 billion has been raised for these Good Causes – and more than 420,000 projects right across the UK have been funded, including the US\$3.6 billion that went to part-fund the hugely-successful 2012 London Olympic and Paralympic Games.

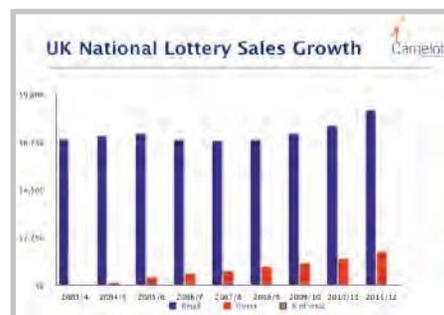
One of our main strategies is to en-

courage lots of people to play our games but to individually spend relatively small amounts. Therefore, we have worked very hard in the UK to make sure that playing the lottery is a discretionary spend – the spare change in people's pockets that they might spend on a magazine or a candy bar or a soft drink.

In essence, we seek to deliver games for our players whenever and wherever they want. It's about providing convenience and accessibility to all – on all channels at all times. We don't tell our players where to play – they tell us where they want to play.

Today, our website – www.national-lottery.co.uk – which was set up 10 years ago, has well in excess of six million registered players. It's Europe's largest online lottery in terms of sales and it's also one of the top e-commerce sites in the UK. In addition, we're a big force on smartphones – where players can play draw-based games, check results and manage their accounts on the move – and we have a strong and ever-growing presence on Facebook and Twitter.

But, although interactive is now the fastest-growing part of our business in percentage terms, we are still fundamentally a retail operation. 83% of our sales come from retail. We work with 37,000 retail partners right across the UK, from major multiples/supermarkets to small independent stores. In fact, independents make up well over half of our retail estate.



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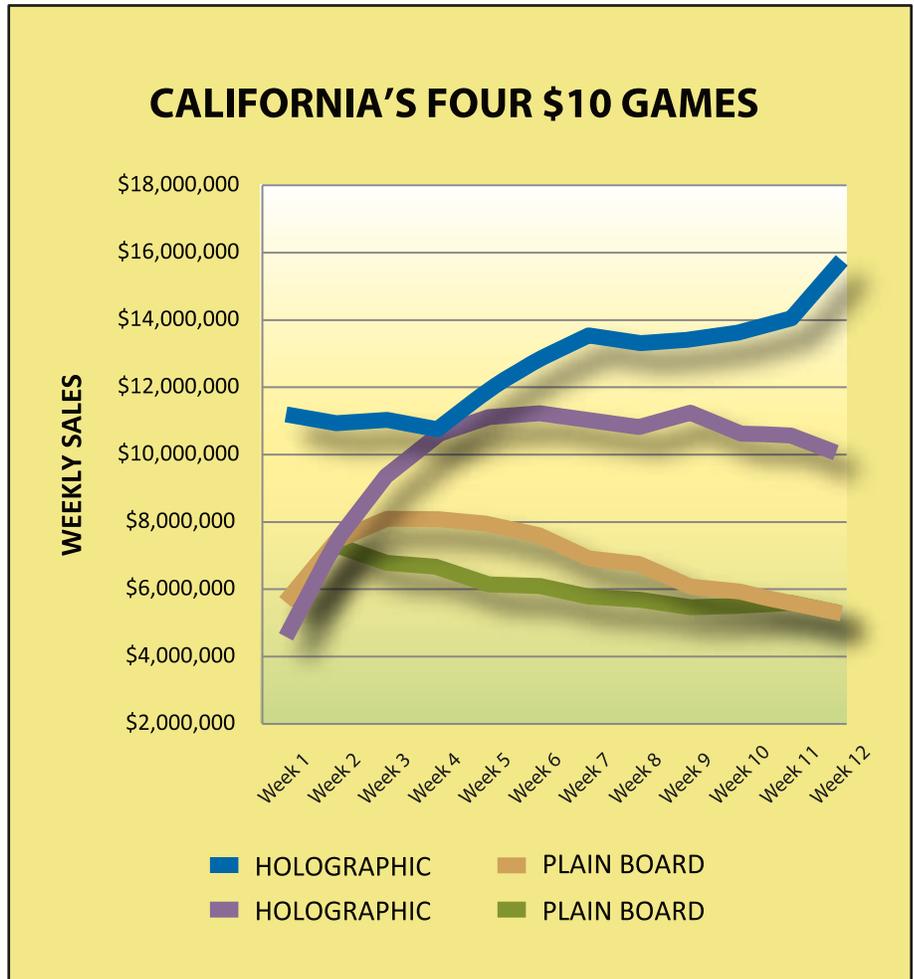
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HAZEN PAPERS PERFORM

Since most of our sales come through retailers, it's crucial that we get the relationship with them right. I think we're in a pretty good place right now, but we have had to work hard at it. There was a time, going back over a decade now, when retailers – and I'm particularly talking about the big multiples here – really didn't think very much of The National Lottery. As far as they were concerned, The National Lottery was a low-margin product that they had to provide as a service to their customers. They saw it as a category that created queues and congestion in-store – and one that tied up staff, particularly on draw days. So, we set out to turn that perception around.

It took a lot of time, work and resources, but we did turn it around – and doing so had a very fundamental effect on our business. We created something which we called the 'Value of Lottery.' This was based on a major piece of analysis and modelling of the lottery market, and retailers' role within it. It was a real root-and-branch review of the lottery category carried out with key retail stakeholders.

With the big multiples, we worked not just with the buyers but also with departments such as Productivity, Customer Service, Finance, IT, Property and Store Operations – everyone from store staff to area managers to directors at board level. We used the multiples' own transaction measurements and added new research, including timing lottery transactions to give us an average transaction speed.

We held in-depth interviews with these stakeholders – so that we really understood their views and knowledge of The National Lottery compared with other categories – and we compared total sales in stores that sold lottery tickets with those that didn't.

From all of that research and information, we built a detailed picture of the retail marketplace for lottery – and found there was a huge gap between the retailers' perception of the category and the reality itself.

For example, in one of the biggest UK multiples, we found that, apart from the staff who sold lottery products, there was almost no understanding of the scale of their lottery sales – even though they ran into hundreds of millions of dollars a year.

With a 5% commission margin, that's a lot of profit not to be excited about. Despite being only one product category of the tens of thousands they stocked, The National Lottery accounted for 1% of their total net profits for the year. Incredible – but they just didn't realise it.

Lottery terminals and equipment weren't included on store format plans and there were no staff members responsible for National Lottery sales or compliance for point-of-sale marketing material.

We were also able to demonstrate that National Lottery sales created additional footfall, which translated into additional sales of over an extra dollar for every dollar spent on The National Lottery. And we came up with some fun statistics – like the fact that, as far as this particular multiple was concerned, it sold more National Lottery tickets than it did bananas – which they thought was their biggest-selling product! Being able to prove that we were bigger than bananas, along with the other positives our research had generated, meant that we could start knocking on our retailers' doors with real evidence.

We started right at the top. CEO to CEO – to ensure buy-in at the most senior level. Once we'd opened the eyes of the people at the top, we then launched a mass-scale communications operation to educate store staff about the size and value of The National Lottery.

We got agreement to get lottery equipment and point-of-sale material included in a sensible position on format plans – in order to help manage queues and maximise sales. We also negotiated for there to be a 'National Lottery champion' in every store responsible for compliance and for lottery sales to be included in every store's sales targets.

This was the start of a long programme to build retailer engagement – a programme that's still going strong and is still paying big dividends today. For example, we set up a Retailer Forum, which is still running and is still very effective. The Forum is made up of around 12 representatives from all categories – from the biggest multiples down to the smallest independents. In addition, the members come from all regions across the country – resulting in a small but very effective working group of key people in the in-

dustry. It's jointly chaired by a senior executive of one of our major retailers and by Camelot's Sales Director. The Forum meets four times a year and the agenda is jointly agreed in advance between our retailers and us – so our retail partners can shape what we discuss just as much as we bring topics to the table.

When it started, I have to be honest, the Retailer Forum was mostly a place for retailers to let off steam about what they thought we were doing wrong! But, over the years, it's become something much more collaborative and much more valuable to both sides. The 'Value of Lottery' work we did was crucial in getting retailers, particularly the big multiples, on board. With the big hitters involved, it made it much easier to gain real buy-in



from the smaller retailers and independent trade bodies.

There are other ways we work closely with our retailers too. For example, with our biggest retail customers, we'll give them a member of our staff, paid for by us, to work in their head office alongside whoever is responsible for National Lottery sales. It's great for the customers. But it's also great for us because it gives us a close-up insight into the real nitty-gritty of how that customer operates, so that we can align our processes more closely with theirs.

We also run regular surveys with our retailers so that we know what's working for them and where we could do more. Again, the results are something we pay a lot of attention to – and, crucially, we act on them wherever possible. This is not about paying lip service – you will quickly lose respect and trust if you do. You have to commit to your retailers, and take their concerns and suggestions seriously.

...continued on page 65

ALL ROADS LEAD TO ROME IN 2014



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Switzerland
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world-lotteries.org

Lottomatica

Viale del Campo Boario, 56/D
00154 Roma
Italia
Phone: +39 06 518 991
Fax: +39 06 518 943 60
lottomatica.it





Geonomics

PLAYER-CENTRIC PRODUCT DEVELOPMENT: WHY PUTTING PLAYERS FIRST IS KEY TO BUILDING A TRULY GREAT INTERACTIVE LOTTERY GAME.

BY HENRY OAKES, CO-FOUNDER, GEONOMICS

There's a great deal of talk these days about the lessons lottery can learn from the interactive games industry. And whilst lottery cannot and should not abandon any of the many features that have made it a vastly successful, time-honoured format, there is still much to be learned from the practices of its distant cousins in the interactive gaming world (an industry, let's not forget, predicted to grow to \$60bn by 2017¹).

The beauty of the online environment from a game development perspective, lottery or otherwise, is the ability it gives us to be versatile, responsive and capture rich data about player behaviour that we can use to make our games better: in essence, it helps us create games that players love to play.

Making a successful interactive game is a job that's never finished: it involves a constant cycle of rolling out updates, testing how players react, and using the results to inform future iterations of the game. That's how developers like Zynga have created games that are so popular. And that's how we at Geonomics are approaching making interactive lottery games that both appeal to existing players and attract new ones from different demographics.

So, what makes a winning, profitable interactive lottery game? The answer is that there is no hard-and-fast rule or universal formula for creating a successful product: it all comes down to taking a player-centric approach to creating games in which player preference shapes the next move in game development. At Geonomics, we're currently conducting a great deal of testing surrounding our product GeoLotto, which is in its beta phase to be rolled out in the UK later this year. While a lot of what we are learning is specific to the region in question, I'd like to take the opportunity to share with you some of the factors that we've been experimenting with, both because I believe they have clear implications for lotteries all over the world, and also as a demonstration of the iterative learning and development process that we put in place with any lottery partner we work with.

Presenting players with a completely new lottery-playing format requires some serious thinking from a usability perspective, as there are so many parameters that are different from the common 6/49 lottery format. User experience (UX) is a vitally important part of player retention (after all, people are far less likely to want to spend money on a game that is confusing and doesn't provide clear instruction), so we've set about simplifying the format of GeoLotto to minimize any uncertainty about the game from a user perspective.

Small changes can make a big difference, and we're finding that adding features as simple as a 'how to play' pop-up box on entry to the game so that players do not have to navigate away from the main game screen for instruction is proving successful. Likewise, we've seen a positive response to standardising the size of the

'Geos' or squares on the map that users can buy, instead of basing their size on factors like whether they're situated over a densely populated city or in the countryside. And we wouldn't be aware of the impact of any of these minor tweaks if we weren't constantly testing them on real-life players.

The flexibility of the internet-based environment also affords us great scope for getting creative with game format, and we've been trialling various factors to do with draw frequency and prizes, the results of which have been incredibly interesting. For example, we've extensively tested how players respond to weekly, as opposed to daily, prize draws and have found that players appear to enjoy the excitement and anticipation that builds when we announce winners every seven days. Add into the equation the ability to create hybrid game formats that contain an instant-win element as well as a prize draw, and you are then able to engage players both in the short-term and over longer periods of time. As always, testing player response and using it to decide our next steps is at the heart of each experiment.

We've also increased the prize-giving capability of our platform so that we can offer a greater range of bonuses, both in the form of online prizes, such as extra money to spend on the game, and also coupons and other offline promotions. We're hoping this will create important bridges between online, internet-based lottery gaming and off-line retail channels, and we're interested to see how the two can complement each other.

Lastly, we've been learning a great deal about marketing lottery games in a digital world: something that is important to get right if lottery is going to cut through the social gaming noise and appeal to the younger generations. The internet presents lotteries with a unique, unmissable opportunity to meet players in their home environment and pique their interest with highly targeted, relevant messages in a way that offline marketing simply cannot. We've been experimenting with campaigns cleverly targeted at specific user demographics, presenting them with personalised landing pages that really capture their attention, to engage them not just the first time they play our games, but throughout their (hopefully lengthy) playing lifetime. This type of marketing is fast becoming standard practice in many industries, and it's important for lottery to follow suit if it is to remain relevant in the 21st century.

In an ever-digital world, attracting and retaining the attention of consumers is an increasingly complex task. However, lotteries should not shy away from the opportunities that the internet presents. The key to creating a great interactive lottery game is surprisingly simple: put your players first, keeping their preferences at the heart of everything you do, and you'll have on your hands a product that they love, because it's their preferences that have shaped it. ♦

1) Global Games Investment Review 2014.

Jim Breslo

Chief Executive Officer, Diamond Game



PGRI Introduction: Diamond Game has been innovating in the instant ticket vending arena for over 20 years. It's expertise at combining entertainment, self-serve technology, and traditional lottery games is earning global recognition and positions it for wide-spread adoption by the community of lottery operators. Its mission is to provide lotteries with new sales channels by modernizing traditional lottery products with enhanced entertainment and delivery systems.

Diamond Game's acquisition by Amaya Gaming Group expands its marketing reach and manufacturing capacity, and enhances the value it brings to all of its customers. More resources to expand its services and support functions, more R & D to design and develop innovative hardware and deliver solutions, increased portfolio of game content and focus on ongoing game development, all add up to more value to its customers. "We're pleased to have completed the purchase of Diamond Game, an innovator in lottery technology with multiple patents, and excited to have the company's staff become part of Amaya's global team," said David Baazov, CEO of Amaya. "Placements of Diamond Game's latest lottery product, the LT-3, have grown substantially over the past year and we foresee that growth continuing, including in new jurisdictions. We anticipate integrating games from Amaya's extensive library of titles into Diamond Game's lottery technology. Additionally, we plan to leverage our network of relationships to provide new revenue opportunities for Diamond Game while leveraging Diamond Game's U.S. lottery relationships to potentially expand deployment of Amaya's gaming solutions."

Diamond Game's industry-leading development of ITVMs with video display has resulted in the recognition of numerous product patents. The LT-3 is Diamond Game's most recent iteration of its patented functionality and advanced array of features. The LT-3 is designed for 'stay and play' environments, thereby creating longer play sessions, higher sales volumes, and enabling lotteries to expand their existing retailer base into less traditional venues, such as bingo halls, social clubs, veterans clubs, bars and taverns.

As a leading innovator in the field of emerging entertainment with traditional lottery, Jim Breslo is a regular speaker at PGRI conferences, and many industry events.

Paul Jason, Public Gaming: *These are exciting times for Diamond Game and your customers. Before we talk about the acquisition of Diamond by Amaya, let's get a little info about your implementations in Ontario and Missouri, and your recently closed contract with the Maryland Lottery. How does the Diamond Game solution fit into these markets?*

Jim Breslo: The last 18 months have been great for Diamond Game and our signature product, the LT-3. In November 2012 we launched the LT-3 in Ontario bingo halls under a five-year agreement with the Ontario Lottery and Gaming Corporation (OLG). The project has been a great success. In the first year, we installed 430 machines in 15 locations, and we expect to continue adding machines and locations throughout this

year. We launched a pilot program of our LT-3 machines in Missouri in October 2013 which consists of 100 LT-3 dispensers in 50 fraternal and veteran's clubs across the state and the program has been going very well. While the audience and the environments are unique, performance is strong in both, supporting our belief in serving stay-and-play environments with the LT-3. In addition to these two markets, we have recently been awarded a 5-year contract with the Maryland Lottery and Gaming Control Agency (MLGCA), with the Lottery holding a five year renewal option, to provide up to five LT-3s in veteran halls across the state. The Lottery estimates 150 veteran halls may apply for the LT-3. The machines will be linked between locations to a robust central system that provides accounting records to the veteran halls and Lottery.

Diamond Game is providing a turnkey solution to the Lottery, including the machines, tickets, central system, and service. What allows us to serve these varied markets are the customizable aspects of our product. For example, for each of these three markets, Diamond Game utilizes different ticket formats and screen animations depending on the needs of each lottery. Our goal is to help lotteries grow their revenues by providing them with a solution that serves new sales channels – non-traditional locations such as bars, pubs, and bingo halls. We don't believe that lotteries have maximized the revenue potential in these venue types, and for some lotteries they remain an untapped market.

The notion of enhancing the entertainment value of traditional games is so key to

lotteries evolving to keep up with the modern consumer. Explain how Diamond delivers a player experience that fully complies with all the regulations of traditional lottery instant games, but delivers a player experience that is more fun and entertaining.

J. Breslo: The demand for enhanced entertainment is undeniable and technology is advancing quickly. Lotteries face real challenges providing the modern consumer with products on par with today's technology. We provide lotteries with an extension of traditional lottery products – instant tickets and ITVMs – that add additional entertainment while adhering to standing laws and regulations. Our signature product, the LT-3, is an instant ticket vending machine that dispenses instant scratch or pull-tab tickets and displays the result of each ticket in an entertaining fashion on a video display. The video component keeps players engaged and entertained for extended periods of time without changing the essential elements of the instant ticket game.

How does Diamond Game's affiliation with Amaya benefit your customers?

J. Breslo: We see huge advantages for our customers. With Amaya's support, deep resources, and global reach, our vision is to significantly grow our lottery division and expand our product portfolio to offer enhanced versions of existing products and new products that can help achieve lottery goals. We'll be able to offer our customers a wider range of products at a much faster pace. Amaya's R&D resources and the ability to leverage and integrate their existing product offerings into Diamond Game's technology will surely contribute to getting our customers new and improved products.

What exactly does Amaya do?

J. Breslo: Amaya is a public company, founded and headquartered in Montreal, and engaged in the design, development, manufacturing, distribution, sale and service of technology-based gaming solutions for the regulated gaming industry worldwide. Amaya has developed its portfolio of solutions through internal development and strategic acquisitions. The company's diversified gaming solutions primarily fall into three categories: Interactive Gaming, Land-Based, and Lottery, which is where



Diamond Game

Diamond Game fits in.

What aspect of Amaya will be the first to introduce to your U.S. clients?

J. Breslo: We're busy evaluating all the possibilities at this time, but Amaya anticipates integrating games from its extensive library of game titles into our lottery technology as a first step. Additionally, as lotteries look to develop an online gaming presence, Amaya's interactive gaming solutions are a natural fit.

How does Amaya's portfolio of assets complement and synergize with Diamond assets?

J. Breslo: Diamond Game's lottery product really bolsters Amaya's lottery solutions and finely complements Amaya's land-based and interactive gaming solutions. Additionally, there is little overlap in the customer bases of Amaya and Diamond Game, providing us both with the potential to cross-sell our products in many instances. Finally, Amaya's portfolio of games is a rich resource that we will potentially draw from to complement our own game library.

Are there any specific organizational changes that are relevant to the way you interact with your customers?

J. Breslo: Our customers can expect continuity with the Diamond Game management team and existing staff servicing them. We expect certain members of the Amaya team to become more involved in our current and future markets which should only strengthen our customer relationships.

What does the following 18 months hold in store for Diamond Game customers?

J. Breslo: We are experiencing tremendous growth and acceptance of the LT-3, so we expect to see this product take hold in additional markets over the next 18 months. With Amaya's products and additional R&D, we plan on advancing new and better products to allow lotteries to develop new sales channels. Our intent is to develop new avenues for revenue for lotteries rather than pursuing traditional channels. Our recent contracts with OLG, Missouri Lottery

and Maryland Lottery are evidence of this approach as each contract unlocks new revenue for these lotteries from non-traditional sales channels. There's so much that we can and will be doing, but for now we're taking the time to evaluate our product offerings, as well as the needs of our existing customers, to develop the products and sales channels most beneficial for all parties involved.

Looking farther ahead, our vision is to be the leader in providing 21st century gaming product solutions that are designed to exploit new sales channels, and that allow lotteries to maintain and grow revenue by utilizing the new technologies. ♦



THE BIG FREEZE

THE NEED TO ADAPT TO A CHANGING ENVIRONMENT



When the Polar Vortex descended upon the United States in January 2014, it hit retail sales hard. This arctic blast – with its heavy snow and ice storms, devastatingly low temperatures, and business, school, and road closings – kept consumers at home from the Midwest to New England and even into the Deep South. Perhaps nowhere were lost sales felt more acutely than in the lottery industry. As consumers' daily commuting habits were impacted by mid-week storms, so were their regular shopping patterns and trips to retail stores.

In order to try to quantify the impact that the Polar Vortex had on U.S. Lottery sales, we reviewed data for the large multi-state games across the country on a draw-by-draw basis. A state was considered weather-impacted if one or more major metropolitan areas had states of emergency and widespread road, business, school, and government closures. Admittedly, many variables affect sales on a daily basis, and it is impossible to account for all of them. The below analysis is provided as directional evidence to foster conversation on how we can come together as an industry to discuss ways to proactively manage the variables that we can control, recognizing that things such as weather and jackpots, we cannot.

We compared sales for two similar Mega Millions jackpot series in a sample of 25 jurisdictions across the first 18 draws. The first series ran from October 1 to December 17, 2013, and is inclusive of the Mega Millions enhancement that took place on October 19. The second series ran from January 7 through March 7, 2014, and as of this writing, is still rolling. Fifteen jurisdictions that were impacted by severe weather saw an average sales increase of 3.2% across the first 18 draws of the series. Conversely, in a

sample of 10 jurisdictions not negatively impacted by severe winter weather, Mega Millions sales were up 12.8% over the same period.

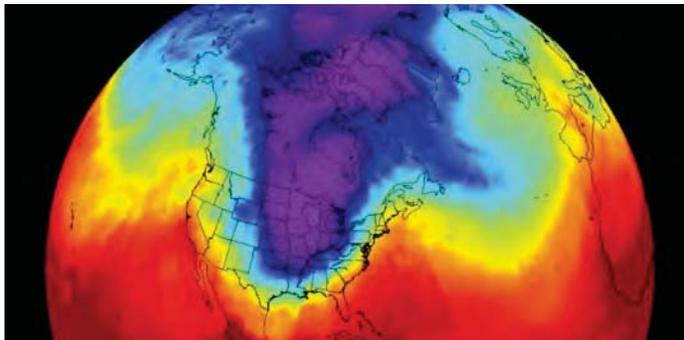
In a similar comparison for Powerball, FYTD sales were running 16.4% behind in year to date sales prior to the most recent \$425 million jackpot run of December 28, 2013–February 19, 2014. While this run did pull sales back up to 9% behind last year, it required four additional draws to hit the \$400 million mark when compared to the series that ended on September 18. The shift in the Polar Vortex that began on January 2 and continued with a second cold wave hitting January 27 possibly affected draws 3 through 10 and resulted in a smaller jackpot in the game. As of the end of February, total sales for the first eight months of the fiscal year are down an average of 9% across all jurisdictions, excluding California, which joined in May of 2013.

“Everybody talks about the weather, but no one does anything about it”

The U.S. Federal Reserve confirms the weather-related drag on U.S. economy in early 2014 in its “Beige Book,” a key economic indicator,¹ and Federal Reserve Chair Janet Yellen also cited the unusually harsh winter weather as a source of weakness in the U.S. economy. The extent of the damage was put into perspective by a spokesperson for Planalytics, a Pennsylvania-based business weather intelligence company: “The bone-chilling cold, snow and ice that gripped much of the country – affecting about 200

million people – brought about the biggest economic disruption delivered by the weather since Superstorm Sandy in 2012.... There’s a lot of economic activity that didn’t happen.”²

Some of those lost sales will be made up: consumers in the market for an automobile, for instance, will probably still be in the market a week or two after a snowstorm. This is decidedly not the case for lottery products, however; once a drawing has passed, it has passed forever, and the opportunity for sales for that particular drawing has vanished forever as well. This has an impact on the ability of the affected lottery jurisdictions to achieve their budgets for the fiscal year.



50 daily record low temperatures set on January 6th, from Colorado to Alabama to New York, according to the National Weather Service

Screenshot: NASA’s Goddard Space Flight Center

As the Planalytics spokesperson indicates, the Polar Vortex is just one in a long line of weather-related events to disrupt retail sales. With more severe weather likely in this era of climate change, the impact on consumer behavior – and on revenue and profit – can become even more substantial. This is why proactive management of a lottery game portfolio is important to the long term sustainability and growth of the category. It also gives us pause to review current game performance and determine where we may need to refocus or recalibrate our collective efforts. While it’s true that we can’t change the weather, there are many things lotteries can do to soften its blow. Some approaches to consider include:

› CONTINUING ENHANCEMENTS TO DRAW BASED GAMES.

Most recently, we have seen the impact that the Mega Millions game change has had on overall performance. While most lotteries experienced declines in Mega Millions sales during FY ‘13, the October 2013 game change has resulted in a renewed level of excitement and corresponding draw sales for the game. Based on the information cited above, it may now be time for the industry to turn its attention to Powerball. The Mega Millions change which has resulted in more winners and bigger jackpots, all still for “just a buck,” has impacted the consumer value perception on Powerball. Post-October 19, 2013, when the Mega Millions change went into effect, Powerball sales for comparable draw series are down an average of 12% over the first seven draws. When you review the one series that has

extended to 14 draws post-October 2013, average sales per draw are down 31% across the country. This deserves some attention, as we all know that it takes time to plan and execute a major game modification for one of the multi-state products. Continuing to evolve Powerball and enhance the value proposition of the game and the \$2 price point is important to the long-term health, to the brand, and most importantly to sustaining the Powerball profit contribution to the bottom line for every lottery’s respective good causes.

› **PORTFOLIO DIVERSIFICATION.** Lotteries should continue to explore opportunities to add new games to their portfolio, such as a National Premium game at a \$5 price point. Evolving the draw based game category is particularly important due to its profit contribution and to maintain balance in prize payouts and overall profitability across all game categories. New draw games that appeal to light/lapsed/non-players are particularly important in order to extend the relevance and reach of the lottery to a wider audience. Games that offer new or different value propositions with the prize structure (for example, “...For Life” games, All or Nothing) or unique or different draw times and/or mechanics can offer something new to potential players. For example, offering a game that is drawn four or five times per day to give consumers more variety in drawing times and/or offering a mobile app reveal or extended play element can capture new and unique audience segments.

› **CHANNEL DIVERSIFICATION.** Lotteries need to embrace a multichannel strategy to reach consumers where they are – on desktop computers, tablets, and smartphones. A truism even on sunny days, as consumers are now accustomed to buying virtually anything they desire at a click, a “bricks and clicks” business model is even more crucial when harsh weather keeps consumers indoors. Where legislative regulations prohibit online sales, lotteries still need to have a significant online and social media presence to keep lottery relevant and top of mind.

› **APPEAL TO NEW/YOUNGER PLAYERS.** In addition to diversifying their game portfolios and distribution channels, lotteries should reach out to Generation Y and millennial consumers with innovative promotions and marketing and social media campaigns that will generate a buzz and grab new players’ attention. For instance, second chance programs with unique consumer experiences provide an excellent opportunity to generate excitement and drive purchase.

Together as an industry, we need to work together to identify areas of opportunity, to constantly look to evolve our game portfolios, and to attract new players to the lottery. While this may not be easy, it is extremely important to maintaining the health of our business. Proactively seeking out strategies that are within our control will ensure that that all lotteries have options that will assist in meeting their respective budget and revenue commitments for the good causes and the people in each jurisdiction who benefit from the lottery’s success.

1. “Beige Book” – Summary of Commentary on Current Economic Conditions by Federal Reserve District. March 2014.

2. The Guardian (U.S.), January 9, 2014 (<http://www.theguardian.com/world/2014/jan/09/polar-vortex-cost-us-economy-5bn>).

NASPL 2014



Your Boardwalk to the Future

September 30 - October 3 • Atlantic City, NJ

CONVENIENT, ENGAGING and REWARDING for PLAYERS and BRANDS, LOTTERYHUB is the MOBILE HOME of POWERBALL

You want to see the future of the lottery industry? Go ahead and look, it's in your pocket.

Shoutz mobile platform, LotteryHUB, is able to connect lottery players to their favorite games like never before. It's not advertising; LotteryHUB builds relationships. As the mobile home of Powerball, the LotteryHUB app is a channel by which lottery players can connect and engage with the largest lottery brand in the world.

The best part is that players are building relationships with LotteryHUB the same way they would with any other friend: anytime and anywhere. Through videos, exclusive content and social media, LotteryHUB is every user's lottery-playing friend, always there to talk about the game, all thanks to the power of mobile tech. "As my partner Donald Clark would say, we're making anonymous purchasers into known customers," said Jim Mueller, CEO of Shoutz, Inc.

Mueller, a "passionate outdoorsman" and host of the television show *American Outdoorsman* actually started Shoutz with relationships – not marketing – in mind. Three years ago Mueller brought nearly a decade of broadcast experience into a project he said was initially for himself and his friends in the world of outdoor adventure. "I looked at the proliferation of mobile and said I'm going to create a mobile platform that would allow all of us to send short-form videos to [each other] and our fans."

As this new platform developed, Mueller expanded its scope, connecting other industries with their fan bases through short videos. As other video-sharing social networks came and went, he and his partners came to realize what it was that set them apart. "We had an enterprise-grade ad platform sitting underneath this video social network. We had a way to monetize this content, [a] mobile marketing vehicle that could drive revenue" through building relationships with and engaging users he said.

Eventually, Mueller and his partners identified the gaming industry as an ideal target for their new mobile platform. Casinos and lotteries capture a giant demographic of players who are passionate and invested in the industry through the games they play. After refining Shoutz mobile platform, "we made a very successful transition to focus solely on the lottery, starting with our core partner, Powerball, the largest lottery gaming brand in the world," he said.

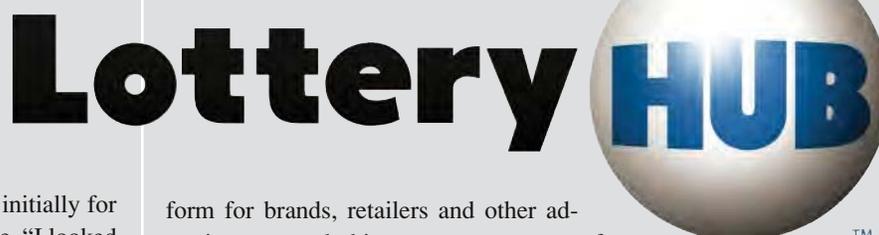
As the mobile home of Powerball, LotteryHUB allows users anywhere to live-stream the drawings, check numbers and even track their tickets. And, in a digital world where "content is king," LotteryHUB produces fresh video and news content daily for hundreds of thousands of users on mobile devices and on the web.

Mueller said the endless content available for lottery players – thousands of drawings and winner stories each week, and new games released almost daily – made it an easy choice to focus solely on the lottery industry. "We've created a central hub for lottery play-

ers" to get that content, he said. "LotteryHUB is convenient, engaging and, with our loyalty program, rewarding for the players," Mueller said. But, he added, it is also doing something never-before-seen in the lottery industry. "We're providing a no-cost or low-cost solution, giving [lotteries] the opportunity to use this mobile platform not only to promote games, winner awareness and new offerings, but also to drive revenue from third-party advertisers," he said.

"[Lottery vendors] charge lotteries for everything; they make their money on nickels and dimes, but we have a different model," Mueller said. "We say let's use the properties you've built, which are games and players, and monetize that property."

He said that LotteryHUB is "the first plat-



form for brands, retailers and other advertisers to reach this enormous segment of Americans that are lottery players."

In the same way that, in the early days of mass-media printing, advertising dollars took over for subscription revenue and began supporting newspapers, LotteryHUB is connecting advertisers to a largely untapped demographic. And, more than just connecting brands to players, LotteryHUB has the potential to help lotteries avoid tricky licensing fees.

Currently, lotteries pay thousands of dollars to brands just to put sports logos on scratch-offs. According to a state audit of the Wisconsin Lottery, the Lottery paid close to a million dollars in licensing fees, yet six of their eight licensed-brand games were outperformed by games released without costly branding. LotteryHUB wants the dollars to go in the other direction; let brands pay for the right to advertise within an \$80 billion per year business, and add those funds to lottery revenues for good causes.

But Shoutz must bridge a gap between the potential they see and skepticism on the other side of the table. Turning an expenditure into a revenue stream? That kind of idea is sure to raise some eyebrows, even some doubts, but Mueller says the proof is right there in your pocket, on your phone. "This is the first opportunity for lotteries to monetize their players in a unique way, and we've been able to finance our products – LotteryHUB, our Rewards program, and our instant win games – knowing that we have third-party ad revenue to pay for them," Mueller said.

So go ahead, get your phone out. Big changes for the lottery industry are just a few screen-taps away. ♦

fied action. There is enormous opportunity for nationalized strategies in all these areas.

The lottery as a brand is based on public trust, no matter if it's the Texas Lottery or any other jurisdiction. Without trust, you have no playership. Having consistent branding, not just locally, but nationally, can be a very effective way to build such trust. The Mega Millions and Powerball brands are powerful and deeply trusted brands; just the small steps we've taken over the last few years to better leverage these brands nationally has had a tremendous impact on sales and revenue to all lottery jurisdictions, with combined sales for these two games increasing from just over \$5 billion in 2008 to more than \$8.5 billion in 2013.

However, we must do an even better job going forward of leveraging consumer confidence in both of these trusted brands on a grander scale to drive sales and revenue even higher. Any industry that doesn't put

and leverage our ability to communicate to virtually the entire country on national brands like Powerball and Mega Millions. Carrying that a step forward, I suspect we could gain efficiencies on a national scale to support innovation in a manner that might mitigate the business and investment risk to each individual state, both large and small.

The work and discussions that have occurred to date on the National Premium Game have once again highlighted for me that some jurisdictions just can't do all that others can do. That's not a criticism, it's just a fact. We need to strike a balance on these initiatives by working together on the development of common brand values and positioning statements, while at the same time recognizing that each jurisdiction may need to tailor some of the messaging to meet jurisdiction-specific regulations. This applies to national marketing and advertising as well as game development for

by commanding the national stage, by penetrating the national consumer consciousness.

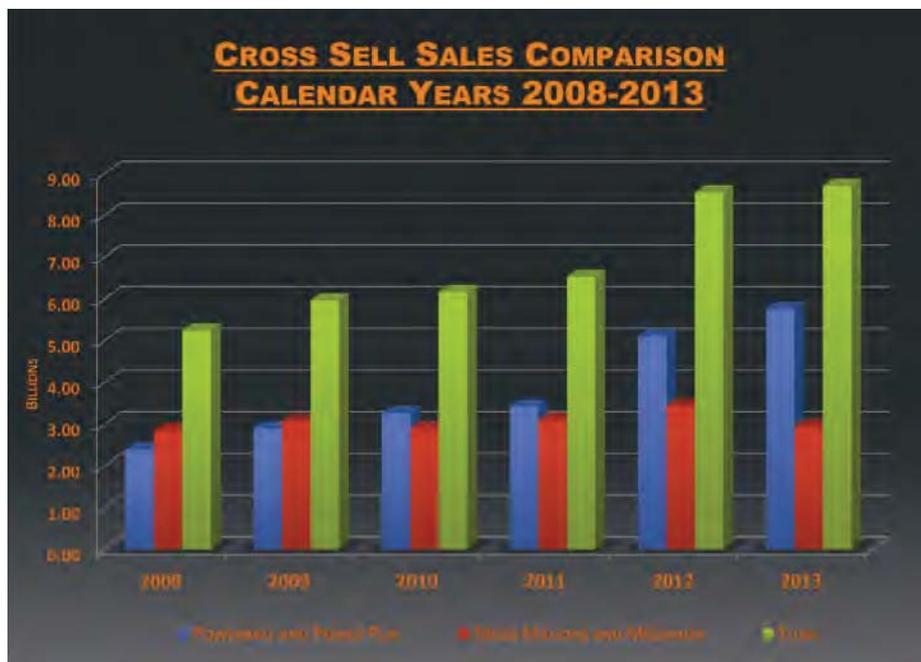
Aren't there also compelling efficiencies and that derive from the increased scale that the national market provides?

G. Grief: Paul, the evidence is in that there are no easy answers, no clear and obvious game concepts and promotional strategies, no "low hanging fruit," if you will, that everyone can readily and easily embrace. We need to tap into the power of our collective resources to unlock the true potential of this business. In order to harness that power, we need to think and act as a unified group, all pulling in the same direction.

The return on investment for such an ambitious endeavor must be fair to every jurisdiction that is interested in a new or enhanced national branding initiative. Further, every lottery and their vendors must be allowed a suitable timeframe in which to implement such an initiative. The higher the brand equity, generally the higher the per capita sales performance, relative to the particular jurisdiction and the local parameters it has to operate under. Generating metric responses from our customers like "The Lottery is for people like me" or "The Lottery is a part of life in my state" means the lottery is really becoming more of the fabric of community life rather than just an impulse purchase. Michael Porter's keynote speech at the World Lottery Summit in Montreal a couple of years ago addressed "shared value." In other words, creating a feeling of affiliation between consumers and the merchants with whom they do business. Experience tells us that this "emotional investment" in the lottery on the part of the consumer means more profits for good causes in that particular jurisdiction. That's what we should be striving for on a national scale.

In summary, I believe we have just scratched the surface regarding the opportunities for national collaboration and branding, particularly given the recent success we have had with the Powerball and Mega Millions brands. Now it's up to us to determine how we can take advantage of this unique and exciting opportunity, and how much we can leverage this opportunity on a national scale to drive revenue for all jurisdictions.

Let's seize the moment! ♦



the consumer and customer first will struggle. We must be responsive to consumer behavior and focus on rapid innovation, innovation that can be absorbed and implemented by all the participating jurisdictions in a suitable timeframe.

All lotteries face challenges in meeting state budget requirements and we all are constantly looking to increase efficiencies in the interest of raising revenue. In my mind, it makes sense to take that to another level

new national game opportunities. If we can develop consensus on these initiatives, perhaps we can build a national portfolio that can be used incrementally, if you will, by all jurisdictions, from offering just a new, national base game to perhaps a variety of available add-on features or even internet play, if allowable in particular jurisdictions.

We can see by the growth of Powerball and Mega Millions that the foundational strength of the lottery brand is profoundly enhanced

THE USE OF HIGH VALUE INSTANT GAMES INCREASES IN 2013

The use of foil and holography on these games is growing with them.



The current trend toward the growing use of higher value games has bolstered the use of foil and holographic games. This has been happening for several reasons:

Foil and holography help to visually set the higher value games apart from lower priced games while enhancing their perceived value.

The cost of the foil and holographic board is a very small percentage of the selling price of these high value games, so only minimal sales increases are required to fully absorb the cost of these materials. Typically, for a \$20 game, less than a 1% or 2% sales increase is needed to fully pay for the foil or holographic board.

Quantitative Research has demonstrated that just the use of holography will increase a game's sales by as much as 79%. This will result in significantly faster sell throughs which will generate higher profits for lotteries.

That's why during 2013 the California Lottery has been seeing excellent results by using holography on both their \$10 and their new \$20 games. The New Jersey and Georgia lotteries have also seen great results by using holography on their \$20 games. Florida's two highest value \$25 games have both been produced on foil, as well as several high value games from Illinois and Tennessee which have also run on foil.

Following is a list of high value foil and holographic games that ran in the US during 2013:

HOLOGRAPHIC

CA	\$20	\$5 MILLION JACKPOT
GA	\$20	20TH ANNIVERSARY
NJ	\$20	DIAMOND SPECTACULAR
KY	\$25	25TH ANNIVERSARY
KY	\$20	20X THE MONEY

FOIL

KY	\$30	\$3,000,000 CASH JACKPOT
KY	\$10	MONOPOLY
FL	\$25	MILLIONAIRE
FL	\$25	100X THE CASH
FL	\$20	FLAMINGO FORTUNE
IL	\$20	FABULOUS FORTUNE
TN	\$10	TENNESSEE MILLIONS

The total number of \$10 and \$20+ games in the US has grown significantly in recent years. During 2013, more than 300 of these high value games have been run. ♦



The Double Sided Van Top Sign is a new product, inspired by LOTELHSA.



Pro-Lite Customizes GPRS-Equipped Jackpot Signage

Seeking reliable technology to broadcast jackpot amounts nationwide, Loterías Electrónicas de Honduras (LOTELHSA) contacted Pro-Lite, a leading North American supplier of updatable jackpot signage. The resultant contract represents Pro-Lite's expansion into the Central American lottery market.

Established in 2003, LOTELHSA is an enterprise of Canadian Bank Note Company Limited, a multinational company founded in 1890, specializing in high security ticket printing, the design and printing of passports and lottery operation. The lottery Division of Canadian Bank Note has more than 20 years of experience in providing expert solutions to lottery markets worldwide. In May 2002, Canadian Banknote established LOTELHSA, a high-tech electronic lottery, marking a new phase in the Honduran Lottery culture.

Pro-Lite answered LOTELHSA's communications challenges and marketing agenda with custom double-sided van top signs, and the newly introduced Modulex™ sign system; both products were equipped with general packet radio service (GPRS) quad band communication.

Modulex™, which allows expansion as the game portfolio grows, is also the choice of Ohio Lottery and the Massachusetts State Lottery Commission. Drawing on its experience as a supplier of taxi cab signs to the District of Columbia Taxicab Commission, Pro-Lite was well qualified to develop the van top jackpot sign product. Both products were customized to automatically update display of MIL, MILLON or MILLONES below the automatically updated jackpot amount. Delivery was completed in January. ♦

For more information about Pro-Lite's lottery point of sale signage, please contact:

Linda Turner, Sales Manager, Lottery Division
 linda.turner@pro-lite.com, www.pro-litelottery.com.



The Modulex™ sign system is also the choice of Massachusetts State Lottery Corp. and Ohio Lottery

well, they are growing and they will continue to grow. Rising jackpots do drive consumer and media attention and that is a good thing, not a bad thing. Do rising consumer expectations keep raising the bar, making it more challenging to meet and exceed expectations? Of course. But that's the rule for any industry. Technology companies have to keep reducing prices while improving performance and functionality. That's capitalism and it's what drives progress. Lottery is no different. The value proposition expected by the consumer constantly changes, and our value proposition needs to also rise to meet those expectations. And when it comes to jackpot games, that clearly means that the jackpots need to continue to rise.

I would point out too that the syndrome of rising jackpots to meet increasing consumer expectations is nothing new. For example, the Michigan Lottery did a game to go with the presidential election in 1976. The big prize was a dollar for every vote the winning candidate got. Gerald Ford won Michigan with something like 2 million votes and so the Lottery gave away a \$2 million prize, an astonishing amount at that time. But that is a small jackpot by today's standards and today's jackpots may be small by the standards of future generations of consumers. That model of jackpot-driven sales has endured just fine for decades and it will continue to endure. There will always be a jackpot level that gets people's attention and drives sales. As an industry we just need to keep meeting and exceeding that level.

You refer to the TV Lottery Game Show. That is a very exciting game concept presently under discussion. We already have two extremely successful national jackpot games. And now we are exploring new ideas for adding to the portfolio of national games. We want to create fresh new game concepts to broaden the consumer base, appeal to our regular customers who might be ready for new and different, and complement rather than replicate the product attributes and market position of the existing national games.

You created a TV game show in Michigan in 2012. What did you learn from that experience?

S. Bowen: The show ran for eight episodes over the course of two years. It was a great vehicle for showcasing lottery winners on a statewide scale, for sharing with every-

one the winning experience of life-changing prizes. We learned that to do a game show right, and at the level of production quality expected of primetime shows these days, requires a lot of money. Our philosophy was that if we were going to do a game show, we were going to do it right and not put the Michigan Lottery brand at risk. However, the costs of producing that level of quality prohibited from us from airing "Make Me Rich" more than once per quarter. Being able to produce multiple episodes, with many more life-changing prizes and a much larger pool of contestants involved, would bring down per-episode costs dramatically without affecting production quality at all. That is why a national game should have so much appeal. The economies of scale on a national basis enable the high quality and frequency required for optimal success, and keeps the cost down to an affordable level for each individual lottery.

The TV Lottery Game Show is a work in progress. But, what can you tell us about it now?

S. Bowen: It's all still very conceptual at this point, but here are some of the basic elements:

- a) \$10 game instant game sold at retail
- b) Players winning certain prizes instantly are eligible to appear on the show
- c) \$5,000,000 grand prize guaranteed in every episode
- d) Production costs and prizing are covered by sales of the \$10 game

Key to the TV Game Show is that it has to be national. We absolutely need a critical mass of state lotteries to participate in order to get a national syndication of television broadcast capability. The cost of the television production is built right into the game. This minimizes risk.

It should be an easy sell, because the upside is so compelling. Couldn't this national TV Game Show be a vehicle to loop in cross-licensing or co-branding or collaborative promotions with other powerhouse consumer brands? Further, doesn't Lottery need a truly national branding strategy with a cohesive national brand management system, to make itself attractive as a partner to the mega-consumer brands?

S. Bowen: If it's done correctly, there is no reason why cross-licensing or co-brand-

ing with the big brands couldn't work. For instance, giving away Ford trucks or Harley Davidson motorcycles would certainly work on a national scale just as they do at the state level now. These and countless other mega-brands have universal appeal and national consumer awareness. Lotteries would just need to exercise caution in these co-branding efforts to ensure that we do not inadvertently water down the brand-value of our own products. Lottery games are established brands with a very high degree of integrity and appeal. Our products, and entire way of doing business, are held to the highest standards and we should expect the same from any promotional partner.

Wouldn't building the most powerful national brands, and the most effective infrastructure to manage and promote the brands, benefit all individual states?

S. Bowen: Yes, no question that there is power in numbers, that there are benefits to individual state lotteries working together to build national brands. I believe that U.S. lotteries have already been moving in that direction, and to great effect. As Mega Millions and Powerball have proven, the game design and market position benefits from the combined population. Marketing the game brand on a national scale would improve recognition and all states would benefit from advertising efficiencies and a singular public relations stance. The most recent example of that advantage was in the last Mega Millions jackpot run. Paula Otto did an extremely good job of representing not just Virginia, but the entire Mega consortium. She was great in her role as the national voice of Mega Millions.

The thing we need is great ideas. It's hard to get everyone to agree on ideas that are less than great. The answer isn't to lower the bar on what we give a green-light to. The answer is to raise the quality of the ideas. You talk a lot about collaboration, Paul. I would submit that the thing that will drive collaboration is great ideas that benefit everyone. For instance, I think the TV Lottery Game Show is a great idea. Others may have concerns or objections. Let's address them and in the process make a great idea even better. It can be a rigorous process but let's resolve to push forward, shorten the time-lines from concept to launch, and put these good ideas to work for the benefit of all lotteries. ♦

spective. However, from a general business perspective Mauritius is positioned as the gateway to Africa. On that note Lottotech has been approached to operate outside of Mauritius which is why we are seriously developing our people for the future.

What would you say is unique about operating the lottery in Mauritius?

M. Carinci: The retail network is unique compared to North America. There is only one large chain as most retailers are small family owned businesses. There are four shopping malls, however the kiosk concept is new so there is opportunity for material growth. We recently expanded the distribution network from 571 to 911 retailers over a very short period of time which has had a very positive incremental impact on sales. In Mauritius there is one pay period per month which impacts the selling cycle for most products.

There have been many start-ups in the African region and a few success stories. Lottotech certainly seems to have made the cut!

M. Carinci: Oh, definitely Lottotech is a great success story. After only four years our lotto game (6/40) has very high participation rates of 69% in a given month. The sales at the base jackpot of Rs5million continue to grow. I would say Lotto has become part of the culture, almost an institution. Unaided brand awareness is 100%. The percentage of quick picks is approximately 15% which I think is one of the lowest in the world demonstrating the emotional connection of ownership towards numbers. Total lottery annual per caps are \$60+ which may seem low to mature lotteries, however considering the GDP(PPP) in Mauritius it is good reinforcing the fact that a lot of people are spending modest amounts every week, in other words playing responsibly.

What about the instant category?

M. Carinci: The category represents about 25% of the total sales and participation rates of 46% on a monthly basis from adults (18+). Last May we rolled out a growth plan which has had excellent results increasing weekly sales by 50%. The instant category sales are also impacted by the aforementioned payday cycles, again reinforcing the fact folks play responsibly. We are introducing brands that have been very successful elsewhere such as Bingo and Crossword as well as themes that are completely Mauritian. While the Dodo bird is extinct, (rumor has it that the Dutch ate them all) this would likely be a strong theme specific to Mauritius as the Dodo is a strong symbol in Mauritius. It represents a sense of pride and strength. It is actually found on the country Coat of Arms.

What are you doing to advance the lottery in Mauritius?

M. Carinci: Doing what lotteries all over the world do, take the best in class, tailor it to the market and wait anxiously for the results. We have partnered with Ipsos Canada in our market research endeavors which has worked very well, particularly in the transfer of knowledge from a company that has deep lottery experience. The recent expansion of the retailer network aligned with best practices has resulted in incremental sales. We are working towards our WLA Responsible Gaming certification with the aim to be at Level 3 this year. I am working with the regulator in Mauritius to apply the Responsible Gaming framework to all forms of gaming in the country. It has been a lot of fun using the Erehon case studies (Thanks Guy!) to give our team the insights. We are really so lucky in our industry to be able to benefit from the successes and failures of others. GTECH has been a good partner in exposing global best

practices to the young team. Of course, I am committed to sharing my 38 years of experience with the team as well as exposing them to experts in the industry. This experience enhances my appreciation for the wonderful network our industry has globally!

Do you have plans to roll out other games and how about the internet?

M. Carinci: Mauritius still presents many serious opportunities in the traditional lottery space. While the internet is certainly an opportunity, mobile is of even greater interest as cell phone penetration is above 100% and smart phone and tablet penetration is increasing every day. While it is tempting to want to introduce all the developed proven games quickly we don't want to spoil the market by moving too quickly. The plan at the present time is to build long term sustainable growth as has been done all over the world.

What's Next?

M. Carinci: Lottotech is currently working on a very interesting initiative which I will be able to share with you in a few months, something that is a completely new experience for me. We would also like to work closely with WLA in developing the African Association of Lotteries further. Of course I am looking forward to seeing everyone in Rome this fall which is our summer!

No, I meant what is next for Michelle Carinci?

M. Carinci: You know I have been so lucky over the past 38 years in the lottery/gaming industry it is difficult to think of doing anything else. As long as I am creating value for the company and shareholders I work for and having a good time doing so, my golf game will just have to wait! ♦

State Interpretations of "Skill" and "Chance" . . . continued from page 27

York law, and this was in fact conceded by the defendant. Even if skill were agreed to predominate over chance in the outcome of play, there could be no doubt that the outcome of play depended in a material degree upon an element of chance – i.e., the deal of the cards.

Accordingly, one might argue that the New York State Lottery could offer peer-to-peer poker to its players even if skill were deemed to predominate over chance. However, the New York Court of Appeals (that state's highest court) has stated:

[T]he limited constitutional exception for state-run lotteries cannot be read to allow any casino game (such as poker, blackjack or roulette) to constitute a valid lottery if operated by the State. Thus, we agree with the Appellate Division [citation omitted] that a constitutional lottery requires something more – specifically, the use of tickets and multiple participation, as opposed to a single player competing against a single machine.^{13, 14}

The lower court, which was affirmed in the above-described decision, had even clearer language. It stated:

is a big mistake and a huge missed opportunity when a supplier does not recognize our collective buying power. What we decide to do can be rolled out to over 8,000 stores, which adds up to a lot of sales. And our personalized clerk-assisted selling model aligns with Lottery in ways that the other big-chain stores are not likely to do.

Additionally, 7-Eleven is on quite the exciting growth curve.

M. Hagen: Our store base has grown by 2,000 stores just over the last three years. That's 25 %, and we expect the growth to continue.

Isn't the entire c-store sector moving towards consolidation? And so the things that Lottery needs to do to meet your needs are really no different from what they will need to do anyway to meet the needs of larger and larger chain store operations.

M. Hagen: That's very true. 7-Eleven just happens to be one of the most progressive of all the c-store operators. Lottery can learn a lot from working with us to create new avenues for cooperation. We are pleased to work with Lottery, share ideas for ways to improve the business, forge new initiatives that will help Lottery grow. And, yes, I would suspect that Lottery will get lots of fresh ideas that could be introduced in some fashion in other c-stores. And the challenges of meeting our needs for better and more organized performance data will be well worth the trouble because other large chain store operations will require the same thing.

You just referred to the need for data and reporting that is more organized, formatted in ways that our usable by you, and standardized across all states. There are limi-

tations to the ability to standardize for the simple reason that lotteries all sell different products. So we all get that Lottery can't do everything that is desirable on this front. But is lottery doing everything they can to make their reporting as useful to you as possible?

M. Hagen: We talked about this at the PGRI conference in November. 7-Eleven sells lottery products in 33 different states, and we have 16 accountants that have to manage the data we get from lotteries in 33 different formats. I'd like to think that we can do better than that. I understand there may be limitations to what can be done, but I'd like to think that if we work together we can develop a more standardized approach for reporting lottery sales to retailers that is ultimately more efficient for us and more efficient for the lotteries. It will take a concerted effort on the part of all the states to produce a more organized system for reporting sales data and all I'm asking for is that we start the dialog. Lottery is not the only category where we have multiple suppliers. The CPG products throughout our stores come from thousands of different companies but for the most part they provide sales/invoice data in a consistent format. All I am really asking for is recognition of the problem and a more proactive approach from more state lotteries. To get started, all we would need is eight or 10 lotteries to work with us to figure out how to standardize the reporting in a fashion that meets the needs of all of them. We know how this is done because we work with all the CPG companies to do it. So we could help Lottery do this. We want to help Lottery to do it.

Switching gears, what is the average daily commission per store from lottery for

7-Eleven?

M. Hagen: I can't share specific numbers but I can tell you that our daily commissions, while they vary widely by state, are a meaningful number for us. In addition when Powerball or Mega Millionsjackpots get over \$300MM, that number can go up significantly. When that happens we also benefit from all those additional lottery-ticket guests who buy more than just lottery when they visit our store.

The lottery category is already one of our top 10 traffic drivers. When the jackpot gets over a certain threshold, the number of lottery customers can increase dramatically. While those guests may be coming to the store primarily to buy a Powerball or Mega Millions ticket, roughly half of them also buy something else which helps our total sales.

In fact, one of the things that the lottery could do to help us is have more \$300MM plus jackpots, we should all be so lucky. While we may not be able to control the jackpot, one thing we can control is doing a better job of capitalizing on the increased traffic that large jackpots generate.

One of the things I would like to see us work on is how to quickly execute some cross-promotions with Lottery during those high jackpot times. There is no way we can ship a physical coupon to 8,000 stores quickly enough to take advantage of a large jackpot. However, with the lottery's help we might be able to use the lotto terminal to print out a coupon during high jackpot periods.

Our goal is to give the incremental lottery customer a coupon to bring them back into the store the next day or the next week. That would be huge for us. There is no reason it can't be done if we work together to make it happen. ♦

Pursuant to the definition advanced by [the NY Governor and others], any game of chance – including such casino games as poker, blackjack, craps and roulette – could be a lottery if operated by the state. Such a broad interpretation would expand the constitutional exception permitting state-run lotteries to such an extent that it would swallow the general constitutional prohibition on gambling. [citations omitted] N.Y. Constitution, article I, section 9 cannot support such a broad reading.¹⁵

Thus, while it appears that peer-to-peer poker likely could be of-

fered as a lottery game by the Indiana State Lottery, the same game could not be operated by the state lottery in New York.

In summary, differences in state laws, both statutory and as developed through court decisions, will result in curious differences in the types of lottery games that may be conducted by state lotteries in different states. These differences are likely to become more noticeable and significant as state lotteries expand their game offerings online, and in particular, as they compact with each other in order to combine players and prize pools. ♦

are the suppliers of hardware, software, technology platforms and sports betting services. In the Philippines and Malaysia, INTRA-LOT is again more of technology supplier. China has a much bigger variety of models to work from. You can establish your own POS network. You can open shops, you can get a license to sell products of welfare lottery or sports lottery and be an owner of hundreds or thousands of shops. Or you can collaborate directly with the Government Lotteries, CSLA or CWL at central and/or provincial level. Currently we are also collaborating with CSLA for the implementation of high frequency games, which are very appealing to the Chinese consumer. They like fast games, new and different kinds of games, games with interesting, rich content.

Both of the Chinese lotteries are expanding and increasing their revenue and retail network by 20 or 25% annually. And keep in mind, half of the country is still in agricultural and rural areas who have not even been introduced to lottery! The potential for growth is astounding.

It sounds like, on the one hand, the Instant games are more appealing to the Asian consumer. On the other hand, it also sounds like the consumer markets are in such an early stage of growth that anything new and different will also be appealing. So the consumer response to draw games will likely be just positive as it is for Instant?

M. Mitromaras: We can look to our children to understand our own behavior as it relates to games. Anything new and different will be more appealing than what we are used to. That is probably more true for the Asian consumer markets because of their genuine love for games.

Game styles and preferences may skew differently for different age groups. The Instant games may always appeal to younger adults. The willingness to wait for the outcome in the draw games may always appeal to the 35 and older segment.

Too, the fact that the lottery generates funding to help society can be a driving buying motive for many players. The draw games may provide a better format for appealing to that play style and motivation.

I have sometimes referred to China and sometimes to Asia. For one thing, is there a commonality to the culture between China, Korea and Southeast Asia or are there lots of differences in that region? And then how does the region differ from Europe and the United States in terms of gaming culture?

M. Mitromaras: One similarity between all the Asian countries is that they are very active learners, students of everything that happens everywhere in the world. They all understand how gaming operates in Europe, the U.S., and everywhere else, very effectively.

They monitor this industry very closely. They travel to the gaming shows throughout the world to improve their understanding. They pay special attention not just to technology, but also to gaming regulatory models and philosophies. Sometimes they like to adopt best practices, gaming philosophies from other countries. They may pay more attention to the way their Asian neighbors operate, but they are very attentive to the more mature markets of Europe, and the U.S. as it relates to lottery.

As for consumer behavior, the fascination with numbers runs throughout Asia. And the shopping experience, and therefore the lottery playing experience, is much

more social than in many parts of the world.

Is it possible that lottery gaming may explode throughout Asia in the exponential fashion that casino gambling in Macau did?

M. Mitromaras: I hesitate to make a prediction like that. But I would have to say that it is certainly quite possible. They are already reshaping the way people think about casino gambling. Singapore, for example, has integrated casino gaming into a broader concept of leisure and recreation. Over 60% of the revenue from the operations at Marina Bay Sands and Sentosa come from activities other than gambling. Singapore uses the casino as a magnet to create a thriving food and entertainment industry. All kinds of retail shopping, museums, and other leisure activities are all benefitting hugely from the inclusion of gambling into the overall product mix. And Singaporeans have to pay for the entrance into the casino so that they are allowed to gamble. But Singapore has become a family-friendly destination alternative to Macau, which caters to adults. Japan has a similar approach, with a focus on activities like skiing and technology seminars and such to be the activities that gambling is used to as an additional amenity to attract the consumer.

This more expansive view of gambling, as leisure activity would seem to be a good antidote to jackpot-fatigue syndrome.

M. Mitromaras: Absolutely. Of course everyone has the desire to win a large amount of money. But their focus is on reshaping the overall attitude to focus on recreation and the fun of playing games. There is a very strong Responsible Gaming component to the public policies in all Asian countries. ♦

The Lotteries' Position Under EU Law ... continued from page 28

least parts of) the European Commission would be to propose an EU level legislative instrument on gambling services. Such an instrument would constrain Member States' freedom to organize their respective markets, and it is far from certain that the special position of Lotteries could be safeguarded in such a Directive.

To the extent that Lotteries do not take proactive action to safeguard their position in a process that will take us from judge-made law to the EU legislators, this creates both risk and opportunity for the public gaming sector. If well-tackled, it may strengthen the position of Lotteries at a pan-European level, but if the public gaming sector fails to grasp the gravity and momentum of these possibly tectonic shifts, the result may be the loss of a privileged position thereby deflecting proceeds from philanthropic objectives to solely for-profit entities. Thus,

inaction is not an option, but what must be done?

Within the confines of this contribution, we can at least point to the following crucial element: In order to counter the threat posed to the position of Lotteries from an overly enthusiastic Commission blindly pursuing the economic interests that underpin the EU Treaties, one important tool exists for Lotteries and the EU Member States in which they are based. Namely, the Council of Ministers (an institution of the EU that gathers the responsible ministers of all Member States) has in fact expressly agreed that Lotteries are to be recognized as distinct. Specifically, in December 2010 this institution unanimously adopted "Council Conclusions on a European Framework of gambling and Betting," expressly recognizing the special position of Lotteries as regards their benefit for society and in doing

P. McHugh: That's exactly right. Digital is both a communications channel and distribution channel. Again, MONOPOLY Jackpot is just one example of how we're engaging consumers on internet and mobile by creating microsites that extend their play experiences. This is absolutely something the industry has embraced. We've been a leader in providing microsites to most lotteries in the U.S. for the last decade. Recently, we launched our 500th microsite, offering players a 2nd Chance experience or other engagement activity, such as downloading a coupon or entering into a drawing to win more prizes.

We've implemented great mobile content that helps to engage players at retail. In Iowa, our mobile app allows players to find retailers, check if their Powerball® ticket won, create and store electronic play slips on their phone to easily purchase their favorite draw game combinations at retail. In California, the Lottery had great success with our mobile 2nd Chance promotional game on the \$5 Fortune 55 instant game. The Lottery wanted ways to connect with its players. To meet this challenge, we designed a program where players scanned a code on their ticket and were launched into a quick registration process to participate in a 2nd Chance interactive game based on the printed game. More than half the participants came in via mobile. After nine weeks, the Lottery had over 200,000 visits to the 2nd Chance website and the game was tracking almost 60% ahead of their average \$5 game. As added value, these players are now engaged with the Lottery and receive product promotions and ongoing communications.

For Scientific Games, 2014 will see a continued expansion of mobile that enhanc-

es the retail and player experience. Where mobile used to be thought of as an adjacent product, we are implementing applications that allow lotteries to connect directly with players in ways that truly integrate with retail. We have launched mobile app products in multiple jurisdictions and have expanded recently into mobile apps for our loyalty and rewards customers such as Tennessee and Missouri. We are currently working on launches in several other locations.

What does the acquisition of WMS mean to your Lottery customers? How will it help or benefit them, and how will WMS game content be translated over to the Lottery sector?

P. McHugh: This is where the whole truly is greater than the sum of its parts. The combined company is in a position to offer an expanded and more diversified portfolio of content, services and technology to customers in both the lottery and gaming segments. We are focused on capitalizing upon our increased scope and scale following the acquisition and believe there are significant opportunities to leverage the complementary capabilities of each company.

I've personally found in every meeting between WMS and Scientific Games, we come out with new ideas for our customers. We are both leaders in licensed properties for our industries and this can be further leveraged to bring increased value to our customers. Williams Interactive and Scientific Games both have significant technology and content for interactive internet and mobile games. So, putting these products together and increasing our offerings to customers is another huge value area. Social games such as the Jackpot Party social game, which has been a big success, are a

key strength of Williams Interactive. We're currently working to integrate their knowledge with Scientific Games' technology and services. So, whether we develop the games in-house or through third-party content providers, our lottery customers will have great access to social engagement features.

Since the acquisition was finalized, we've organized our company into three distinct groups for customers: Lottery, Interactive and Gaming. Within the Lottery Group, we've consolidated our Instant Products, Lottery Systems and MDI Entertainment business units under one umbrella so we can better leverage all of our products for our lottery customers. The Lottery Group is led by veteran industry leader Jim Kennedy. Jim is an amazing visionary. He has us focused on truly innovative products to serve our lottery customers and their consumers. A great example of our product innovation is MONOPOLY™ Millionaires Club; our response to MUSL's RFP for a national premium game and TV show. This leverages the unique capabilities across our Lottery Group. Monopoly Millionaires Club is a fully integrated offering based on an innovative draw game with broad consumer appeal, one of the strongest licensed brands in gaming, a world-class game show production and national broadcast package, social media and interactive digital solutions, and experiential prizes.

Our customers are excited about the evolution of Scientific Games, with the content and products that our more diversified company can bring to market. Together, we have the knowledge, portfolio and tools to help lotteries engage players across virtually every channel. And we will continue to invest in our business and lead with innovation. ♦

so, it explicitly requested that discussions at EU level have to take this into account. What many forget, is that this is not just a political declaration: It is consistent case-law of the Court of Justice that this legally binds the direction which EU policy must take. This is not all that surprising: it is the Member States which have conferred certain powers upon the European Union, and hence they must have some say in what can be done with those competences. Thus, whereas it is the role of the Commission to safeguard that free movement principles are respected as "Guardian of the Treaties," the Member States are the "Masters of the Treaties." When they unanimously state that that Lotteries are 'special,' it is self-evident that this must indeed be taken into account in "all discussions at EU level" – including any initiatives of the European Commission.

This is, of course, but an abstract legal-policy consideration which should shape the forthcoming debate at EU level. The onus now lies on all Lotteries to individually and in a concerted effort counter the potentially negative effects of the aforementioned EU regulatory developments, and generate opportunity where it can be found in the future shifts in the applicable regulatory framework. Most certainly, Lotteries and the EU Member States will have to proactively integrate the aforementioned EU-level consensus on the distinct position of Lotteries and shape, influence and direct initiatives within the EU institutions. In order to do so, a concerted effort of national, transnational, and international levels will be crucial. To close with our reference to Bob Dylan's landmark album: when times are changing, he sang: you have to start swimming, or you'll sink like a stone. ♦

fun are more likely to purchase the instant games at retail.

The Michigan Lottery is a great example of how to successfully leverage the multi-channel approach to increase sales at retail and build a foundation for iLottery. Michigan launched instant tickets featuring Pollard Banknote's Cashword WebPlay™ app at the \$3 and \$5 price points. These games have achieved resounding success at retail, with total weekly sales of the entire Cashword category increasing by an astounding 38% after the \$3 ticket launch and 26% after the \$5 ticket launch. The interactive response has been equally exciting – since the Michigan Lottery first incorporated the WebPlay™ feature into its Cashword games in January 2012, over six million interactive Cashword games have been played, and more than 80,000 apps have been downloaded. The app and website give players access to the interactive Cashword game, which can be played for fun or as an extended play feature of the ticket. The Lottery worked from the theory that players who played for fun were more likely to 'try and buy.' They were right. Michigan's stats show that two-thirds of players who play for fun first are likely to buy an instant ticket. Additionally, close to half of Cashword players are more likely to buy additional tickets because of the opportunity to play the interactive game for prizes. Of those who play the interactive Cashword game, 63% are from the coveted 18-25 demographic.

The Michigan Lottery's Players Club is also a great example of leveraging sales across channels. Non-winning instant tickets can be entered online to give players access to exclusive offers and promotions through reward points. The information from over 500,000 players makes up a database, which can be used by the Lottery to market directly to members, cross-promoting other channels of entertainment.

What are some of the challenges to implementing iLottery?

Ilan Rosen: I think lotteries are somewhat hesitant to add iLottery—especially in North America – because the interactive channel raises concerns at the legislative/political level, where there may be questions about responsible gaming or its perceived potential impact on retailers. Either

way, the lotteries themselves do not yet see a lucrative business case that would be worth taking that step. We appreciate and understand this and, therefore, the first goal of our partnership is to help lotteries get over this hurdle. We believe much of this concern comes from lotteries not having enough factual information about the interactive environment. It is the most controlled environment of all when it comes to responsible gaming and there are measures that can be implemented to protect players. It's also important to note that our data has shown that iLottery players are more responsible by nature. In the European market, for example, regulators have come up with a number of requirements. We have implemented self-management tools for players, encouraging them to define their play behavior. We have also implemented mechanisms in several markets, such as deposits or loss limits, and what we call "sanity checks," placed at appropriate time intervals. Once legislators will have the facts and figures in front of them it might open up a more productive discussion.

We also understand that this new channel, like everything new, brings uncertainty for the lotteries themselves in how to approach it. Our mission is to provide the lotteries with the knowledge, experience, and tools they need to define how they want their own solution to look. Together with Pollard Banknote, we can offer a full suite of options and tailor them accordingly to help lotteries get a toehold in this new channel – from 'space between' strategies to simple, turnkey solutions for implementing and managing iLottery, and any variation in between. Our solution can be fully customized to the regulatory and administrative structures of any North American jurisdiction. This is vital as 'one size fits all' is not an approach that will be successful. We have a robust back office system we call NeoSphere that is market-tested and proven; in this day and age having something proven in this space is a challenge in and of itself. To date we have provided and managed over 20 turn-key solutions in eight different markets and languages.

D. Pollard: I agree with Ilan that there is certainly a hesitation to embrace iLottery, but I also think that many lotteries have their own interactive teams that manage their op-

erations, or they have another vendor providing operational support, and they are unsure how to integrate iLottery into their existing systems. This is why our modular solution is so important; we are able to break down the specific requirements of a jurisdiction, provide excitement at retail to support bricks & mortar sales, and offer game content, support for multiple platforms, and operational services for the client.

We are now establishing our joint operation for the Michigan Lottery, which we are very excited about. We are going to provide a complete A-Z solution for the lottery, including a full iLottery portal on both web and mobile, a tailored suite of games conforming to the specific regulation requirements in Michigan, payment and banking solutions, customer care and support services and more.

Moreover, we will take an active part assisting the talented interactive team at the Lottery to define and execute marketing strategies, leveraging the wonderful success they have built over the past 4 years with a large and very active Players Club of more than half a million players and a wide set of interactive applications, some of which Pollard has provided.

How will your partnership explain the benefits of iLottery to land-based retailers?

D. Pollard: We have and will continue to develop new retail initiatives, including cross-promotion opportunities for providing added value to lottery retail networks. We are also working on a retail communications strategy. We are using our expertise in retail best practices to ensure that retailers understand the relationship between iLottery and the bricks & mortar retail business. The key point here is to emphasize that neither lotteries nor Pollard Banknote will be redirecting resources from paper products to the interactive space. This is not a zero-sum game. We want to leverage our expertise in the production and marketing of instant tickets by combining it with the technical expertise of Neo Games to increase traffic to both channels – retail and iLottery. This will inform the key messaging of our retail communications strategy.

Will iLottery games be the same games that are available at retail? Or will new styles of games be offered online?

Ilan Rosen: We offer both and believe that offering both, where possible, is a best practice. Lotteries can jumpstart their interactive channel by leveraging existing brands and creating digital versions of popular, best-selling games that are sold at retail. These games need to play in a similar way to their printed counterparts, yet need to be adapted to the interactive space to optimize the player experience. We are experts in managing these adaptations and they do evolve over time. Lotteries should also introduce new styles of games online to differentiate the interactive space. Of course, consultation with the lottery client is key to developing an exceptional online portfolio that drives players across all channels. Again, we want to convert lottery players into multi-channel players, and attract new players to this multi-channel lottery ecosystem.

How will the success of iLottery be measured?

D. Pollard: Sales and the profit they produce for good causes are always critical. However, sales alone are not the sole determinant of success. In Michigan, the lottery presented aggressive sales targets, way above the current benchmark of US lotteries, and we fully intend to meet them. But sales alone are not the sole determinant of success. We also need to measure success using several additional metrics. We like to use a return on objectives mindset. If a lottery's objectives include the expansion of the player base, reaching the 18-34 demographic, and migrating players across channels, then simple sales numbers will not clearly represent results. We need to ask, and answer, a different set of questions: Does iLottery engage new and existing players? Does iLottery change common pre-conceived notions about lotteries from a traditional form of entertainment to a modern, accessible, and convenient way to play? Does it reach a younger demographic, and are young players migrating across channels? Are core instant ticket players going online? Does iLottery help retain existing and new players? Measuring these broad-stroke shifts in player behavior will ultimately provide lotteries with the results they require. With the help of our partnership, we predict the results will be impressive. ♦

From our point of view, the enduring lesson of that original 'Value of Lottery' work was the realisation that we constantly have to remind retailers of how important National Lottery sales are, despite being a low-margin category. Low-margin, maybe. But in terms of overall sales, it's huge.

Last year, for example, National Lottery products were worth well over US\$9 billion to our retail partners. That makes The National Lottery a bigger category in UK retail than pretty much anything else, except tobacco and soft drinks. Camelot now operates four of the top 10 fast-moving consumer goods brands in the UK and, by fast-moving consumer goods, I mean convenience purchases – drinks, snacks, basic foodstuffs. Our core game, Lotto, is the single biggest FMCG brand in the country, and total lottery sales last year were bigger than the combined sales of some of the biggest and most recognisable high-street brands, including Coca-Cola, Pepsi, Nescafé and Walkers Crisps.

To achieve this success in retail, we don't just put a great deal of time and creative effort into our relationships. We back this up with plain hard cash investment. In the last decade, we have invested around US\$200 million into our retail estate. Much of this goes into supplying our retailers with free, state-of-the-art in-store furniture, as well as constantly refreshed, relevant and innovative point-of-sale material – both of which sharply increase the visibility of our products in stores.

In 2011, we embarked upon a hugely ambitious project to extend our retail estate by 8,000 stores, following a massive project to identify untapped demand that we could channel through our retail estate to drive sales. This involved a huge outlay and a bold investment by our shareholder. But our retail partners see this commitment from us and understand that we mean what we say when we tell them that we will keep on looking for ways to drive growth across all of our channels. Again – it's not about lip service.

It's about saying what you mean and meaning what you say.

The point of all of this work on retailer engagement is to grow sales by building strong and mutually-valuable relationships. And we were able to draw on the strength of those relationships when we decided to launch our interactive channels over 10 years ago. This was potentially a difficult moment. Understandably, retailers are anxious that interactive channels will simply cannibalise sales from the existing retail operation – and ours were no exception. However, because we were open with them, because we'd built up strong relationships and because our retailers could see that setting up new channels didn't mean we were lessening our commitment to them – because of all that, their initial fears soon evaporated.

We still need to work hard to make sure that they know our commitment hasn't wavered. One of the ways we do this is by regularly sharing sales analyses with them and one of the most powerful stats that we can talk to them about is how weekly spend increases for multi-channel players.

For example, a retail-only player will spend around US\$6.21 a week on National Lottery products and an online-only player will spend around US\$7.40 a week. However, a multi-channel player will spend around US\$12.12 a week. So, retailers can see that this spend is truly incremental and beneficial to all.

Increased overall spend also leads to bigger jackpots, more exciting games and more players spending more money both online and in-store. So, my message to you is that it is possible to develop a strong interactive lottery channel alongside your existing retail operation. However, to get this right, you need to make sure you engage and take your retail partners with you. The key to that is building strong, mutually-supportive relationships through good communication and by proving yourself faithful to your word. ♦



PGRI Introduction: Standards of performance that affect every gaming and lottery operator in the world are changing at breakneck speed. Some of those standards are established by regulators, and companies are required to meet those standards as a condition for fulfilling a contract. Other standards are established by the market-place as a condition for growing the business in an increasingly competitive environment. Technology lies at the heart of the way business and commerce is conducted. GLI is universally recognized as a technology expert, the global expert at testing the games, the hardware, the communications networks, and all aspects of IT infrastructure. Governments and their commercial partners rely on GLI to evaluate and certify the quality of the products and services that drive the gaming and lottery industry. Compliance with the highest standards of performance has always been a key focus for all lottery and gaming stakeholders.

But it is no longer enough to “comply” with regulatory requirements. Changes driven by new technology, the ingenuity of commercial i-gaming operators, and a multitude of market-driven factors, are reshaping the foundational strategic planning processes that drive this industry. Compliance with today’s regulatory requirements is no guarantee that the business will be prepared for tomorrow’s competitive landscape (or for tomorrow’s regulatory requirements). GLI’s corporate mission is to help assure that the IT infrastructure being developed today will support the growth objectives of the business in the years to come.

GLI has been serving the gaming and lottery industry for over 25 years. Operating in more than 450 jurisdictions all around the world, GLI provides a comprehensive range of IT consultative services. GLI combines technological and engineering depth with the knowledge of regulatory systems and laws at the jurisdictional level.

Kevin Mullally came to GLI in 2006 after having served as the Executive Director of the Missouri Gaming Commission. Mr. Mullally is a teacher, author and frequent speaker on business law, public policy development, regulatory issues, and problem gambling. Our discussion at the ICE Gaming Show in London focused on the expansion of GLI into the broad range of IT consulting and support.

Kevin Mullally

Vice-President of Government Relations
& General Counsel
Gaming Laboratories International

Paul Jason, Public Gaming: *Lottery operators are already quite keen on the importance of complying with regulations and meeting specified performance standards. Isn't the market-place demanding a level of performance that is higher than that demanded by government regulators? The smart operator isn't benchmarking against what they need to do to comply, but against what they need to do to succeed and build value as a business.*

Kevin Mullally: Complying with regulatory requirements is always the primary concern for all operators and commercial vendors. But compliance with those requirements does not guarantee that a lottery might not be the next Target or Sony which had their image for integrity and security severely damaged by theft of their customer data. Its reputation for integrity and security is a lottery’s most valuable asset. Consumer trust in the integrity of the system is clearly

a necessity for them to buy the product and play the games. As technology changes, as new business models reshape the competitive landscape, as the ingenuity of criminals and hackers becomes even more insidious, the lotteries and all gaming operators need to make sure that the investments in IT that are being made today will be supporting the business and security requirements five years from now. Security is now an integral part of business process and the entirety of IT infrastructure. That is why GLI has expanded its range of services – to assist its clients in the development of a long-term and strategic IT plan, one that meets current regulatory requirements, but one that also aligns with the need for flexibility and scalability to grow with the industry.

Companies, operators, and regulators rely on GLI to certify the performance standard of their products and services. Testing equipment is how we started, is what we continue to do, and those skill-sets and competencies are still at our core. That evolved into counseling on the broader category of risk control strategies, processes, and mechanisms which involve complex IT networks and communications systems. But the nature of the challenges to ensure security has evolved beyond those core issues. The goal of future-proofing the enterprise now depends on taking a long-term strategic approach to IT management and planning. It does involve testing of the hardware and auditing of processes. But “process management” takes on a whole new dimension when the process includes every facet of the IT infrastructure, every department and business function of the enterprise, and the human interface with technological process.

IT no longer consists of siloed functionality that works independently from each other. IT infrastructure must now support dynamic inter-connectivity between departments and tasks. Of course, this introduces new levels of complexity to the goal of ensuring security. And the goal of ensuring security is no longer limited to the testing of equipment and communications networks. It is now about business and technological process that permeates the entire organization and all aspects of IT.

GLI's brand is associated with integrity and its close relationship with the global community of regulators. Just as IT functionality and communications systems are

now inter-connected, so too are the many stakeholders in this industry. I can't think of anyone who understands the inter-relationship between regulators, operators, vendors, and the shapers of public policy like GLI does. How does that translate into better outcomes for your clients?

K. Mullally: Security and integrity are mission-critical to this industry and that makes them mission-critical for all those stakeholders. However, they aren't all technologists and it is our job to enable all those stakeholders to understand the IT issues in terms that they understand. We seek the input from all stakeholders and work hard to integrate it into the overall strategies. This is critical to the development of effective risk control strategies.

A coherent and effective public policy is central to the implementation of an effective regulatory framework. The development of effective public policy depends on identifying a clear policy objective and communicating those risk control strategies to everyone – legislators, regulators, operators, and vendors. Consumers are also a key stakeholder and need to be assured that their privacy is being protected. Management of Big Data is becoming a powerful tool for understanding markets and enhancing value to the consumer. But consumers need to understand how their data is being used, how it's not being used, and what is being done to ensure that it is not being mis-used. That is a big part of what GLI does, and an area that I focus on myself. We translate technical detail into information that enables regulators, legislators, other public officials, and lottery directors to understand the public policy implications of the IT systems and risk control measures that are being implemented.

GLI has clients all over the globe. You are in the best position to build the handbook of “best practices.”

K. Mullally: It's true that we bring a global perspective and a rich store of resources and global experience to guide the process. But we don't prescribe solutions. Instead we explain options. And while we identify risk control strategies that have a proven record of success, we understand that each situation is unique and there is not always a boilerplate set of “best practices.” “Best practices” is an overused term in my opinion. Best practices in what context? What may work

extraordinarily well in one jurisdiction, may completely fail to meet the policy objectives of another jurisdiction. Consider the issue of responsible gaming. There are distinctly different strategies used in North America versus those used in Asia. Why? Because cultures are different and what may work in one region is not appropriate for another. So, by definition, there is no “best practices” template to apply. There is, though, the record of how different strategies have been applied to different situations. We can all learn from analyzing the outcomes, looking for insights that will inform the process of charting a course for each jurisdiction.

Technology is now interacting with changes in the games and market-place in ways that make it so difficult for regulators to keep up with. Our job is to draw on our technological expertise, and our global perspective and experience, to help our clients anticipate the impacts that these changes will have, optimize their investment in IT, and ensure the security of the systems and business processes.

Getting the attention of this diverse group of stakeholders must be difficult. How do you demystify the complex problem of IT and risk control so that everyone buys in?

K. Mullally: That is a good question because the impulse is to think that security is something that gets over-laid onto all aspects of the IT infrastructure. Security is no longer limited to passwords and firewalls. It is very challenging to enlist everyone in the arduous task of assessing the issues in a big-picture way before tackling the specific IT objectives. For one thing, it's about process. And not just technological process, but business process that includes the ways in which human beings interact and communicate with each other, both within the enterprise and external to the enterprise. As you might imagine, understanding process in this context of including human communications increases the complexity of building a flexible, scalable IT system that controls risk while meeting everyone's needs.

The best way to address complex issues is to begin with a well-articulated overview of the public policy objectives. It is important to identify every single issue that relates to the overall public policy objectives before rushing to prescribe solutions. Our job is to

...continued on page 71

Pulse of the Industry



Growth in global lottery sales for Q1–Q3 2013 holds steady at 4.7%; growth driven by Asia Pacific and Latin America; Europe trends down: In 2013, full-year on full-year global lottery sales grew 4.9%, moderating from 2012 full-year on full-year growth of 7.7%. The growth in worldwide lottery sales was again built on the foundations of strong performances from the Asia Pacific and Latin American regions, with both these regions having recorded double-digit growth in sales over the past three consecutive quarters. The strong performance of the Asia Pacific and Latin American markets was offset, however, by the performance of the European region, which saw full-year on full-year sales contract in 2013. For its part, the North American market registered mild year-on-year gains for 2013, while the African market for FY 2013 was basically unchanged relative to its overall position in FY 2012.

Basel, 13 March 2014 from the World Lottery Association

European Parliament votes on appropriate control of all gambling activities under the new Anti-Money Laundering Directive: The European Lotteries Association (EL) welcomes that the European Parliament text takes into account the specificity of the gambling sector. EL President Friedrich Stickler: “The control on winnings for certain forms of gambling is already in place in a number of Member States and has proven to be adequate. The step taken by the European Parliament today will allow Member States to apply the Directive to its full potential.” EL calls on the Council and the European Commission to now follow the lead of the European Parliament and also provide for

this efficient and adapted way of extending the Directive to all forms of gambling. The European Parliament’s Economic Affairs and Justice and Home Affairs Committees passed a new law enforcing public registration of gambling company owners and trusts. Such owners and trusts can no longer operate anonymously.

March – National Problem Gambling Awareness Month: National Council on Problem Gambling; www.ncpgambling.org

Caesars Entertainment’s \$1.756 billion quarterly loss: The firm attributed it to a declining market in Atlantic City. Net revenue for the year ending Dec. 31 rose 3.2 percent to \$2.078 billion.

More than one third of social casino poker players are women: IGT’s DoubleDown Casino found a 22 percent increase in women poker players in 2013. This data was released as a follow-up to DoubleDown Casino’s ongoing U.S. Social Casino Index project offering a detailed look at social casino player preferences, based on the more than six million people who play DoubleDown Casino games on Facebook or a mobile device each month. “Poker is traditionally thought of as a male-dominated game but our data proves that female poker players are on the rise in social casinos,” said John Clelland, Vice President of Global Marketing at IGT Interactive Group.

In some states, gaming industry consultants double as gambling regulators: When Springfield, Mass., needed to choose who would build its first casino,

the city hired an outside adviser to help with the process. The consulting firm Shefsky & Froelich recommended the deal go to MGM Resorts International. At the same time, the consulting firm also was working as a registered lobbyist in Illinois for MGM Resorts. The arrangement highlights an often-overlooked trend as more cities and states embrace legalized gambling across the country: Private companies are being hired to write regulations and vet casinos, even as the same firms work the other side of the fence, helping casinos enter new markets and sometimes lobbying for their interests. But letting consulting companies with deep ties to the gambling industry decide how casinos are run – and who runs them – is a significant departure from how established gambling states, including Nevada and New Jersey, do things.

Premier Lotteries Ireland signs 20-year licence to operate Irish National Lottery: Celebrating the licence signing, Dermot Griffin, CEO Designate, Premier Lotteries Ireland, said: “I am delighted the Government has awarded Premier Lotteries Ireland the licence to operate the Irish National Lottery. Premier Lotteries Ireland will invest in the National Lottery and its Retail Network, providing state of the art technology to facilitate game innovation. In addition, we will provide players with choice through the development of the online channel. These opportunities will allow us to grow the National Lottery, increase returns to Good Causes, and create jobs in Ireland. Premier Lotteries Ireland will continue to operate with the existing National Lottery branding, maintaining the highest levels of integrity and responsible gaming.”

The National Lottery will be sold for 405m to Premier Lotteries Ireland. Staff at the company have voted to accept the transfer, thus clearing the way for the deal.

Nevada, Delaware agree to online poker partnership: The governors of Nevada and Delaware signed the agreement on Tuesday, the first interstate Internet gambling relationship. Nevada launched online poker last April; Delaware's online gaming websites opened for business in November. Deal Could launch by End of 2014 and is the first of its kind, allowing players from both states to compete against each other. Both states require players to be within the states' jurisdictions.

Beth Bresnahan named Executive Director of Massachusetts Lottery: Bresnahan was Communications Director for the Lottery from 2005 through 2007. She has also been the Assistant Executive Director and Director of Marketing and Communications. Treasurer Steven Grossman appoints Beth Bresnahan as the Executive Director of the Massachusetts State Lottery Commission. Treasurer Steven Grossman today appointed Beth Bresnahan as the Executive Director of the Massachusetts State Lottery Commission, drawing on her management and marketing expertise that has led to record-breaking profits at the Lottery in recent years. Bresnahan replaces Paul Sternburg, who is leaving to start a consulting business in the lottery industry.

New Mexico Lottery Board appoints David Barden to lead the Lottery: Barden's work experience includes serving as vice president of the Arkansas Lottery Commission between 2009 and 2011 and as senior attorney and then director of marketing and product development for the South Carolina Education Lottery from 2001 to 2009.

U.S. Supreme Court declines to hear poker case re skill vs. luck: As a result citizens can still be prosecuted under federal law for organizing private games. The court said it would not hear the appeal filed by Lawrence DiCristina, who was

convicted under the Illegal Gambling Business Act, for games he held in his Staten Island, New York bicycle shop. The case is DiCristina v. United States, 13-564.

GTECH announces 2013 fourth quarter and full-year results: During 2013, GTECH met or exceeded its key performance objectives and made significant gains in strategic growth segments while successfully executing a major reorganization," said Marco Sala, CEO of GTECH S.p.A. "For the coming year, we expect to sustain our momentum as we build on these achievements. We continue to advance our interactive capabilities, notably in the mobile gaming space, to address some of the fastest growing areas of the market. We are also well positioned to secure new international operator opportunities."

INTRALOT Italia, has enriched its interactive gaming portfolio with the launch of SportsMobile, its new mobile and tablet sports betting proposition: Mr. George Zenzefilis, INTRALOT Group Chief Product & Services Officer, stated: "SpotsMobile, one of our Group's series of innovative mobile-first products capitalizes on our extensive sports betting global footprint and combines the latest of technological trends based on HTML5 framework. The SportsMobile roadmap for the next few months includes further attractive patent pending propositions that we believe will redefine the mobile punters' experience and we are confident for its success in not only Italy but also our global operations."

Scientific Games growth reflects benefit from WMS acquisition and strength of lottery: Business Integration Efforts Yielding Accelerated Cost Synergies; Remain on Track to Achieve \$100 Million in Annualized Savings by December 2015 "Fourth quarter revenues reflect solid growth in our lottery business and a partial quarter of WMS results," said President and Chief Executive Officer David L. Kennedy. "We are focused on growing our customers' revenues and capturing new growth opportunities by accelerating development of innovative

content and technology and continuously improving our core competencies. At the same time, we are focused on achieving the targeted cost synergies related to the acquisition of WMS and driving profit margin and cash flow improvements across all of our businesses."

Amaya announces closure of acquisition of Diamond Game Enterprises: Amaya Gaming Group Inc., an entertainment solutions provider for the regulated gaming industry, announced today that it has closed its previously announced acquisition of 100% of the issued and outstanding securities of the private, arms-length company Diamond Game Enterprises, a designer and manufacturer of gaming related products for the global casino gaming and lottery industries. The purchase price was US\$25 million, subject to customary post-closing purchase price adjustments, to acquire 100% of the equity of Diamond Game and retire its debt. Amaya paid US\$18 million on closing of the Transaction from cash on hand with a US\$7 million holdback for certain contingent liabilities and other items.

Maryland Lottery Awards 5-Year ITLM Contract to Amaya's Diamond Game Enterprises: Additionally, the Lottery holds a five year renewal option, to provide Veterans' Organizations (VOs) in the state with Instant Ticket Lottery Machines (ITLM) and related services.

Finland: VEIKKAUS sales increased in 2013. Digital sales account for more than a third of sales: Finnish gaming operator Veikkaus' 2013 results show that its digital sales are more than a third of total sales. Key figures from the company include: a profit of 506.3 million euros, up 1.1% over FY2012. Net sales 1 858.4 million, up 4.6% over FY2012. Registered players have increased by 5.1% to 1.54 million. Digital sales rose 36.3% of which their mobile channel accounted for over 10%. Net sales in sports betting was 403.9 million, up 8.5%. Net sales in other games totaled 657.4 million euros.

Pulse of the Industry Continued ...



Philippines gaming sector to continue strong growth through 2015:

The growth has been increased mostly by the building of new casinos, according to Fitch Ratings. Fitch predicts “double-digit gaming revenue growth” for the industry to continue through 2015.

Michigan Lottery contracts with GTECH:

The Michigan Lottery has extended by two years its contract with the GTECH Corporation, which provides products and services to support the Lottery’s draw games, such as Powerball, Mega Millions, Classic Lotto 47, and Club Keno.

Connecticut plans to ban Internet Sweepstakes cafes:

James Meskill, director of the Mohegan Tribal Gaming Commission testified to Connecticut Public Safety Committee that the state could lose slot revenues unless Internet sweepstakes are outlawed. Proposed Senate Bill 80 would ban internet sweepstakes cafes.

Massachusetts to hold internet gaming forum for firms, regulators:

The Massachusetts Gaming Commission has scheduled an educational forum on Internet gaming. Panelists include executives from slot machine manufacturers, Internet gaming service providers, and casinos, as well as regulators from the U.S. and Canada.

Florida Lottery breaks another scratch-off record:

The Florida Lottery announced today that Scratch-Off ticket sales for the week ending March 2, 2014, exceeded \$80.2 million, breaking the previous record of \$78.5 million reached just two weeks before. Third quarter Scratch-Off sales have been exceedingly strong,

surpassing Scratch-Off sales for the New York Lottery, which is the highest-selling U.S. lottery, for five consecutive weeks. This record-breaking Scratch-Off sales week resulted in \$15 million generated for education programs in Florida.

Proposed Kentucky constitutional change to expand gambling:

House Bill 584 would add a line to the constitution that says “nothing in this section shall preclude the General Assembly from authorizing other forms of gaming by general law.”

New Mexico Lottery Board Forecasts Higher Sales, Revenue:

The New Mexico Lottery board of directors today approved a revised budget that forecasts higher sales and revenue for Fiscal Year 2014, which ends June 30. Under the revised budget, ticket sales are forecast at \$135.3 million, up from an original projection of \$131.4 million. The scholarship revenue forecast has been increased from \$39.4 million to \$40.6 million.

WV Legislation to cut various video lottery subsidies

to free up \$35 million to help balance the 2014-15 state budget passed the House of Delegates Wednesday with a 72-25 vote. In fiscal year 2013, the most recent year available, Lottery figures show that the thoroughbred and greyhound industries received Lottery subsidies totaling \$87.6 million.

Poker machines’ new methods to appeal to young players:

Due to competition from internet and mobile gaming, casinos and other gaming venues are now offering such jackpots as Apple computers, and basing machine design themes on popular television shows such as *The Walking Dead*.

New York State Gaming Commission chief ready to work on casino selection process:

The state Senate approved Hobart and William and Smith Colleges President Mark Gearan as the chairman of the New York State Gaming Commission. The commission is expected to install a committee to review proposed projects and grant up to four casino licenses for three upstate regions.

WLA / APLA joint seminar will take place in Manila, the Philippines, on April 28 – May 1, 2014:

The Best Practices for Lotteries, WLA / APLA joint seminar will take place in Manila, the Philippines, on April 28 – May 1, 2014. Hosted by the Philippine Charity Sweepstakes Office, this seminar focuses on marketing and sales in a time of rapidly changing technologies and social expectations.

Zynga’s new mobile game: Farm-

Ville 2: Country Escape: This game sequel is adapted for the next generation of smartphone and tablets. Zynga has not been previously successful in translating their facebook success to the mobile world.

New Play for Fun Game website launched by Tournament One and Crestwood:

Tournament One, in partnership with Crestwood Associates, has developed a timely Lottery Game with Research program that can help all lotteries and lottery online system providers, who are in the process of developing and implementing online e-instant gaming in their jurisdictions. The Play for Fun Games and Research program (PFFG) lets players try new e-instant games while each participating Lottery receives both valuable player research data and game play statistics to develop impactful igaming strategies.

Northstar Illinois, a majority-owned subsidiary of GTECH S.p.A. announces Tim Simonson has been appointed as Northstar’s Chief Executive Officer:

In making the announcement, Northstar Chairman and GTECH Americas President and CEO Jaymin Patel said, “Tim has been with GTECH for more than 10 years and is credited with helping to drive the Com-

pany's business development and growth opportunities. He is a proven leader who will work in partnership with the Illinois Lottery to drive their success and build on the progress made thus far."

CA Audit: Indian casino funds improperly documented: \$1.7 million in Indian gaming money was termed as "improperly documented." Lawmakers had set aside \$39 million total for the Indian gaming fund between 2010 and 2013. The audit reviewed twelve grants of funds

made for San Diego, Riverside, Butte and Lake counties.

New Zealand Countdown Supermarkets offer Lotto at store check-outs: Countdown Supermarkets has done a three-month trial in 11 supermarkets of "fastlane," which enables shoppers to buy a selected range of lottery tickets at the standard grocery checkout counter. Previously the tickets were sold at a separate counter. This program has now been expanded to 64 Countdown locations.

Delaware and 888 Win big in Poker Compact: Delaware and Nevada have agreed to share online poker player pools via the new Multi-State Internet Gaming Association.

PA Casino applicants make closing arguments before gaming board: At the Pennsylvania Gaming Control Board's hearing, bidders were allowed 15 minutes to summarize their cases without introducing any new evidence. They cited potential revenue increases for the state. ♦

Kevin Mullally Interview . . . continued from page 67

then break down the technological options, explain how they work, and share with our clients the experience that others have had with particular strategies and action-plans.

And to then get the entire enterprise aligned and working together towards that accomplishing that corporate-wide strategic IT plan?

K. Mullally: Large-scale enterprises with multiple departments usually rely on each have a department head to define their objectives and to interface with the IT manager, building from the ground up. Our goal is to help them align with an over-arching corporate and public policy mission.

Let's use Responsible Gaming as an example. That is a vital issue and easy for everyone to understand. The persons charged with developing a responsible gaming policy move through a checklist of items they need. We need a hotline, check. We need an education outreach program, check. We need to have treatment programs, check. In order to have treatment we have to have a training program for counselors, check. We need a self-exclusion program, check. What is often missing is attention to the detail of administering the programs. I call it the grocery list method of public policy implementation. There is a tendency to reach for a set of rules developed by another jurisdiction and using them just because there is evidence that it worked in that jurisdiction. However, sometimes little attention is given to how the policy will be implemented, how will the results be measured and how is the

target constituency being impacted? We try to assist our clients with these processes to build appropriately designed policies that are tailored to their public policy objectives and that include performance measurements that allow the policy to be dynamic and meet changing needs and changing risk profiles.

It is best to focus on your own business requirements and objectives and develop the mechanics and ongoing monitoring systems that fit with those. In the end, it is clarity of purpose and the implementation of a detailed system-wide plan that achieves the best results.

But in the long run, won't we be better if we just bite the bullet and try to really embrace the whole spirit of the thing and deliver the outcomes as opposed to just thinking of some kind of compliance.

K. Mullally: If we have properly designed policy objectives that are designed to mitigate a clearly identifiable risk or promote a clearly beneficial public good, then compliance should be everyone's goal. However, we often ask our clients to look beyond compliance and to become adept problem solvers. By doing this, the regulatory environment can adapt to ever changing levels of risk. Technology is changing the risk factors and the mechanisms required to prevent a compromise of the systems. Lotteries, for instance, have sophisticated risk control systems and risk assessment models for their terminal business. They may be tempted to apply those models and methods to the online internet channel. It's

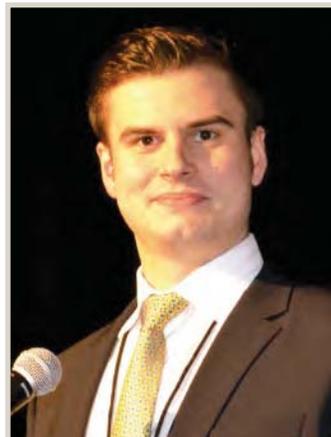
human nature to use the tools and problem solving methods that have worked so well for us in the past. But they are not the best tools and methods to apply to technological structures that are completely new and different. Security in the digital world requires completely different measures than security in the land-based world. Land-based casino operators can make the same mistake as they move into the online world.

Internet gaming and even just internet distribution of traditional lottery products is a source of much confusion and concern on the part of policy-makers. If we start at the top, with an overall strategic plan for accomplishing the broadest set of public policy objectives, it might be recognized that the digital world provides a whole new level of connection to the consumer that helps to fulfill a much higher standard for Responsible Gaming. The off-line world of retail transactions and casino gambling provides no mechanism for the operator to communicate with the players. This anonymous relationship does not allow for the application of technology and digital communication to shape the messaging and nurture a healthy attitude towards gaming that is so important to the long-term sustainability of our industry. This is just one example for why it is so key that all lottery stakeholders be engaged in the strategic planning to use Information Technology to accomplish the over-arching enterprise-wide objectives. It is an invaluable tool but only if deployed to leverage its full potential. ♦

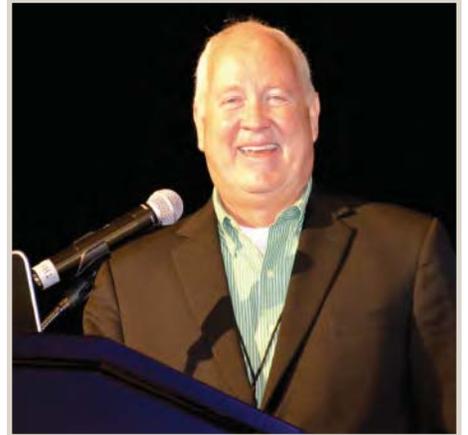
Scenes from Past Conferences ...

Photos from NASPL, ICE Gaming Show London and PGRI's Lottery Expo Miami.









CORPORATE PROFILES 2014

SMART-TECH PLATINUM SPONSORS



GTECH S.P.A.
www.GTECH.com

GTECH is a leading commercial operator and provider of technology and services in the regulated worldwide gaming markets. The Company delivers best-in-class products, superior service, and creative content with a commitment to the highest levels of integrity, responsibility, and shareholder value creation.

As one of the largest lottery and gaming companies in the world, GTECH is comprised of Lottery, Betting, Interactive, and the SPIELO brand business segments. GTECH is listed on the Milan Stock Exchange under the trading symbol "GTK" and is majority owned by De Agostini S.p.A. In 2012, GTECH had €3.1 billion in revenues and 8,600 employees in approximately 60 countries.

LOTTERY – GTECH Lottery is a principal operator and supplier of lottery products, services, and technology. GTECH designs, assembles, installs, operates, and maintains draw-based lottery systems, terminals and communications networks for governments and licensed operators worldwide. Additionally, GTECH provides printed products and related services, self-service lottery product vending machines, game design/content, marketing services/best practices, field service for retailers, responsible gaming, and promotional and interactive gaming capabilities.

BETTING – GTECH Betting offers solutions for the development of real-time operations and computerized systems for the sports betting market. GTECH offers trading services, fully managed partnerships, or "software only" technical solutions, to create a complete one-stop solution or to integrate new functionality to existing operations. GTECH provides secure retail betting solutions, point-of-sale display systems, call center facilities, internet betting technology, and fixed odds or pool betting options.

INTERACTIVE – GTECH Interactive offers comprehensive solutions for the interactive market, providing a full suite of award winning products and services for Internet gaming. GTECH designs, manufactures, and distributes Internet poker, bingo, table games, slots, and Gaming Management Systems (GMSs). Additionally, GTECH provides player services including marketing, portal, player acquisition, CRM, VIP, player support, payment solutions, fraud and collusion, responsible gaming, game management, migration, and trading services.

SPIELO – GTECH designs, manufactures, and distributes top-performing games, gaming machines, central systems, and associated software to legalized gaming markets around the world. GTECH's SPIELO brand 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.

CUSTOMERS:

In total, GTECH has lottery, video (commercial and government), interactive gaming, sports betting and printing customers in Africa/Middle East, Asia/Pacific, Europe, North America, and Latin America/Caribbean. In addition, GTECH has 13 Private Manager/Operator Contracts worldwide, making it the industry's leading company in private lottery management with the most extensive and proven operator capabilities. GTECH has experience as the first U.S. private manager in Illinois, and most recently, as the private operator in Indiana and New Jersey. The Company also operates the world's largest lottery in Italy and manages other operator contracts in Europe and Latin America. ♦



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.

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

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

The primary requirement for processing credit and debit transactions is PCI compliance. Linq3's PCI DSS (Payment Card Industry Data Security Standard) Tier 1 Status is the highest level attainable in the Payment Industry. This standard requires auditing, access control, system design and other system maintenance that is higher than lower levels of compliance. As Linq3 processes the transaction, it maintains PCI DSS Tier 1 certification. Linq3 combines the key goals of the PCI Data Security Standard and its own internal standards to establishing physical security, network security, and system software security ensuring end to end integrity of lottery transactions. ♦

SMART-TECH CONFERENCE SPONSORS It's the collaboration between operators and their commercial partners which makes this industry work. It's that relationship that drives innovation and progress. PGRI endeavors to support and nurture that relationship, confident that together we can all 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.

NEOGAMES®

bringing back the fun!

NEOGAMES

www.NeoGames.com

Global leaders of interactive scratch cards and lottery games ...

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. ♦



SHOUTZ, INC.

www.shoutz.com

Shoutz, Inc. is an Austin-based, privately held technology company dedicated to making lotteries more convenient, engaging and rewarding. Shoutz is mobilizing the multi-billion dollar lottery industry with its state-of-the-art mobile engagement and monetization platform, including the award-winning mobile app, LotteryHUB. LotteryHUB is the official mobile app of Powerball, which provides players the freedom to pursue their dreams and engage with Powerball from just about anywhere. Players can easily follow the jackpots, check and track numbers, watch live drawings and get the latest news and tips — all while earning rewards and benefits. Players can download the LotteryHUB app for free from Google Play, the App Store, or Windows Marketplace.

As the official mobile app provider for Powerball, Shoutz is working shoulder to shoulder with the leaders and professionals in the lottery industry to mobilize lotteries. Shoutz powers a mobile engagement and monetization platform that provides Powerball a means of capitalizing on the popularity of the national game and the strength of the Powerball brand. With LotteryHUB, Shoutz is engaging, aggregating and monetizing a large national audience by providing consumer brands with unique, targeted mobile advertising opportunities. Shoutz enables advertisers—via its mobile engagement platform—to target lottery players with display ads, rich video commercials, rewards programs and interactive instant win games.

The Shoutz mobile engagement and monetization platform provides lotteries with a turn key solution that cannot only drive engagement and revenue but also reduce costs. The Shoutz platform hosts the national drawings live for Powerball and distributes the video to mobile and other media channels. The Shoutz platform not only provides Powerball a means of engaging and monetizing its large, national player base but it also provides Powerball a means of communicating with and distributing news and information to its players. Shoutz will continue to provide the latest features and benefits to lottery players via LotteryHUB while also providing lotteries with analytics regarding player behavior, trends and demographics.

Lotteries and advertisers can contact Shoutz via email at info@shoutz.com or visit www.shoutz.com to learn more about LotteryHUB and the benefits of the Shoutz mobile engagement and monetization platform ♦



INTRALOT

www.Intralot.com

Within 20 years of operation, INTRALOT has achieved an impressive global expansion. Leveraging its advanced know-how in the development of cutting-edge products and capitalizing on its significant experience in gaming operations management, INTRALOT offers customized and fully integrated solutions that are highly efficient and absolutely secure.

INTRALOT has been publicly listed in Athens Stock Exchange since 1999. Its revenues in 2012 reached \$1.8 billion and it posted a positive cash flow. As a vendor and/or lottery operator, INTRALOT has been awarded contracts for a wide range of products and has established its presence in 56 jurisdictions on all 5 continents with 5,500 employees. INTRALOT has also won 14 contracts in the highly competitive U.S. marketplace.

INTRALOT is the leading supplier of Integrated Gaming and Transaction Processing Systems, Innovative Game Content, Sports Betting & Racing Management and Interactive Gaming Services to state-licensed gaming organizations worldwide. INTRALOT currently holds a dominant position in Europe, Latin & Central America, and Asia, with a significant presence in North America, and is continuing its dynamic expansion in Oceania and Africa.

INTRALOT's games library includes more than 500 types of games and variations, such as Numerical Lotteries, Online Games, TV Lottery Games, Sports Lotteries, Fixed-Odds Betting, Instant Lotteries, Pari-mutuel, Video Lottery, Monitor Games and Interactive Games.

INTRALOT is the leading partner for those organizations that want to offer a Universal Gaming Experience to their players. Its customers take advantage of the most robust, efficient and versatile Unified Gaming Platform in the industry that seamlessly combines the Retail, Mobile and Home Users, connecting innovative Gaming Verticals and offering an unparalleled business support to the organization for optimal customer experience.

INTRALOT actively engages the global gaming community and contributes decisively to the future development of the industry. It is a member of WLA (World Lottery Association), EL (European Lotteries and Toto Association), NASPL (North American Association of State and Provincial Lotteries), CIBELAE (the Hispanic Association that covers South America and the Iberian Peninsula), APLA (Asia Pacific Lottery Association), and GSA (Gaming Standards Association) and a gold member of AGEM (Association of Gaming Equipment Manufacturers).

Acknowledging the critical importance of security for corporate success, INTRALOT is the first international vendor in the gaming sector that has been certified according to the World Lottery Association (WLA) Security Control Standard in 2008. Moreover, the Company has been certified with the ISO 27001:2005 for its Information Security Management System (ISMS) since 2007. The scope of the double WLA SCS and ISO 27001 certification covers INTRALOT Headquarters, the operations at the Greek National Lottery, OPAP SA, and the Greek Horse Racing Organisation, ODIE SA, as well as INTRALOT Nederlands BV for the operation of the Lottery System of Staatsloterij and De Lotto. INTRALOT has also been certified according to ISO 9001 since 2002.

INTRALOT is also the first international vendor in the gaming sector to achieve ISO 20000 certification on Information Technology Service Management. INTRALOT's service management system covers the provision of managed IT Services such as integrated gaming and transaction processing systems & services and interactive gaming services, as provided to licensed Lottery, Gaming and Casino organizations and entities worldwide.

All INTRALOT certifications are being governed by the COBIT 5 framework that the company introduced in order to ensure a holistic approach that covers its business processes end-to-end and in alignment with its business strategy.

INTRALOT is the first international vendor to receive the Gaming Standards Association (GSA) Point to Point SOAP/HTTPS Transport and Security Specification and one of the two companies that have been certified internationally according to the GSA Game to System (G2S) Message Protocol standard, both of them for its VLT Monitoring system, iGEM.

More information: Phone: +30-210 6156000 / Fax: +30-210 6106800 / email: info@intralot.com ◆



SCIENTIFIC GAMES®

SCIENTIFIC GAMES

www.ScientificGames.com

At Scientific Games, we create some of the world's most compelling gaming experiences, keeping players entertained, connected and engaged.

As a global leader in the gaming industry, our mission is to offer our customers complete and customized gaming solutions. Our games, systems, content, services, gaming machines and interactive products are designed to reach players wherever they are, whenever they want to play and in any channel they choose: retail, casino or digital.

For more than 40 years, Scientific Games has delivered what customers and players value most: trusted security, creative content and innovative technology. Beginning with our development of the breakthrough technology that launched the world's very first secure instant lottery game in 1974, we have been a driving force behind the success of customers in 50 countries on six continents.

Headquartered in New York City, with over 5,000 employees worldwide, we serve our customers from manufacturing and operational facilities in North America, South America, Europe, Asia, Africa and Australia. Scientific Games offers customers a fully integrated portfolio of technology, platforms, content and services, including:

- Instant, Interactive and Draw-Based Lottery Games
- Lottery Systems and Retail Technology
- Casino/Electronic Gaming Machines and Game Content
- Server-Based Lottery and Gaming Systems
- Social and Mobile Gaming Content and Services
- iGaming Content and Distribution Solutions
- Sports Betting Technology
- Licensed Properties and Promotions
- Loyalty and Rewards Programs
- Lottery Game Product Management and Logistics Services
- Marketing Research and Analytics

Success is a reflection of talent, and Scientific Games' history of success has been driven by our highly experienced professionals. Our instant and draw games, interactive products, gaming machines and content have been developed by some of the top game designers, mathematicians, marketing research analysts and product managers in the world. We have been an industry leader in developing and using market research and analytics to gain a deep understanding of player demand and preferences. As a result, we continue to generate new ideas and innovative gaming solutions that provide players with exciting choices and experiences. We are also committed to working closely with our customers, governments, regulators and industry associations to support player protection and responsible gaming.

At Scientific Games, we have a demonstrated track record of helping our customers grow their lottery and gaming revenue. We work with our customers to understand their business needs and to customize advanced products and technologies that deliver results. We understand that our customers rely on our products and services to drive growth, and we're always looking for ways to deliver compelling entertainment and gaming experiences.

Learn more about Scientific Games at: www.scientificgames.com ◆

CORPORATE PROFILES 2014

SMART-TECH SILVER SPONSORS

CARMANAH SIGNS

www.carmanahsigns.com



Carmanah provides LED signage & digital sign networks to the global Lottery & Casino markets.

Carmanah's Lottery products include wirelessly-updated lotto jackpot signs, digital sign networks, brand awareness signs and EvenLit™ LED Light Panels.

Carmanah is a subsidiary of Stratacache Inc, a leading provider of scalable, high-performance digital signage, content distribution and enterprise video acceleration technologies.

Since 1993, Carmanah has served hundreds of Lotteries, Casinos and Global Brands. For the lottery industry, Carmanah is the dominant supplier of wirelessly-updated lotto jackpot signs, with over 100,000 installed at lottery retailers in the Americas, Europe and Asia.

Wirelessly-updated jackpot signs promote lotto brand and jackpot awareness, and provide accurate, up-to-date jackpot values displayed at lottery retail. There is proven sales lift of on-line games, as well as instant tickets. The ROI of a Carmanah jackpot sign is typically measured in months.

Digital sign networks allow Lottery marketers to control and distribute content across a lottery's retail channel, displaying product information and calls-to-action right at POS in a timely manner. Specific retailers can be geo-targeted for unique content such as local winners.

Please contact Max Goldstein, Vice President Sales at Carmanah Signs for further information: mgoldstein@carmanahsigns.com +1.416 322.2860.

DIAMOND GAME

www.diamondgame.com



The LT-3 ITVM: There's so much more to earn!

Diamond Game's mission is to provide innovative solutions to lotteries seeking retailer and revenue growth. To deliver on that mission, the patented LT-3 suite of ITVMs was created with lottery needs at the forefront. The LT-3 allows lotteries to expand their retailer base into less traditional and age-regulated venues, such as bars, taverns, bingo halls, 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 significantly smaller than 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 and sales tracking system.

The LT-3 is customizable and can be deployed in a variety of configurations based on unique lottery needs, helping generate significant new instant ticket revenue.

Contact the Diamond Game sales team at Lottery@DiamondGame.com for additional information.

HUDSON ALLEY SOFTWARE

www.hudsonalley.com



Today, Hudson Alley (formerly OrderPad) is launching InTouch, a new retail communications platform to help lotteries boost sales by improving education and merchandising at retail. InTouch is available on the web, mobile web, and through iOS (iPhone and iPad) and Android apps; it rewards retailers with points and badges for watching training videos, reading lottery news, and viewing information on their inventory and sales. InTouch contains powerful Dynamic Planograms™ which ensure that the right product is on display at the right time, maximizing valuable retail space and increasing sales.

Since entering the U.S. lottery market in 2004, Hudson Alley Software, Inc. has remained the undisputed innovator and market leader in lottery sales force automation. Today, Hudson Alley has agreements with 19 U.S. lotteries to provide lottery sales force automation solutions. In mid 2012, Hudson Alley introduced OnePlace, its next-generation iPad and web-based sales force automation solution. In the first 18 months following its launch, Hudson Alley has added 9 U.S. Lottery OnePlace customers, making OnePlace the most rapidly adopted sales force automation solution in the history of the lottery industry.

Learn more about our company and our solutions at www.hudsonalley.com, info@hudsonalley.com, or by calling us at 212-625-6500.

GEONOMICS

www.geonomics.com



Geonomics are leading location-based lottery game designers, intent on bringing innovation to the lottery industry. Geonomics create interactive games which engage a whole new generation. Instant games, draw games, or a hybrid of the two – Geonomics' growing portfolio offers top class, accessible games for everyone to play.

JUMBO INTERACTIVE LTD

www.jumbointeractive.com



Jumbo Interactive sells traditional lottery tickets through new online channels. Customers in many countries are using the internet as a convenient path to purchase lottery tickets.

Technology is revolutionising the world. Traditional lotteries can gain exposure to new customers by selling their tickets online. Jumbo operates under a partnership model, forming official agreements with lottery organisations to create secure transactional websites. Customers can purchase tickets through a Jumbo website and this information is linked back to the lottery's database. The results of the lottery draw and prize payments are passed on to customers through electronic communication with the lottery. It is a zero cost model for lotteries that generates incremental revenue. There are many advantages in digital ticket delivery to the connected customer. Automated repeat ticket purchases lodge customers' tickets automatically each week. New communication tools such as email, SMS and push notifications remind customers to play.

Jumbo is an authorised internet lottery e-retailer through our application and attainment of licences from official lottery organisations. After becoming a qualified e-retailer, Jumbo adheres to government regulations to operate and sell lottery products. This 'free market' model encourages competitiveness and delivers better services for customers. Lottery organisations enjoy new online representation of their products for changing customers.

Jumbo Interactive Ltd has been a publicly listed company on the Australian Stock Exchange (ASX:JIN) since 1999. The company has been selling lottery tickets online for over ten years.

More Information, contact the Jumbo Interactive North America President, Brian J Roberts: brianr@jumbointeractive.com

POLLARD BANKNOTE LIMITED

www.pollardbanknote.com



Pollard Banknote is a full-service instant game products and services supplier with over 50 lottery clients worldwide. For nearly 30 years we have built strong partnerships with clients with the mutual goal of driving lottery revenues to help maximize proceeds for good causes.

We offer strategies based on market research and industry best practices in game design, ticket graphics, prize structure design, licensed games, second chance draw programs, social media strategies, iLottery, mobile apps and retail development. We deliver high quality lottery games with unsurpassed security, flexibility and exceptional customer service.

A proven driver of product innovation, Pollard Banknote has brought some of the most important innovations to the industry, including our translucent marking system, Scratch FX® and Fusion® products. This trend continues with interactive web-based and mobile elements that excite existing players and entice new ones, driving instant ticket revenues at retail and effectively bridging bricks-and-mortar products with the internet.

Working together with NeoGames, Pollard Banknote offers iLottery services to help lotteries explore new online and mobile channels. iLottery gives our clients access to new and expanding market segments through digital channels, further strengthening a lottery's omni-channel ecosystem. Retail, mobile, internet, and the 'space between' intersect, enabling a lottery to cross-promote its core brand across all channels to attract and engage more players.

Contact: Jennifer Westbury, Executive Vice President, Sales & Customer Development. Phone (204) 474-2323 x217 E-mail jwestbury@pbl.ca

Pollard Banknote Limited 1499 Buffalo Place, Winnipeg MB R3T 1L7, Canada. Phone (204) 474-2323 ♦

SMART-TECH 2014 CONFERENCE PROGRAM

PLATINUM SPONSORS: GTECH, Intralot, Linq3, Lottery HUB/Shoutz, NeoGames, Scientific Games, and GTECH Indiana

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Look for conference updates at www.PublicGaming.org.

Check out www.PGRItalks.com for video-recordings of conference speakers and panel discussions.

And for the latest industry news, visit www.PublicGaming.com

MONDAY, MARCH 31

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

Park Room Restaurant 2nd Floor

TUESDAY, APRIL 1

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

9:00 am: Open Conference Sessions

Paul Jason, Chief Executive Officer, PGRI

Keynote Addresses

- **Gary Grief**, Executive Director, Texas Lottery, President of the North American Association of State & Provincial Lotteries (NASPL)
- **Gardner Gurney**, Acting Director, Division of the Lottery at New York State Gaming Commission
- **Friedrich Stickler**, Managing Director, Austria Lottery, President of the European Lottery Association (EL)

Coffee Break

A Fresh Approach by Lotteries to Responsible Gambling

Stephen Martino, Executive Director, Maryland Lottery Chairman, NASPL Responsible Gambling Committee

Lottery Brand Houses:

Connecting Lottery to the Consumer Shopping Experience

Buddy Roogow, Executive Director, DC Lottery

Tracey Cohen, Chief Operating Officer, DC Lottery

Presentation: On Multi-State Games, Re-Cap and Preview

- **Terry Rich**, Chief Executive Officer of the Iowa Lottery Authority
- **Chuck Strutt**, Executive Director, Multi-State Lottery Association

Panel Discussion:

The Next Era of Multi-state Draw Games: Is the model of ever-increasing jackpots sustainable? Are there ways to develop other game attributes that appeal to buyer motives and engage consumer demand? How can we leverage our trusted brand value, be more creative in product development, develop innovative promotional concepts, and increase the effectiveness of our social "gaming" or networking initiatives in a manner that will allow us to develop a sustainable long-term strategy for multi-state draw games? How important is it for individual state lottery directors to find a way to work together as a single cohesive team to manage Powerball, Mega Millions, the national promotional strategies for both games, and the development of new national games, and promotions. Or, conversely, should lottery directors work together to implement multi-state games only when the stars align and everyone agrees on everything, and reconcile ourselves to a balkanization of the multi-state games?

Moderator:

- **Rebecca Hargrove**, Chief Executive Officer, Tennessee Lottery Corporation and Senior Vice President

of the World Lottery Association (WLA)

Panelists:

- **Gary Grief**, Executive Director, Texas Lottery, President of the North American Association of State & Provincial Lotteries (NASPL)
- **Carole Hedinger**, Executive Director, New Jersey Lottery
- **Stephen Martino**, Executive Director, Maryland Lottery
- **Charles McIntyre**, Executive Director, New Hampshire
- **Connie Laverty O'Connor**, Chief Customer Officer, GTECH; CEO, GTECH Indiana
- **Paula Otto**, Executive Director, Virginia Lottery, Lead Director of the Mega Millions Consortium

12:30 pm - 1:30 pm: Lunch

1:30 pm: Afternoon Sessions

- **Geoff Freeman**, President, American Gaming Association (AGA)
- **Philippe Vlaeminck**, Partner, Altius Law Firm, Legal Counsel to the European Lotteries
- **Piet Van Baeveghem**, Deputy Director, Legal Counsel, Belgium Lottery
- **Wojciech Szpil**, Chief Executive Officer, Totalizator Sportowy (Poland Lottery)

Coffee Break

Presentations: Turning Vision into Reality

- **Moti Malul**, Vice President Sales & Business Development, Neogames
- **Jim Mueller**, Chief Executive Officer, LotteryHUB powered by Shoutz
- **Fivi Rondiri**, Corporate Marketing Coordinator, INTRALOT
- **Charlie Scannella**, Regional VP of Sales, MDI Entertainment

Panel Discussion:

Mobile as a Medium, and not just as a Channel for Distribution:

Lotteries are using Mobile to connect with the consumer, to build brand awareness, to leverage brand awareness for the benefit of Lottery's retail partners, to deliver app's that engage the consumer with all things Lottery. Additionally, how are Lotteries translating their incredible online/internet consumer connection into benefits for their retail partners (thereby gaining retailer support for digital channels)? How might Mobile app's be implemented on a national scale? What are the regulatory issues? Does Mobile as a channel for distribution require enabling legislation or regulatory approval? How about when it is used purely as a medium for communication?

Moderator:

- **Jeff Anderson**, Executive Director, Idaho Lottery

Panelists:

- **Ralph Acosta**, Chief Executive Officer, SkuRun
- **Scott Bowen**, Commissioner, Michigan Lottery
- **Moti Malul**, Vice President Sales & Business Development, Neogames

- **Jim Mueller**, Chief Executive Officer, LotteryHUB powered by Shoutz
- **Paul Riley**, Vice President, Product Marketing and Interactive Wagering, GTECH

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

Park Room Restaurant 2nd Floor

WEDNESDAY, APRIL 2

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

Panel Discussion:

The Regulatory Front: States like GA, IL, MI, and MN are mobilizing to make lottery products available for real-time (not just subscription) purchases on the Internet. How can we smooth a path for lotteries to unlock the power of the internet to connect with the modern consumer, for the benefit of all lottery stakeholders, including retailers? Making this happen is no small feat for lottery directors. The benefits to lottery stakeholders must be extremely compelling for lottery directors to work to push for this kind of progressive action.

This is a vital step towards the goal of preserving states' rights to regulate gaming, gambling, and lottery. This is also a highly politicized issue with huge financial stakes for both the commercial community which wants federal (or pan-European in Europe) regulatory and taxation structures, and government-gaming operators which want control to be exercised at the state level. Determining the jurisdictional level of authority is just the first issue. The next issue is how to enforce the rule of law throughout the world because this is a global issue!

Moderator:

- **Scott Bowen**, Commissioner, Michigan Lottery

Panelists:

- **Scott Gunn**, Senior Vice President, Global Government Relations, GTECH
- **Mark Hichar**, Partner, Chair of Gaming Law Practice Group, Hinckley, Allen, Snyder Law Firm
- **Kevin Mullally**, Vice-President of Government Relations & General Counsel, Gaming Laboratories International (GLI)
- **Lynne Roiter**, Secretary General, Vice President Legal Group, Loto-Quebec, and General Secretary of the World Lottery Association (WLA)
- **Philip Smith**, Director of Legal Services, Missouri Lottery
- **Philippe Vlaemminck**, Partner, Altius Law Firm, Legal Counsel to the European Lotteries

Turning Vision into Reality

Sponsor Presentations

- **Jim Breslo**, Chief Executive Officer, Diamond Game
- **Chris Riegel**, Chief Executive Officer, Stratacache
- **Henry Oakes**, Co-Founder, Geonomics
- **Doug Pollard**, Co-Chief Executive Officer, Pollard Banknote
- **Brian Roberts**, President, Jumbo Interactive North America
- **David Weiner**, Director of Product Management, Hudson Alley Software

Coffee Break

- **Dennis Konasewich**, Manager, Lottery Operations, BCLC (British Columbia)

Panel Discussion:

Doing Business with Major Retail Chains Stores: Data is King for Retailers trying to evaluate performance of the products and how to allocate POS and shelf-space. How can all vendors and Lotteries work together to capture, organize, and present the data

in ways that the retailers require. How can Lottery build multi-state standards that comply with (or at least attempt to comply with) the expectations (or at least some of the expectations) of national chain stores and PCATS standards? Can Lottery and Retailers plan their strategies together with the kind of lead-time that Retailers require? Insofar as "Big-Box" Retailers refuse to upsell ("ask for the order"), what can Lottery do to grab attention and impact consumer behavior at the point of purchase? What can Lottery do to cross-promote its products with the retailers' products, or to otherwise engage the Retailer in a collaborative process helping each other achieve mutually desirable goal of influencing consumer behavior in the store?

Moderator:

- **May Scheve Reardon**, Executive Director, Missouri Lottery

Panelists:

- **Kevin Gass**, Vice President, Lottery Gaming, BCLC (British Columbia)
- **Mark Hagen**, Category Manager-Lottery, 7-Eleven Inc.
- **Lori Harris**, Director of New Product Marketing, INTRALOT
- **Cynthia O'Connell**, Secretary, Florida Lottery
- **Bishop Woosley**, Executive Director, Arkansas Lottery

12:30 pm to 1:30 pm: Lunch

1:30 pm: Afternoon Sessions

Sharon Sharp Award for Good Causes: Idaho Lottery

Awarded to the Lottery which produces the largest year-over-year increase in NET funding to Good Causes

Panel Discussion:

The Big Picture, Retail: Retail is modernizing its merchandising, store layouts and formats, POS strategies, and more. Change is good for those who lead the charge. Is Lottery leading the way? How can Lottery stay aligned with those trends, and ensure that "Retail Modernization" is good for Lottery and its products? How can Lottery Operator, Retailer, and Vendor forge action-plans that are aligned and integrated to work seamlessly together towards the same goal? What are some specific operational, marketing, and promotional actions that can be taken to increase sales of lottery products, and enhance retailer profitability?

Moderator:

- **Paula Otto**, Executive Director, Virginia Lottery, and Lead Director of the Mega Millions Consortium

Panelists:

- **Michele Argentieri**, Vice President Sales, Northstar New Jersey
- **Beth Bresnahan**, Executive Director, Massachusetts Lottery
- **Kevin Gass**, Vice President, Lottery Gaming, BCLC (British Columbia)
- **Mark Hagen**, Category Manager-Lottery, 7-Eleven Inc.
- **Terry Presta**, Executive Director, Kansas Lottery
- **Daniel Cage**, Chief Executive Officer, Linq3
- **Jennifer Welshons**, Vice President Marketing, Scientific Games Corp.

Coffee Break

Climactic Closing Sessions: TBA

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5:00 pm to 6:00 pm: Reception!

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Our Miami conference, Lottery EXPO 2014, will be held at the Eden Roc Miami Beach Hotel on September 10th & 11th & 12th. The 10th will be the Latin American track. Thursday and Friday, the 11th and 12th, will be the North American track. We promise to deliver a uniquely rewarding conference experience, with world-class speakers and a forward-looking program. So please mark your calendars for Lottery EXPO 2014. Registration is free for all Lottery personnel. We look forward to seeing you there!

For more details, conference updates, and registration information: www.PublicGaming.org

To view presentations from past events: www.PGRItalks (Our conference video-recording site.)

Visit www.EdenRocMiami.com (Our conference hotel block opens for booking May 1.)

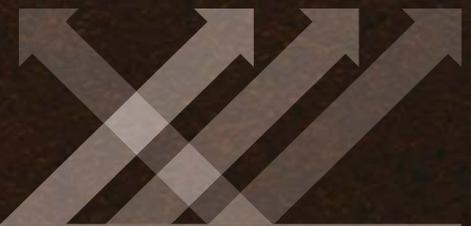
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