PGRI PUBLIC GAMING INTERNATIONAL

FEATURED INTERVIEWS

Gordon Medenica

Rose Hudson

Terry Presta

May Scheve Reardon

Ilan Rosen

Frank Cecchini

Antonios Kerastaris

Scott Bowen
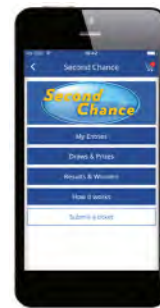
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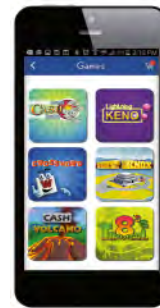
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From the Publisher

Jean Jørgensen was not only an effective executive director of the World Lottery Association (WLA), he was a friend to anyone who had the pleasure of knowing him. Jean passed away on January 20. We will miss him deeply. *(See Jean's biography on page 90.)*

As we do every year, Susan and I spent the first week of February at the ICE Gaming Exposition and the EL/WLA Marketing Seminar in London. I moderate a panel discussion every year at the ICE Lottery Conference, Susan and I both visit with lottery executives from all across the world, and love the EL/WLA Marketing Seminar which addresses the cutting-edge topics that drive success in the most advanced and competitive markets in the world. **Ray Bates** and **Hansjörg Höltkemeier** and the team at the European Lotteries Association produce a fabulous Marketing Seminar that just keeps getting bigger and better every year. The Marketing Seminar topic "Digitization of Marketing" got me to thinking about the vast and diverse array of strategies, technologies, distributional and media trends, and marketing tools and how to integrate those to connect with the modern consumer lifestyle. To my mind, it is the seamless, natural, consumer-friendly, easily navigable integration across all consumer touch-points being the key. So that'll be the theme of our next Lottery Expo conference in Miami in September.

> ## Starbucks, for instance, can't deliver hot coffee over the internet, but their internet initiatives have created a cult following of dedicated fans.

Most of the interviews and articles in this issue focus on the importance of land-based retail as the cornerstone to the government-lottery industry. Retail is modernizing and Lottery needs to evolve with the channel partner that is the face of Lottery to the consumer. Retailers are requiring solutions that are simple, seamless, and mobile, with the capability to integrate cashless payment systems, cloud solutions, and open Application Programming Interfaces (APIs). New technologies and consumer-facing processes are enhancing the consumer shopping experience in almost all other industries. That's caused the consumer to expect it from all the merchants that they patronize, and the retailers in turn to demand it from their suppliers, including Lottery.

Retailers are also demanding alternatives to the dedicated lottery terminal. They expect the flexibility and access to new technologies that an open architecture provides. The technology is readily available and operating in the market-place, and those applications are discussed at length in this issue. New trade-styles will be exploding Lottery's consumer access-points. New POS models and hardware-agnostic transaction-processing systems are key to making it happen.

The axiom that "If Digital ate the world, then Mobile just ate digital" is being borne out in the market-place. Mobile is the medium of choice for all gamers, not just the "millennial." And Mobile is no less relevant to the consumers in markets where lottery products are not available for purchasing online. Mobile is as much about communication, promotion, and bonding with the players as it is about transaction-enabled selling. Starbucks, for instance, may not sell their core product of hot coffee online, but their internet initiatives have created a cult following of dedicated fans.

Modernization is not just about new media. There are incredible economic synergies to be gained by lotteries working together on the operational front. The basic task of deploying new games and technologies is severely impeded by the lack of compatibility between the IT and communications infrastructures of 45 different U.S. lotteries and the network of tens of thousands of retailers. The potential for technological and operational enhancements to drive sales is huge. **Terry Presta** gets specific on some ways to accomplish this, and addresses some of the obstacles as well.

Congratulations to **Rose Hudson** and the entire team at **Louisiana Lottery** for their fabulous performance in fiscal 2015. The 8.3% year-over-year increase in net funds turned over to their beneficiary (Public Education) was tops in the U.S., earning them recognition as the winner of the Sharp Award for Good Causes.

And congratulations to **John Musgrave** for his decades of leadership and service to the government-gaming industry. Mr. Musgrave, who retired late last year, is only the fourth person to ever be recognized with the Lottery Industry Statesman Award. We celebrated the accomplishments of Ms. Hudson, Mr. Musgrave, and the Louisiana Lottery at a ceremony at Smart-Tech on April 7.

Thank you to those of you who joined us for **PGRI SMART-Tech on April 6, 7 & 8 in New York City**. This is written prior to SMART-Tech but you are seeing it afterwards. PGRI holds two conferences a year. SMART-Tech is held the beginning of April. Our next event, Lottery Expo, is held in Miami in September. This year will be at the St. Regis Sheraton Bal Harbour on September 12, 13, and 14. Always fabulous venues in these two world-class cities. Always world-class speakers and panelists, always the most cutting-edge content. And attendance always exceeds 200. There are three receptions and two luncheons that make it easy to visit with your colleagues from around the world. We hope to see you at Lottery Expo! See www.Public-Gaming.org for conference info, updates, and registration and room reservations links. ∎

Paul Jason, Publisher
Public Gaming International Magazine

EXPECT
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MORE

SHARON SHARP 'GOOD CAUSES' AWARD

PRESENTED AT THE PGRI SMART-TECH CONFERENCE, NEW YORK, APRIL 7, 2016

Rose Hudson
Executive Director, Louisiana Lottery Corporation

See Interview on page 18 of this issue

Honoring the Louisiana Lottery Corporation Lottery for producing the Sharpest percentage increase in net funds contributed to its beneficiary:

8.3% Increase in Net funding to Good Causes in Fiscal Year 2015 over FY 2014.

Louisiana Lottery Corporation

Government Lotteries have a special mission, quite unique really. Lotteries operate in a world of business and competition, but their mission is to create funding for good causes. And what a wonderful and special mission that is … Generating over $80 Billion Net (over $250 billion in revenue) world-wide for Good Causes that serve the interests of the general public. Whether it is for education, amateur sports, health, care for the elderly, or even the general fund that is the source of all government services, the recipients of the funds generated by lottery are truly worthy causes.

The Sharon Sharp Award recognizes and honors the lottery which achieved the highest percentage increase in net funds contributed to its beneficiary. Ultimately, this is what we're all in this business to accomplish … maximizing the funds contributed to lottery beneficiaries. This award is named in honor of a person who is no longer with us but who has done as much as anyone to help this industry to be the best that it can be. Sharon Sharp embraced the true mission of lottery with an enthusiasm that always reminded everyone of just how privileged we are to be a part of this industry. Sharon's focus on the Good Causes that depend upon lottery performance inspired Rebecca Hargrove and Sharon's many friends and colleagues in the industry to name this award after her, to honor Sharon's memory and keep alive a legacy that will hopefully inspire future generations to appreciate the importance of our calling and to never lose sight of its purpose. Congratulations to the Louisiana Lottery Corporation for a fabulous performance, and for your service to Good Causes! ■

PGRI LOTTERY INDUSTRY STATESMAN AWARD

John Musgrave
Director, West Virginia Lottery (Retired)

The Lottery Industry Statesman Award is a special honor that recognizes the most esteemed level of leadership, integrity, and character. It is with great pleasure, gratitude, and humility that his colleagues around the world express our appreciation to John Musgrave for his service to the industry and to us personally.

John Musgrave served as the Lottery Director for the State of West Virginia for more than 19 years and has more than 24 years of state service. During his tenure at the Lottery he was re-appointed to lead the Lottery by four different Governors, serving consecutively since 1997. Mr. Musgrave has also served as Acting Cabinet Secretary of Revenue, first in 2003-06, and then again in 2010–11. He was appointed Deputy Secretary of Revenue in 2013, with oversight for the Alcohol Beverage Control Administration (ABCA), Athletic Commission, Racing Commission and the Lottery, and served in this position until his retirement.

Over that period, Mr. Musgrave led the Lottery in generating more than $20.6 Billion in sales and more than $8.2 Billion in proceeds to the state to support Seniors, Education and Tourism. *"West Virginia is one of the most beautiful states in the United States, and knowing that my position has directly helped to preserve and enhance the cornerstones of West Virginia has been one of my greatest personal accomplishments and something that has given me unmatched satisfaction during my career."*

M. Musgrave's passion for being on the cutting edge of gaming across the U.S. has positioned West Virginia as a leader in the Lottery industry. West Virginia was one of the first Lotteries in the U.S. to implement and regulate casino operations in addition to traditional lottery gaming. Mr. Musgrave's accomplishments have been recognized at both the state and national level for many years, most notably receiving the "Distinguished WV Award" by two different Governors, the PGRI Lottery Industry Lifetime Achievement Award, and induction into the Lottery Industry Hall of Fame. Mr. Musgrave also served as President of both the Multi-State Lottery Association (MUSL) and the North American Association of State and Provincial Lotteries (NASPL).

Mr. Musgrave leaves the Lottery as one of the longest serving Lottery Directors in the U.S., and a wealth of gaming expertise that has provided the Lottery with a foundation of sustainability. Congratulations, Mr. Musgrave, and best wishes for a well-deserved and wonderful retirement! ■

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MOLottery

May SCHEVE REARDON

Executive Director, Missouri Lottery

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

Evolving Our Industry Associations to Meet the Needs of the Modern Lottery and the New Realities of the Market-Place

PGRI Introduction: In some ways, we are in the midst of a turning point for the organizations that support U.S. lotteries. NASPL, MUSL, and Mega Millions perform an incredible service for their members. The leadership of these organizations deserve credit for being instrumental in building the awesome success story that is the U.S. lottery industry and, in the case of NASPL, Canadian lotteries as well. Sales have risen to $70 billion a year, contributing over $20 billion to Good Causes. NASPL, MUSL, and Mega Millions have navigated the massive changes that have over-taken the consumer markets, technology, distribution and operational processes, and game structures and play-styles. They have adapted to changes beautifully. The structure and governance of these organizations were created decades ago. Of course, there are many commonalities to the needs of its members now as existed years ago. Even so, it may be time for an update to make sure that the organizational resources are structured to best serve the needs of the modern lottery industry, now and for the years ahead. May Scheve Reardon was appointed to lead the Missouri Lottery in 2009. Ms. Reardon brings extensive leadership experience in the financial, nonprofit and government sectors. She is the youngest woman elected to the Missouri General Assembly and served for 12 years. Some of the committees she has chaired include appropriations, higher education and a joint committee on gaming and wagering.

In Fiscal 2015, the Missouri Lottery generated nearly $1.13 billion a year in sales and contributed more than $270 million in net funds for public education in Missouri. It is projected that the Missouri Lottery will direct more than $300 million to education. That's an increase of more than 10.8 percent in one year. As president of NASPL, Ms. Reardon leads an association of 52 lotteries poised to move boldly into a future rich with opportunity!

Paul Jason, PGRI: *The difference in magnitude and complexity of the issues that U.S. lotteries are dealing with now, compared to the time when NASPL, Mega Millions, and Powerball were first created, is night and day. Are the structures and governance models that were created to manage them 20 or 25 years ago adequate and* *meeting the needs for the current U.S. lottery industry environment?*

May Scheve Reardon: Changes in the lottery industry are on the way, and we need to be prepared. I think we all know that changes are needed. We are facing entirely new sets of issues. With opportunities come formidable chal- lenges. As an industry, we need to take a serious look at the ways we are organized to move our industry forward and opti- mize the performance of our businesses for the benefit of the Good Causes lotter- ies support. We need to assess where we stand today, and we need to look not just at how we can get along, but how we can

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Diamond Game President, James A. Breslo.

INNOVA CEO, Richard M. Weil.

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maximize net funding to our beneficiaries. We need to strengthen our foundation for a sustainable future. That's our mission, that's what is expected of us, and we need to deliver.

In order to meet the challenges, we have begun two major initiatives. An expanded NASPL executive committee will build an updated strategic plan for the years to come. The committee will meet in Cleveland this spring to review research that has been gathered. The Survey Institute, out of St. Louis, was employed to interview lottery CEOs and employees from all levels on a wide variety of topics. Subsequently, it was determined that a similar survey of vendors in the lottery industry would be greatly beneficial. It is expected that the entire NASPL membership will review the first draft of the strategic plan at the summer Director's Meeting in North Carolina.

Under separate cover, a Governance Task Force will engage a third party to review the actions of NASPL, MUSL and MMC. An RFP is being prepared to enlist that third-party entity to review the lotteries' various organizations, the relationships between the organizations, and the governing structures of each organization. All with the goal of recommending a path forward. They will analyze how the variety of tasks is being performed now, and rec-

> An RFP is being drawn up to enlist a third-party entity to review the lotteries' various organizations, the relationships between the organizations, and the governing structures of each organization. All with the goal of recommending a path forward.

ommend changes that have a more coherent and effective support system for our businesses. The goal is to identify the optimal structures and governance model for the organizations that provide the services that NASPL, MUSL, and Mega Millions are currently providing. A focus will also be on what services may be considered in the future.

The RFP will enable us to select a consultative partner to assist us in the process of reshaping the organizational structures of NASPL, Powerball and Mega Millions. Thankfully, there are some lottery directors who have experience with just this kind of project—i.e., working with these third-party entities to deal with complex issues. In addition to relying on existing legal and procurement staff, we will invite input from the leadership of NASPL, MUSL and Mega Millions. This is to make sure the RFPs are constructed in just the right ways, and lead to a consultative relationship that will produce the best results. There is significant progress already. We hope to get a preview of the RFP in June, then get more input from all the directors, and then release it in early fall.

This is a $70 billion industry. There are now more games distributed through more channels than ever. This business is more complex and the rate of change will only increase in the future. We need to modernize, and we need organizational structures that enable us to achieve our full potential. Optimizing performance with a coherent and efficient organizational structure is key to achieving the goal of maximizing net funding to Good Causes and ensuring that all lotteries are positioned to grow and prosper for the next five to 10 years and beyond.

In the letter "From the President" (Jan/Feb issue of NASPL Insights), you refer to "drafting a plan to help direct the organization for the next several years." That makes so much sense. Most initiatives take more than one year to complete. So it must be hard to

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Rose **HUDSON**

President & Chief Executive Officer, Louisiana Lottery Corporation

Putting the Focus on NET funds transfers to *Good Causes*

PGRI Introduction: Rose Hudson joined the Louisiana Lottery at its inception in 1991, serving as the Executive Resource Director where she handled everything from budgets to administration to operations during the Lottery's start-up. She then moved on to the Department of Social Services as its Undersecretary and later to the Department of Education as Assistant Superintendent. In 2000, Ms. Hudson returned to the Lottery as a Senior Vice President where she managed benefits administration, personnel functions, statewide special events and governmental relations.

Ms. Hudson was appointed to the position of President and Chief Executive Officer of the Louisiana Lottery Corporation in 2006. Under her leadership, the past eight years have ranked among the most successful in the Lottery's 24-year history. The Louisiana Lottery is the recipient of the Sharp Award for Good Causes which recognizes the Lottery with the biggest year-over-year increase in net funds transferred to its beneficiary (See page 12 for this announcement). In fiscal year 2015, the Lottery transferred $184 million to Louisiana K-12 education.

An industry leader, Ms. Hudson is a past-president of the Multi-State Lottery Association, (MUSL), and also served as chairman of its Powerball Game Group. Currently, Ms. Hudson is the first vice president of the North American Association of State and Provincial Lotteries (NASPL).

Paul Jason, PGRI: *Does Powerball's $1.58 billion jackpot represent a challenge going forward? Or an opportunity to leverage the incredible brand exposure in a positive way?*

Rose Hudson: It has all been positive. I'm still getting residual feedback from people who played Powerball as first-time buyers. The whole experience, the weeks leading up to January 13, generated so much conversation about the Lottery, about Powerball, about our brand, as well as gratitude for what the Louisiana Lottery does for the state of Louisiana. So I think we have nothing but opportunity as it relates to that big bump that we got in dollars and our ability to use that to talk about who we are and what we do; it readies us for the next opportunity. I only see it as a positive.

And this kind of a super high-impact event brings attention to the brand and all the other products.

R. Hudson: Exactly. There were sales benefits across our entire product portfolio.

There were also tremendous goodwill benefits in terms of chatter about our organization, what we do, who we are and the support the Lottery gives to public education. We took advantage of the media attention that the jackpot attracted to really highlight the 35% plus that goes to K-12 education.

> **Our mission is not to simply grow sales. It's to grow net funds to our beneficiary in a responsible way.**

It was a wonderful confluence of events. Sales trended high the first half of the fiscal year. Then the record jackpot hits in the middle of the year, creating a wonderful media event for our brand and products. And now the Louisiana Lottery is headed into its 25th year of operation. So we can add our 25th anniversary to the wonderful story of the Lottery in 2016.

Congratulations for winning the Sharp Award for Good Causes. That is a wonderful accomplishment in light of the 35% of gross revenue minimum that you're required to turn over to Good Causes. That is the highest in the country, though there are one or two other states required to turn over that same percentage. Does that inhibit your ability to maximize net revenues to the Lottery's beneficiaries?

R. Hudson: Of course it imposes a discipline that limits increases to our prize-payout percentage. Our top-line sales may not grow as much as a result, but we have learned to be innovative and resourceful—to work within those constraints and fulfill the primary objective, which is not to increase sales necessarily, but to maximize revenue for Louisiana as well as promote a responsible approach to recreational gaming.

Hence, the Louisiana Lottery won the Sharp Award that recognizes the largest year-over-year increase in net revenues.

R. Hudson: We are extremely proud of the work we've done to strategically manage resources to control costs and maximize state transfers; however it should be acknowledged that a lump-sum transfer of unclaimed prize monies helped contribute to that increase in net funds. Even so, the Lottery has increased its net transfers year over year for the last five years. We have a very systematic and disciplined planned approach to inching-up our scratch-off prize payout. Right now, we are at a 62.75% prize-payout. We try to preserve a little wiggle room to be able to fund special promotions, and we work hard to avoid training players to expect ever-increasing prize-payout percentages. After all, our mission is not to simply grow sales. It's to grow net funds to our beneficiary in a responsible way. Another way we do this is by focusing on efficiency in operations and ROI on advertising and promotional expenditures.

This approach has enabled us to increase instant sales by 40% over the last five years and keep administrative costs less than 5% of gross revenues. There is always room to grow, but we prefer a gradual and steady pace—it's a model that has worked for Louisiana.

I am amazed at the outspoken support you always seem to get from your winners. Do you do anything special to get your winners to feel good about stepping up to be such great ambassadors for the Lottery?

R. Hudson: Winner awareness is the cornerstone of our public relations program because the excitement of winners is truly contagious. The thought that everyone has an equal chance to be a winner is really the heartbeat of the lottery-playing experience. Winners are magnets for conversation and built-in product testimonials. We harvest that goodwill, invite players to talk about their winning experience, including where they bought their ticket, how they feel and what they plan to do with the money. That's a kind of publicity that we couldn't even begin to pay for.

It is part of our corporate culture for everyone to embrace the full mission of the Lottery. As an enterprise with about 125 full-time employees, everyone is held accountable for their performance on their specific assignments. But everyone is also encouraged to have a genuine appreciation for the over-arching mission of the Lottery and to dedicate themselves to the fulfilment of that mission. You know, it is human nature to want to connect with a purpose that is bigger than ourselves. Everyone enjoys the feeling of working together for a cause that we can all be proud of. That's why our regional managers and regional office staff really go the extra mile to make our winners feel good about their role in the cause of the Louisiana Lottery. Our regional reps enjoy their role as deputized members of the PR staff and work hard to capture winner stories. Of course, winners already feel good about the Lottery because they've just won! So it's just a matter of tapping into that excitement and encouraging them to share their joy with others. Then we do everything we can to capture and publicize their excitement with videos, news releases, website banners, social media posts, and all the other tools in our box that allow us to tell their stories.

That's very interesting what you just said. It takes a big effort and real leadership for an enterprise to engage everyone in the big-picture mission. Easier said than done.

R. Hudson: Actually, our regional staff love it. They feel a powerful sense of accomplishment when a winner agrees to have their picture taken in front of the green screen with that oversized check. We all get to experience the joy that the winner feels and know that we serve a good cause that also brings such rewarding experiences to the recipients of Lottery funding as well as to the winners. So, yes, winner awareness is very important to us.

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Terry
PRESTA
Executive Director, Kansas Lottery

Smoothing a Path for Innovation

PGRI Introduction: There are lots of differences between the forty five lotteries which operate within the U.S. Different statutes and regulations prescribe what game categories they sell, how they can advertise and sell them, and many other aspects of how they must operate. And there are lots of similarities. They are all owned by the government and they all operate within the borders of their own state with the exclusive rights to sell lottery products within their state. All forty-five lotteries want to sell great lottery games that consumers want to play. They all want to apply the most effective sales, marketing, and promotional strategies to maximize sales. They all stretch to operate in the most efficient ways. They all work hard to achieve the highest standards for Responsible Gaming, integrity, and security.

And land-based retail is the predominant channel for distributing lottery products (to the tune of 99% of sales!).

The common interests, the similar games they sell and similar business models and methods to sell those games, and the fact that they do not compete with each other forms a rich foundation for working together to achieve those shared objectives. States collaborate to sell Powerball, Mega Millions, Hot Lotto, Lucky-for-Life and other very successful games. And states are working on standardizing operational processes to make it easier for multi-state retailers to do business with lottery.

A problem, though, is that each individual lottery has its own IT platform, each with its own software protocols and language. New games, new technologies, new innovations, can result in

time-lines for integrating new games, technologies, and innovations could be significantly reduced?

Well, happily, there is—by leveraging the use of standardized APIs (or Application Program Interfaces). APIs are very well established within the IT (Information Technology) business. Basically, an API provides very specific details on how software components interact with each other. When APIs are established and set as "standards," then developers can use

> It is exactly what retailers have been asking for and would enable them to interact with Lottery in ways that meet their needs for efficiency and speed. The API would have an absolutely transformative impact on our ability to penetrate and develop the big multi-state retailers.

requiring integration into all the different IT platforms of each individual state. This can be a costly and inefficient especially if it cannot be done in a uniform way across multiple jurisdictions. What if there were a way to streamline this process such that the costs and

those APIs with the knowledge that their code will work with those APIs and they won't have to change them on a regular basis. What if the Lottery had a set of standard published APIs that would allow 3rd party developers (like retailers) to securely interface with

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First there were the four P's (Price, Product, Promotion, and Place), then the more consumer-centric four C's (Consumer, Cost, Communication, Convenience). Or maybe you prefer Shimizu's four C's (Commodity, Cost, Communication, Channel)?

In the modern world of mobile, social media, lifestyle diversity, and the explosion of consumer options - it's time for an update. We need a coherent vision, a model that grounds our thinking for how the modern consumer marketplace actually functions, and how to build the relationship with the consumer that will blossom well into the future.

At Lottery Expo 2016 we'll start to connect these dots, with a large dose of practicality and focus on the specific needs of Lottery. Think futurist Alvin Toffler meets pragmatist Peter Drucker to build the marketing model that connects Lottery with the modern consumer and the marketplace of the future.

Lottery Expo provides a unique forum for industry leaders to address the challenges and opportunities that face our industry today. We hope to see you there!

Conference sessions Tuesday September 13th, Wednesday September 14th
Receptions Monday, Tuesday and Wednesday evenings

our systems (for example performing a lottery wager purchase)?

We can also further entice 3rd parties to develop against a standardized Lottery API, by centralizing the API service. This means that 3rd parties don't have to integrate with numerous lottery interface points (albeit with the consistent approach that the API provides), instead they can interface once which further reduces complexity and cost. Standardized APIs fuel the growth of major companies such as Facebook, Amazon, and Netflix that expose their APIs and allow hundreds if not thousands of 3rd party companies to access theirs systems and features.

Of course there are obstacles to implementing a centralized API. But the benefits are so compelling that we owe it to our Lottery stakeholders to try to make it happen. Terry Presta helps us to understand the benefits of an API, identify and address some of the obstacles, and otherwise discuss how we as an industry could apply this powerful technological solution to the service of Good Causes. Mr. Presta would emphasize that he does not presume to have all the answers. At this point, our goal is to move from the genesis of an idea into the stage of dialogue, active assessment of its merits, and the pathways to making it happen.

Terry Presta owned and managed the chain of Presto Convenience Stores in Kansas for thirty years before selling it in 2010. Mr. Presta also served in the Kansas House of Representative between 1995 and 1999. He was appointed to be executive director of the Kansas Lottery in January of 2014. Mr. Presta has brought his vast experience in Retail to bear in helping the U.S. lottery industry build upon the incredible partnership that it has forged with its network of dedicated retailers.

Paul Jason, PGRI: *What will it take to make it happen, to unlock the power of an API to simplify the deployment of innovation within the lottery industry?*

Terry Presta: To begin with, it will require concerted effort and consensus among the community of vendors and lottery directors. To get that, we will need to begin the dialogue about how and why the API will benefit the industry in general, and each and every lottery operator in each and every jurisdiction in particular. We will need full cooperation and support from all the main vendors and lottery directors.

One of the main beneficiaries of this API is our retailers, the multi-state retailers in particular. These retailers need us to make it easier for them to integrate lottery into their systems. The national retailers are really fed up with having to negotiate 45 separate deals with 45 different IT solutions and all that goes along with that. An API platform that enables a single digital interface is crucial to overcoming that bottleneck.

Lottery has had continuous growth since the beginning of the modern era in the 1970's. Until recent years, it was the only game-of-chance even available to most of the U.S. population. But that's changed. As lottery directors, we need to think about the future. The big Powerball jackpot will help us deliver the growth we need this fiscal year.

And Lottery's momentum probably won't change in a big way over the next few years. But we need to start acting now to make sure Lottery is positioned five and seven years down the road. Just because most of us are prohibited from selling lottery products online does not mean we should ignore the whole digital revolution. E-Commerce is just one small part of the transformation to a digital economy. On the consumer level, digital technology is completely reshaping entire lifestyles. On the business operations level, digital technology is reshaping the way B2B commerce is conducted.

Do the main commercial partners in the industry support the concept of an API? The lower cost-of-entry for third-party suppliers would seem to not necessarily benefit the incumbent suppliers.

T. Presta: I can't speak for them. But, it does benefit them and I believe they understand that. The API would strengthen the position of Lottery in an increasingly competitive market-place. That benefits everyone, including established vendors. The net result is a sector that is healthy, growing, and modernizing to meet the needs of the market-place and channel partners like retailers, and is positive for all stakeholders, including our current vendors.

The API would greatly reduce the costs for lotteries to integrate new technology which may replace older technology. And better performing games may push out some under-performing games. But I really don't think that any vendor would think that the best customer retention strategy is to make sure the barriers to entry and the cost of change be artificially inflated. By lowering the cost and barriers to entry, the API will raise the performance bar. But that's a challenge that all successful enterprises embrace because that is what drives progress and continuous improvement and keeps our industry in the leadership position.

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MARYLAND LOTTERY AND GAMING

Gordon
MEDENICA

Director, Maryland Lottery and Gaming Control Agency

Dateline 2016: Position the Maryland Lottery for Growth in all Game Categories!

PGRI Introduction: Maryland Lottery and Gaming operates a traditional lottery and oversees the state's casinos, which were launched in Maryland in 2010. With five casinos currently operating and a sixth due to open in late 2016, Maryland's casinos have become a driver of robust revenue. The casino business has now stabilized into steady and consistent growth. In Fiscal Year 2015, Maryland casinos generated $1.038 billion in gross revenue and accounted for $487 million in contributions to the state. Public Gaming spoke with Maryland Lottery and Gaming Director Gordon Medenica about the current state of traditional lottery, and the agency's ambitious plans to raise the performance in that category.

Medenica was appointed to lead Maryland Lottery and Gaming in May 2015. Prior to this appointment, Mr. Medenica served as CEO of Northstar New Jersey, Director of the New York Lottery from 2007 to 2012, and as the president of the North American Association of State and Provincial Lotteries (NASPL) from September 2011 to September 2012.

Paul Jason, PGRI: *Is there an over-arching strategy for maximizing sales in 2016?*

Gordon Medenica: We have four main priorities for 2016 and the first is to build our instant ticket sales. Last year about 30 percent of Maryland Lottery sales were in instant tickets. Given that the industry average in North America is 50 to 60 percent, we see significant headroom for growth in this area. Our second priority is to expand our network of retailers; given the population of the state, I believe there is room for perhaps 500 more retailers. We've made some recent organizational changes, which I believe will help us to focus more on this. Our third priority is the effective execution of our central system RFP, which will give us the latest technological advantages to support our initiatives. And, our fourth priority is the opening of MGM National Harbor in late 2016. The casino is currently under construction and we're engaged constantly with MGM's people to oversee that process. We expect the MGM casino to be our largest and most profitable.

*That's a lot on your plate for one year. Ca-*sinos are a big contributor to your overall results. Does that occupy a focus that overshadows traditional lottery?*

G. Medenica: It's fair to say that the rollout of Maryland's casino program required a disproportionate share of our time and attention. Implementing the program—and doing it well—was, after all, a huge undertaking. Now that our casino program is stable and performing well, we are able to refocus our energies on the traditional lottery side and work toward ensuring that all gaming categories are performing to peak potential. Maryland experienced two consecutive years of declining lottery revenue, in fiscal 2013 and 2014 and it wasn't until fiscal 2015 that the lottery returned to positive growth. That said, we're still not at the level that we were in fiscal 2012. We see tremendous opportunities for the lottery.

You see opportunity in instants because you are under-penetrated in that category. Is it correct to say that as important as the draw games are, there is more that you can do from a marketing and merchandising point of view to directly affect sales of instants?

G. Medenica: We look at our total game portfolio to find opportunities for growth. For example, Maryland has a very strong daily numbers business, built up over decades. In fiscal 2015, Pick 3 and Pick 4 accounted for 29 percent of our sales. We also have a high-performing monitor game category, with Keno and Racetrax, which constitutes about 24 percent of our total sales. These numbers are outstanding, but also indicate that further growth may be limited. In contrast, everybody in the industry is concerned about the trends in the big jackpot games, although we've seen a real revival with the new Powerball matrix. But growth in the draw game category is hard to find, as we all saw with the failure of Monopoly Millionaires' Club. Nevertheless, we launched Cash4Life in January to add a new multi-state draw game to our portfolio, and we are cau-tiously optimistic that the game will do well in Maryland.

Is there much crossover between the daily numbers player and the big jackpot games player?

G. Medenica: No. I believe the two are very different types of players. The daily numbers players represent our core players who know what they want and have specific numbers that they play multiple times each week. For the most part, these are consistent players who are set in their ways and less responsive to traditional marketing and advertising. The games are among our biggest, very mature, and also very stable and profitable, making them a key part of our portfolio.

Do you have any measure on the impact of casinos on lottery? Did sales go flat for a couple years because lottery players diverted some of their spending over to casinos?

G. Medenica: We did a white paper for the legislature to study that, and while the paper doesn't make hard conclusions, we were able to draw some inferences based on what we found.

The Maryland Lottery had two years of declining sales during the rollout of the casino program, and a common perception in the state was that it was due primarily to the introduction of casinos. But as we looked at the reasons for that decline, the evidence also pointed to a significant reduction in our lottery advertising budget as a bigger factor than the implementation of casinos. That's not to say that there's no crossover, but with our advertising budget cut by 40 percent in 2010—dropping from $20 million to less than $12 million—I'm convinced that the reduction in advertising was a major reason why performance declined.

The impact of casinos is generally thought to hurt the traditional lottery in two areas—instant tickets and Keno. But

sales of instant tickets are already so low here, the casinos didn't really impact them that much. Keno did take a hit, but again, I believe that the reduction in advertising had a much bigger effect. Last year Maryland casinos spent $46 million in advertising compared to $12 million that was spent on lottery advertising. It's a share-of-mind problem, especially with the casual

> The casino market is really much more competitive with itself than it is with other forms of gaming. We just need to make sure that lottery is out there in front of the consumer so they are as aware of us as they are of other gaming options. And that requires advertising.

or infrequent consumer. It's not so much that lottery players prefer casinos, but the promotion of gambling options in consumer media was focused on casinos. We simply aren't investing enough money in advertising and marketing to tell our story, and as a result we're getting lost in the tsunami of other voices out there. Daily Fantasy Sports, for instance, doesn't seem to be a direct competitor to lottery. But the massive advertising we've seen from that industry overwhelmed the market, and it's likely that all of those commercials raised public awareness of fantasy sports even if they take their market share from other sports betting and not from lottery and other gaming options. And look at Publisher's Clearing House and other marketers that use promotional techniques that increasingly look like lottery ads: Enter a sweepstakes that gives you a chance to win $1,000 a day for life. That sounds like a lottery ad! At the end of the day, consumers are being deluged with promotional advertising that competes for their attention. Without advertising, lottery gets lost in the mix of more and more gaming options.

So, I think it's simplistic and inaccurate

to say that the opening of casinos causes lottery spending to shift over to casinos. The casino market is really much more competitive with itself than it is with other forms of gaming. We just need to make sure that lottery is out there in front of the consumer so they are as aware of us as they are of other gaming options. And that requires advertising.

Is it possible that Mega Millions and Powerball could be in the mature stage at which point it may be better business strategy to extract as much profit as possible but to put your resources and investment dollars into creating new markets for new products?

G. Medenica: I'm not there yet. My feeling is that the big jackpot games will continue to appeal to infrequent players, but we do need to find ways to promote the large jackpots. When we talk about this idea of "jackpot fatigue," I think it's more fitting to call it "media fatigue." We're no longer getting free publicity when the jackpot hits $200 or $300 million, which means the consumers won't know about it unless we advertise it. Unlike Pick 3 and Pick 4, I do think that advertising works for the big jackpot games. The fact that there was a $1.6 billion jackpot in the past doesn't mean that the consumer is no longer interested in a $300 million jackpot. But the media may not treat it with the same breathless enthusiasm as they once did. So I think we should keep the foot on the gas pedal and continue to ramp up the media spend even when the jackpot is at $300 million.

Does expansion of retail depend on opening up big-box multi-state retailer chains?

G. Medenica: No. We would like to do that, but it's hard to say how and when that will happen in a big way. Our retailer recruitment effort is based on the very simple best practice of increasing the per capita ratio of retailers to consumers—perhaps by incorporating non-traditional points of sale. When you look at outstanding performers like the Massachusetts Lottery, the one common denominator is that they simply have a denser ratio of retailers to consumers. Massachusetts is about one retailer for every 900 consumers. We have one retailer for every 1,300 consumers. It's the difference between never having to think about where to buy a lottery ticket because they're sold everywhere, and having to search for a lottery retailer.

Lottery gift cards, play-at-the pump options and other innovations could also serve to make the lottery more visible and accessible to the consumer.

As an industry, don't we need to determine who pays the 1 percent or 2 percent fees for cashless payments and some of the new trade-styles?

G. Medenica: We sure do. We could think of it as a form of advertising. One way or another, we need to provide the consumer with these options. What does having lottery gift cards on a rack at a Target mean to us, and could we justify the fee as an effective form of advertising and promotion?

Most U.S. lotteries are prohibited from selling on the Internet. But you're pointing out that there is huge potential for making our products more accessible and visible in the land-based channel.

G. Medenica: I think we all feel like we do plenty of online shopping, but in reality, we still do most of our shopping in stores. Of all the shopping done by the consumer, Internet-based e-commerce sales represent less than 10 percent of total

retail sales. That percentage is increasing, but slowly. Land-based retail will continue to be our connection to the consumer, and there is huge potential for lotteries to improve retail strategies and methods. This is good news. Retail is what matters, and we have lots of opportunities to drive increased sales at retail.

What will you do to increase the sales of instants?

G. Medenica: The industry has benefited greatly from studies done by the community of commercial partners. Pollard Banknote, Scientific Games and IGT continuously analyze the instants marketplace, and the strategies and approaches we employ are truly based on science. The long list of variables, like price points, prize structures, themes, branding, launch cycles and inventory management, are interacting with each other in ways that produce a dynamic and complex ecosystem. It is essential that these variables are coordi-

nated and timed properly. They should be considered together, as pieces of a whole, and analyzed for the outcomes produced by the countless combinations of those variables. Even after all these years, there is still plenty of debate as to what the best practices should be.

Consider launch cycles: Florida and Massachusetts do about nine launches a year. Texas does 26. To my mind, there is lots of room to grow the instants market simply because we're still figuring out the best ways to market them. As an industry, we're studying these huge differences in marketing strategies. As the evidence points us in the right direction, I would expect the best practices to be revealed, then be applied across the board and lead to further growth in instants. So while there is ample opportunity, there is also plenty of work that needs to be done to coordinate all these variables into a coherent strategy.

Currently, there is a focus on understanding and segmenting the different styles of play that we offer within the instants category. There's the extended-play person, who likes the crossword and bingo-style games, and that type of player is very different from someone who likes to quickly scratch off the barcode to see if she won. There are many options and opportunities for refining the design and promotion of instants to appeal to the different play styles.

You have managed government relations and public relations especially well, with a minimum of controversy over the rapid implementation of casinos. What do you do to preserve positive relations with the general media such that they don't stir up controversy like they do in other jurisdictions?

G. Medenica: Actually, there was controversy and debate throughout the

MICHIGAN LOTTERY

Scott **BOWEN**
Commissioner, Michigan Lottery

Fast Facts about the Michigan Lottery's Online Results:

- The MI Lottery fiscal year runs from Oct. 1 to Sept. 30. For FY2015, online games attracted about $147 million in wagers, about 5% of total sales for the year.

- Total wagers for online games in FY2016 are projected to hit $300 million, which will be about 10% of expected total sales.

- Total MI Lottery sales are projected to exceed $3 billion in FY 2016.

- MI Lottery has more than 276,000 players registered to play online.

- Powerball and Mega Millions plus two Michigan-only draw games—Lotto 47 and Fantasy 5—were added in January to the online games available for players.

- Nearly half of the online game play is done via mobile devices and more than a third of the online players are in the 18-35 age group.

- The MI Lottery strategy is to provide as many options as possible to players, so it plans to continue to add new games to its online platform.

- The results from the MI Lottery first full year of online sales operation show that online games don't diminish sales at retailers. In fact, Michigan retailers chalked up record sales and record total commissions in FY 2015. Omni-channel players are more engaged and interested in Lottery. This benefits retailers and is helping to increase their sales right alongside of the MI Lottery's online games sales.

Paul Jason, PGRI: *The Michigan Lottery's online games launch has been successful by any measure, especially the number of players registered and amount wagered to date. What do you attribute that success to?*

Scott Bowen: The credit for that goes to the great project team, which had to tackle a myriad of complex technical challenges. The team has been so successful because the members were selected to bring a concentration of expertise and talent to each aspect of the project. It is a great team and they worked together to develop an outstanding online games platform that offers an excellent experience to players.

Perhaps the most important part of the story for your U.S. colleagues is that your land-based retail sales are growing right alongside of your online sales.

S. Bowen: Those are the facts. Our hope is that the NACS (National Association of Convenience Stores) folks will look at all the facts and accept our point that online games increase overall awareness and interest in Lottery games and that's a benefit to retailers. Michigan retailers en-joyed record sales and record commissions in 2015, so they're seeing those benefits firsthand. We're optimistic that others will recognize that too.

Did you do anything in particular to enlist the support of your Retailers for your online sales initiative?

S. Bowen: We committed to our retailers that we wouldn't sell Daily 3 and Daily 4 games online. Those games make up about 25% of our sales. The Daily 3 and Daily 4 players tend to come into stores on a regular basis for the express purpose of buying

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Michigan Lottery Achieves iCAP Certification for Responsible Online Gaming Practices

The Michigan Lottery is the first lottery in the United States to receive certification for its commitment to responsible gaming after completing the Internet Responsible Gambling Compliance Assessment Program (iCAP).

The iCAP was developed by the National Council on Problem Gambling (NCPG). The NCPG evaluated the Lottery's compliance with Internet Responsible Gaming (IRG) standards developed based on international best practices. IRG standards are the highest standards for online responsible gaming in the nation. The eight areas of focus for the NCPG iCAP certification are:

- Corporate policy and commitment to responsible gaming
- Staff training
- Information available to players through com, and player account features to assist players in informed decision making
- Assisting players who indicate they are in distress or experiencing problems
- Self-exclusion and player-initiated restrictions on online play
- Advertising and promotion
- Game and website features that assist with gambling responsibly
- Research based on play data

The iCAP evaluation performed by the NCPG determined that the Lottery met or exceeded compliance in each of the eight focus areas.

The first program of its kind in the U.S., iCAP provides lotteries with an independent assessment of responsible gaming policies based on standards and best practices from jurisdictions around the world.

The NCPG, a non-profit organization founded in 1972, leads state and national stakeholders in the development of comprehensive policy and programs for all those affected by problem gambling.

Michigan Lottery players have a chance to win up to $1 million instantly playing online. The Lottery offers players 28 different games ranging in price from 5 cents to $20. For more information or to play online, visit http://bit.ly/MSLOnlineGames. ■

their daily Lottery tickets. They are especially valued by the retailers because they end up buying other products in addition to Lottery tickets. So, those games really drive the retailers' daily foot traffic and we all want to preserve that store traffic. That's probably the most important thing we did to help the retailers accept our online initiative. Sales of most of our other games are impulse buys that come when shoppers go into a store for other purchases and then decide to buy a lottery ticket while they are there.

We also are promoting an omni-channel model that benefits retailers. For example, about a third of our online players use Online Game Cards, which are similar to gift cards. They are purchased at the retailers. They cost $20, and players get an additional $5 bonus play with each card. Since they are available only at retailers, this tool to create and support online players also drives traffic to retailers and creates new sales and commission opportunities for retailers.

> Michigan retailers enjoyed record sales and record commissions in 2015, so they're seeing the benefits of iLottery firsthand. We're optimistic that others will recognize that too.

How difficult was it to achieve the iCAP Certification for Responsible Online Gaming Practices?

S. Bowen: It was quite a rigorous process and it confirmed our viewpoint that we need to do all that we can do to help players play responsibly. Our online games offer responsible gaming safeguards that aren't found in any other gaming in Michigan. Protecting the players and promoting a healthy style of play is an ongoing effort, a work in progress. That is part of our long-standing commitment to

Aurora Open Retail: The Future of Retail

A new universal application for retailer solutions

Retail point of sale (POS) technology is in the midst of a significant evolution. Retailers are requiring solutions that are simple, seamless, and mobile, with the capability to integrate cashless payment systems, cloud solutions, and open Application Programming Interfaces (APIs). New technologies have increased both consumer and retailer demand for convenience and flexibility.

Retailer trends are now moving to hardware-agnostic solutions that allow a wider range of retailers to more nimbly create and maintain a POS solution for themselves. This is especially true for smaller, lower-volume retailers. Additionally, new technology has also opened the door to web-based systems that host all POS data in the cloud. This allows retailers the flexibility to manage their businesses from remote locations and eliminates dependency on a specific hardware device. These same evolutions that are exploding in the general world of retail are also pivotal to the future landscape of the lottery retailer.

While a dedicated terminal will continue to be a core feature of lottery in retail, the ability for lottery POS technology to be more flexible and open holds much promise, potentially opening up the lottery to new trade styles and smaller-sized retail locations that do not have enough room for standard lottery equipment. Aurora Open Retail, IGT's new retail solution software architecture, is at the forefront of making this a reality.

Single Application for All Device Types

Aurora Open Retail is a terminal software platform that is moving lotteries towards the ability to offer flexible, hardware-agnostic lottery retail solutions to their retailers.

This platform is based entirely on APIs that separate the gaming application and user interface (UI) from the back-end services. This separation facilitates faster changes and allows the lottery terminal application to be run on unconventional devices, such as personal smartphones and tablets. The UI component, written once, will work across multiple types of devices with different screen sizes and resolutions, using industry-standard, adaptive UI technologies.

Open Retail also leverages thin client technology that allows it to adapt to different platforms through a browser interface that lives directly on the terminal. By utilizing thin client connectivity, Aurora Open Retail does not rely on a local computer to fulfill its computational roles and instead works off a web-based server. This solution provides a broader, more open infrastructure wherein several user interfaces or devices can share their computations with the same server via the web.
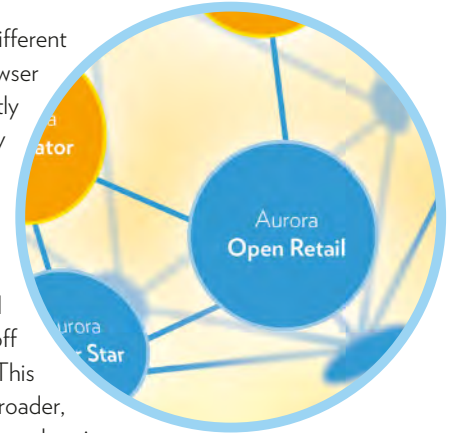
The Open Retail technology is:

- **Flexible**: The combination of HTML5 and APIs provides a flexible lottery terminal application solution.

- **Open**: Open standards technology allows for extending lottery terminal application functionality to unconventional devices and trade styles.

- **Expandable**: Being able to integrate to various terminal types, including existing retailer devices, allows entry to trade styles, such as discounters who would never deploy a traditional lottery terminal.

Any Retailer, Any Situation

As technology and retail continue to move towards smart devices and portal-driven POS systems, Aurora Open Retail will help the lottery industry accommodate this new retail environment. With a roadmap pointing towards a true hardware-agnostic potential in the future, Aurora Open Retail will allow retailers and lotteries to expand the number of available access points with little to no investment in device hardware...a fundamental game changer for the business. One lottery POS application to use on any hardware device: that is the brilliance of Aurora Open Retail.

For more information on Aurora, IGT's new lottery technology solution, visit www.IGT.com.

Sell It YOUR Way

A flexible, open terminal application, **Aurora Open Retail** supports platform independence and improves time to market, allowing you to expand to locations of any size or trade style and ensuring lottery remains relevant at retail.

The tools you need to grow your business today... and tomorrow. That's the brilliance of Aurora.

IGT

![Leger - THE RESEARCH INTELLIGENCE GROUP]

LANCE HENIK

SIMON JAWORSKI

$1.5 Billion Powerball Lottery Jackpot Attracts 10 Million New Players

The $1.5bn Powerball lottery jackpot, hit back in January 2016, generated approximately 10 million new players to the Powerball game, a historic lift for the U.S. lottery industry, according to one of the country's leading lottery and gaming research companies, Leger. One of North America's fastest growing research companies, Leger dives into the consumer behavior around the largest jackpot in United States history. The lottery and gaming sector of Leger is led by Simon Jaworski, SVP, one of the world's leading experts on lottery and gaming, Lance Henik and David Montgomery.

"During the dizzying heights of early January, news of the astronomical Powerball jackpot ruled the news media, and the buzz created was the talk of most homes and work places, not only in terms of the size of the prize, but also the dreams and wishes of what a lottery win of this size could do for ordinary members of the American public. The lottery industry has never seen such an explosion of completely new players in its history," claims Simon Jaworski, Leger's Powerball expert and a 15 year lottery research veteran.

The recent blockbuster jackpot generated strong game awareness and playership among U.S. adults, with seven out of eight adults (88%) aware of the record Powerball jackpot.

Unsurprisingly, higher levels of awareness of the record jackpot were driven by older Americans, and those living in the Midwest and Northeast regions of the United States, cornerstone regions for Lottery play. However, there still appears to be areas of potential growth for the Powerball game, as both younger adults (18–29 year olds) and residents in the West region of the country saw the lowest awareness and playership levels for the $1.5bn jackpot.

One of the key factors driving the Powerball phenomenon was the fact that three-quarters of the U.S. public heard about the record jackpot through TV news. "With the NFL Free Agency season now underway, news stories will be released about athletes who are going to sign multi-million dollar contracts playing football. Yet, rarely do we see news stories about lottery winners or jackpots unless the amount passes $300 million," said Lance Henik, Senior Account Manager at Leger. "A recent exception is the story about the two Florida brothers who both won playing Powerball: one of them hit the jackpot of $291 million while the other sibling settled for $7."

For the industry in general it appears that any news stories about lottery winners, even at lower price points below the breakout or tipping points for Lottery jackpot games, can generate excitement about the lottery in general. When you add in the 'good causes' state lotteries support financially, the industry should be able to evoke more positive feelings with a combination of effective use of both regular and digital media sources.

While the news/media was the key protagonist, nearly half of all those aware (48%) reported hearing about the jackpot by word-of-mouth.

The results of the Leger poll support a previously published article earlier this year that detailed how the growth trajectories of lottery jackpots start to speed up at the $100 and $200 million levels but do not 'breakout' until the jackpots crack the $300 million level.

However, the key tipping point may have changed. More than half (52%) of Powerball players waited until the jackpot went beyond the $500 million mark to start to play. When "Powerball fever," took control amidst a billion dollar drawing, the final drawing generated an additional 22% of players, who were finally motivated to play at this staggering level; this created an additional 10 million new Powerball players. Perhaps more revealing was the fact that it was the casual female player that drove a majority of the additional sales for the final drawing.

"Tracking the Powerball jackpots through consumer research, and the effect the jackpot levels

have on future lottery sales, will be even more critical for lottery jurisdictions, now that the player expectation levels for Powerball and Mega Millions have changed, perhaps indefinitely," recommends Simon Jaworski. "States that get ahead of the curve in terms of research will certainly have an advantage the next time a billion dollar jackpot rolls around."

Awareness and playership of this record jackpot has shown that the future of Powerball seems to be bright. For starters, one in ten of Americans plan to play Powerball 'more often' in the future, which appears to be driven more by Millennials.

Finally, there was another revealing surprise with Leger's data; a higher proportion of those players planning to play Powerball again skews towards higher income, with almost half of all $100k+ income households claiming they will play the nation's #1 jackpot game again, compared to only one-third of households earning under $35,000 per anum.

METHODOLOGY

The latest Leger survey was conducted online with 1,001 respondents, 18 years of age or older, among the U.S. population from February 11th through February 18th, 2016. Data was balanced and weighted to statistically represent the country by age, gender, ethnicity, and region. Based on this sample size, the results carry a margin of error of approximately ± 3.1% at the 95% confidence level, and ± 2.6% at the 90% confidence level. ∎

ABOUT LEGER

Leger is the largest Canadian-owned polling, research, and strategic marketing firm with 600 employees in Montreal, Quebec City, Toronto, Edmonton, and Calgary in Canada, and Philadelphia in the United States. Leger is part of the WIN network partners in more than 100 countries, making Leger not only the largest Canadian-owned company in its sector, but also an internationally recognized brand.

For more information on Leger, please consult our Web site http://www.leger360.com.

intralot

Antonios
KERASTARIS

Chief Executive Officer and Executive Member
of the Board of Directors, INTRALOT S.A.

INTRALOT's Leap to the Future:

Transforming into a Products and Solutions based company aiming at a universal customer experience spanning all gaming sectors.

PGRI Introduction: INTRALOT's exhibit booth, its "Iconic Pavilion," at the ICE Totally Gaming Expo in London is completely new and demonstrates the Product Journey vision that will be guiding INTRALOT's offering to its customer in the coming years. Our discussion with Antonios Kerastaris reveals the singular focus that INTRALOT places on the Lottery and sports-betting sectors, and the five components in the Journey to optimize the player experience and results for the operators.

Antonios Kerastaris joined INTRALOT in January of 2014 as Chief Financial Officer, and became CEO and executive member of the Board of Directors in November of 2014. Prior to joining the INTRALOT Group, Mr. Kerastaris served in senior management executive positions at the INTRACOM Group, Procter & Gamble, Hilton, Mercedes, and the OTE Group of Companies.

Since its inception in 1992, INTRALOT's focus on the Player has driven its growth to span fifty-seven jurisdictions across five continents. As a leading gaming company bringing to the industry best-in-class solutions and services for the whole spectrum of gaming verticals across multiple delivery channels, INTRALOT is forging innovation in business process and technology that promises to drive sustainable growth for state-licensed gaming organizations worldwide.

Paul Jason, PGRI: *Over the past year, INTRALOT has reshaped its organization, introduced new products and technologies, and won new contracts. What is the over-arching strategy and goal that set you on this fast-track of change?*

Antonios Kerastaris: Like any public company, INTRALOT is committed to delivering financial results to its shareholders and sustainable value to the Society. Our method for accomplishing that is to deliver more and better value to our customers, the operators of games-of-chance. Financial success for INTRALOT's shareholders is driven by the service and value we deliver to our customers. So that's why the mission we hold dear is to create the fabulous player experience.

Many of the new technologies, new products, and new ideas that you see in the INTRALOT Pavilion at ICE takes a lot of hard work to develop and requires time to be translated into financial results for our shareholders.

The over-arching objective is to excel operationally, to deliver short-term finan-

cial performance, and to invest in the products and technologies that will position our customers for long-term success. By re-shaping the organization into an efficient operator and solution provider that delivers peak performance to both customers and shareholders, we are accomplishing both of these objectives. We are winning contracts that are forming the basis for long-term organic growth. And most importantly, as you can see in our ICE Exhibit, we are filling the pipeline with the most advanced technologies and products that will serve our customers' goals to deliver a great gaming experience to the players, and thereby maximize their return to Good Causes and their stakeholders.

The current buzzword in the industry is Player Journey. You, though, refer to the Product Journey. How would you describe the difference?

A. Kerastaris: INTRALOT's 'Product Journey' is the most advanced portfolio of gaming solutions that enhance the customer experience across different sectors such as Lotteries and Sports-Betting. We separate this Product Journey into five compartments. Retail, Retail-Plus, Systems, Interactive, and VLTs. We define the status of these categories as they exist in the present, and we chart a course for where we think they need to be for the benefit of our customers in the future. These functional areas represent the five ways that cover all essential players' needs through technological innovation, hardware solutions and advanced software offerings, all incorporated seamlessly in an omni-channel approach. Players are reached through all available touch-points in the most efficient way, thus adding value not only to the end-customer but also to every stakeholder involved in the process.

INTRALOT is the biggest sports betting organizer in the retail world. Sports-betting is a fabulous looking glass into the world of retail as it applies to gaming in general. We transform with modern tools the insights we gain from the retail world of sports-betting into understanding consumer and player behavior in the broader sector of gaming that includes our valuable clients in the lottery sector. The goal is to think of Retail in this broader context, to see it as a Product Journey that all consumers are part of in each sector. Retail in our industry is modernizing to keep up with the fast changing gaming ecosystem. Lottery needs to understand where Retail is going in order to sharpen its focus on how it will modernize in order to align with those macro-trends that are driving consumer 'shopping'

> **Retail and Lottery have very few similarities to casinos and casino-style gambling. That's why the focus of INTRALOT is on the lottery playing experience. The business of delivering the superior lottery playing experience is a world unto itself and that is our mission.**

behavior. We broaden our scope to include the entirety of Retail consumer behavior, not just the behavior we see in the current players of lottery games and this becomes a great advantage in our approach.

Of course, the Product Journey always leads us back to the consumer experience. What we want to understand, though, is the consumers' perspective that enables us to create the products, technologies, and strategies that will drive growth for our Lottery and sports-betting customers.

Retail-Plus?

A. Kerastaris: This concept relates with how Retail is evolving over the next six months to three years. We want to understand how a product and the distribution channels will change and position our customers to adapt to the new ideas that are shaping the modern market-place. The products and technologies on display in our booth are testament to a future that includes digitization of the in-store shopping experience and integration of the online and off-line connection to the consumer. That's the future and it is the "plus" in Retail-Plus.

The next component to the Product Journey is Interactive and Mobile. This has become so vital to the lifestyle of the modern consumer that it now occupies a focus of its own at INTRALOT. We have immersed ourselves in this product category over the past two years, pioneering innovative products that connect Retailers, Lotteries, and Consumers to an Interactive platform based on Mobile. More than ever before, INTRALOT is investing in the development of the most advanced Mobile and Interactive solutions and distribution channels. They have been tested successfully with our customers and so are now also being sold separately and integrated into the technology platforms of a much broader cross-section of operators.

The third component to the Product Journey is Systems. INTRALOT has always excelled at Systems, the central servers and technology platforms that support the operations and distribution of games-of-chance and Lottery. Systems will always be one of our core competencies and the basis for winning contracts like Polla Chilena in Chile where we provide the most comprehensive range of operational and distributional services.

Our expertise in Systems is also our advantage in adding value to the VLT category. We are not a VLT operator and will never become a VLT operator. We provide the software to manage, monitor, and improve

the VLT player experience. This is all done at the Systems level. We are pioneers in the development of effective Responsible Gaming solutions and those are implemented at the Systems level as well. We serve some of the major operators of VLTs all around the globe and we will continue to invest in and develop the technologies that deliver the best player experience in the VLT space.

So, focusing on the Product Journey provides the best foundation for delivering the optimal player-experience, and optimal business and operational results for your customers.

sinos. The differences far outweigh the similarities. That's why the focus of IN-TRALOT is on the lottery playing experience. The business of delivering the superior lottery playing experience is a world unto itself and that is our mission. It's not about building VLTs and gaming machines for casinos. It is instead about understanding the Product Journey as it relates to the objectives of our customers. And that is all about Retail and digitizing the operational aspects of this business to meet the needs of the modern consumer.

ing and serving the consumer in that kind of environment are also similar to Lottery. This is why we are focusing our resources on serving the specific needs of our defined market-place which is the operators of Lottery and sports-betting.

Our resources are focused on enhancing our core competencies in the business of retailing as a land-based operator, rather than a dot.com B2C operator. We have a crystal clear vision on how to best serve our customers and will not dilute our efforts or depart from that focus.

That seems to be serving you well because Lottery is the healthiest sector in the broader games-of-chance industry. Will it be harder to maintain growth going into the future?

A. Kerastaris: Absolutely. Our experience in retail solutions is our competitive edge and engine of growth. At the same time though, we are increasing our focus on game development and the method for making those games available to the consumer. That means Retail-Plus in the forms of digitizing the in-store shopping experience, integrating Mobile and Retail, innovating in the self-serve space, and developing game-styles, like e-Scratchers, that take full advantage of online and digital media. The more we invest in the Product Journey, the more dynamic the lottery market-place becomes. And I do think we are just beginning the process of reshaping the lottery market from a very traditional, paper-based industry, into an industry that offers a wide variety of consumer options in games, and platforms to play these games.

Another manifestation of INTRALOT's focus on innovation is what you have brought to the self-service terminal space, the "SST" line that expands your retail offering and addresses new player needs. Will the adoption of Self-Serve reach a tipping point, maybe even to the extent that clerk-assisted selling will cease to exist?

A. Kerastaris: Of course not. Retailers are the "heart" of any lottery operation.

Team INTRALOT in front of its "Iconic Pavilion" exhibit booth at ICE Gaming Show in London

A. Kerastaris: The Lottery business is evolving to include multiple channels of distribution. And that involves digitization at all levels of operation. But the face to the customer, the ultimate consumer touchpoint, the zero moment of truth where the consumer decides to buy a lottery ticket, is predominantly at Retail. And that won't change in the near future. Even in those market-places that have the most developed online lottery businesses, like Scandinavian countries and the UK, the majority of sales is still at Retail. In all other markets, the vast majority of sales still happen at Retail.

Retail has very few similarities to ca-

Most lotteries around the world also offer sports-betting. So that remains a big focus of INTRALOT.

A. Kerastaris: Exactly. There is much about the distribution of sports-betting services that informs our approach to the lottery market. Casinos are completely different, as they appeal to a whole different clientele and involve a wholly different method of marketing and distribution. Not so with sports-betting. We need to integrate the internet and land-based consumer connections in both Sports-betting and Lottery. Sports-betting shops resemble retail shops and so the methods of engag-

Clerk-assisted sales will never go away. They may evolve so that the nature of the assistance isn't all absorbed by processing transactions. But the human touch of clerk assistance to address shoppers' needs will always be there. That's the "raison d'etre," one of the key value-added properties of retailing that differentiates it from other distribution channels. People like to interact with other people and that's a fact of life. We just think the product should be made available in as wide a variety of channels as possible. Easier access for the consumer equals increased sales. As important as clerk-assistance is to the selling process, we still want to create as much exposure and access to the product as we possibly can.

The important thing for us as an industry is to give the consumer as many options as possible and enhance the player experience. Offer more and better games, and make them available online as well as in-store, on Mobile as well as through self-serve, in sports-betting shops and large chain retailers as well as convenience stores, always in ways that embrace Responsible Gaming principles.

The business of capturing and leveraging Big-Data has the potential to reshape our approach to market analyses, segmentation, game development, promotion and distribution. Does it require player registration as the conduit for capturing that data?

A. Kerastaris: Player registration is important for building the interactive relationship that is key to player retention and loyalty as well as for transparency in gaming operations. Big-data, however, is often much more than that. Big-data analytics is about capturing and analyzing huge amounts of aggregated data. It is the macro-world compared to the micro-world of direct interaction with the players, or even analyzing the online activities of player responses to games and promotions. In the Big-data world, you are analyzing macro sales data to discern big-picture trends. You're looking for connections between external phenomena and consumer behavior. How does weather affect sales and how can we adjust to minimize the negative impacts? Are there correlations between the days of the week and sales volumes? How do big events like an election or a huge sporting event affect the sales of lottery? Forecasting patterns of play enables us to shape the products and offerings to match

those patterns. The analysis of the player behavior patterns as relates to these events is helping us to refine our marketing and messaging to take advantage of correlations that Big-data reveals. And that does not require player registration.

What is meant by "complete Mobile ecosystem for lotteries?"

A. Kerastaris: In the end, all different POSs and all different channels need to be integrated into a seamless experience for the player. One common denominator for all players is the Mobile. Lottery operators must include the Mobile component in their business, in order to offer players new forms of lottery entertainment at retail, so as to stay up-to date, attract younger demographics and boost their sales performance.

The gaming experience is all about Retail. That is where our resources and skill-sets are focused. INTRALOT will continue to sustain its position as a leading Retail solutions provider, because that's where the fun, excitement and social interaction happen. That's where the sales happen. And that is where INTRALOT, as commercial partner to the Lottery, are shaping the gaming world and player-experience of the future. ∎

Rose Hudson Interview ...

"The Big Deal" website campaign is so cool. How does it work?

R. Hudson: The Big Deal is a regular web-based news show inspired by the YouTube channel type format, a subscription service. Our own Communications and Graphics departments produce it themselves. They come up with interesting story angles, tape video nuggets including outside interviews and then produce accompanying computer generated graphics to provide the latest Louisiana Lottery news. The general public is a voracious consumer of news and that's just what this is. It's news that also promotes all the wonderful things that Lottery does for everyone.

Do you see a positive trend-line for viewership of The Big Deal?

R. Hudson: Oh yes! We monitor the metrics closely and make adjustments to length, topics and format to encourage viewers to watch to the end. And the benefits of it apply internally as well as externally. Our own staff members enjoy it as much as anyone and feel more connected to the company being "in the know." It has become a vehicle to educate and inspire all of us as well as the general public.

That would seem to loop into the ways in which you get all the people in the organization excited about your mission.

R. Hudson: The culture of the organi-

zation is so important to us. We hope our enthusiasm is communicated to all our stakeholders and players. The Big Deal has proven to be a very effective tool to get that message across.

Achieving your mission is no longer about management by fiat and passing down mandates from on high. Now more than ever, leadership is about engagement and affiliation—helping people to feel a genuine sense of belonging, purpose and pride of who you are and what you stand for.

You also seem to make a special effort to integrate cultural and Louisiana–specific connections for

STATE REGULATION OF FANTASY SPORTS NOW APPEARS INEVITABLE: HOW AND BY WHICH AGENCIES SHOULD IT BE REGULATED?

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INTRODUCTION: WHERE WE ARE AND HOW WE GOT HERE

Before October, 2015, the major daily fantasy sports ("DFS") operators accepted players in their pay-to-play contests from all U.S. states except five: Arizona, Iowa, Louisiana, Montana and Washington. On October 5, 2015, it was reported that some of their employees were winning large jackpots playing on rival sites.[1] Since then, several states have investigated DFS operations, and ten attorneys general have issued statements or formal opinions relating to the conduct of fantasy sports contests in their states: Georgia, Hawaii, Illinois, Maryland, Massachusetts, Mississippi, Nevada, New York, Rhode Island and Texas.[2] All except three concluded that DFS contests constituted gambling under applicable state law, and thus were unlawful, or, in the case of Nevada, unlawful unless licensed. The attorneys general in Maryland, Massachusetts and Rhode Island were the exceptions. The Maryland Attorney General opined that a 2012 Maryland law[3] purporting to legalize fantasy sports contests in that state actually may have legalized only season-long contests, and that to the extent the law purported to legalize daily contests, it may have been an expansion of gambling which should have been subject to a state-wide voter referendum.[4] Rhode Island Attorney General Peter Kilmartin opined that DFS contests operating in that state were not violating Rhode Island's gambling laws,[5] and in Massachusetts, although she issued no formal opinion on the issue, Attorney General Maura Healey stated that paid fantasy sports tournaments do not violate any federal or Massachusetts laws.[6] Attor-

ney General Healey has since issued draft regulations that would protect fantasy sports players, and those regulations have yet to become final.

In response to these opinions and investigations, DFS operators have curtailed their operations, decreasing the number of states in which paid contests with prizes are offered. For example, FanDuel and DraftKings no longer allow players in Hawaii, Mississippi and Nevada (in addition to the original five) to compete for prizes, four other DFS operators have taken similar action with respect to Florida, Vermont and New York, and a smaller number no longer allow players in Arkansas and Tennessee to compete for prizes.[7] Star Fantasy Leagues no longer accepts paying players from all but 21 U.S. states, and StarDraft—owned by casino supplier and PokerStars owner Amaya— no longer accepts players from all but four U.S. states, likely to avoid jeopardizing its existing (and unrelated) gaming licenses.[8]

Against this backdrop, as of March, 2016, at least thirty-one states have proposed legislation that would clarify the status of fantasy sports contests. This includes Virginia, which on March 7, 2016 enacted a law legalizing and regulating fantasy sports contests. (In addition, in May, 2015, Kansas enacted a law that legalized fantasy sports contests by removing them from the scope of the term "bet," as used in Kansas' gambling laws.) Most of the pending bills would establish that fantasy sports contests do not constitute gambling under applicable state laws, and several would regulate such contests, calling for fantasy sports operators to implement certain player protec-

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1   See: http://espn.go.com/chalk/story/_/id/13825667/new-york-attorney-general-eric-schneiderman-launches-inquiry-draftkings-fanduel and http://www.nytimes.com/2015/10/06/sports/fanduel-draftkings-fantasy-employees-bet-rivals.html, last accessed March 12, 2016.

2   Note also that Rick Kalm, Executive Director of the Michigan Gaming Control Board is reported as having told GamblingCompliance online magazine: "We here at the Michigan Gaming Control Board believe fantasy sports daily wagering to be illegal under Michigan Law." See: http://gamblingcompliance.com/premium-content/news_analysis/daily-fantasy-sports-illegal-says-michigan-regulator, last accessed March 14, 2016.

3   2012 Md. Laws, ch. 346.

4   Letter dated January 15, 2016 to The Honorable Thomas V. Mike Miller, Jr.

5   Letter dated February 4, 2016, to Governor Gina Raimondo, Senate President M. Teresa Paiva Weed and Speaker of the House Nicholas A. Mattiello.

6   See http://www.legalsportsreport.com/4800/massachusetts-daily-fantasy-sports-deveopments/, last accessed March 12, 2016.

7   See: http://www.legalsportsreport.com/daily-fantasy-sports-blocked-allowed-states/, last accessed March 6, 2016.

8   Id.

Using IGT's Six Pillars of Instant Success to Battle "Bintimidation" and Attract New Lottery Players

Situation. The Hoosier Lottery is the only lottery in the country that's named after its people, not the state itself. Ironically, the Hoosier Lottery suffered from low recognition and relevance among some segments of Hoosiers.

Quarterly tracking research indicated:

- Less than half of Hoosiers felt the Lottery was "for people like me."
- 32% said Lottery games "aren't interesting to me."
- 21% said the Lottery was "confusing."

Mission. While scratch-off sales were up 13% year-over-year in early 2015, the gains were coming from higher-price-point games. We needed to attract new and lapsed players to reverse declines in the lower-priced games, to maintain overall profitability.

Insight. Research on light and lapsed players indicated they were intimidated by the retail experience and weren't sure how to play. Many had no idea what was inside all of those plastic merchandising units. The increased number of bins at retail that had lifted sales among core players was actually overwhelming light and lapsed players.

Strategy. To overcome this "Bintimidation" effect, IGT leveraged its Six Pillars of Instant Success to design actionable strategies that would appeal to new players while maintaining the relationship with current players.

Product Tactics. IGT began by recalibrating the tempo of game launches. Easy $1 and $2 pop-culture-themed games were released on a quarterly basis to increase affinity with light and lapsed players. Two premium-price-point ($10 to $30) games and extended-play games were introduced each quarter for regular players.

Advertising Tactics. Instead of focusing on a single game in every campaign, we created a branded category approach to the entire scratch-off portfolio. Our strategy created a connection between all of the games while providing more efficient TV production.

We transformed the great wall of plastic displays into a simplified series of intriguing windows. Each one led to an inviting portal that offered a quick escape, a thrilling adventure, an exciting way for a player to break up the day.

Retail Tactics. The transformation continued throughout the store as we engaged consumers at every point in their retail journey. We:

- Partnered with retail chains to introduce scratch-offs to their loyalty club members with mobile coupons and text-to-win offers.
- Positioned inviting and convenient two-bin towers near cash registers to attract the attention of light and lapsed players.
- Created awareness of games in unexpected locations such as the deli case and pet supply aisle.
- Introduced menu mats to increase visibility at those retailers that sold from under the counter.

Results. Within a year, our Six Pillars approach improved profitability, sales, and brand health like never before. By the end of calendar year 2015:

- Scratch-off sales climbed 17% year over year.
- Profitability, tracked by gross gaming yield, increased 22% with improved sales for all $1, $2 and $5 games.
- Positive opinion of the Lottery increased by 10%.
- Perception of being "cool and innovative" increased 14%.
- The "for people like me" metric increased 13% year over year.

This is the first in a series of real-world stories of how our Six Pillars of Instant Success approach has assisted lotteries with attracting new players and improving bottom line profits. To learn more about our Six Pillars approach, visit us at www.IGT.com/sixpillars.

your consumer. Louisiana has a unique and rich cultural heritage. Do you make a special effort to connect that with the Lottery brand?

R. Hudson: I think all lotteries try to connect with their market-specific culture. We certainly do. We have enjoyed had great success with our Louisiana-themed scratch-off tickets. Recently, our $2 game Spice It Up!, a partnership with a food company called Tony Chachere's Creole Seasoning, won the best instant game of 2015 at NASPL. It indexed at 151 for us, so it was a good ticket for us in a lot of ways. When we have a successful product like that, we leverage the value through as many different channels and media as we can to extend the excitement. The game was featured in The Big Deal web-cast where we showcased a behind-the-scenes look at the operations of Tony Chachere's plant, including their unique style of product development, marketing, logistics, manufacturing, etc. We engaged social media to talk to our fans about how they use the product. We gave out Tony Chachere gift packs to winners. We are always exploring local companies to partner with.

The New Orleans Saints football team is our big-brand affiliation. Over the last seven years, we have seen great success with special second-chance Saints experiential prizes and promotions in those games.

In the past, we sponsored an art contest through our Office of Cultural Recreation and Tourism for a Mardi Gras ticket design, picked an artist from Louisiana, and used the event as a jumping-off point to celebrate Louisiana—the art, music and all that's special about Louisiana. We also partner with as many festivals as we can. Those are fabulous venues to connect our brand with the local culture and the people directly. I think it's true what you said—Louisiana does provide lots of opportunities for us to connect our brand with the local culture.

How do you use social media to promote Lottery?

R. Hudson: We use Facebook to engage fans and discern what appeals to them, such as what they follow, what are their likes and dislikes. That helps us determine what could be next for us in terms of brand partnerships and promotional strategies. I'm not the expert on Instagram but that too is being used to great effect. Our social media team is definitely being challenged to push the edge of the envelope. They give special attention to developing the tools to measure the results and continually improve the effectiveness of our social media initiatives.

We always tend towards telling a story and providing entertainment more than selling a product. For instance, we featured a family of six different emojis for our Valentine's game called Love To Win. We conducted an emoji-gram promotion on Twitter that enabled followers to use our hashtag #lovetowin to send an emoji to a friend. They tweeted to their friends and we selected some of the tweets to put up on billboards across the state. Instead of directly promoting the game, the billboards promoted the players. We featured this billboard campaign on our website and gave away Valentine's themed prize packages to both the player and their tagged friend if their entry tweet was selected. The number of Twitter followers over the two-week campaign more than doubled our typically monthly growth because our followers were engaging their followers and friends. Driving along and looking for the possibility that your tweet might be seen on a billboard, or what other players had to tweet about, was also great fun for everyone.

You do such a great job at creating a story that promotes the brand. Do you spend more resources on building the brand than promoting specific games or the hope and dream of a life-changing event?

R. Hudson: We must adhere to strict marketing guidelines that do not allow us to explicitly appeal to the change-your-life theme. That is why we talk about a reason to smile, brand building, and cultural affiliations. Our story is more about entertainment and fun than how winning the jackpot changes your life. We feel good about the position that the Louisiana Lottery has carved out for itself in the local culture. In the end, the value proposition of our games as a fun diversion and cultural affiliation may even prove to be a more a sustainable business strategy than focusing on winning a life-changing jackpot.

How have you applied technology to improve operational efficiencies?

R. Hudson: We developed our own Lottery-specific iPad application for our sales reps that allows them to analyze their individual retailer sales in real time by game and time frame which enables them to make real-time strategic decisions. This technology is coupled with our own data-driven inventory management system that we use to predict which scratch-off games will sell best in each retailer location.

We want to be able to help our retailers manage their inventory in a way that ensures the right products are on the shelves at the right time. Predictive Ordering is the term used to describe the process of analyzing the product mix and ensuring that the combination of price-points and game styles is always optimized for meeting the needs of the consumer. It also puts us in a position where dialogue with our retailers is meaningful and adds real value, which they appreciate. The ROI on performing at these fundamental operational levels is material and, well, very predictable.

Next year will be especially busy for you!

R. Hudson: The term as president of NASPL lasts one year, and most things take longer than one year to accomplish. I am working with May Scheve, the current president of NASPL, to make sure we carry on with the important initiatives begun this year and in prior years. NASPL really needs a strategic plan to enable incoming presidents to shepherd the ongoing progress of projects and initiatives begun in the years prior. That is a priority of May's that I share and will do my best to execute it as well. ∎

Frank **CECCHINI**

Chief Executive Officer & Managing Director
Novomatic Lottery Solutions

Re-defining the Meaning of "Customer-Centric"

PGRI Introduction: There is a global shift to wireless distribution, communications, and operations that has the potential to unlock whole new reservoirs of potential for the Government-Lottery industry. Digital technology is enabling a totally new kind of shopping experience - one that is faster, easier, and integrated with Internet/Mobile based services and applications. The consumer is experiencing these new enhancements to the Retail experience in some forward-looking retail stores already. They will be expecting all other stores to be providing this enhanced shopping experience. Retailers know this and are responding with modernization strategies of their own. And trying to raise the bar even further to differentiate themselves.

Frank Cecchini points out that it isn't the Retailers who are driving the urgency for modernization. It is the consumer. Retailers are just responding to the consumer market-place. And they are expecting Team Lottery to respond to their business imperative to provide what the consumer wants. Our discussion at the Novomatic Lottery Solutions booth at ICE Totally Gaming in London provided the perfect backdrop of innovations designed to meet the needs of the modern consumer.

Paul Jason, PGRI: *How urgent is the need for Lottery to change its approach towards retailing, and distribution in general?*

Frank Cecchini: The world has changed dramatically over the last 25 years, especially technology and media-driven industries. The government-gaming industry, however, has not changed much at all. How much is really different now from what it was 25 years ago? Draw-games are operated with dedicated terminals in land-based retail stores. Instant Scratch games are displayed in plexi-glass cases on the counter-top. All other industries are being transformed by technologi-cal progress that is not penetrating ours like it should. I think we have convinced ourselves that there are too many obstacles that make change impossible, too many reasons why things need to be done in certain ways that do not allow for progressive technologies and business methods to work for our industry. Government-Lottery does operate within constraints, but there is no reason why the technology and business process innovations that have driven such incredible progress in all other industries shouldn't be doing the same for the Government-Gaming industry. That is why we challenge the industry to "Expect Better." Expect better technology, expect better service, and expect better value for the investment.

It is exciting to see innovation being applied to Retail. The channel is alive and well and ready for modernization.

F. Cecchini: Absolutely. Retail is very alive. Retail is the "platform" that enables human beings to actually interact with each other physically in real-life! For all the marvelous advantages that online technologies provide, they won't ever replace the need for people to be with each other in the physical world, to actu-

ally talk and commune face-to-face. Even self-service options do not eliminate that. The human interaction will just be based on other parts of the shopping experience, like assisting to find products, or assisting with the new digital tools that will be coming online in the stores of the future. Retail is changing and will be very different from what we see today. But the role of land-based stores where shoppers interact with the products and with other people will always have a place in our world.

We think of "Retail" as being a store with aisles of products and a check-out counter. We could also think of "Retail" in a much broader sense of simply enabling commercial transactions. A bar

Communications infrastructure in emerging economies is leap-frogging right over entire generations of LAN-based telecommunications IT, and going straight to Wireless and Digital. It's almost as if mature markets are so highly invested in their current IT infrastructures that it is hard for them to cut the umbilical cord and move into the digital future.

F. Cecchini: Wireless and Digital is not just about Mobile gaming and selling online. We're also talking about technologies that transform land-based retail. The emerging markets in Africa and the Far East don't have a developed network infrastructure of private leased lines or anything like that. They don't even have reliable

modern market-places around the world. The functions performed on a Tablet can also be done on Mobile devices. 3G has become ubiquitous all over the world. That has resulted in an almost universal adoption of Mobile technologies as the basis for all commerce and transaction processing as well as telecommunications. The devices which connect the consumer to social media, news and information, and advertising messaging are the same devices that are used for conducting commercial transactions, like buying a lottery ticket. It is so much simpler and streamlined than having to depend on all different kinds of terminals, cash registers, credit card processing devices and such.

> **Retailers are asking for new technology and new ways of doing business because the consumer is demanding it. In the end, this isn't about the Lottery or the Retailer, it's about meeting the needs of the consumer.**

or cafe could easily sell lottery products with just an i-pad or other Tablet or even just a Mobile Phone. Multi-level marketing sales-people like Amway or Avon could sell lottery products in the same way. A program could be downloaded onto a Tablet computer that would enable anyone to sign up new customers by just entering a player's e-mail address onto a subscription order form, forwarding the order to the Lottery, and being paid a 5% commission. Coffee kiosks, auto-repair shops, restaurants, all the stores in malls that sell clothes and jewelry—anyone can sell lottery products. I realize that the reader, the lottery executive, may protest that they don't even want to sell lottery products through every conceivable merchant. Still, we should not need to feel so constrained to the conventional notion of retail stores with dedicated terminals to vend lottery products. It is the model of dedicated terminals that forces that constraint upon us and there are very practical, proven alternatives to that model.

power. So they must rely on solutions that are resilient and adaptable to these conditions. It must also be very low cost, with minimal repair and maintenance requirements. Novomatic Lottery Solutions has developed and deployed solutions to meet these needs.

But who doesn't want to move into the 21st century with technology that reduces capital investment and ongoing maintenance costs? I checked into a 5-star hotel in Sorrento, Italy, for instance, and was led to a lounge where they offered refreshments. I thanked them but asked to be directed to the check-in desk. Their receptionist came over with an i-pad and checked us in directly, taking my credit card information, assigning the room, and doing everything on the i-pad. There actually was no check-in counter or any other kind of terminal to process transactions.

F. Cecchini: That is a perfect example of a solution that can also apply to retail stores that sell lottery products. That is exactly the solution we are applying in Catalonia and hope to be bringing to other

To some extent, these solutions were developed and adopted out of necessity for emerging markets. To your main point, though, these solutions are equally applicable to mature economies as well. Catalonia in Spain, for instance, has retail stores and 2,500 conventional terminals dedicated to selling lottery products. Now we are adding Tablets and Mobile based solutions that enable them to expand the number of retailers, dramatically increasing that number in the short term with even more ambitious goals for the long-term. As your example of checking into a hotel illustrates, the wireless and 3G technology combined with modern communication devices opens up a whole new way of thinking for retailers everywhere, not just in emerging markets and not just for small retailers.

Everyone everywhere has Smart-phones that rely on 3G technology. This was the only solution that works for our customers in Tunisia, Nigeria, Angola, etc. But they also make sense in mature economies like Catalonia. The initial investment is much

lower, repair and maintenance is minimal, implementation is much faster.

Land-lines and legacy technologies like LAN infrastructures will become obsolete as Wireless takes over. The only obstacle in the developed economies is their investment in old technology and the dedicated terminal model. The future promises a true best-of-breed model that integrates the very best technology from multiple sources.

And digital wireless technologies are more flexible to integrate new technology like API-based platforms, and more scalable to increase capacity as needed.

F. Cecchini: Absolutely. HTML5 and responsive web design enable web pages to replicate the exact same experience as the user migrates among different digital platforms, from Mobile to other devices to the retail store display. These are the kinds of enhancements that the consumer expects all businesses to employ. In fact, consumer tolerance for operators who do anything less will disappear. They want it how they want it, where they want it, and this means wireless technologies. We're selling lottery tickets in Nigeria via mobile terminals connected to a host based in Reykjavik! This cloud-based solution has been operating for the last two years. These platforms are being implemented more and more in emerging market-places. As their reliability and efficacy are demonstrated in challenging market-places, they will migrate to more mature markets.

As is being done in Catalonia and Nigeria.

F. Cecchini: Exactly. And new hybrid solutions are being implemented, like using fixed-line DSL in addition to 3G. Digital platforms enable that kind of flexibility. Multiple varieties of features and technological solutions and communication networks can be applied in the same markets to optimize the outcomes for specific customers. Digital platforms open up a whole new vista for creative solutions that provide far more functionality, far more flexibility, at a far lower cost.

In Catalonia, for example, we're using standard Morpho terminals with scanners, with all the usual devices. In Nigeria we're using Android-based terminals that are totally mobile, that are able to connect to two different 3G providers for redundancy and resilience.

And this reflects your "Bring your own terminal" philosophy.

F. Cecchini: There is no reason why the Lottery should deliver a one-size-fits all solution. Even within the individual lottery operation, multiple solutions should be deployed to meet the variety of different needs within even micro-markets. Different retail trade-styles, different IT platforms, different consumer profiles who require different kinds of shopping experiences—these all require different technological solutions. And these differences all exist within each market-place. The lottery operator has the flexibility to deploy a variety of different solutions to optimize the outcome for the unique needs of each situation.

And it all comes back to the consumer. Retailers are not technological early adopters by temperament or ideology. They are asking for new technology and new ways of doing business because the consumer is demanding it. In the end, this isn't about the Lottery or the Retailer, it's about meeting the needs of the consumer.

You're covering the need for innovative solutions to enable more small retailers to vend lottery products. How about the need to make it easier for big multi-jurisdictional retailers to sell lottery products?

F. Cecchini: We know that the trade is migrating towards big-volume retailers. And their needs are not being met. They do not want separate terminals dedicated just to Lottery. They want and expect a fully integrated solution. Now we can give that to them. They can connect to our system just by simple API's (Application Program Interface). They no longer have to develop special software to enable communications with Lottery. They don't have to have special printers. This is not bleeding-edge technology we're talking about. It is well established and proven and works reliably for many industries that are just as risk averse as Lottery.

But this isn't about what the retailer wants. It's about what the consumer wants. The retailer is just taking direction from the consumer, who wants their retailers to create a fast, easy, and enjoyable shopping experience. One that does not include ridiculous inconveniences like standing in lines. We design our solutions based on the expectation that retailers will give the consumers what they want, and lotteries will give the retailers what they need to serve the consumer.

The consumer seems to want to buy everything on Amazon.

F. Cecchini: That's because Amazon is the most consumer-centric company in the world. They figure out how to serve the customer and they make it happen, even when everyone tells them what they can't do - they can't provide free delivery, they can't deliver produce that is fresher than the store, they can't sell everything under the sun and deliver it the next day. There is one thing they can't do, though. They can't sell lottery tickets. It may seem that is not realistic to think we could sell lottery tickets on Amazon. But it isn't. We just need to enable Amazon to connect to Lottery's systems and process the transaction. Amazon knows who their online customer is. They know the age, the personal profile, and location of their customer. They sell wine, which has age, taxation and other regulatory requirements that vary by jurisdiction. Much more complicated than Lottery. They technology to monitor the buyer profile relevant to the

NEOGames®
bringing back the fun!

Ilan **ROSEN**
Chief Executive Officer
NeoGames and Co-CEO of NeoPollard Interactive

On Creating a New Generation of iLottery Players

PGRI Introduction: Industry trailblazer and iLottery expert NeoGames is constantly expanding its offering—and the frontiers of innovation.

Its iLottery 360°™ solution, which includes the NeoSphere comprehensive player-centric iLottery platform, supports 360° player and game management across all channels. The company infuses interactive lottery games with cutting-edge player experiences; its extensive and constantly expanding portfolio includes more than 250 compelling and entertaining offerings—from iScratch and eInstant games through Keno and Bingo to its latest innovative Draw Games. These are complemented by a robust iGaming offering—a broad selection of sports betting, slots and other casino-style games that are requested by lotteries in various regions. Robust integration with leading third-party partners ensures a diverse and high-caliber gaming experience delivering entertainment for every taste.

The iLottery suite is powered by more than a decade of experience in iLottery operations and game development. NeoGames is renowned for navigating customers across three continents to unprecedented interactive lottery success. It is constantly increasing its portfolio of customers, expanding its footprint in the global market for interactive lottery products, as reflected by its newly acquired APLA membership.

We met with NeoGames CEO Ilan Rosen at the ICE Totally Gaming event in London to discuss the success NeoGames is having in Europe and its successful partnership with Pollard Banknote, expanding service to operators in the United States via NeoPollard Interactive, a US-focused joint venture.

Paul Jason, PGRI: *Congratulations for the contract awards of Sazka in the Czech Republic and Lietloto, the operator of the Lithuanian national lottery.*

Ilan Rosen: Thank you. These are exciting new deals for us, each with a different nature and focus.

We're thrilled and honored that Sazka selected us. A venerable local powerhouse and one of the most respected local brands in the Czech market, with new private ownership and a vibrant management team, Sazka was the fastest-growing lottery in Europe in 2015. Following a long and stringent selection process, they chose us—not only because of our superior technology and popular innovative games, but also because of our 11+ years of experience in running successful iLottery and iGaming operations.

The complete iLottery and iGaming solution that we are deploying in Sazka includes NeoSphere, our player-centric management platform, with verticals of interactive sports and lottery games. We will add additional verticals as soon as regulations permit. A significant amount of the content will come from our own portfolio, such as our e-Instants and Keno games, and our openness makes it easy to offer additional content from third-party providers.

Our experts will support Sazka with

> How many sales were lost because of people who were unwilling or unable to stand in line in the cold of winter to buy their Powerball ticket? How much higher might sales have been, how much more money could have flowed to good causes, if Powerball had been available for promotion and purchase online as well?

consulting services—CRM, game optimization and more—to help Sazka achieve its iLottery and iGaming objectives. The Sazka team is wonderful to work with and I am confident that its online initiatives will yield unprecedented success.

Likewise with Lietloto, which has been very successful driving growth through the online channel in recent years in the Lithuanian market. They turned to us to significantly enhance their offering with a variety of services and games and help them maximize their business potential.

And you have been achieving success with your U.S. customers as well.

I. Rosen: There is a clear trend toward online lottery in the US, and NeoPollard Interactive, our joint venture with our great partner Pollard Banknote, has a lot to contribute to the state lotteries with our proven iLottery 360°™ offering.

We are committed to helping our customers reach new levels of success by developing their online lottery services markets. We have had outstanding results supporting the iLottery initiative in Michigan, we have been selected to provide e-Subscription services for Virginia Lottery, and we look forward to additional North American collaborations soon.

In my view, more and more US lotteries are finally starting to realize that iLottery is one of their most attractive growth engines, and many of them are taking steps to navigate their unique in-state environments to accommodate the launch of iLottery in the near future.

You mentioned that you have "US operations." What do you mean?

I. Rosen: Some vendors in the lottery industry are the masters of offline, and have a complete solution for retail-based lottery. We are masters of interactive lottery.

Interactive lottery is not only about technology, it is also about the ongoing management of players and providing the playing experience they expect through a seamless supporting service.

Our NeoPollard operations team assists the lottery with high-quality 24/7 player support. We handle payments, compliance issues and assist the lottery team to constantly analyze every aspect of the performance of their players, games and platforms. Moreover, our experts work closely to consult with the lottery on retention marketing and digital acquisition optimization.

Our operational experience and expertise is one of the main drivers of the industry-leading achievements of the Michigan State Lottery, which has become a benchmark for success in the US market.

What exactly is meant by "platform?"

I. Rosen: In the interactive lottery environment, similar to e-commerce, but even more so to e-entertainment, focus on the player is crucial for success. NeoSphere includes a wealth of high-performance modules: Player Account Management (PAM), e-Wallet, CRM, Marketing, Analytics, Payments, Compliance, Responsible Gaming and more.

All modules are integrated with internal workflows to support streamlined cross-department processes that provide an unparalleled customer experience and maximize the business potential.

And you make it easy and affordable for your lottery customers to integrate third-party content?

I. Rosen: Absolutely. NeoSphere is an open platform that can connect to any third-party content provider, and we have been doing so in Europe for years. We have already integrated with a large number of game providers and currently are in the process of activating this functionality enabling third-party content in the US as well.

Our philosophy has always been that collaborating with others to the benefit of our customers is the right approach.

How do you ensure that online initiatives are integrated with and support the land-based retail channel?

I. Rosen: Preserving growth in the land-based retail channel is most important to all lottery operators, and in 2015 our customers continued to report retail channel growth alongside high growth in the online channels.

Findings show that retail sales are growing for almost every lottery that has launched online sales around the world. For example, there is significant ongoing retail growth for JSC Portugal, Sazka in the Czech Republic, as well as in the US market, where Michigan reported growth of retail in tandem with their fantastic iLottery launch.

We have devoted much thought and resources into the omni-channel approach, connecting the online lottery with retail channels both technically and conceptually. In a number of markets in the US and Europe, we have combined solutions with the lottery's PoS, in order to enable the player to utilize the PoS for payments, cash-outs, and registration, as well as to power joint online/offline activities for player-club members.

There is a science to integrating the different distribution channels, making it easy, providing incentives for players to engage on all channels, and giving them more chances to win.

I'm thinking that many shoppers go into a store, buy what they need, and leave without ever even noticing the POS visuals that promote products like Lottery. If these consumers, especially the younger adults, could be engaged to play online, that would make it more likely that they would notice the POS visuals at the retail store and perhaps buy at the store as well. The new online player goes into the store and notices Lottery for the first time. "Wow, when did you start selling Lottery?" and the retailer responds "Thanks for noticing. We just started selling Lottery around 25 years ago."

I. Rosen: Totally! Channels of distribution also function as media that engage the audience.

PoS and online channels enable transactions, but they are also an important consumer touch point and media platform to promote the product and brand to the consumer. The online face to the consumer not only brings in new consumer groups for the lottery—those new players end up buying at retail, too. We saw that when introducing the Online Game Card program in Michigan. It created a positive movement of players in both directions. Online players went to retail for that unique payment option and vice versa. The same happened for Sazka, which has a player card and other programs that promote the omni-channel approach. The online connection actually broadens the base of retail consumers.

Moreover, our experience—backed by numerous studies, both in the lottery domain and in other e-Commerce verticals—proves that player/consumer value is higher with an omni-channel strategy than with any single channel, so it's a classic situation in which everyone wins.

Are online players different from retail consumers? If so, how?

I. Rosen: The average age of iLottery players is 10 to 15 years younger than the average age of retail players. Many of these online players traditionally did not buy lottery products offline, and even have a "blind spot" when it comes to the lottery brand in retail environments. That said, we do of course see an active base of loyal retail players who become active iLottery players while continuing their retail activities.

The incentive for online players to play, especially with high entertainment games such as e-Instants or e-Keno, is totally different from the motivation of offline players to purchase a lottery product. This is why the marketing efforts and the ways we approach online players are different, yet support each other. Importantly, once going online to play, players become more aware of lottery brand products at PoS.

> **Data analytics is the core of our success; it is embedded in everything we do.**

Building that online connection with the consumer changes the whole nature of the relationship to being interactive instead of anonymous. Players must register to play online and that becomes the basis for a data-analytics approach for games and marketing strategies that appeal to the consumer. Changing the consumer connection from anonymous at retail to interactive online would seem to be the first step. NeoGames has been a pioneer in that field, starting many years ago with developing the products for the online consumer. You developed the skill sets, technology and the processes for really sophisticated data-analytics.

I. Rosen: Data analytics is the core of

our success, and it is embedded in everything we do.

First, it informs our product development process, so that we create products and content that are more appealing to the players. Second, it informs our approach to marketing and evolving the product mix: how to position products in the portfolio, how to promote the products and communicate with players, how to connect the right products with the right promotions at the right time, etc.

The information and knowledge base that we have acquired over many years drives our clients' success. What's exciting is that the potential to build on this knowledge base and improve the connection between player, product, place, price, and promotion is almost unlimited. It is about moving from segmentation to personalization—or as many call it, the segment of one. The online interactive connection makes possible things that are not possible in the retail environment.

Understanding player behavior benefits everyone, including players and the lottery. It also informs our approach towards responsible gaming, enabling significant expansion of the player base, while ensuring that the larger numbers of people play within their limits.

You have added interactive draw games to the portfolio of products available to your customers, and recently launched in Michigan.

I. Rosen: Adding interactive draw games was a milestone for us.

We pioneered the growth of the e-Instant category in the online space over a decade ago. The next phase was broadening the games offering, providing platforms and services, the iLottery 360°™ solution. Now we are adding another core product of lotteries: draw games.

Most recently, we introduced our central draw games system with four online draw games in Michigan, including two multi-state games, Powerball and Mega Millions, whose jackpots frequently reach

into the tens of millions of dollars. Neo-Pollard has also been selected to provide the new enhanced eSub solution to the Virginia Lottery, which is naturally, in its core, built upon this system.

The addition of the online draw games central system to our portfolio transforms NeoGames into an iLottery solutions provider with a full solution: platform, games and services to answer all of the lottery's needs into the future. This positions us to approach the widest range of opportunities in the market.

The instant product category provides a rich canvas for innovation and new ideas. Draw-games would seem to be a little more intractable, fewer moving parts and more immutable attributes that don't give as much flexibility. Any clever ideas for how to create more entertainment value for the draw-based games? Will your expertise in the on-line instant product category translate to the draw-game world?

I. Rosen: When it comes to draw games, I agree with you, Paul, that innovating in this category presents a different kind of challenge. The focus here is to understand what is important for a player at each phase and step, for a fast and easy purchase process.

We designed our draw games solution with a mobile-first approach, understanding that for draw games, due to the impulse nature of the action masses will take—particularly during high jackpots—mobile will play an even greater role than for other games. When you buy a lottery ticket, everything needs to be smooth and intuitive at every step.

But to your point, many aspects of the draw game experience are ripe for innovation: the choosing of numbers, patterns, favorites, and lots of gaming attributes that we hope to surprise you with in the coming year. We have many ideas in development that we'll roll out in the coming year that will add innovative features to the game purchase process, with the goal to maxi-mize average purchase while not disturbing the fast nature of the purchase process.

We're putting a lot of thought into making the draw game experience more engaging for the player; after all, it is still the most popular lottery game in the world today.

Regarding instant games, we have been in the vanguard of innovation in that market segment for years, but we still feel that we haven't more than scratched the surface (pun alert!) of innovation yet.

For example, we initially developed a Keno-on-Demand game enabling, for the first time, instant play without needing to wait between each game. This is what online players expect and want. When we saw the impressive traction of this game, we developed Keno into a category of its own, introducing a variety of attractive elements and environments catering to different player tastes.

The main challenge in innovation in the lottery space is regulations. Lotteries often feel that they are bound by a myriad of restrictions that prevent them from reaching higher levels of innovation. Our philosophy here is to "innovate inside the box," meaning, understand your boundaries very well, and understand also what you are allowed to do but haven't yet thought about, then boldly go there.

We often suggest things that our customers hadn't considered. We ask them to bring their legal team to the table together with our in-house Games Studio experts. This round table approach has always proven fruitful to pave the way for innovation in a specific way for each market. A cookie-cutter approach wouldn't work with iLottery games; you need to be ready to make changes for every jurisdiction and regulation.

Brick-and-mortar draw games already do well around the world. How important is it for them to have an online component?

I. Rosen: In January this year, the largest Powerball jackpot in history—$1.58 billion—caused a frenzy in participating states throughout the US. Sales spiked, with the media broadcasting pictures and video clips of long lines of consumers waiting to buy tickets.

My question, though, is: how many sales were lost because of people who were unwilling or unable to stand in line in the cold of winter to buy their Power-ball ticket? How much higher might sales have been, how much more money could have flowed to good causes, if Powerball had been available for promotion and purchase online as well?

Last year you have added a significant shareholder to NeoGames in the form of gaming giant William Hill. What synergies have you found between the organizations?

I. Rosen: The strategic investment we received from William Hill enables us to upgrade our investment and focus on the iLottery market. This was marked by WH as part of their diversification strategy.

In addition, there is much for us to learn and gain from William Hill. They are a recognized world leader in sports betting, and as you know many of our Lottery customers around the world also offer sports betting. Having access to the best knowledge and experience in this space puts us in an excellent position.

William Hill is also in the forefront of omni-channel innovation, an area that, as we discussed, is of the highest interest to our Lottery market customers.

What other areas of growth do you see going forward?

I. Rosen: One clear area for us is geographic expansion, of course. We have had great success stories with our customers in Europe for many years, NeoPollard's operations in the US are growing fast, and we have recently joined the Asia Pacific Lottery Association because we feel this region, which already has its first few lotteries with an online offering, presents interesting opportunities for us going forward. ■

Lottery Modernization and the Retail Space

The roadmap to lottery modernization at retail starts with some basic building blocks. As an industry, we are playing catch up, while trying to leap forward in the eyes of both our retail partners and consumers.

Susan Strouse, Vice President of Retail Business Development at IGT.

In 2015, significant progress was made addressing some of the pain points of major retailers doing business with lotteries. Delivering initiatives such as the ubiquitous additional instant ticket settlement term of 21 days flat is a great start in simplifying the management of instant tickets – particularly for those retailers who do business across multiple states. This industry collaboration shows retailers that we are listening to their concerns and doing something about them, and proves that, by working together, we can be a powerful growth partner.

As we continue working to simplify the management of lottery and addressing some of our retailers' basic concerns, we must also find ways to contribute to their retail shopper experiences as well. All retailers are fighting to stay relevant. If lotteries bring innovation that helps achieve that objective, we stay relevant to our retailers.

To effectively drive and develop new business opportunities with retailers, those of us in the sales world know that the key tenants for success are to:

1. Know your audience.
2. Understand what is important to them.
3. Deliver concepts and solutions that will enable them to achieve their goals.

Understanding Where Retailers Are Headed

The retail environment is morphing at lightning speed, and retailers themselves are struggling to keep pace with technology that is constantly raising the bar with regard to shopper expectations. "Omni-channel" and "IoT (Internet of Things)" are buzzwords that have been flying around the retail industry for the last few years; but in truth, retailers are really scrambling to find ways to effectively deliver the promise of these concepts. Having just come from the 2016 NRF (National Retail Federation) Show in New York City in January, it appears that retail strategists are now trying to break down these concepts into manageable components. The past themes of showcase stores and extreme shopper experiences are still present for those who can afford a Times Square or Michigan Avenue flagship location, but even those retailers realize that they need a more cost-effective infrastructure to provide an enriched consumer retail experience across *all* of their stores.

The major themes of the NRF Show this year included:

- Consumer – improving the consumer shopping experience, with mobile, loyalty, and "frictionless payments" continuing as hot topics.

- Mobile – for all facets of retail, this is a huge area of focus (consumer engagement, shopping, security, associate knowledge, endless aisle, self-checkout and more).

- Innovation – finding new, creative ways to drive the consumer experience at retail while providing efficiency on the retailer backend.

- Data – theme has moved from retailers' need for data to managing and utilizing the mountain of data they have.

- Personalization – for all of the themes above, the focus should be on localization and personalization to effectively drive shopper loyalty.

In a session on the Path to Purchase, Tracey Bowen from Sam's Club showed the graphic below. This graphic resonated as a perfect visual of the challenge lotteries face today:

Experience Journey Members

Source: Tracey Bowen from Sam's Club

Traditional forms of lottery marketing and advertising continue to be cannibalized. Lotteries must move toward other channels quickly or risk continued loss of basic awareness and consideration for our product. Shopper loyalty is equally important to a successful business model. This will require an infrastructure that enables adoption of technologies like proximity marketing – where we can more effectively reach the potential player in their shopping path, provide a value proposition that the consumer can act on in real time, or add personalization of the messaging to enhance the shopping experience and increase loyalty.

Retail Info Systems (RIS) and the IHL Group showed that proximity marketing is the second-largest technology in which retailers are investing. In March, IGT will conduct a proximity marketing program

Emerging Technologies Seeing Budget Growth

6.5%	5.0%	4.7%	2.8%	2.4%
Predictive Analytics	Proximity Marketing	Data Visualizations	RFID	Internet of Things
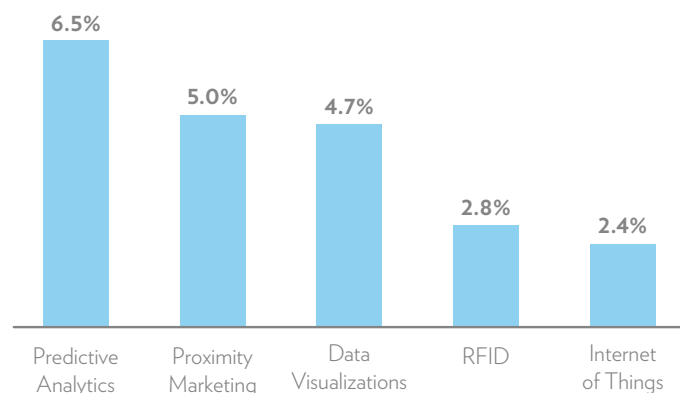
Source: Retail Info Systems (RIS) and the IHL Group

with the Hoosier Lottery, testing the concept at the claim center at Lottery Headquarters. By April, the proximity program, leveraging the Hoosier Lottery App, will roll out in collaboration with two Hoosier Lottery retail chains – Family Express and Lassus Brothers. Both retailers have their own mobile app, and with success of the lottery app proximity program, future plans are to leverage their retailer apps to enhance awareness to non-lottery players.

"CPG vendors who do not develop the capabilities to feed relevant data to their retail partners will get left behind in the player experience journey."

The power of proximity marketing is in the value of the content to the shopper. This is where the need for significantly enhanced use of big data comes into play. To effectively promote and market to shoppers, retailers – and ultimately their Consumer Packaged Goods (CPGs) vendor partners – need business intelligence to understand which channel the shopper is currently in (i.e., bricks & mortar, mobile, desktop, etc.), what SKU is selling and where, what the inventory availability is for shopping fulfillment in each channel, and what promotions are available to offer that particular consumer. Execution of a flawless consumer experience in each shopping channel is complicated, but retailers are working to connect all of these big data universes together. CPG vendors who do not develop the capabilities to feed relevant data to their retail partners will get left behind in the player experience journey.

The lottery industry is lagging behind many of its CPG competitors in the minds of our retail partners, but we can catch up. A June 2015 RSR Research study showed that retailers still have a long way to go to leverage all of these emerging technologies, so now is the time for lotteries and their vendor partners to focus on retail solutions

that will enable participation in initiatives that ultimately enhance the shopper experience.

For example, concepts like endless aisle (where a kiosk allows consumers to order items that are not physically stocked) could greatly benefit lotteries with high urban retail populations. In very small retail outlets with high foot traffic, lottery often does not get enough space to offer the full complement of products. Technologies that offer shoppers the ability to purchase additional electronic instant tickets, delivered directly to the shopper's mobile phone while in that retail location, provide that endless aisle experience for the shopper. The shopper is fulfilled, the retailer is paid on the sale of both physical and virtual inventory, and the lottery makes a sale it otherwise would have missed. That is a win for everyone.

Again, the need for big data comes into play. Prior to IGT investing in development of the Retail Market Insights (RMI) tool, the U.S. lottery industry had no mechanism to consolidate and harmonize retailer-specific sales information, supplemented by third-party data, to create meaningful rankings, indexing of retailer performance, and complete cross-state retailer analytics. While we have made great strides in taking IGT's RMI tool from proof of concept to reality with participation from 25 of the U.S. lotteries, we have not stopped there. RMI tool enhancements continue to be implemented based on lottery sales and marketing team user feedback. As an example, participants asked for supplemental game analytics by retailer. Under the theme of retail modernization, this data could be used for prioritization of endless aisle screen options to promote those specific games that are most appealing to the players who shop in that particular retail location.

What's Next in Payments?

In the NRF Show payments panel discussion (made up of participants from MasterCard, Google, Fresh Direct, and Kohl's), the main theme was how brands that deploy a multi-channel approach must provide a frictionless experience across all shopping channels. If a shopper starts the brand awareness in one channel and is disrupted and re-enters in another channel, the experience should be seamless. The brand

Retail Perspectives on Enabling Technology

● Very Important   ● Implemented/Satisfied

In-Store Beacons	Self checkout	Digital receipts	KPIs and alerts to store managers on mobile devices and tablets	Endless Aisle selling capabilities	Employee assisted selling mobile capability	In-store fulfillment
34%	37%	44%	48%	57%	57%	58%
17%	22%	19%	22%	30%	20%	31%
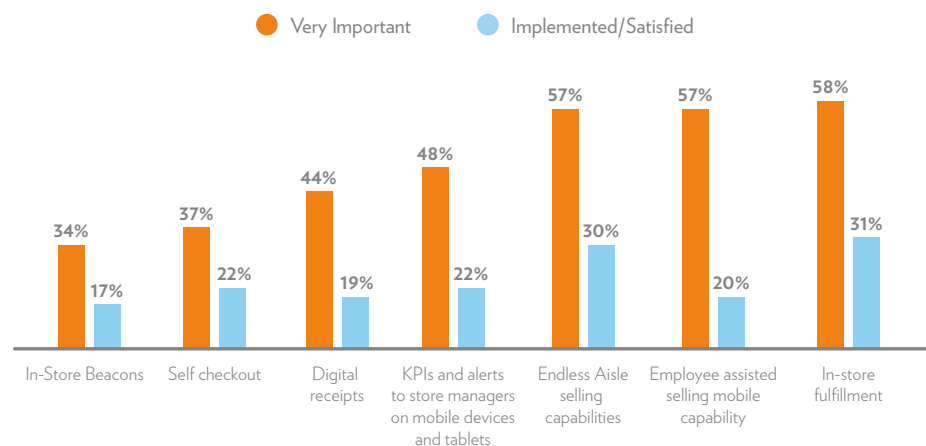
Source: RSR Research, June 2015

% of Total Media Consumption Time, USA

Hours Spent Per Adult User Per Day with Digital Media, USA

Print	Radio	TV	Internet	Mobile
4%	11%	37%	24%	24%

Print	Radio	TV	Internet	Mobile
3.7%	4.3%	4.9%	5.3%	24%

Mobile
51% of total

Desktop/Laptop
42% of total

Other Connected Devices
42% of total
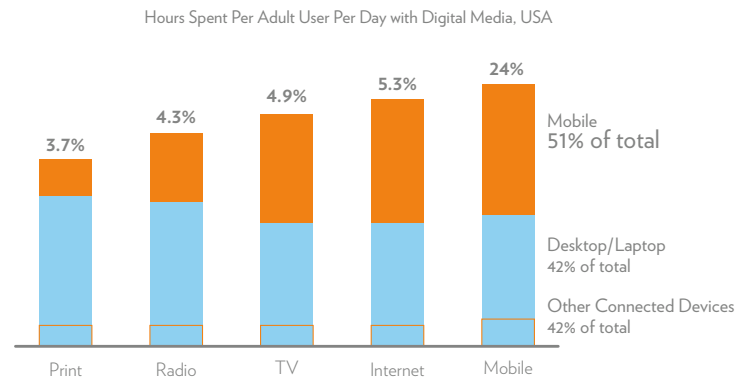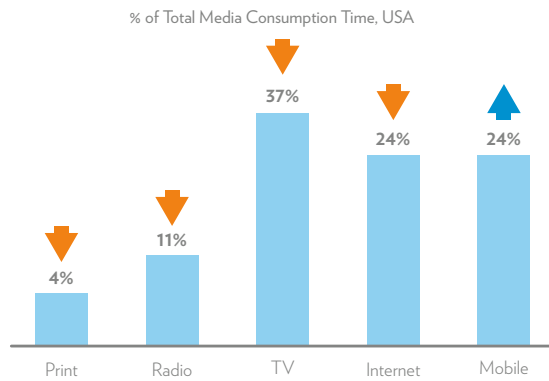
Source: KPCB Internet Trends Report 2015

should recognize the re-entry and continue where the shopper left off without having to start the journey from scratch. Payment is one important aspect of this experience. While security is still king, the payment experience must also be seamless. One way retailers are creating a less disruptive interaction is with "Buy Buttons." They appear as part of advertising or other marketing and provide an effortless path to payment. For those jurisdictions that allow Internet wagering, we provide Buy Now buttons that provide a quick path to purchase.

The panel members did not discuss which payment methods were most appealing – they were focused on how the breadth of payments should be accepted and easy to execute. Since shoppers research product across many channels, brands that offer the most payment options and provide the simplest payment execution will likely capture sales and repeat business. Debit and credit (where legislatively approved) solutions for lottery need to be tested further to determine the impact on sales and build the business case for "cashless" payments for lotteries and retailers. Early tests in Indiana and Florida show promising results and, in every industry before us, accepting debit and credit cards leads to incremental sales and profits. We expect to see the same for lottery. Solving the cashless payment challenge will broaden lottery appeal to another generation of players.

Mobile Is King

Mobile continues to be the hot topic among retailers, and the statistics justify the buzz. In addition to continued media consumption losses in traditional print, radio, and TV media, mobile has now overtaken all other channels of digital media.

Retailers are taking advantage of this mobile trend and focusing heavily on either launching or enhancing their mobile initiatives. Lotteries that figure out how to piggyback on the mobile initiatives of their top retailers will open up a world of incremental opportunities to market to both existing and prospective lottery players. Wal-Mart is currently ranked #3 in the 2015 *Internet Retailer Top 500 Guide.* An astounding 22 million people regularly use Wal-Mart's mobile app, which provides discounts, helps them locate items within the store,

and will soon support payment. Imagine the possibilities if a lottery promotion were tied into the Wal-Mart app.

In January, 7-Eleven announced that it had opened up mobile rewards to age-restricted products. The goal was to enable mobile rewards to apply to a significant portion of their inventory, including alcohol, tobacco, and lottery. 7-Eleven research tells them that their customers want shopping apps that help them interface with their preferred brands. As these new and exciting opportunities to partner with retailers appear – lotteries and their vendors need to be prepared to take advantage. Retailers are looking to stay relevant and counting on their CPG partners to explore ways to collaborate to provide consumers a continually evolving shopping experience:

We prioritize four strategic collaboration thrusts where the industry is underperforming, which will help to establish new value creation:

1 Consumer engagement
Open dialogue with consumers to build trust

2 Transparency
Information readily available about products (sourcing, ingredients, etc.)

3 The last mile of distribution
Exploring opportunities to collaborate

4 Modularized Technology
Ensuring business agility and rapid collaboration

Source: Capgemini and the Consumer Goods Forum

The retail environment is constantly evolving, and IGT is committed to keeping abreast of this ever-changing and dynamic environment and investing in the solutions that will allow lotteries to responsibly reach and engage with their consumers – whenever and wherever is optimal for that consumer.

IGT

The 10 habits of highly effective millennial marketers.
(Based on the analysis of 100 case studies)

Ulli Appelbaum,
First-The-Trousers-Then-The Shoes
Brand Consultancy

What is the secret to attracting Millennials? That's the million dollar question brand stewards in many different categories, including in the lottery industry, have tried to answer for years. Millennials are probably the most researched consumer generation in marketing, so you'd think the answer to this question would be obvious. In fact, a simple Google search for "Millennials" yields over 19 million search results, almost twice as much as for the other highly desirable consumer group, "the Baby Boomers" (10 million search results). And yet, while informative and interesting (everyone knows something about Millennials) most of this research is usually not actionable when trying to develop positioning platforms and communication programs actually targeting Millennials.

Maybe this explains why the industry hasn't cracked the code yet and why the question still seems like an important one?

To address this issue once and for all and turn the myths and half-truths about Millennials into specific and actionable insights, First-The-Trousers decided to analyze 100 North American case studies of effective marketing to Millennials (primarily Effie cas-

es), i.e. brands and campaigns that have successfully built their business by engaging Millennials.

A short version of the findings is published here (for more information about this research and a presentation of the more detailed results and relevant case studies please contact me at Ulli@first-the-trousers.com).

So what can we learn from these 100 brands who got it right?

1) They understand the role their category plays (or doesn't) in the lives of Millennials: the first observation is that these brands first and foremost help solve a relevant business problem. And they start by first understanding the role their brand (or category) plays or doesn't play in Millennials lives and design their strategies and marketing programs building from these first insights. For example, in 2015 Coke Zero realized that 80% of Millennials had never tried its product. Yet research also showed that 60% of people who do try Coke Zero, like it, actually like it so much that they would re-purchase it. The solution? Get as many Millennials as possible to actually sample Coke Zero at various events by engaging them via cool sampling devices and by rewarding them with a coupon. And while this program was executed in a really innovative way, I'd argue that its success is driven by solving a fairly mundane (but highly relevant) business problem.

2) They use celebrities to introduce their brand to Millennials. Another striking observation is that most of the cases we looked at used celebrities (from entertainment, Youtube, etc.) to help spread their brand message, usually as part of a broader marketing plan. While we knew that celebrities act as a great promotional device, we hadn't realized how systematically they were actually used and how critical they were in reaching out to Millennials successfully. Using celebrities acts as a short-cut to Millennials limited attention span and enabled those brands to extend their reach to the followers of these celebrities.

3) They design their marketing programs around real-life events. Interestingly, the majority of campaigns we looked at evolved a tie-in to a real live event, either an existing one (sports event, national holiday, ComicCon, etc.) or one specifically created for the campaign (a concert featuring Millennials favorite stars to promote AIDS testing in NYC, for example). So yes, while this cohort is often described as "digital natives," the key to their hearts and wallets seems to be through real-live events.

4) They amplify and add value to existing experiences. When connecting their brand promotion to a live event, those brands however go out of their way to amplify the experience as opposed to just show presence through passive sponsorship. Coming back to the Coke Zero example I mentioned in the first point, Coke didn't just use promotional models or hand out free cans and bottles. Instead they built a 26-by-36 ft drinkable billboard (and other really innovative ads) that served real ice-cold Coke Zero to thousands of fans. The liquid flowed from a giant Coke Zero bottle through 4,500 ft of straw tubing that spelled out 'taste it,' until it reached seven dispensers on the ground.

5) They more deeply understand and leverage existing Millennials' behaviors. Let's start with an example: yes, Millennials use social media, but this general statement is not very actionable or useful in itself. Why? Because the logical yet ineffective conclusion would be "let's create Facebook ads to reach them!," and good luck with that. So, better understanding their preferences is the next success factor of the brands we analyzed. For example, in 2015 Lowe's realized that the Millennials it wanted to attract used YouTube videos and illustrated blog posts as their learning media of choice. Lowe's also learned that they had particular preference for smart shortcuts and unexpected solutions, such as can be found on sites like Lifehacker. The solution, a campaign called "Fix in Six," that used Vine as core platform to distribute 6 second videos that would feed Millennials clever and useful home improvement content in appetizer-size portions. "Fix in Six" became an award-winning and innovative use of digital channels, but its real strength comes from the fact that it is rooted in a relevant consumer behavior.

Top 10 Habits of Highly Effective Millennial Marketers

(that will challenge your current beliefs)

1 They **understand the role** their category plays (or doesn't) in the lives of Millennials

2 They use **celebrities** to introduce their brand to Millennials

3 They design their marketing around **real-life events**

4 They **amplify and add value** to existing experiences

5 They **understand** and **leverage** existing Millennial behaviors

6 They cooperate with **entertainment and media** properties appealing to Millennials

7 They reward Millennials through **free giveaways** that promote sales

8 They seed their brand message across a multitude of **on- and offline touch-points**

9 They use **social media** to amplify their message rather than as a media channel

10 They use digital innovation to add social currency and a **WOW factor** to a message, not to replace it

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Source: 100 case studies of effective marketing to Millennials   www.first-the-trousers.com

6) They align with entertainment and media properties that are already appealing to Millennials (again, often as part of a broader marketing program). Another shortcut most brands we looked at used to gain the favors of Millennials was to

team up with media properties popular with Millennials such as BuzzFeed, College Humor, Vice, etc. to co-create content appealing to Millennials and in line with the brand's message, and then have that content live on a platform that Millennials are already comfortable with and enjoy.

7) They reward Millennials with free giveaways that (usually) help promote sales. One big "myth" in marketing to Millennials is that this audience will gladly be turned into brand ambassadors that will eagerly share the brand gospel across their social media channel with enthusiasm and for free. Our analysis on the other hand shows that most brands, while creating involving and share-worthy experiences, also rewarded the consumers who interacted with the brand with free incentives (or free products) that usually helped drive sales.

8) They seed their brand message across a multitude of on- and offline touch-points. A recent study into effective social media campaigns (Seriously Social 2015, Warc.com) shows that the most successful campaigns typically use between 3 and 5 channels (both on and offline), one of which often being the point of sale or retail environment. Our findings support this learning. The challenge with reaching Millennials is that one never knows if and when the tipping point will be reached and how the brand message will actually spread. Using a multitude of touch points (and tactics) seems to help address this issue. Including the point of sale as one of the touch points obviously helps drive sales.

9) They use social media to amplify their message rather than as a media channel. Yes, of course most of the brands we looked at used social media in one form or another. Some, usually due to budget limitations, even exclusively focused on only one or two social media channels. The point, however is that most of these brands tapped into the power of social media by giving Millennials a reason to share their brand message (and by making this sharing easy) and by promoting content they knew was already share-worthy rather than by buying advertising space on social media (even though some of the brand we looked at did). Frankly, it's easy to buy social media ad space to amplify your content- it's hard to create content shareable enough that you don't have to.

10) They use digital innovation to add social currency and a WOW factor to a message, not to replace it. Another myth about marketing to Millennials is that Millennials only respond to cool digital or social gimmicks. But I hope by now the reader will have realized that while these innovative ways to communicate play an important role in helping spread the word and create buzz for the brand, they were usually designed as a clever answer to a communication challenge rather than as an end, or as a creative indulgence, in itself. Snapchat isn't an idea- it's a place an idea could live.

Millennials are often thought-of as this mysterious cohort that lives in a different (digital) world with different conventions and values and that speaks a different language that needs to be decoded. Our research and experience shows that instead, they are a group of very pragmatic consumers that demand value from the brands they interact with. They just happen to have grown up in a digital world and therefore are way more familiar with the digital and social space than most marketers trying to appeal to them.

So to conclude, ask yourself following questions when developing your next campaign targeting Millennials:

• Are you solving a relevant business problem?

• Are you including celebrities to help promote your message?

• Are you using live events to promote your brand?

• Are you amplifying Millennial's experience at these events?

• Is your program leveraging natural behaviors or are you hoping to create new ones?

• Are you partnering with entertainment or media properties that appeal to Millennials?

• Are you rewarding Millennials for their participation and do these rewards drive sales?

• Is your program using multiple touch points including point of sale?

• Are you using social media as more than just a media channel? Are you providing reasons to share?

• Are you using the digital space in an innovative and talk-worthy way to solve relevant consumer problem?

If you can honestly answer yes to all these questions, your campaign will most likely succeed and you'll be able to attract Millennials to grow your business. If you can't answer yes to all these questions, at least you'll be able to identify where the weaknesses in your program are.

For more information about and insights from this analysis and actual case studies, please contact me directly at Ulli@first-the-trousers.com. ∎

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How to Market to People *Not Like You*

KELLY MCDONALD, PRESIDENT, MCDONALD MARKETING

Every company and organization wants to grow their business. It's imperative for your success. The best way to "grow business" is by reaching new customers. And the easiest way to do that is to reach the customers you're not getting, but could be. *In the world of government-gaming, "customers" are bombarded with daily marketing messages and from the customer's perspective, much of it washes over them in a "sea of sameness."* What will separate you and your gaming organization apart in a meaningful way, is to reach these prospective players with relevance.

Who are these potential customers? How are they different from your current consumers? Most importantly, how do you forge a bond with them across their differences? It's time to get to know, and then deliver, a welcoming message to a specific group. You have to research new consumer segments and learn what they need and want. Then modify your message to communicate that you value them. You say to them, *"I see you, I value you, and I want you. I'm putting out this welcome mat just for you."*

As a gaming professional, you've always had to "market" your organization. But the old "spray & pray" method of marketing no longer works—putting your message out there as broadly as possible and hoping it will hit a majority of your prospects. What's changed? The massive shifts in U.S. demographics and what consumers care about now.

The Census findings reveal startling facts: one in three people living in the U.S. is not White. One in six people in the U.S. is Hispanic. Among children, that ratio shifts to one in four. Blacks are moving to suburbs at a pace that's never been seen before. Rural counties are losing population to metropolitan areas, particularly with young people. And more women are single parents and heads of households than ever before.

These differences in our population and shifts in urban and rural growth have significant implications for all aspects of business. From a marketing standpoint, an effective approach can be to market to what makes a group unique and different, not what makes them the same. When you focus on what makes someone the individual that they are, it's usually less about the color of their skin or their age or gender and it's more about their values. Our values point to what our *priorities* are and that almost always points to where the business opportunity is.

This is where *"marketing to people who are not like you"* comes in. I deliberately avoid the word "diversity" because I find that people often think too narrowly about diversity: most people think only of racial or ethnic differences when they think of the word. But I believe diversity comes in many forms: gender, race,

> By recognizing these differences and tailoring your message or marketing efforts to reflect someone's uniqueness, you are validating their importance. This fosters a sense of "ahhhh—they get me!" and creates trust, likability and preference.

age, life stage, language preference, religious views, political views, sexuality, military/civilian—even hobbies or special interests are all ways in which people's *differences* are recognized. By recognizing these differences and tailoring your message or marketing efforts to reflect someone's uniqueness, you are validating their importance. This fosters a sense of *"ahhhh—they get me!"* and creates trust, likability and preference.

Here are some broad consumer insights and characteristics that may help you in your government-gaming marketing and messaging, or even in recruiting talent for your organization:

Women

Women place great importance on good customer service and are very vocal about the service they receive (or perceive). And they tend to *trust what other women say.* Additionally, women do more research online than any other consumer group. Therefore, posting testimonials from women on your website can reach women players in a meaningful way: they will find these testimonials because they spend so much time online and they will take the testimonials to heart because they enjoy reading the opinions of other women.

Gen Y / Millennials

Millennials value diversity almost more than anything else. They want to see diverse imagery in your marketing messages and they want to see diversity in your organization. That means women and people of color in senior positions. They want to work for and do business with "the good guys" and hiring diverse talent as well as showcasing diverse players in messages demonstrates that it's sincere, not just lip service.

They also care about "local"—local jobs, local community, local winners. They are in favor of anything that benefits their local community—it's another aspect of being "the good guys." So stress your local involvement in communities, your winners, the jobs and opportunities that your lottery creates, anything that supports "local" is viewed favorably by just about everyone, but especially, Millennials.

Contemporary Imagery as a Macro Trend

There is a key macro trend that is manifesting itself in marketing and communication messages today. It's the use of contemporary imagery—for example, showing people with tattoos in ads. Where tattoos once were considered by society as a sign of rebellion or even perceived as "unsavory" by some, today, tattoos are seen as a way to express individuality. Among people 18–35 years old, 40% have *four or more tattoos.* They use their tattoos to mark moments or meaningful events in their lives. When it comes to marketing, we all gravitate to images that we can relate to, whether it's age, grey hair, style of dress, etc. So it makes sense that if that many people have tattoos, the imagery that we see in *ads reflect the people that we are.* For example, look at this billboard for a bank in the Philadelphia area. The young woman on the billboard has an edgy, stylish

haircut. And she also has an entire sleeve of ink on her left arm. The banking industry is notoriously conservative; if a bank is showing images of young people with tattoos, you can bet it's not hurting their business. Rather, they're putting the welcome mat out for young account holders, saying in effect, *"we are the bank for you."*

Another example of contemporary imagery is showing the diversity of families today.

Very few of us live in "Leave it to Beaver"-land anymore. We have all kinds of family units and family is more broadly defined by most people as "who you love who loves you back." Many families are headed by single parents, divorced parents, gay parents, interracial parents, grandparents—even people who are not blood relatives. It doesn't matter. People want to see "the real real"—the people and families and images that look like they do. That's why brands such as Cheerios featured an interracial couple in their television ad last year. And HoneyMaid graham crackers has a campaign using no actors—only real people, with the tag line "A wholesome snack for all wholesome families." One of their families is a gay couple with their children and the tag line "Wholesome DAD-vertising." Again, these brands are not pandering to any group—they are simply showing diverse families—and they've had tremendous success with their campaigns.

We are rapidly becoming less of a homogenous, "one size fits all" group of people. We have, in fact, become many diverse groups of people. By thinking about differences among people, you can uncover their values, and that, in turn, will lead you to how to market effectively to them. It's about marketing to people not like you. Learning how to market to people who are not like you will help you grow

your talent, your business, your profits and your customer loyalty.

Kelly McDonald, is president of McDonald Marketing, based in Denver, Colorado. She is a popular speaker and speaks on numerous business topics and consumer trends. She is the author of two bestselling books: "How to Market to People Not Like You" and "Crafting the Customer Experience for People Not Like You." Her website is www.mcdonaldmarketing.com and she can be reached at 214-880-1717 or Kelly@mcdonaldmarketing.com ◼

Scott Bowen Interview ...

responsible play. We provide $1 million each year to the Michigan Department of Health and Human Services to help fund a state-wide responsible gaming program that offers resources for people who do have issues with gaming. The responsible gaming safeguards that we've built into our online games provide yet another way for us to help players.

It also would seem that the interactive nature of the online relationship provides a much better platform to promote responsible play. You don't really have that two-way line of communication at Retail.

S. Bowen: Definitely true. We know so much more about our online players than we do about our retail players. We apply all the tools at our disposal to encourage people to play responsibly. For example, we offer online players the option to "self-exclude" themselves from playing online for various periods of time. Or they may permanently exclude themselves from playing online games. These are part of the responsible gaming safeguards for our online games that you won't find in any other form of gaming in Michigan. That's part of our effort to help players enjoy a healthy recreational relationship with the Lottery and its games.

You ran a fabulous TV ad' during the Super Bowl (https://www.youtube.com/watch?v=r0ae_f9xGwQ). At the end, it included the tag-line of "Knowing your limits is always the best bet."

S. Bowen: I'm a strong advocate for responsible gaming. We are working to improve and expand our efforts to help players play responsibly. You can see that in our advertising and retail strategies and across all our products. I would also point out that dedication to the principles of RG does not inhibit sales at all. We consider RG as part of the player experience and that promoting RG is just another form of promoting Lottery. The bottom line, though, is that it's just the right thing to do.

You project your online sales to exceed 10% of total sales in FY 2016, your second year of online operation. And your registration is now more than 246,000. So, doing the right thing as regards to RG seems to be the best strategy for maximizing player engagement and sales. Those performance results must be ahead of plan?

S. Bowen: The online games performance is better than we projected at this time for a number of key metrics, including the number of engaged players, the length of play, and the frequency of vis-

its. We keep learning new things about what the players want, attracting players, and finding ways to promote the online games. Keep in mind that the Super Bowl ad kicked off three weeks of advertising to promote the online games.

What would you do differently if you were launching right now?

S. Bowen: The growth in mobile is much more dramatic than we expected. I would recommend that a mobile-first strategy would be a better way to go for the next adopters. In developing your strategy, you have to focus on and optimize for particular game-styles and devices. If you have to choose between optimizing for tablets, traditional online game-styles, and mobile, I would go mobile. Now we are allocating most of our online advertising budget toward mobile players.

I would also say that we are learning something new every day. We have an open mind and are just studying the results and trend lines, and using that data to identify the best strategic direction to carry us forward and optimize long-term growth. We have budgets and business plans, but everything changes so quickly that we are also flexible to adapt and change as we get new information. ◼

of R&D which support the lottery industry. There is product and innovation in the pipeline just waiting to be deployed. The cost and inefficiency of deploying it across 45 different IT platforms is an obstacle that can and should be removed.

We've had two meetings on the API and it seems like everybody is supportive. The API initiative would directly impact sales in a very positive way. We estimate the increase in sales resulting from penetration of multi-state retailers, faster deployment of new technologies and game content, and streamlined operational efficiencies would be north of $400 million a week in sales. That's $20 billion a year. There are start-up costs, and shifting of cost centers and budgetary adjustments to be done. The end result, though, is that the efficiencies would generate cost savings and increased sales for everyone.

I would liken the API to the IOS used by Apple to enable fast and low cost deployment of Mobile apps. One of Apple's competitive disadvantages in its competition with the PC / Microsoft platform in the eighties and nineties was its insistence on over-controlling its operating system, making it hard for programmers to create and deploy new content for the Apple and Macintosh products. Steve Jobs didn't make that mistake twice. Our system of 45 different IT platforms that communicate in different languages is similarly counter-productive. I think the first step is for all of us to appreciate the opportunity we have to change a system that is so inefficient and wasteful into a system that would catapult lotteries into the technological leadership position in the games-of-chance industry.

The vote to have all lotteries provide the option of 21-days settlement was unanimous and illustrative of the ability of lottery directors to come to consensus on important matters.

T. Presta: And it will help us to meet the needs of the multi-state retailers. Of course we come together as an industry to deliver better value to our players and all

Lottery stakeholders. We just need to do more. Much more.

It's hard to generate excitement for a back-office technology. The excitement ensues when we think about how the API effectively unlocks our imagination to know that innovation can be brought to market. It puts us into a place where we can know that "whatever the mind can conceive and believe, the mind can achieve." The API platform turns that Utopian-sounding sentiment into a reality.

And if the experience resembles Apple's, smoothing the path for creatives and technologists to realize their dreams is the key to bringing innovation to market. And for the financial gate-keepers, accelerating the speed at which investment in R & D is monetized in the form of products that are brought to market would have the collateral impact of stimulating more investment, more innovation, and still more and better products being brought to market. Bill Gates calls this a positive feedback cycle.

All of which would attract more investment capital from more companies that would be racing to develop new products and innovation for Lottery. The Apple iPhone model would seem to be a good blueprint to follow?

T. Presta: Absolutely. Who could have predicted the explosion of low-cost Mobile apps? Who can predict how an API that would unlock the imagination, and the capital resources, might impact our industry? Is there any reason why we might not expect that it could have a similarly explosive effect on Lottery? Maybe it would include game concepts and technological solutions that we can't even imagine now. And instead of months turning into years to deploy them, they would be commercialized within timelines that we can't conceive of with our current system. Why wouldn't there be a gold-rush of companies that would focus solely on game development? Our major commercial partners would be vital to the process of integrating them into our portfolio of existing

products. But the API would streamline that to make it fast, efficient, and cost-effective. Totally unlike our current system!

Each individual jurisdiction would still have total control over the games that are sold within their jurisdiction. Each Lottery would retain control over the games and the functionality that is or is not activated within their jurisdiction?

T. Presta: Of course. Easily done. Each jurisdiction will continue to have its own state laws and statutes which are all different from each other and all of which need full compliance. It would still be up to each individual director and lottery to decide what games they offered and which technologies to implement. They would simply have much more choice, many more options, as to what they chose to do.

The multi-state retailers would also be more receptive to a business process that enabled them to streamline the process of doing business with Lottery.

T. Presta: The API would enable them to connect with one universal hub that has communication and software programming protocols that would enable programs to be instantly disseminated. It would enable data to be collected and reports generated in a consistent format. It is exactly what they have been asking for and would enable them to interact with Lottery in ways that meet their needs for efficiency and speed. The API would have an absolutely transformative impact on our ability to penetrate and develop the big multi-state retailers.

I can't imagine anyone not agreeing that the reasons to implement an API are totally compelling. What I can imagine, though, is that there are obstacles to making it happen. What might some of those obstacles be?

T. Presta: The first major concern will be security. Obviously, everybody now has their own servers and is responsible for their own security. And assuring that security is

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paramount. The API, for instance, would enable retailers all across the country to validate tickets, and maybe even activate tickets, right through a singular central API server. Again, only at the direction of each individual lottery. So the very first question will be about the security of such a system and process. It is a legitimate concern and needs to be fully addressed. The bottom line is that it can be done. In truth, the central API server would improve security. The resources required to assure the security and integrity in 45 different jurisdictions is huge. For those resources to be aggregated and a small portion of that to be applied to securing the integrity of one central server would clearly result in a much higher level of security. I am not trying to diminish the importance of this issue, or the need to address it with complete transparency and due diligence. I am just saying that the concern for security should not be an obstacle that prevents the implementation of an API that serves all the lotteries. To be sure, the security of the API would be its most mission-critical obsession.

There would need to be a transition period during which lotteries would continue to use the functionality within their own system even while using the centralized API. Some states may choose to always have both. But that's no reason not to enable a centralized API that would deliver functionality that we do not have now. The API would be a resource that has the capacity to replace much of what is being replicated in 45 different lotteries. I would think that many lotteries would want to take full advantage of that. And that all lotteries would use at least some of the capabilities of the API. But that does not mean that a lottery is forced to relinquish control over any particular functionality. Redundancy, back-up systems, disaster plans, and all other measures standard with the most advanced security programs would be in place. They would in fact be superior to what is in place now. The API would be a resource, a technological tool,

that would augment and improve upon what is already being done.

Other obstacles?

T. Presta: Cost. In the long-term, there would be significant cost savings. In the short-term, we have to come up with a way to fund the development of the API. The ROI on the investment would be very positive. But it is an investment that requires capitalization to make it happen. The ongoing allocation of costs would not be an issue. To a large extent, those costs are already being borne by the individual lotteries. The API will deliver a result that will incur a net savings. The aggregate costs to deploy new games and technologies will be greatly reduced, cost-savings that will be enjoyed by each lottery. It's true, though, that these are complicated issues that will be challenging for lottery directors to come together and agree on an action-plan.

Another big issue is where the API server would be hosted and what entity would manage its operation. That's problematic. Is it going to be NASPL, MUSL, or a third party vendor? That involves servers, IT infrastructure, redundancy, security, oversight, and no small amount of other complicated issues. But these are obstacles that we can overcome. Put it this way, business leaders in the commercial world are constantly faced with obstacles that are far more formidable than the ones we face in the lottery industry. They have to invent solutions in impossible circumstances that seem to have no solution. We have the solution staring us right in the face. All we are dealing with are logistical challenges. It's not even a financial challenge. There is no risk or uncertainty as to the need and viability and ROI. We just have to sort out the logistics. It's true that we are tasked with managing a public Trust and that requires prudence and responsibility above all else. But we should not use that as an excuse. We owe it to our stakeholders and Good Causes to figure it out and forge onward and do everything we can to optimize the value of the public Trust which is Lottery.

Would retailers have access to data?

T. Presta: Access to data would all be restricted as per the requirements of each jurisdiction. Nothing would happen apart from the instruction of each individual jurisdiction. Central servers and API's are fully capable of preserving security, and controlling access for, multiple different users. It may seem like it involves a level of complexity that is more difficult to secure. But the technological tools and security apparatus are already being applied to far more complex systems than what would be needed by an API that serves the needs of the lottery industry. And the technology being applied to ensure the security of a centralized API server would be far more sophisticated and effective than those being used in the 45 different jurisdictions right now.

How do we begin the process of implementing the API?

T. Presta: The first step is for everybody, vendors and lotteries alike, that are working on this project to sign an NDA in which we all agree that the open discussions will be held in the strictest confidence. Without the NDA, there can be little in the way of substantive discussion about how to move forward with this project.

The centralized API would not compel anyone to do anything they do not want to do. It would enable much more fluid communications with retailers, but the Lottery does not need to activate those capabilities. It would make a lot more games available, but the Lottery can pick and choose as they wish. The Lottery vendor relationships do not change. The centralized API just provides an incredible resource with robust functionality and a conduit for new games and innovation. But each service, every game, every function is individually activated and employed solely according to the direction of each individual lottery. Lotteries would still operate the way they do today, just with the additional benefit of access to an incredible resource that would augment their operation. ■

DiamondGame
AN INNOVA COMPANY

INNOVATING RESPONSIBLY:
THE DIAMOND GAME PHILOSOPHY

Like others in the public gaming industry, Diamond Game enthusiastically embraces the goal of Responsible Gambling. March is Problem Gambling Awareness Month (PGAM) and the National Council on Problem Gambling (NCPG) encouraged everyone to "have the conversation about problem gambling." As a Silver Member of the NCPG, an organization that is the national advocate for programs and services for problem gamblers and their families, Diamond Game supports the campaign by embarking on a new initiative to further its focus and investment in responsible gambling.

her limits is a happier consumer who is more likely to enjoy recreational gaming and play responsibly for many years. Put a different way, the Responsible Gambling approach is the more sustainable business model and actually yields a higher lifetime value of the customer.

To Diamond Game, the best way to optimize the long-term profitability of the industry is to maximize entertainment value and Responsible Gambling – that's the Diamond Game philosophy. Most important, though, is that the Responsible Gambling approach is just the right thing to do.

Responsible Gambling, both for the benefit of the consumer and for the long-term health of the gaming industry. Diamond Game displays Responsible Gambling messages and problem gambling hotlines on its player-facing products and collateral. Many of its games also incorporate a Responsible Gambling clock that allows players to keep track of how long they've been playing. As Sara Navidazar, Diamond Game's Director of Marketing, explains, "It's just as important to remind players to play responsibly as it is to get players excited about a new game or high jackpot. As a Company that aims to bring thrilling gaming experiences to players, we also value the health and well-being of our players and communities." ∎

> The best way to optimize the long-term profitability of the industry is to maximize entertainment value and Responsible Gambling. The consumer who plays within her limits is a happier consumer who is more likely to enjoy recreational gaming and play responsibly for many years.

About Diamond Game:

Diamond Game designs, produces, and services games, gaming systems, and tickets for the public gaming, Native American, and charity markets. Diamond Game continuously develops new and thrilling gaming experiences to meet the needs of a variety of gaming markets and play-styles. Diamond Game maintains its corporate headquarters in Los Angeles, California and service facilities in Hamilton, Ontario, and Jefferson City, Missouri. Diamond Game is a wholly-owned subsidiary of INNOVA Gaming Group Inc. (TSX: IGG). Learn more about Diamond Game at www.diamondgame.com.

To that end, Diamond Game recently began utilizing resources offered by GAM-GaRD, a tool that aids the design of responsible games and helps to achieve a balance between profitable, entertaining, and responsible game play. Instead of thinking of these goals as requiring compromise and trade-offs, Diamond Game has always viewed them as mutually compatible. The consumer who plays within

GAM-GaRD is recognized by the WLA as meeting the "Responsible Game Design" criteria for level IV certification. The GAM-GaRD service also includes the Responsible Gambling Knowledge Centre which identifies the most suitable responsible gambling tools and features for specific games.

Diamond Game is also committed to raising awareness of the importance of

OnePlace—The power of a platform

Adam Perlow
President & Chief Executive Officer
Hudson Alley Software
www.HudsonAlley.com

I had the privilege of presenting at PGRI's SmartTech Conference in New York last year and talked about 3 decisions we made when we began to build OnePlace, the world's most widely used lottery sales force automation solution. During the talk, I focused on three big decisions we made which were:

1. **To go native**—rather than building just a web-based system, we decided to build a system that would use a native iPad app for users in the field and a great web app for users in the office. Of course it would have been easier to just build a web-based system, but we were betting our company's future on this new system, so it was much more important to do the right thing—the best thing for our users.

2. **To start with a blank screen**—when we started building OnePlace, the clear market leader for lottery sales force automation was OrderPad, which our company launched in 2004. We could have simply copied screens from OrderPad when we created OnePlace. It would have been the easy thing to do and the safe thing to do, but it would have been the wrong thing to do. We

had learned so much about the industry and the needs and use habits of our users that we knew we should start with a clean slate and build a user experience which would be much better than OrderPad; and that's exactly what we did.

3. **To build a platform that was configurable**—OrderPad had been customized for each jurisdiction and we learned that when solutions are heavily customized, they aren't easy to add features to and are difficult to upgrade when new technology becomes available. To add a feature, each jurisdiction's code-base must be manipulated individually, which can be a very laborious, time-consuming and expensive process. With OnePlace, we wanted to be able to add great new features that lotteries could start using immediately.

This article dives deeper on the last of those listed above, the choice to build a true software platform that is constantly evolving and improving.

Using Resources Wisely

Rather than spending our time and resources maintaining custom "consulting-ware" and working on features for one Lottery while squashing bugs for another Lottery, our development team works to make OnePlace better for everyone. We add features, we make things faster, we tweak existing features to make them better; we do these things to help move the sales needle; we do these things to help make sales teams more effective and efficient. Our customers spend less time testing new releases and more time getting results.

An Evolving Platform

As mentioned above, OnePlace is constantly improving and evolving at a very rapid pace. When new versions of OnePlace are released, they are immediately made available to all OnePlace lotteries. With OnePlace, there's no need to manually upgrade or hand-weave in customizations like there is with consulting-ware. For example, within the last 16 months, Hudson Alley released versions 5, 6, and 7 of OnePlace, along with several minor releases. Each of these new versions had several major new features along with tons of smaller improvements. The new feature list of OnePlace 5, 6, and 7 is too large to include here,

Josh's designs create instant success.

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THE
Science
OF Instant Products

Exploring the technology, philosophy and partnerships behind $1 billion in U.S. instant product growth last year

Scientific Games has always taken inspiration from the greatest pioneers in science – like Albert Einstein, one of the most influential scientists in history, who combined observation and measurement to create theories that offered new ways to see the real world.

While the perfect balance of science and art can take one on a lifelong journey, success is rarely achieved without years of research, commitment to excellence, trial and error – and an unbridled passion for curiosity and innovation. After more than 30 years of success with its multi-faceted, technology-driven Cooperative Services Program (CSP) for instant product management, Scientific Games continues to refine the program and drive record growth in instant game retail sales. CSP is in play in 20 lottery jurisdictions globally. In 2015, the company and CSP partners in the U.S. together created $1 billion dollars in instant product growth.

U.S. lotteries using Scientific Games' CSP solution, increased instant game sales by a collective $1 billion (U.S.) from FY2014 to FY2015, with the South Carolina Education Lottery topping the growth with a 16.5 percent increase in instant game sales. Top CSP performers, with instant sales growth ranging from 4.1 percent to 14.3 percent, are the Arkansas Scholarship Lottery, Delaware Lottery, Florida Lottery, Georgia Lottery, Illinois Lottery, Maine State Lottery, Pennsylvania Lottery and Tennessee Education Lottery.

"It's a beautiful experience when the company providing the lottery's instant product management services is also the primary instant game provider. And that's the distinction," says Jim Kennedy, Group Chief Executive, Lottery for Scientific Games. "When we're providing consumer insights, game design and manufacturing – in addition to product distribution – it is a proven formula for success that we call full category management. We've worked very hard with our lottery partners and retailers to refine the science behind CSP and it is driving growth like no other program in the industry."

Kennedy shared that the year-on-year net profit growth in dollars driven by CSP services from 2014 to 2015 is far beyond contributions to draw game growth in the same lottery markets.

"The only source of knowledge is experience."

-Albert Einstein

Scientific Games developed CSP services in the mid-1980s, continually improving the analytics and technology that support the program over the course of three decades. The foundation of the program is based on the company's 15 Determinants of Demand created by Jim O'Brien, Vice President of Strategic Marketing, Lottery for Scientific Games, a 35-year industry veteran whose inventive formulas and methodologies helped grow instant games to the $80.5 billion (U.S.) global consumer product category it is today. O'Brien's work began in the 1980s at the Massachusetts Lottery – perennially ranked number one in the world for instant game per capita sales. The industry's International Hall of Famer's strategies are used in major marketplaces across the U.S., Europe and Asia.

15 Determinates of Demand

Retail Distribution

OrderSorter
[automated packaging + distribution system]

SciTrak Ultra
[instant game management system]

Tel-Sell

OrderCast
[predictive ordering system]

Data Sharing

POWERED BY
CSP
[Cooperative Services Program]
SG SCIENTIFIC GAMES

Insights

MAP
[marketing ■ analysis ■ planning]

Game Design + Programming

Advanced Manufacturing Technology

Data Sharing

With instant game per capita sales for all U.S. lotteries using Scientific Games CSP services outpacing the industry by 40 percent in 2015, the program's operating scale accounts for approximately one-third of total U.S. retail sales. Based on real results achieved for customers, it is currently the most successful and effective category management program in the industry.

"Strive not to be a success, but rather to be of value."

-Albert Einstein

"What we have learned from decades of experience managing instant products all over the world is that our operational approach has a clear correlation with success. That correlation comes from the expertise of our people, it comes from the philosophy we follow of managing the product with a full category viewpoint," says Keith Cash,

Vice President, Global CSP Solutions for Scientific Games. "It also comes from refined technology, and most importantly from the partnership environment that's created in this business model. These elements have proven repeatedly that they lead to results for our CSP partners. For most lotteries, CSP impacts instant game net profits."

The science behind CSP has grown from the company's research and development of 15 Determinants of Demand, which are grounded in the four basic principles of marketing: Product, Price, Place and Promotion. The product determinants are payout, prize structure including the top or jackpot prize, number of games in the market, size of games, introduction cycles, product ingredients, and high-impact product positioning. The price determinant is price point planning. The place determinants are retailer density, retailer mix, payment

terms and commissions, quality of systems, and retailer incentives. The promotion determinants are advertising and promotions (point-of-sale) and the sales force.

Does CSP apply to lotteries of every size and maturity? "Although it began 30 years ago as a solution for a large U.S. lottery, today CSP drives performance for lotteries of any size and any level of maturity because the services are customized by Scientific Games for the individual lottery's specific needs and markets based on the 15 Determinants of Demand," says Cash. "From day-to-day operations, to overseeing the entire process of product development, manufacturing and distribution, CSP can be as robust as the lottery requires."

Cash explains that because the 15 Determinants of Demand are unique to each market, they inform a highly customized solution for each lottery that is designed to create higher levels of effectiveness, and ultimately to increase retail sales and profitability in the instant product category.

The 15 Determinants of Demand have stood the scientific test of time for the world's largest supplier of instant games, because they are rooted in the essential basic truths of the lottery business.

"Logic will get you from A to B. Imagination will take you everywhere."

-Albert Einstein

Over the years, as the 15 Determinants of Demand began to drive results for customers, Scientific Games invested further in technological innovation that created even greater efficiencies and growth in the instant product category for its CSP partners. Many of these technologies were patented as industry "firsts" and remain unique to Scientific Games. With the exception of MAP, a data system housed in the company's global lottery business center in metro-Atlanta, the technologies are customized and deployed at each CSP customer's site.

MAP

In an industry known for acronyms, MAP stands for Marketing Analysis Planning. It tracks how and why an instant game performs. The proprietary platform is a secure, interactive data system developed by Scientific Games to help make the best planning and marketing decisions possible for a lottery's instant game portfolio. Populated with data for more than 42,000 instant games, 33,000 ticket images and 2.1 million data points for weekly sales, MAP is much more than sales data.

With the click of a mouse, Scientific Games data analysts can quickly and easily determine how an instant game (or type of game) has performed based on performance data collected over time in other jurisdictions. MAP is unique because it links a game's attributes and artwork to its sales performance. And since the information is updated on a regular basis, the data is always current. Attributes such as game theme, play style, features, payout and even color are captured for every game and this information is used in conjunction with sales performance data to design games with features that appeal most to a specific lottery's player base.

SciTrak Ultra

The *SciTrak Ultra*™ technology is a supply chain solution for instant game management developed by Scientific Games in the mid-1990s and advanced with improvements over two decades to its current state. The SciTrak Ultra system enables the company to securely manage instant game inventory, with more accuracy and efficiency than other supply chain solutions. Most importantly, it allows lotteries to be much more responsive to retail sales volume and player demand.

Today, SciTrak Ultra includes a powerful predictive ordering system, *OrderCast*™, and an automated sorting system, *OrderSorter*™. All of these technologies integrate with retail sales functionality, called Tel-Sell or inside sales, to help the lottery manage instant products.

"Everything should be made as simple as possible, but not simpler." *-Albert Einstein*

OrderCast

A key component for optimizing the product mix and inventory levels at retail, OrderCast is a predictive ordering system informed by the Company's MAP analytics. First developed in 2007, it combines traditional inventory estimation methods with economic and mathematical prediction models. OrderCast actually "learns" over time, getting smarter and smarter with every set of data

collected. The system continually adjusts recommendations based on the data it receives, and then communicates revised recommendations to the lotteries inside sales team.

The bottom line benefits of efficient ordering is there is no guesswork involved in this very important aspect of managing instant products. OrderCast supports the lottery's retail network by answering questions such as:

- How many and which games should each retailer offer?
- Which games are selling well – and where?
- Which retailers are missing sales opportunities?
- When will a retailer run out of a game?
- When should a retailer switch out games?
- How much inventory should each retailer receive for a new game launch?

SciTrak Ultra/OrderCast States vs. Industry Average Weekly Per Capita

	FL	IL	PA	TN	INDUSTRY
Value	$3.51	$2.71	$3.89	$3.56	$2.33
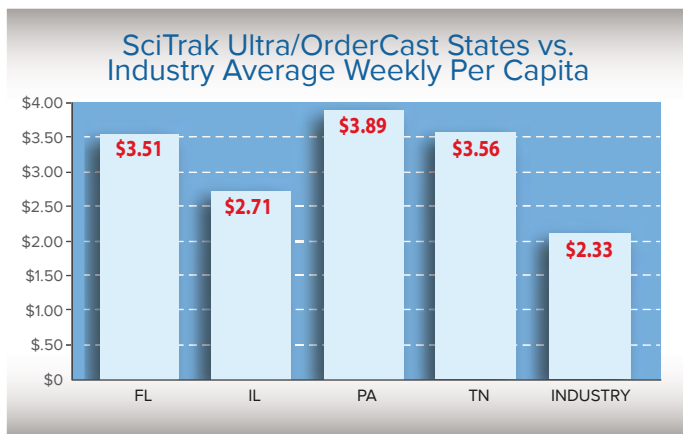
Using nearly 100 variables, OrderCast tailors date-driven adaptable orders. The system predicts the ideal product mix and inventory levels required for a specified sales period for each individual retailer in the lottery's network to help ensure optimal sales at each location. The forecasted sales then integrate with operational considerations, such as pack sizes, order cycles and "safety stock" to generate a final recommended order for each game. The internal sales team can review the order and customize further based on their communication with the retailer before the order is finalized and shipped.

OrderSorter

The other key component of SciTrak Ultra is OrderSorter, a technology developed in 2007 to take the instant game packing and distribution process to the next level. The highly automated technology is similar to technology

15 Determinants of Demand

PAYOUT

PRIZE STRUCTURE

PRODUCT INGREDIENTS

PRICE POINT PLANNING

HIGH IMPACT PRODUCT POSITIONING (CALLOUTS)

NUMBER OF GAMES IN MARKET

SIZE OF GAMES

INTRODUCTION CYCLES

RETAILER DENSITY

RETAIL MIX

RETAILER INCENTIVE

QUALITY OF SYSTEMS

PAYMENT TERMS

SELLING FORCE

ADVERTISING AND PROMOTIONS

used in major global consumer packaging operations. With scanners that read ticket pack barcodes, it adds another level of security and increases the accuracy in packing orders. Data transfers between SciTrak Ultra and the lottery's system for shipment auditing and approval. An order can be tracked at any point in the packaging process, and the lottery is therefore much less reliant on human interaction or error in their instant game distribution operations.

OrderSorter significantly impacts our delivery speed, efficiency and effectiveness: allocations are packed faster, higher volumes of orders are sent to retailers faster, and games can be launched in market faster and more efficiently than ever before.

"The time required to pick and pack orders is greatly reduced with OrderSorter, it is currently the most efficient and accurate instant ticket processing system in the industry," said Cash. "The biggest benefits of this technology are the efficiencies created, which allow the lottery to be much more responsive to retailer needs and player demand.

"Once we accept our limits, we go beyond them."

-Albert Einstein

Pennsylvania Lottery

Working with Scientific Games, the Pennsylvania Lottery has developed an instant game portfolio that has helped it to achieve over $1 billion in profits in each of the last three fiscal years. Ranked third in the world for instant per capita sales with more than $2.5 billion in instant game sales FY2014, the Lottery has focused on growing its retail network to more than 9,000 retailers. With 60 new instant game launches annually, there are 45-55 games on sale at any given time. Top-sellers with Pennsylvania players are money-themed and key number match games at the $5, $10, $20 and $30 price points. Extended play games like bingo, crosswords and *Gold Rush*®, a key number match game, are also popular as are licensed branded games.

In 1997, following a competitive bid process, the Lottery partnered with Scientific Games, its primary instant game provider, to develop a full instant category management solution for what they believed to be an underperforming instant product line with sales of just over $409 million. With the introduction of CSP's comprehensive approach to

Pennsylvania Lottery: A History of Instant Product Growth

- $458.1 M — 1998 — INITIAL CONTRACT AWARD
- $1.70 B — 2007 — NEW CONTRACT AWARD
- $2.59 B — 2015
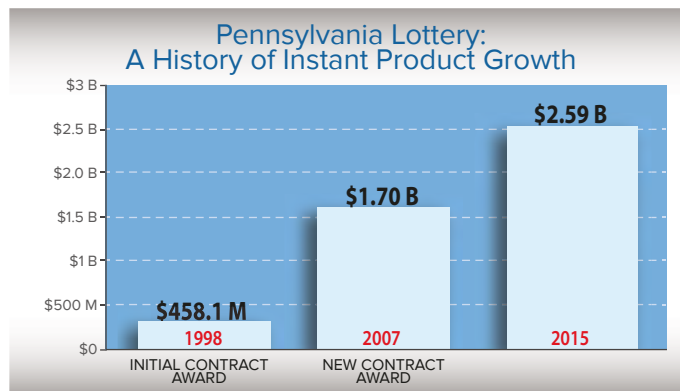
instant game planning, a complete warehousing and distribution solution, and a dynamic Tel-Sell group to interact directly with its retailer network via weekly phone contacts, the Pennsylvania Lottery experienced explosive instant product growth.

Over the next 10 years, the Lottery's instant sales grew nearly 400 percent to just over $1.6 billion. In 2007, the Pennsylvania Lottery made the decision to continue its partnership with Scientific Games and challenged the company to build a solution for future growth up to $2 billion and beyond. Scientific Games deployed – for the very first time – its newly developed OrderCast predictive analytics tool and fully integrated it into the existing SciTrak Ultra system. The Pennsylvania Tel-Sell team now had the game mix insights to help grow profits – not just sales – for the Pennsylvania Lottery and its retailers. Since the addition of OrderCast to SciTrak Ultra in 2007, Pennsylvania Lottery sales have grown to more than $2.5 billion – achieving nearly $1 billion in growth in just eight years.

"The Pennsylvania Lottery's full-category management approach with Scientific Games launched tremendous momentum for sales growth in the early phases of our partnership," says Cash. "The addition of OrderCast catapulted that growth far beyond all of our expectations to establish the Lottery as a worldwide leader in instant game per capita sales."

"Creativity is intelligence having fun."

-Albert Einstein

Florida Lottery

The Florida Lottery is perennially one of the highest performing lotteries in the world since former director Rebecca Hargrove's groundbreaking approach to

marketing when it launched in the late 1980s. The Lottery is ranked in the Top 10 lotteries worldwide for instant game per capita sales with more than $3.5 billion in instant game sales FY2014. With the industry observing its now proven methods for many years, the Lottery has 13,000 retailers throughout the Sunshine State. Up to 70 games are usually generally in market, with approximately 36 new games introduced each year. Fifty-six percent of instant sales are at the $10 price point and above, with the $20 Gold Rush game, a money-themed key number match game, one of Florida players' favorites. Bingo and crossword games are constants in the product mix and other favorites are licensed branded games.

With SciTrak Ultra deployed at its Orlando operations in 1997, the Lottery embarked upon a CSP partnership with Scientific Games, who provided 95 percent of its instant games. Automated sorting was added in 2009 with OrderSorter and in 2011, predictive ordering with OrderCast.

"There have been so many advancements in technology since we began CSP services with Scientific Games, all making our vendor partnership relationship critical to success," says Tom Delacenserie, Secretary of the Florida Lottery. "I brought my consumer products background to Florida in 2000 and have always tried to market our games as consumer products. Our approach is total category management from concept to market including media support at launch, planned product assortment at store level, and inventory based on the retailer's rate of sale. The result has been a 79 percent growth on our instant game sales over the past five years."

Implementing the Florida Lottery's strategic marketing plan and the 15 Determinants of Demand have had a major impact over the years. In 2013, Scientific Games worked with the Lottery to create a six-week game introduction cycle that would offer players bigger games and better prize structures."

"Together, we conducted a comprehensive analysis of our sales, game launches and schedules. The six-week launch schedule allows us to maximize inventory levels and sales at retail. It also gives us a longer lead time as we prepare for the next new game launch," says Delacenserie. "Six weeks allows us to educate our sales teams, retailers and players about the new game and create needed consumer awareness through the targeted use of point-of-sale materials. It's a results-driven strategy and another tool that we've used to drive our instant sales to the next level."

"The important thing is not to stop questioning. Curiosity has its own reason for existing."

-Albert Einstein

Tennessee Education Lottery ●

Also ranked among the Top 10 lotteries worldwide for instant game per capita sales, the Tennessee Education Lottery has grown instant games to a more than $1.2 billion consumer product category in FY2015. With the expertise of President and CEO Rebecca Hargrove at the helm, the Lottery is one of the leaders in the U.S. for maximizing returns to it beneficiary: education in the state of Tennessee. The Lottery contracted with its exclusive instant game provider, Scientific Games, for CSP services at its inception in 2004.

The Lottery markets 40-50 instant games at a time, launching approximately 50 new games per year – four

every month including seasonal games on "Tennessee Tuesday," the first Tuesday of the month. The *Jumbo Bucks™* family of games at seven of eight price points currently account for 60 percent of instant sales. Bingo and crossword are favorite extended play games in the state, as are games with licensed.

"We have experienced 12 consecutive years of growth in our instant product category, a compound annual growth rate double the industry average," says Hargrove. "We have always approached our instants business with the mission to responsibly grow the product line and are always open to new product ideas. As part of this strategy, we hold regularly scheduled focus groups that allow us to stay in touch with our players on their preferences for new games, as well as our advertising, loyalty program and other offerings."

The Tennessee Education Lottery attributes the success with instant products to the close partnership shared with Scientific Games and the collaboration on strategy, products and services that can increase profitability. Working with the Company's SciTrak Ultra system, the Lottery's Retailer Sales team places more than 300,000 retail orders per year, which are fulfilled by Scientific Games at an operational center just outside of Nashville.

"The measure of intelligence is the ability to change."

-Albert Einstein

Maine State Lottery ⬤

One of the first lotteries in the U.S., the Maine State Lottery launched its first instant game with Scientific Games – starting with a 50-cent game – in 1974. Flash forward 40 years to 2014 when the Lottery, ranked in the Top 15 lotteries in the world for instant game per capita sales, moved to a CSP partnership with its primary instant game provider, Scientific Games. The reason? To help manage inventory for its 1,245 retailers (including 27 chains) and create additional revenue-generating opportunities for the New England state's General Fund.

It is important to the Lottery to have the right amount of games released in market at the right time so there is not a "game clog" during slower summer months. Generally, there are 32-39 games on sale at one time – a total of 40-45 throughout the year. Top sellers include multiplier games such as *10x The Money™*; Jumbo Bucks, a family of games across multiple price points; and Maine's first $25 game, *$40,000,000 FORTUNE™*. Other popular games include extended play games such as Maine Crossword, which features iconic images from throughout the state, and licensed branded games.

"Looking through the dual lens of player motivation and retail economics, we worked closely with Scientific Games to conduct a thorough analysis of all of our games using their MAP database to compare the games to every instant game in the U.S. and more specifically, in the New England region," says Tim Poulin, Deputy Director, Maine Bureau of Alcoholic Beverages and Lottery Operations.

Scientific Games created an all-inclusive package of CSP services for the Lottery including instant game design and manufacturing, marketing and an instant game management system featuring Tel-Sell (inside sales), warehousing and retail distribution.

"With the introduction of CSP, lotteries typically see a substantial increase in instant game sales the first year. Because the Maine State Lottery fully embraced all of the CSP components, and their retailers quickly adapted to the OrderCast predictive ordering system, instants sales jumped 16 percent the first year to more than $183 million," says Cash. "In 2015, the Lottery set record sales for both instant games and total sales."

"The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking."

-Albert Einstein

Illinois Lottery ⬤

In 2011, the Illinois Lottery was the first in the U.S. to move to a private management model, with Scientific Games as its primary instant game and CSP provider. With more than $1.7 billion in instant game sales in 2014, the Lottery is ranked among the Top 15 in the world for instant game per capita sales. With a total of 45-50 instant games

annually, the Lottery has 35-42 games in market at any given time. Game launches are monthly, with product and price point mix determined by a static 24-bin plan-o-gram philosophy. Top sellers are $10 Crossword, the Cash for Life family of games across all price points, and in general, higher price point games.

"There was a lot of opportunity for the Illinois Lottery with its instant game products. We began with the strategy to implement best practices and grow the business from there," says Cash. Scientific Games then deployed SciTrak Ultra, OrderCast and distribution services in August of 2011.

The Lottery experienced 13 to 15 percent year over year growth the first year as the strategy took hold and created a solid foundation. Year over year growth peaked at 50 percent in February 2012, with no month growing less than 10 percent year over year until November 2013. By the end of 2015, instant products in Illinois were providing an estimated $127 million more per year in profit to the Lottery's beneficiaries – education and capital projects – than before CSP began.

"Life is like riding a bicycle. To keep your balance, you must keep moving."

-Albert Einstein

Since it began in the mid-1980s, the Company's CSP has driven a higher rate of instant game per capita sales growth than any other program of its kind. It has also increased a higher rate of retailer sales commissions.

"CSP is where science meets art for our customers. Our philosophies in instant game management are powered by highly advanced data and technology systems. Our customers trust the unparalleled expertise of our people. The program is tailored for each individual lottery and has proven time and again that it produces measurable results," says Kennedy. "This has been a 40-year journey for Scientific Games, and we understand every cog in the wheel involved in researching, designing, manufacturing and marketing one of the biggest consumer product categories in the world."

Since 1974, Scientific Games has helped create momentum for instant game sales across the globe. The company continues its research on consumers, retail economics, logistic efficiencies – and the art behind designing games that have become a part of modern culture. Our mission is to empower our customers by creating the world's best lottery and gaming experiences.

POWERED BY CSP

5 Inventory Management
Secure Warehousing
OrderCast Retail Placement
Inside Sales
Order Fulfillment
Distribution Services

1 Insights & Analysis
Concept Testing
Market Insights
Retail Analysis
Game Tracking
Sales Analysis

Strategic Planning 2
Portfolio Development
Promotional Planning
Launch Strategy
Prize Structure Strategy
Retail Execution Strategy

Game Development 3
Specification Development
Game Design
Game Scheduling
Game Programming
Prepress

4 Game Production
Printing
Packing/Shipping
Quality Control
Game File Development
Post-Game Audits

FY2015 Average Instant Sales Per Retailer
The CSP Program Delivers 51% Higher Average Sales Per Retailer

	SG CSP	OTHER SOLUTIONS
	$256,689	$168,948

(Bar chart axis: $0, $50,000, $100,000, $150,000, $200,000, $250,000, $300,000)

AGEM

Association of Gaming Equipment Manufacturers

Marcus
PRATER

Executive Director
Association of Equipment Gaming Manufacturers (AGEM)

The Advent of Variable Payout / Skill-Based Games

PGRI Introduction: The Association of Gaming Equipment Manufacturers (AGEM) is a non-profit international trade association representing manufacturers and suppliers of electronic gaming devices, systems, table games, key components and support products, and services for the gaming industry. AGEM works to further the interests of gaming equipment suppliers throughout the world. Through political action, regulatory influence, trade show partnerships, educational alliances, information dissemination, and good corporate citizenship, AGEM works to create benefits for its members.

AGEM has assisted regulatory agencies and participated in the legislative process to solve problems and create a business environment in which AGEM members can prosper while providing a strong level of support for education and responsible gaming initiatives.

Marcus Prater was appointed to lead AGEM as executive director in 2008. Over the last eight years, AGEM has carved out an influential role for itself as an advocate for its members and for the progressive development of the gaming industry. Under his leadership, AGEM membership has increased from 32 member companies to the current all-time high of 154.

Paul Jason, PGRI: *What is AGEM's role in the development of the market for skill-based gaming?*

Marcus Prater: It's the responsibility of individual companies to develop the gaming concepts and get the games submitted to the lab in Nevada for approval to bring them to market. Then everyone will see how these games actually perform in the casino environment. It's encouraging that states like Massachusetts and New Jersey have come out with their own skill-based and variable-payback language that mirrors what was adopted in Nevada. We hope the blueprint that we created in Nevada will proliferate to other states, and to other countries as well.

What is meant by "variable payback" as opposed to "skill based?"

M. Prater: In Nevada, it's not just skill-based games that can set the payout to adjust for the performance of the player. There are other identifiers that will allow casinos to offer different paybacks to different players. That's why it's really about variable payback percentages. For example: It's your birthday. You sit down at a machine and you put your player's card in, the monitor displays a graphic that wishes you a "Happy Birthday." This machine is normally a 90% payback game, but because it's your birthday, it is set to give you 98% payback. It has nothing to do with skill, right? It has to do with identifying you as a good customer, connecting you with an event that has nothing to do with skill, and rewarding you with a higher payback, perhaps as an incentive for you to come back at least on your birthday, if not more frequently to see if it might not surprise you with a reward for some other event. That's why the correct term for the whole concept of adjusting the payback to the individual is more accurately called "variable-payback slots" instead of "skill-based." That

variable-payback slots category includes the sub-category of "skilled-based games" that offer variable paybacks based on different performance and skill levels.

How complicated is it from a regulatory point of view? Is there anything in a legal sense that differentiates variable payback not based on skill, variable payback that is based on skill, and the conventional random-based slot machines?

M. Prater: Yes. Regulation 14 will govern this new form of gaming in Nevada. The regulation is accessible on the Nevada Gaming Control Board website (gaming.nv.gov, click on "Statutes & Regulations," and scroll down the list of regulations). I encourage interested parties to read it. It's similar language to what Massachusetts and New Jersey have posted in their draft regulations. There are ways that both the suppliers and the casinos will be able to take advantage of this new gaming landscape.

How are the games calibrated to allow for the fact that players are going to have different levels of competency? What's to stop it from becoming professionalized, which would make it hard to get a high volume of players because novices won't want to be playing against professionals, will they?

M. Prater: We're not sure yet. There are companies like Bally that showed Space Invaders at G2E. That was a standard video slot, but when you reached the bonus round there was a skill-based element as though you were playing a game of Space Invaders. I think that type of game is going to be the easiest to get approved. In terms of more radical concepts, Nanotech has a pinball game where they claim the payback percentage can go north of 100-110%. Obviously, if you have 110% at the high end then you need 80% at the low end and therefore you get a blended 90%–92%. The manufacturers will have to certify—and the lab will have to approve—that these games are blended at

92% or whatever the number is. For those types of games, they will require a field trial and that's when we'll know if the game is too easy or too difficult to beat. The field trial process will be a learning experience for the lab, for the suppliers, for the players, and for the industry. A casino doesn't want a game that consistently pays back over 100%. And the players won't play if the payback is too low. I think suppliers will solve that riddle.

Is there some way to adjust for the variety of skill levels that players will bring to the game?

M. Prater: Players will be clearly notified that these are skill-based games. In many cases, you'll see games that say it is an 88% base game, but that if you're particularly good during the bonus round, it may pay up to 100%. For the first time, players will know the payback percentage. There has been no jurisdiction in the world where a player could sit down and know what the payback percentage is on a particular machine. A video poker play table may have been the rare exception.

> { I'm very excited by the prospect of skill-based gaming. I just try to temper everyone's expectations to understand that this new form of gaming will take time to make the kind of impact that we want and expect it to have. }

So, by providing players with more information, this new game style will be more transparent. I think there will be some basic games where the swing will be a matter of 6 or 8 percentage points. I think other games will run the gamut and the high is whatever the operator wants it to be.

How do you think this new game-playing style might impact the industry going forward?

M. Prater: As exciting as the possibilities are, it is likely to be a very slow process. We won't know the full impact of this for several years. But I do believe that

the younger folks, who aren't necessarily attracted to the current types of slots, are now faced every day with an unbelievable amount of gaming entertainment, whether it's on their phones or their tablets or their X-boxes or whatever it may be. The convergence of all that gaming entertainment with a wagering element will provide a major spark for the casino floor.

How appealing is the highly stimulating environment of a casino floor, for younger adults in particular? Is there any measure of that?

M. Prater: I think one of the reasons the Super Bowl handle was so large in Nevada this year was because the 21- to 30-year-old male loves the idea of sports-betting, and loves the high energy of Las Vegas and the excitement of the Super Bowl or a March Madness in Las Vegas. And they can now wager on sports on their phones while in the casino. They can go to the betting windows as well. Over time, whether you're wagering on your phone or on a tablet or on a surface table or on a big screen, those gaming elements will find their way into the casinos.

Do casinos need skill-based games to appeal to the younger players? Do casinos need to plan on investing in this new play-style to succeed at growing the market and bringing in new consumer groups?

M. Prater: I think they do. Gaming revenues in Vegas have been flat, but these younger people are spending money in their clubs and out by their pools and at shows and on food and beverages. But at

REACHING NEW CONSUMER GROUPS
THE TRANSFORMATIVE IMPACT OF GIFT CARDS

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GIFT CARDS 101: A QUICK LOOK AT THE MARKET

They're ubiquitous. Walk into anywhere you shop and you'll see them; they're gift cards and according to Card Hub the gift card market is estimated to approach $140 Billion. Whether you buy them as a last resort gifting option, a convenience shopper, a card enthusiast or budget tamer, the CEB Tower Group shows that Americans purchase an average of 5 gift cards a year and spend $213.02 on them.

The consumer appetite for gift cards has grown to encompass nearly every activity that consumes America's pastime. Think of how people spend their money and you will find a gift card that corresponds to that interest. While the majority of gift cards allow the purchaser to tailor their gift towards a known interest of the recipient, Nearly a quarter of gift cards (23.3%) are purchased to be used as gifts that the recipient can use for non-specific specific purchases. These gifts tend to take the form of a debit card whereby the purchaser can select a gift card with the assurance that the recipient will receive a gift that they are sure to appreciate. Debit card gifting helps remove the doubt that a person giving the gift may encounter when trying to select the right gift for someone special whose interests may be changing, or not really understood.

GIFT CARD PROGRAM CONSIDERATIONS:

The decision to offer a gift card program is one that requires a great deal of thought. Companies normally get one shot at getting on a retailer's plan-o-gram (that gift card space that may take up the end cap of an aisle, a portion of an aisle, or an entire aisle). When a company decides to offer a gift card, what considerations do they need to take into account when they are trying to define the kind of gift card program that's best for their product? What do retailer's look for when they decide whether or not?

When a company sells a gift card there are two primary factors to consider; customer acquisition and monetization. These two factors unfortunately may be at odds with each other. Customer acquisition refers to a gift card program that is designed to attract new customers to your product or services. The primary goal of customer monetization, on the other hand, is to entice existing customers to spend more on the company's products or services.

For the purpose of this discussion, let's stick with customer acquisition programs. The common fallacy of gift card programs is that by putting a gift card in retailer, the exposure alone will create success. This simply isn't true, gift cards don't acquire customers; gift card marketing does. What gift cards alone can do is be an extension of an advertising campaign, if you are willing to accept part of the costs into advertising and not customer acquisition, then there is some additional funds for gift

Gift Cards Purchase Statistics Average Number of Gift Cards Purchased (2011)			
Type of Consumer	**Average Number of Gift Cards Purchased**	**Average Purchase Amount Per Card**	**Average Dollar Amount Spent Annually**
Budget Tamer	6.70	$43.36	$291.72
Card Enthusiasts	6.10	$44.87	$274.82
Helpful Husbands	4.60	$42.32	$194.56
Convenience Shoppers	4.00	$441.75	$167.41
Last Resort	3.30	$40.18	$131.45
TOTAL	5.00	$42.96	$213.02

Gift Cards Consumers Expect to Purchase

Gift Card (by Merchant Type)	2006	2007	2008	2009	2010	2011	2012	2013
Book Store	N/A	N/A	N/A	24.4%	23.7%	19.8%	20.8%	18.9%
Catalog	N/A	N/A	N/A	2.7%	3.2%	3.3%	4.2%	4.6%
Coffee Shop	N/A	N/A	N/A	13.0%	13.9%	15.9%	8.1%	19.6%
Craft Store	N/A	N/A	N/A	2.7%	3.8%	3.7%	4.8%	4.9%
Department Store	N/A	N/A	N/A	38.4%	39.2%	38.7%	39.1%	40.3%
Discount Store	N/A	N/A	N/A	16.3%	14.7%	13.0%	14.2%	14.5%
Electronics Store	N/A	N/A	N/A	18.8%	19.0%	19.8%	19.3%	20.1%
Entertainment (movies, etc.)	N/A	N/A	N/A	15.5%	14.1%	18.2%	18.8%	18.7%
Gas Station	N/A	N/A	N/A	9.3%	9.3%	11.1%	11.0%	12.0%
Grocery Store/ Gasoline	N/A	N/A	N/A	10.6%	10.8%	11.9%	12.6%	13.8%
Home Decor/ Houseware Store	N/A	N/A	N/A	3.3%	3.9%	4.3%	4.8%	4.5%
Home Improvement Store	N/A	N/A	N/A	9.8%	8.9%	9.4%	9.7%	9.1%
Office Supply Store	N/A	N/A	N/A	1.8%	2.2%	2.2%	2.6%	2.5%
Online Merchant	N/A	N/A	N/A	5.3%	6.3%	8.9%	11.2%	12.7%
Restaurant	N/A	N/A	N/A	33.4%	33.4%	33.8%	33.3%	34.2%
Salon/Spa	N/A	N/A	N/A	5.6%	6.1%	5.7%	6.2%	5.9%
Shoe Store	N/A	N/A	N/A	2.7%	3.6%	3.7%	4.7%	6.1%
Specialty Clothing Store	N/A	N/A	N/A	7.2%	6.9%	7.6%	7.5%	7.9%
Sporting Goods Store	N/A	N/A	N/A	5.4%	6.4%	6.3%	6.4%	6.2%
Visa/Master Card/ American Express	N/A	N/A	N/A	22.1%	23.8%	24.4%	24.1%	24.4%
Other	N/A	N/A	N/A	4.7%	4.6%	4.0%	3.4%	3.9%

NOTE: *The sum of the % totals may be greater than 100% because the respondents were allowed to select more than one answer.*

card marketing. This means that before a company launches a program, it must fully analyze the true customer acquisition cost in terms of advertising (reinforcing customer awareness) and acquisition (prompting the gifting impulse).

There are four basic components to a gift card program: card costs, technology and distribution costs and marketing costs. Most companies understand what their customer acquisition costs in their day to day business. But there also may be different matrices for advertising that must be accounted for. This will be very important in defining the budget for the gift card marketing program.

Acquiring a customer in a new channel should not be out of line with current customer acquisition costs, but the existing costs do not include card, technology and distribution costs. Card costs are directly associated with the kind of program that the company wants to offer. There are two basic programs that need to be assessed; open loop and closed loop. The card costs can vary significantly between the two types of programs.

CLOSED LOOP GIFT CARD PROGRAMS: UNDERSTANDING STORED VALUE AND TRANSFER VALUE

A closed loop program is the most common gift card program offered by online and physical retailers, restaurants and entertainment venues. It is called a closed loop because the activation and redemption of the gift cards takes place on a network that connects the activation at retail and the redemption with the program provider. This network forms a loop between activation and redemption, and is closed to limit redemption to only the gift card program issuer; hence the term closed loop. These gift cards can't be used for anything other than their intended specific purchase purpose. If a purchaser gives a movie theater gift card to a friend on their birthday, that card can only be used at the specific movie chain. The gift card issuer contracts with a company to provide card activation, and then integrates their Point of Sale (POS) with that company to facilitate the redemption of the gift card. At the time of activation, when the consumer purchases the gift cards, the technology provider associates the amount of funds receive with that specific gift card. This is often referred to as a load, or loading the gift card. The funds which have then been loaded on the card are subtracted from the card at the time of redemption.

This all happens on a network, commonly called rails, supplied by the company providing activation. InComm is a major provider of closed loop rails. The technology provider collects the funds from the sales of the gift cards (minus the amount of commissions due to the retailer, distribution and technology fees) and remits the funds to the gift card issuer. There are two basic transaction methodologies associated with closed loop gift cards; transfer value and stored value. With a transfer value gift card all of the funds loaded on the gift card are

consumed, or transferred, at the time of redemption. Once redeemed, there is no value left on the card, and the card may not be used again. The most common use of this type of redemption is to transfer funds into the program providers' wallet, which are then consumed at a later date; think online music and games.

The second transaction methodology is called stored value. Just like it sounds, the funds that are loaded on the card are kept in an account associated with that card. The recipient of the card can choose to use the funds all at once or incrementally until the funds are depleted. Once depleted the card no longer has any value (although a gift card program may be developed to support subsequent reloading of the card as well). A processor is required to keep the accounting accurate and ensure that funds are available upon redemption. The technology partner may supply this service, or a third party processor can be contracted to provide this functionality.

WHAT HAPPENS TO THE UNUSED FUNDS?

Both methodologies may result in unused funds left on the card. This is called breakage, or spillage. The process of uniting lost or abandoned funds with the owner of those funds is called escheatment. In the long term, gift card breakage can enhance the bottom line of the card issuer, or the state treasury depending on the escheat laws of the state. The gift card issuer is responsible for breakage, so it's very important to understand their state laws.

GIFT CARD PRICING STRATEGIES

Gift cards can be offered at many different price points, depending on the capability of the retailer's POS. A gift card is said to have a fixed denomination (or just denom) when the price of the card is set; each card is then purchased for a fixed fee. Common fixed fees are $25.00, $50.00 and $100.00. Since this means that a re-

Unused Gift Card Statistics
Gift Card Spillage by Year
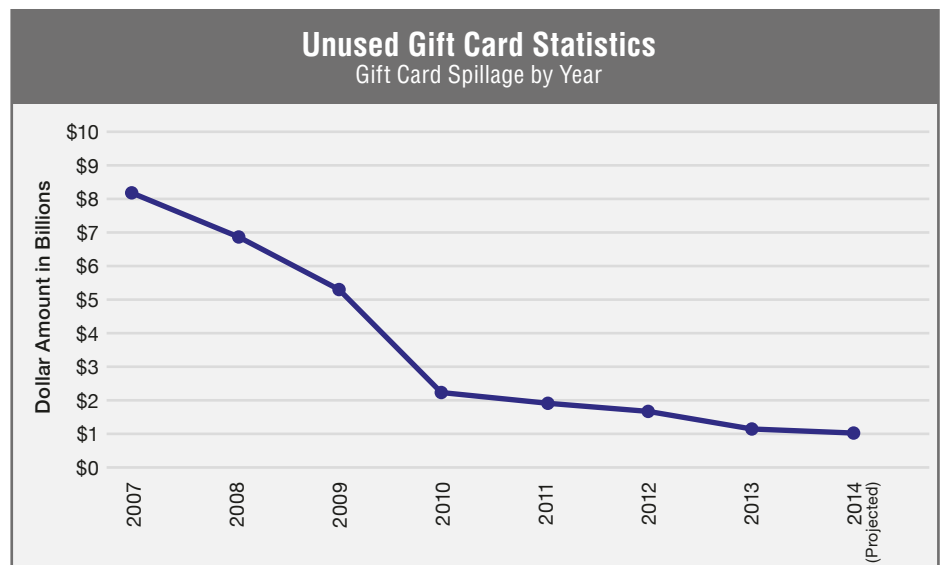
NOTE: *Gift card spillage has declined significantly since 2009 due to the passage of the Credit CARD Act in May of that year. The CARD Act prohibits gift card funds from expiring* **for five years** *from the date of issuance.*

Source: CEB Tower Group

tailer would need to give up one peg space for each card, some retailers have the ability to offer multi-denominations on one card. This is called a select denom card. Instead of having 3 cards with a fixed denomination on each card, the consumer can select which denomination they want to purchase the card for and the card can be activated for any of the denominations listed on the card. Think of it as 3 fixed denom cards in one. This not only saves the retailer peg space, but the issuer now only needs to print one card to support several denomination, saving the issuer card costs. Some retailers can support what is known as open, or variable, gift card pricing. Gift cards using this pricing allow the purchaser to pick a gift amount from within a range set by the issuer. For example, the issuer may set the range to be $20.00 to $200.00. Now the person can select the amount of the gift they would like to give, as long as it is within the range listed on the card. This essentially provides the consumer with a greater range of gifting options.

Distribution and technology costs are directly related to the type of program implemented. Retailers and technology providers earn their revenue in one of

two ways with closed loop cards; either a margin is paid by the gift card issuer (an embedded margin) or a fee is paid by the consumer (purchase fee). When the gift card issuer provides an embedded margin, the purchaser pays no fee and receives the full card value at redemption as was paid at activation. For example, if the issuer is offering a 10% margin on a $50.00 gift card, the consumer will redeem the card for $50.00 in value, and the retailer and technology provider will split $5.00. The technology provider will remit $45.00 to the gift card issuer. Cards sold with a purchase fee set a flat rate on the amount the consumer pays, and also on what the retailer and technology partner receive. This can be beneficial to both the consumer and the issuer if the retailer POS supports select or open denom cards because the consumer sees value in loading more funds to the card (less fees to load ratio), and the issuer gets the benefit of an increased load value. Conversely, retailers see lower margins to scale in this scenario when compared to an embedded fee. For this reason, retailers may be more hesitant to carry a card with a higher variable load option.

OPEN LOOP GIFT CARD PROGRAMS

Unlike closed loop gift cards where redemption is restricted to the issuer's products and services, and the transactions run on the rails of the technology provider, an open loop card provides the greatest flexibility for the recipient for redemption. Because an open loop card is a debit card that is co-branded with credit/debit card network association, like Visa, MasterCard and Discover, (it will have their logo on the card) the funds associated with it can be used anywhere that accepts an association branded card.. All open loop programs are stored value. The loop for redemption is open because the card can be used at any provider that accepts network branded cars, and the card can be redeemed for any product. All purchase transactions take place via the association rails. A bank partner will host the account from which funds received from the purchase of the card will be accessed for purchases made by the recipient of the gift card. Upon activation of the gift cards the technology provider will manage the funds transfer and work with the card program issuer to ensure that the funds are available to cover purchases made by the holder. The consumer may elect to spend the entire balance of funds available, or use the cards funds incrementally on multiple purchases. Therefore, all open loop cards utilize a stored value methodology for redemption.

Open loop cards are highly regulated by the Federal government, it is crucial for any company investigating an open loop program to acquire in-depth knowledge of the requirements involved with offering this kind of program.

Here are just a few items that a company should be knowledgeable of before considering an open loop program:

- With an open loop gift card program, the funds for redemption are held by a bank, not the company offering the program. That means the bank will need to approve the program, and the escheatment laws are governed by the jurisdiction of the bank.

- Since the transactions are taking place over the card association's rails, the card association will also need to approve the program.

- Although using a Restricted Authorized Network (RAN) implementation the redemption can be limited to specific retailers, redemption cannot be restricted to the programs products. That means that not necessarily all of the funds used to purchase an open loop gift card will be used to purchase the company's products and services.

- Since the purchase transactions are conducted over the network rails, they are subject to merchant fees (often referred to as interchange). That means the retailer accepting an open loop gift card for purchases will incur fees. Will this be a barrier to acceptance for your card program?

- The issuer of the gift card will also need to work with a program manager (normally the technology provider or processor) to determine how the program will be setup and managed. A number of rules regarding the cardholder must be identified. Will there be ATM access allowed? Will it be reloadable? Will there be any fees associated with the program (monthly fees, dormancy fees, balance inquiry, PIN or signature debit purchase fees?

A program based on open loop technology can be a very effective solution for the right type of program. However, due to the regulatory requirements and the expense and complexity of initiating and managing one, the benefits may not justify the cost when compared to a closed loop program.

UNDERSTANDING CARD COSTS

Card costs for a closed loop gift card are mainly based on just how exciting the issuer wants the card to appear. Card costs for a standard card can be very low (think $0.20–$0.35 depending on volume) for a nice basic card. But if the issuer wants holographic paper and special effects, the sky is the limit! An open loop card requires secure packaging that is tamper proof. Contained in the package are cardholder agreement that lays out the terms and conditions which detail usage, fees and other pertinent information that the cardholder needs to know. The packaging will also include the CR-80 (the plastic card that gets swiped with a purchase). These components can add up fast, but a good rule for forecasting is that an open loop program will cost 5–7 times whatever was planned for a closed loop card.

The next step at understanding card costs is knowing your customer and where they shop. With this a good technology partner can help with a plan to put your cards into the distribution channels that make the most sense. The numbers of cards sold is directly related to the distribution channel that will be offering your cards. Typically, chain drug is the single most popular destination for purchasing gift cards. Consumers buy their greeting card and then purchase the gift card to accompany it. Big box is the next largest retailer; both of these are also the most difficult to land a new card program (and may not be the right audience). The discount channel ad convenience stores are also important channels, and to a lesser amount the grocery channel. A reasonable starting place is to forecast 2-5 cards per month, per location (with the high end of the forecast for chain drug and big box. With this example in mind, if the company is forecasting a launch that will be regional or state specific, there may be 3,000 retail locations for your target market. So, a total forecast of 9,000 cards per year. This is a low number of cards so the cost will be on the high side perhaps $0.35 /card. At $0.35/card for a closed loop program, the single card cost for 1 month would be $1,050.00, so for three cards per month the total would be

tions—e.g., placing player funds in escrow, prohibiting operator employees from competing in their own or rival DFS contests, providing certain disclosures and allowing for self-exclusion. Some pending laws would require that operators be licensed while others, like the new Virginia law, would require only that they register with a state agency. Most would assess a license or registration fee, while others would also tax the operators' profits.

PENDING FANTASY SPORTS LEGISLATION ACROSS THE STATES

Pursuant to bills pending in seven states, fantasy sports contests would be made legal and regulatory authority over operators would be given to the state attorney general. (See the chart below.) Under bills in other states, the contests would be legalized and regulatory oversight would be given to different state agencies, in many cases agencies—like the attorney general—responsible for the protection of consumers. Only in a few cases—i.e., in bills pending in Florida, Illinois, Maryland, Minnesota, New Jersey, New York, Rhode Island—would the agencies charged with regulating fantasy sports operators also be the primary regulators of gambling facilities.

Fantasy sports operators seem to have accepted that government regulation of their industry is inevitable, and such regulation so far is emphasizing consumer protection. DFS operators and the Fantasy Sports Trade Association ("FSTA") now routinely praise state legislation that establishes the legality of paid DFS contests, even though it imposes regulatory burdens and costs.

Ultimately, the critical questions facing legislators seeking to allow paid fantasy sports contests and at the same time protect players are:

1. Should fantasy sports operators be licensed, as opposed to merely registered or subject to regulation? That is, how "heavy" a regulatory infrastructure is desired?

2. If fantasy sports operators are to be licensed or registered:

   A. To what extent, if at all, should other participants be required to be licensed or registered—e.g., should providers of software, equipment and/or services, and their employees, also be licensed or registered?

   B. To what extent should entities subject to licensing be investigated? That is, what is the appropriate intensity level of the investigation, if any?

   C. What criteria should be used to determine whether a license should be granted (e.g., honesty, criminal record, licensing history, financial soundness and ability to perform)?

3. What player protections are appropriate? More specifically, what protections are appropriate to ensure that (i) fantasy sports contests are run honestly and without collusion, (ii) the contests are fair, in that players are compete on an equal basis, (iii) the contests are run transparently, such that players understand their likelihood of winning, (iv) player funds are protected from loss by operators, (v) player confidential information is protected, and (vi) underage and problem gaming is addressed?

4. Are additional measures needed to address money laundering?

5. Should DFS contests be regulated differently than the season-long variety? Should the season-long variety be regulated at all?

6. Should raising revenue be among the goals of fantasy sports regulation?

The answers to these questions will vary by state, as each state legislature knows best the sensibilities of its citizens. However, legislatures contemplating fantasy sports legislation should consider the significant differences between fantasy sports contests and online gambling and consider—as the evidence suggests many are—that the regulation appropriate for online gambling may not be appropriate for fantasy sports.

A "heavy" regulatory licensing infrastructure, such as applied to online gambling in the states in which it exists, is probably not appropriate or necessary for fantasy sports given the significant differences between the businesses. Online gambling involving slots and other house-banked games operate on a different (and so far apparently more profitable) business model than fantasy sports tournaments. In slots, lotteries and other house-banked games, winners are determined by a deal of the cards or a random event (e.g., a random number generator or a draw machine). The operator has control over the random event, and thus there exists the potential for the operator to "fix" the outcome. In fantasy sports, the outcome of the contest depends upon the skill of the participants in selecting their lineups, which skill is then reflected by the collective performances of the athletes in the lineups selected, measured by the applicable contest scoring system.[9] Each of these events—the lineup selection and the performance of the selected athletes—is outside the control of the operator. Even if a house-banked game operates exactly as it should, the odds of winning are set such that the house is certain

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9   In fantasy sports contests, the evidence shows that player skill rather than chance determines the outcome. See http://www.bloomberg.com/news/articles/2015-09-10/you-aren-t-good-enough-to-win-money-playing-daily-fantasy-football, last accessed March 13, 2016. This is in contrast to sports-betting, in which players pick teams against a "spread" set by Nevada odds-makers. Such has been held to be a game of chance. National Football League v. Delaware Lottery, 435 F.Supp. 1372 (D. Del. 1977).

State	Pending State Legislation	Proposed State Body to Regulate Legal Fantasy Sports Contests
Alabama	H. 56	Attorney General
Arizona	S. 1515	Attorney General
California	A. 1437	Attorney General
Connecticut	S. 192	Commissioner of Consumer Protection
Florida	H. 707 and S. 832	Department of Business and Professional Regulation
Georgia	S. 352	Attorney General
Hawaii	H. 1838 and S. 2722 (two other pending bills would declare paid fantasy sports gambling and thus unlawful)	Attorney General
Illinois	H. 4323 and S. 2193 S. 2843	Attorney General Gaming Board
Indiana	S. 339	Gaming Commission
Iowa	S. 166, H. 47 and S.1068	These bills would make fantasy sports contests lawful contests of skill without establishing regulatory oversight.
Kentucky	H. 625	Public Protection Cabinet
Louisiana	H. 676	This bill would exempt fantasy sports from the state law definitions of "gambling" and "gambling by computer"
Maryland	S. 976 and H. 930 S. 980	Lottery and Gaming Control Commission This bill would legalize certain fantasy sports contests, but make clear that on-line fantasy sports contests are unlawful.
Massachusetts	S. 191 Regulations proposed by the Attorney General – 940 C.M.R. 34.00 (proposed)	This bill would authorize and direct the Lottery to conduct online games of skill, including but not limited to fantasy sports contests. These regulations – proposed pursuant to the Attorney General's existing authority – would require the implementation of various consumer protections by fantasy sports operators.
Michigan	S. 459	This bill would exempt fantasy sports from the state's criminal gambling laws.
Minnesota	H. 2426	Commissioner of Public Safety
Mississippi	S. 2541	Commissioner of Insurance
Missouri	H. 2941 and S. 1041	Department of Insurance, Financial Institutions and Profession Registration
Nebraska	L. 862	This bill would exempt fantasy sports from the state's gambling laws.
New Jersey	S. 1927	Department of Law and Public Safety
New Mexico	H. 314	Secretary of State
New York	S. 6793 A. 8554 and S. 6305	Department of Financial Services Gaming Commission
Oklahoma	H. 2278 and S. 1396	Department of Consumer Credit
Rhode Island	H. 7075, H. 7492, 7917 and 7938	Department of Business Regulation, Division of Racing and Athletics
South Carolina	S. 1093	Department of Consumer Affairs
Tennessee	H. 2254 and S. 2151 H. 2105 and S. 2109	Would establish an advisory task force to review games of skill, including fantasy sports contests. Would establish an advisory task force to review online simulated competitions, including fantasy sports contests.
Vermont	S. 223	Attorney General
Virginia	S. 646	This bill became law March 7, 2016. It calls for registration and regulation of fantasy sports operators by the Department of Agriculture and Consumer Services.
Washington	S. 5284, H. 1301 and S. 6333 H. 2370	Each of these bills would classify fantasy sports contests as contests of skill and therefore not "gambling" under applicable state law. This bill would deem fantasy sports contests to be games of chance and would prohibit paid fantasy sports contests.
West Virginia	S. 529 and H. 4583	This bill would exempt fantasy sports contests from the state's gambling laws.
Wisconsin	A. 800 and S. 702	Department of Financial Institutions

to win over time, and the house earns, in general, a fixed percentage of the gross gaming revenue.[10] In fantasy sports by contrast, the operator acts somewhat like an agent for the players, shifting money from losers to winners and taking out a fee—generally around ten percent of the total entry fees. Thus, online gaming presents a greater profit potential and, arguably, a greater potential[11] for corruption than fantasy sports. In regard to fantasy sports, it seems appropriate that the regulatory focus be on making the games fair and transparent.[12]

Similarly, legislators should consider whether it is appropriate to impose the same regulatory burdens on season-long fantasy sports contests that they impose on DFS contests.[13] For example, Virginia's newly-enacted law and Indiana's pending bill require the same $50,000 registration fee from season-long contest operators as is required from daily contest operators, without regard to total contest entry fees.[14] This may drive season-long operators from the state (unless they also operate established daily fantasy games). This would be ironic, since the concerns attorneys general have had with fantasy sports have related almost exclusively to the daily variety. In his letter seeking to halt the operations of DFS operators FanDuel and DraftKings, New York Attorney General Eric Schneiderman contrasted daily fantasy sports contests with the season-long variety and stated that the latter was an activity "enjoyed and legally played by millions of New York residents."[15]

COMMON GROUND: PLAYER PROTECTION

One aspect of fantasy sports regulation about which there seems to be general agreement is the need for reasonable player protection. The recently-enacted Virginia fantasy sports law provides that, as a condition of registration, a fantasy sports operator must implement procedures that, among other things:

1. prevent the operator or his employees and relatives living in the same household from competing in any fantasy contest offered by such operator in which the operator offers a cash prize;

2. prevent the sharing with third parties of confidential information that could affect fantasy contest play until the information is made publicly available;

3. verify that any fantasy contest player is 18 years of age or older;

4. ensure that the athletes who are the subject of a fantasy contest are restricted from entering a fantasy contest that is determined, in whole or part, on the accumulated statistical results of a team of individuals in which such athletes are participants;

5. allow individuals to restrict themselves from entering a fantasy contest upon request and take reasonable steps to prevent those individuals from entering the operator's fantasy contests;

6. disclose the number of entries a single fantasy contest player may submit to each fantasy contest and take reasonable steps to prevent such players from submitting more than the allowable number; and

7. segregate player funds from operational funds in separate accounts and maintain a reserve in the form of cash, cash equivalents, irrevocable letter of credit, bond, or a combination thereof in an amount sufficient to pay all prizes and awards offered to winning participants.

The Virginia law does not appear to require an investigation of operators seeking to be registered, although specific criteria for registration have yet to be established. The law provides that the Department of Agriculture and Consumer Services "shall issue" a registration to an applicant that meets the criteria to be established by the Department and has not committed any of certain specified bad acts.[16]

By contrast, the draft regulations proposed by the Massachusetts Attorney General contain the above consumer protections, but go further. If they become final, they will require DFS operators to:

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10 According to federal regulations relating to Indian Gaming at 25 CFR 502.11, a house banked game means "any game of chance that is played with the house as a participant in the game, where the house takes on all players, collects from all losers, and pays all winners, and the house can win."

11 Although the financial situations of fantasy sports operators are not public (as none is yet publicly traded), Fortune magazine reported on October 6, 2015 that neither FanDuel nor DraftKings was profitable. http://fortune.com/2015/10/06/draftkings-fanduel-merger/, (last accessed March 12, 2016). Their business prospects have become more uncertain since then. Indeed, in a February 9, 2016 article, it was reported that Twenty-First Century Fox Inc. had "marked down the value of its $160 million investment in DraftKings Inc. by about 60 percent amid increasing challenges to the legality of daily fantasy sports contests." See https://www.bostonglobe.com/business/2016/02/09/fox-cuts-value-draftkings-stake-percent/0RCLppU4LkDreMyUVqZhKJ/story.html, last accessed March 12, 2016.

12 The allegations of wrongdoing facing the fantasy sports industry consist mainly of claims that employees of operators used information not available to all players – i.e., "inside information" – and thus gaining an improper advantage, not "fixing" the outcome of contests. See http://www.nytimes.com/2015/10/12/sports/fantasy-sports-draftkings-fanduel-insiders-edge-football.html?_r=0, last accessed March 13, 2016.

13 Note that that the number of season-long fantasy sports players dwarfs the number of players of the daily variety. The FSTA estimates that, in 2015, there were 46.2 million players of season-long fantasy sports and 8.9 million players of daily fantasy sports. See http://www.slideshare.net/mayfairmobile/daily-fantasy-sports-miami-fl-august-2015-full-presentation-deck, slide 10 of 261, last accessed March 12, 2016.

14 The newly-enacted Virginia law treats season-long fantasy sports the same as daily fantasy sports, although the latter are often conducted by hobbyists and involve considerably lower prizes. As a result, the $50,000 registration fee may drive season-long contest operators from the market. Although the FSTA first praised the Virginia bill, after it was signed into law, the FSTA stated that it was "deeply concerned" at the "onerous mandatory regulation fee that makes [Virginia and Indiana, if the bill there is signed into law] untenable for the majority of the FSTA's members." See http://www.legalsportsreport.com/8915/fsta-pushes-back-on-dfs-fees/, last accessed March 13, 2016.

15 Cease and desist order dated November 10, 2015, from the office of New York Attorney General Eric Schneiderman to DraftKings.

16 The specified "bad acts" include having been found guilty of any illegal, corrupt, or fraudulent act, practice, or conduct in connection with any fantasy contest, or having been convicted of a felony or any criminal offense involving dishonesty or breach of trust within the 10 years prior to the date of application for registration.

1. limit play of DFS contests to persons 21 years of age and older;

2. not offer DFS contests involving college, high school or student sporting events;

3. prohibit the use of "scripts"—i.e., a list of commands that a DFS-related computer program can execute to automate processes on a DFS contest platform (e.g., to create and manage lineups);

4. limit DFS players to only one account and only one user name;

5. take "commercially and technologically reasonable measures" to verify DFS players' true identities and addresses;

6. prohibit DFS players from using proxy servers to enter any DFS platform;

7. prevent simultaneous log-ins on a single account;

8. abide by several advertising restrictions, including no depiction of persons under 21 or school or college settings, no endorsements by persons under 21 or by colleges or college athletes, and no advertisements targeted at persons under 21;

9. implement and publish procedures by which players can set self-imposed deposit limits or self-imposed loss limits; and

10. comply with federal and state requirements regarding data security.

THOUGHTS ON THE FUTURE

Heavily-regulated casinos and Nevada sportsbooks appear to view fantasy sports contests as gambling that should be regulated as such. Accordingly, they can be expected to lobby state representatives to require fantasy sports operators to submit to heavy "gambling-style" regulation. Casino operator MGM and Nevada sportsbook operator William Hill took this position very publicly in the months before the Nevada Attorney General issued his opinion that DFS contests constituted "sports pools" and "gambling games" under Nevada law (and thus must be licensed in order to be offered in that state).[17]

Whether state legislatures will be swayed by such arguments is not clear. States legislatures in states which do not have gaming commissions regulating casinos or internet gaming (e.g., states having only pari-mutuel wagering and lotteries) will likely not be under the same pressure to treat fantasy sports operators with a heavy hand and may focus instead on consumer protection. At the same time, states with little or no gambling may prefer to ban paid fantasy sports contests entirely. For example, although Hawaii has a bill pending that would make legal and lightly regulate fantasy sports, it also has a bill pending that would make paid fantasy sports contests clearly illegal.

Further, states with small populations may follow substantially the regulatory structures adopted before them by states with large populations, and may engage in reciprocity allowing for an abbreviated licensing procedure if an operator is licensed in another jurisdiction and is in good standing in all jurisdictions in which it is licensed. This would seem to be a wise approach for small states wishing to legalize paid fantasy sports contests, because otherwise they may not represent revenue significant enough to attract fantasy sports operators. For example, after the Nevada Attorney General opined that DFS operators could operate paid contests there only after becoming licensed, almost all DFS operators exited the state. Presumably they decided that the burden and expense of becoming licensed under Nevada's "heavy" regulatory structure was not worth the revenue Nevada's 1.5 million residents represented. (Of course, another reason for their exit may have been that they considered it unlikely that they would be licensed in light of their operations in other states where the lawfulness of their operations was not clear.)

Finally, it will be interesting to see whether there is a challenge to any state fantasy sports legislation under the Professional and Amateur Sports Protection Act (the "PASPA").[18] The PASPA prohibits the operation of "a lottery, sweepstakes, or other betting, gambling, or wagering scheme based, directly or indirectly … on one or more performances of [amateur or professional] athletes" in the games in which they participate, pursuant to a state law (e.g., a licensing and regulation scheme imposed by state statute).[19] States wishing to legalize and regulate DFS contests will presumably make clear in their legislation (to the extent they deem it necessary) that DFS contests do not constitute "a lottery, sweepstakes, or other betting, gambling, or wagering scheme." However, such state-law interpretations will not govern the interpretation of those terms in the federal PASPA. Enforcement of the PASPA is left to the professional and amateur sports leagues whose games are involved, as well as the U.S. Attorney General, and the professional sports leagues presumably will be reluctant to bring a PASPA challenge given the benefits they receive from DFS contests —e.g., greater fan interest and viewership, and greater advertising dollars. However, the NCAA and several major college athletic conferences have opposed the use of their games and athletes as the basis for DFS contests,[20] and therefore could decide to bring a PASPA challenge if their games or athletes are used as the basis for such contests pursuant to a state law.

In short, it will be another interesting year for fantasy sports, as the industry continues to take shape. ∎

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17 See http://www.reviewjournal.com/business/casinos-gaming/gambling-or-game-skill-debate-swirls-over-fantasy-sports, last accessed March 13, 2016.

18 28 U.S.C. 3701 et seq.

19 28 U.S.C. 3702.

20 See http://www.nytimes.com/2015/10/21/sports/ncaa-distances-itself-from-daily-fantasy-websites.html, last accessed March 13, 2016.

maintain continuity and progress when the leadership offices change every year.

M. Scheve Reardon: NASPL needs to update their strategic plan to provide that continuity, and this is an important part of the NASPL agenda. NASPL needs a strategic plan which enables the organization to follow through on initiatives that take more than a year to complete. Without a strategic plan that is owned by the entire membership of NASPL, leadership changes can disrupt the continuity of our efforts to drive progress. With the high turnover rate of lottery directors, it is even more important to have a multi-year plan. The term of NASPL president is 12 months. You take over in the fall, and a full membership meeting is not held until the following summer. This makes planning and building consensus a challenge.

A strategic plan would enable us to capture and harness the consensus that is gained and build on it, instead of losing it when the NASPL officers change. By the time we conclude the process of drilling down on all the input, my term will be up, and I'll be able to turn it all over to the next NASPL president. Hopefully, this will produce a high degree of continuity with the over-arching, long-term strategic plan being embraced by each incoming NASPL president.

It must be hard to secure consensus among 52 different lotteries.

M. Scheve Reardon: Of course it is. We have 52 different agendas and 52 different sets of rules and constraints to which we must adhere. And directors have billion-dollar businesses to operate while working with state legislatures and the governor's office. And fires to put out every day! Frankly, the first priority for directors is to serve their in-state constituents. So, that does not leave much time to give to the matters that pertain to NASPL and multi-state initiatives and issues. That's exactly why we need a strategic

plan. We need to streamline the process so that we spend more time executing, and less time debating, on a well-conceived plan. After attending my first MUSL meeting, I stated that I thought it was difficult to reach an agreement on what day of the week it was, and I thought it was tough when I was in the legislature!

It seems to me that as an industry, we could contribute more to the public dialogue that shapes public opinion and also the opinions of legislators and the shapers of public policy. I notice that other associations, for instance the American Gaming Association (AGA), have a relentless messaging program that includes lots of public relations and press releases and lobbying in Washington to defend the interests of its members (in the case of AGA, that's the casino operators). What can lotteries do to get better media coverage and to get appreciation and recognition for the good things that lotteries do?

M. Scheve Reardon: We should look at other associations that advocate for the interests of their members. You refer to the AGA. They employ PR professionals and put a major emphasis on positive beneficiary messaging. Their press releases promote how their industry employs people and supports economic development, how it has elevated its regard for Responsible Gaming, how it is tackling money-laundering issues, etc. They seem to have a new PR campaign every quarter: major email blasts, press releases that get into national media, and concerted efforts to inform legislators at the state as well as federal levels. I'm not endorsing or agreeing with their positions, only agreeing with you that they are a good example of what an association can do for its members.

Of course, all of us—NASPL and all lottery directors—operate within a whole different set of constraints than do most associations. All NASPL members must stay

in compliance with their in-state rules as regards to public relations and lobbying. That's a very tall order for this association to fulfill. We all have different ideas about the PR priorities, how to sell Brand Lottery, and how to package the message. And funding for anything like that is always an issue. But the point is still valid. State lotteries do so much good, deliver so much value to society in terms of funds for Good Causes, and also in terms of setting the highest standards for Responsible Gaming. That is a valuable message, and we should work harder to find ways of getting that message into the hearts and minds of all stakeholders, legislators, and the general public.

Any thoughts on how to do that?

M. Scheve Reardon: One thought I had is to take a page out of the playbook of other associations and enlist a third party to do the research and publish their results. That gives the message more credibility in the marketplace of ideas and thought-leadership. I do think lottery has a bedrock of solid support that courses through all sectors of society and the government. We just need to shine a brighter light on that, bring to everyone's attention the positive role that lotteries perform in society, and the widespread support we do, in fact, have. You know, we use information from your magazine, Paul, which has been very helpful. But you are an outspoken advocate for lotteries, and it would be good to augment our story with objective third-party research.

The media landscape has changed over the past 10 years. And it seems to me that we have not kept up.

M. Scheve Reardon: It's true. Ten or 15 years ago, we all tuned into our local media channels for news. Remember when most of us tuned into the 10 o'clock news—a half-hour program with six-minute spots on each news category? We read our local newspaper every day. Now, how

many of us still follow that same routine? Most of us get our news from the national media, cable news channels and the news websites that are national, like CNN, MS-NBC, BBC, The Wall Street Journal, etc.

Before the Internet, the local media we followed would be the primary vehicle for merchants to get exposure for their messaging. Local newspapers and TV stations were filled with advertising and promotions and coupons and such. Those media channels have been completely disrupted by the nationalization of news and information dissemination caused by the Internet.

Lotteries continue to focus most of their resources on local media, even though the consumers are tuned into national media. Of course, a reason for that is that we all operate within the boundaries of our own states and provinces. But we have evolved our products to appeal to the multi-state markets. And even though we all operate locally, our customers are not tuning into the media on which we rely so heavily, at least not nearly as much as before. For all these reasons, we need to change with the times and evolve our multi-state game and beneficiary advertising and promotional strategies to fit with the new realities. ∎

OnePlace—The Power of a Platform by Adam Perlow ...

but some of the biggest impact features for our customers included:

- Advanced Search to allow users to do powerful ad-hoc queries.
- Saved Searches to allow them to save those searches.
- Retailer Tags to allow users to create static groups of retailers.
- Retailer Photos to allow users to use the cameras on their iPads to take photos of retail locations and save them with the retailer record in OnePlace.
- A fully featured planogram system to provide lotteries with a powerful way to planogram instant games and share those planograms.
- A robust forms solution to allow lotteries to reduce paper and improve business processes.
- A powerful project management system to track and report on tasks for new initiatives.
- And much, much more.

OnePlace 8

Exciting new features for OnePlace 8, to be released within the coming months, include Silent Background Syncing, Retailer Quotas, POS Ordering, and a native Windows 10 app to provide lotteries with a wider choice of devices and operating systems.

Yes, OnePlace 8 will include a great new Windows 10 native mobile app!

OnePlace was initially released in 2012 with a great web app and a great native iPad app which is optimized for off-line use. At the time, some lotteries asked us if we would also offer a native Windows client; at the time our answer was "not yet." As a Microsoft Certified Solutions Provider, Hudson Alley had begun testing Windows 8 pre-release versions as soon as Microsoft made those versions available to partners. We also began testing Microsoft's latest development tools. Based on this testing, we felt that Windows 8 was poised to be one of the worst versions of Windows that Microsoft ever released and that there was no way that we could develop software on that platform that we'd be proud of and that our customers would enjoy using. History has proven us right; Microsoft has already ended support for Windows 8, just a little more than 3 years after it was released. Within a year after the Windows 8 release, Microsoft released Windows 8.1 which was marginally better. But even with Windows 8.1, the de-velopment tools still didn't exist for us to build a great experience for our users, so we continued to wait.

Windows 10 and Universal Windows App development tools changed everything

Windows 10 was released in July 2015 and is a great operating system. Microsoft had a great line of hardware in its Surface Pro tablets and with the release of Windows 10, it now has an operating system worthy of this hardware. Additionally, Microsoft released development tools that would allow its partners, like Hudson Alley, to build outstanding user experiences on this platform.

In Summary

It's impossible for us to choose which of the three decisions has been most important to the success of OnePlace, but we know that the choice to build a true software platform will be the key to our ongoing success as well as the ongoing success of the lotteries that use it. We feel very gratified that we can deliver great new features to our customers because of the investments we've made in the platform. ∎

vending of wine could all be applied to Lottery. NLS has the technology and the knowledge that would enable Amazon to sell lottery products.

For any of these online vending scenarios, Lottery would make the ideal up-sell product. Right at the online checkout stage, offer the chance to win the Powerball or Euro-millions jackpot by adding a ticket to your purchase. We say we want to be "player-centric," but these are the most basic things that the consumer wants—easy access to buy the product!

Not everyone is going into the Tobacconists and the small convenience stores. If small retail shops are our primary channel for distribution, we are overlooking the majority of the population! That is not, by any definition, being "player-centric." And the players that are being shut out are the very ones we need to appeal to—the younger tech-savvy adults who do not have time for merchants who ignore their lifestyle choices and preferred modes of shopping. Ask your twenty-something daughter what she thinks about Lottery. I did, and she said she wouldn't even know where to buy them! She has no reason to go into a Tobacconist. I'm sure she has been in stores that display lottery promos and products but, like most consumers, she has an acute sense of what is relevant to her and she tunes everything else out. Doesn't even see it. So it doesn't even exist for her.

The beauty of Lottery is that it is a product that does not take much space and can be sold anywhere and everywhere. Let's make Lottery available everywhere. If we have to, shift some of our advertising budget over to the far more impactful agenda of just making it easier to buy the product!

That is the basic premise of "Bring your own terminal."

F. Cecchini: Yes. Selling lottery products does not have to be an expensive and complicated proposition. Any transaction-processing terminal can and should be lottery-enabled. And anyone who has a license to operate a business, like news-stands, or taxi-driver, or charity organization, can use a Tablet to process transactions. We talk all the time about increasing the ratio of retailers to consumers as being key to increasing sales. Well, it's incredibly easy to do.

And Mobile?

F. Cecchini: Of course it is already the device of choice for consumers. Look at Michigan which just launched iLottery last year. Players flocked to the website immediately. Sales are projected to reach $300 million this fiscal year which is around 10% of total sales. And retail sales are increasing at the same time. The interesting thing about this is the popularity of Mobile which is the device of choice for half the Michigan Lottery's online sales.

The other interesting thing about Mobile is that it is the device that enables Lottery to connect their online initiatives with their land-based retailers. Barcode scanning and NFC technologies enable all varieties of combinations of interactive relationships. Insofar as the Lottery wants to make sure that their Retailers thrive in the midst of increasing online sales, the Mobile can be the device that leads the consumer to buy through all different channels. The player can select numbers and buy their tickets on their Mobile and redeem a bonus-play at Retail. And Vice-versa, buying their tickets at Retail and redeeming the bonus-play online. Or scanning the bar-code at a Retail display and buying online. These are the tools of the Omni-Channel model.

The first order of action is to get away from the distribution model that ties Lottery to dedicated transaction-processing terminals. Players "Expect Better." They simply will not comply with the constraints that are being imposed on them.

Consumers vote with their feet. If their expectations aren't met, they simply won't buy. They do expect better, but they aren't sending cards and letters telling us what to do, how to earn their business. It is our job, the job of the gaming operators and their commercial partners, to observe the realities of the way the consumer markets function, how shopping behavior is manifesting itself in the real-world. And translate that knowledge into products, services, and methods of operation that meet the needs of the consumer.

The relevant application of the "Expect Better" mentality is at the Lottery operator level. They should expect more from their commercial partners. They should expect solutions that meet the needs of the modern shopper. They should expect more from their commercial partners to meet the needs of their own Retailers who are on the front lines of serving the customer. Our retailers are telling us they need solutions that are more efficient, that don't take up shelf space, that integrate with their existing technology infrastructure, that don't create long check-out lines.

Retailers love Lottery for lots of reasons. Lottery generates profit and store traffic. But the fact is that lottery products deliver a low margin. The whole business model would be more fully embraced if we simply delivered some of these readily available solutions. That won't happen, though, until and unless the operators of government-lottery demands it from their commercial partners.

A Tablet that serves the transaction-processing utility for a small coffee kiosk and doubles as a Lottery POS terminal doesn't really have a minimum sales threshold. No matter how small the sales, they are incremental and it really serves as an additional media touch-point, raising awareness for lottery and increasing player-ship.

F. Cecchini: And looking at the whole business of distribution as being wide-open unlocks new channels that would double or triple the number of POS's. And the increase in sales would be driven not by over-selling the core player groups, but by increased player-ship. Expect better solutions. Expect better technology. Expect better service. Expect better partnerships. This is the mission of Novomatic Lottery Solutions.

What is impeding progress and more rapid adoption of technology and innovative business processes like you describe?

F. Cecchini: There are government regulations and a fundamental conservatism that results in a low tolerance for risk. That is as it should be. Government lotteries must avoid mistakes that could impair the brand, the reputation, or the public image. The thing is, there are early-adopters who are innovating, who are test-driving new technologies, new ways of doing business, new ways of connecting with the consumer. These successes can be observed and measured and replicated by others with similar business model applications.

Look at the lottery operators throughout Europe, Australia, Canada, and many other parts of the world. They observed the successful implementation of iLottery in Finland, then other Scandinavian countries, then the UK. They assessed the fact that when it comes to iLottery, there was only upside and zero downside. Geo-location and age-restriction technologies and process are proven to work effectively. By enabling the Lottery to communicate directly with the players, iLottery becomes an effective tool to promote Responsible gaming. Player-ship increased which means that sales also increased without relying so much on the core players. Retail sales increased right along with the increase in online sales. Win-win-win-win for Lottery, Retailers, Consumers, and Good Causes.

There are so many benefits to iLottery that your readership is all well aware of. And yet it is still not being adopted by most U.S. lotteries. The main obstacle for U.S. lotteries is the opposition of NACS retailers. That is so unfortunate because the evidence abounds that iLottery is a net gain for everyone, including retailers. And the interactive relationship actually is a tool to promote a healthy recreational play-style and reduce problem gambling. The online connection to the consumer market-place is leveraged to drive traffic to land-based retail stores.

The bright side of this picture is that Government-Lottery is poised to embrace forward-looking technologies and methods of operation. They are doing that in many parts of the world. As their success is replicated throughout the industry, this will turn into the Golden Age of Lottery. ∎

Marcus Prater Interview ...

the end of the day, I think we need to do more to expose these visitors to this new form of gaming. I'm very excited by the prospect. I just try to temper everyone's expectations to understand that this new form of gaming will take time to make the kind of impact that we want and expect it to. I think this new form will have lots of hits and misses, and if a game doesn't work the casinos won't buy it. If it works to a spectacular level, they will be willing to pay a premium price for the super successful games. So the suppliers will have to prove their games work and appeal to the players. When they do, the operators will embrace them.

The operators not only want to see that something works, but also that it's different from what they currently have and that it will deliver a decisively different result. Otherwise, they won't spend the money to change, will they?

M. Prater: That's right. I've always maintained that these new kinds of games will be accretive to the offerings that currently exist. If you have a young demographic that's not playing any form of gaming beyond maybe sports betting or table games and you're able to interest them in electronic machines, that's accretive. Plus, it doesn't rule out that a 60-year-old woman wouldn't also be interested in some of this. When you think about a game for your phone, like Candy Crush or Words with Friends … those numbers skew to a 40- to 50-year-old woman. If you can create games that they are used to playing on their tablet, and you add a wagering element to it, it's not a stretch to expect that the older demographic would also be interested.

The younger generation might be more interested in the game playing aspect than the wagering aspect. Will the operator be willing to adjust their thinking to allow for games that do not generate as much profit per hour?

M. Prater: I think that's fair. It depends on the overall performance, but I do think that operators need to be open to the idea that it's okay to let a new player who has shown little interest in the current slot products play a game for a longer period of time. The games do need to generate a profit for the casino operators. But I think suppliers will come up with lots of new and creative concepts that appeal to the whole range of play-styles. It is exciting because it invites a whole new layer of innovation to modernize the face of casino gaming. ∎

process. Much of it may not have made national news. But the local media did report on the vigorous public debate over the decisions to legalize and regulate casino gambling in Maryland.

But in other states, the debate and wrangling among various interest groups often continues to plague the process even after the legislature approves a plan to build casinos. The process in Maryland seems to have unfolded in a relatively orderly fashion, didn't it?

G. Medenica: We work hard to maintain complete transparency with all stakeholders, including the media and all interest groups, as well as the legislature. I think we can also commend the media for its reasoned and balanced approach to public policy issues. They listen to our story, they listen to the stories of others, and they work hard to report in a way that serves the public's right to understand the issues. There are things we do to engender trust and open communication with the media. But I also think that, in part, we're just fortunate to have local media that is serious about its responsibility to report the news in ways that genuinely inform as opposed to stirring up salacious controversy. Our Communications team, led by Director of Communications Carole Everett, has done a wonderful job of managing relationships with key people at outlets like the Baltimore Sun and local broadcast media. They are accessible to all the media, respond to their requests as promptly as possible, and never dodge difficult issues. In fact, the more difficult the issue, the more important it is to be accessible so that others don't shape the story. We always get them the information they need in order to facilitate the most accurate reporting.

You are very proactive at anticipating the needs of the media and stakeholders for full disclosure. Your monthly reports on the financial performance of casinos, for instance,

are amazingly detailed. You even flag the pros and cons of the results, pointing out the facts without making excuses.

Mr. Medenica promoting Lottery with Maryland Public Television's Jeff Salkin

G. Medenica: When you know that a question will be asked, it's better to address it up front than to wait for it to be asked. That forthright approach establishes a foundation of confidence and trust that demonstrates to the media our commitment to giving them the full story. We report to our Commission every month, and everything that gets reported to the Commission is public record. This includes details like the number of petty crimes committed at the casinos, the number of underage people found in a casino, the number of public drunkenness and disorderly conduct offenses—just about everything that stakeholders might want to know. It's all a matter of public record so we're proactive about making it easy for the media to access those facts. They still ask questions, but at least it's in a context that shows we're not trying to hide anything. The media is confident in our genuine desire for them to have the full story and all the facts. Reporters have now come to expect it of us, so we make ourselves fully accountable and meet those expectations.

Adversaries to lottery are constantly pushing their agendas onto the media that result in stories that are not favorable to Lottery. The public deserves to have the whole story

reported in a fair and balanced way. How can we be even more proactive at getting our story out there so that everyone understands the valuable role that government gaming performs for the public service.

G. Medenica: I think the Maryland Lottery's success in this area can be attributed to the legacy of Buddy Roogow. Buddy was such a larger-than-life personality in this state. He had so many connections, not just in the lottery world, but also the political world and the community at large. Buddy was a warm, genuine, affable person that treated everyone like a friend and as a result, everyone thought of themselves in that light. I think we're still benefiting from that legacy, that memory of Buddy as a showman and character who was beloved by everyone. He became the face of the Maryland Lottery, and his personality became part of the brand that connects, not just with the players but with everyone, including the media.

You are also proactive at engaging the support of important stakeholders like retailers.

G. Medenica: We do try to avoid controversy as much as possible. For instance, I have publicly stated our position that we are not pushing for the right to sell lottery products online. I do believe that Internet sales would not harm our retailers—that it would actually help the lottery and retailers connect with the consumer in ways that would benefit everyone. But our retailers don't believe that. In fact, they are dead-set against us making the products available on the Internet. So, we have decided to align our strategies with the will of our retailers. Preserving a positive relationship with our retailers is simply a higher priority and so that's where our commitment lies.

Further to your mission of positioning the lottery as aligned with the interests of the people, the Maryland Lottery and Gaming has also become a leader in responsible gaming.

G. Medenica: Credit for that really belongs to my immediate predecessor, Stephen Martino. I inherited an excellent organization from Buddy and Stephen. Regardless of when the initiatives originated, there is now a very strong funding mechanism in Maryland for responsible gaming. Last year that funding was almost $4 million. Because the funding mechanism is tied to the numbers of slot machines and table games in the state, funding will increase by nearly $1.5 million a year when our sixth casino opens.

In 2010, the agency established the Maryland Alliance for Responsible Gambling, which gives us a forum for collaboration between our staff and the problem gambling treatment community and other stakeholders. Last year we joined the World Lottery Association and are now participating in their four-step process to become certified at higher levels of responsible gaming. I think all of those factors have contributed to the responsible gaming community viewing the Maryland Lottery as their friend. And that feeling is mutual.

Your Internet and digital initiatives are not transaction-enabled. But you do have a digital strategy that connects you to your online player in non-transaction-based ways.

G. Medenica: We have three mobile apps and numerous second-chance drawings that we run through My Lottery Rewards, which is our customer loyalty website. Last September we launched a new app which allows players to scan their tickets to find out prize amounts and to enter those tickets into their My Lottery Rewards accounts. Also, we are about to launch an e-playslip capability for one of our apps. Players will be able to create a playslip on their phones, and then flash those phones in front of the scanners at retail locations to generate a ticket.

In order to evolve with the marketplace and today's consumer, we're embracing social media and digital media. While we've made it a priority to integrate these more contemporary methods of communication into our relationship with players, the retailer still serves as the distribution partner for all things lottery. ∎

Reaching New Consumer Groups by Tony Fontaine ...

$4,150.00. There is normally some form of warehousing or distribution fees involved, so budgeting $0.05/card would be a safe start. That adds a nominal $150 per month for a total of $900.00 or $5,050 total per month. Since card production can take up to 3 months, the initial card order to launch the program will be for a 4 month period. This means that the company should be prepared to spend $20,200. By comparison under the same example the card costs could be closer to $2.50 per card. So including warehousing and distribution the total is $22,950. Assuming three cards per location, the result is $91,800 for the initial 4 month channel load. Depending on the program goals, and the product margins, an open loop gift card program may be too expensive for such limited distribution. However there are economies of scale to be gained in card production.

DEVELOPING A GIFT CARD PROGRAM IN REVIEW

In the example above it appears that an open loop program may not be the obvious choice. However card costs decrease significantly with volume, so if this were a pilot program with greater distribution potential after a successful pilot, and the goals met the expectation in this limited release, it may make sense to launch an open loop program.

Here is some basic groundwork that needs to be understood in advance:

- What are the most important goals of the program, building awareness through presence in the retail market? Acquiring new customers? Incenting existing customers to buy more?

- What is the target retail market for the gift cards? Demographics and geography?

- Will marketing leverage the gift card program to acquire new customers at the current cost per acquisition rate?

- Does the advertising budget for customer acquisition contribute to the gift card marketing program budget?

- Is it necessary that all of the funds used to purchase gift cards be used to purchase my products?

- Is there enough margin to sustain an embedded 10-15% commission (minimum)? Or will a purchase fee be required?

- Will interchange fees have an effect on the acceptance of my gift card program's acceptance?

- Is there a distinct budget for card production?

- Do I have the right technology partner to ensure a plan for success?

Each individual company needs to set their goals and expectations, align their marketing and advertising teams, and work closely with their technology provider in order to ensure success. Programs need constant monitoring and nurturing to remain successful. So unless your company has had a great deal of experience in launching gift card programs, one of the most important objectives any company can have is to find a good technology partner that can advise and guide you through the process. ∎

Pulse of the Industry

NEWS

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IN MEMORIAM

Jean M. Jørgensen, Executive Director of the World Lottery Association (WLA)

We are very sad to report that, following a courageous three-year battle with cancer, Jean Jørgensen has passed away. Jean's character and dedication to serving this industry came to represent the goals and ideals of the WLA. The respect and affection held for Jean will live on in the memories of all who knew him. His warmth, friendship, and positive leadership style will be missed by so many from all around the world.

Jean Jørgensen was Executive Director of The World Lottery Association, an organization that counts 151 national lotteries from more than 80 countries and 60+ suppliers of lottery services. He has served in this position since January 2009. The Executive Director reports to the Executive Committee which is made up of 13 individuals from different countries and represents five continents. The WLA provides services to the lottery industry which include convention organization for 1,000+ delegates; seminars; a highly respected industry magazine and a website, and standard certification on lottery security and responsible gaming.

Having established a sound financial position for the World Lottery Association, Jean's focus has been on developing good relations with the regional associations, offering joint services to avoid duplications and competition. Some of the new unique services that have been introduced include the quarterly WLA sales index, the Scholarship program; a RG program for associate members and strategy discussion papers about online gaming; social gaming and sports betting integrity issues.

In June 2005, Jean established himself as an independent adviser and EU-lobbyist in Brussels, Belgium, to follow and report on European gaming politics to Nordic lotteries. Lottery trade associations such as the EL (European Lotteries) and the WLA frequently relied on Jean as a seminar moderator and he worked for the Danish Government on its revision of the gambling legislation. Jean represented the six lotteries of the Viking Lotto group in the "EuroJackpot" project group together with German and Italian representatives. "EuroJackpot" was launched in March 23, 2012, and is still running.

Prior to this, Jean served for 14 years in various capacities at Dansk Tipstjeneste (now Danske Spil), up to and including the position of chief executive officer. Jean's career at Danske Spil began in 1991 as Assistant to the CEO, in charge of international relations and project leader of the first pan-jurisdictional Lotto project—Viking Lotto—among independent countries with their own languages and currencies. In 1997, Jean was promoted to Vice President at Dansk Tipstjeneste A/S in charge of customers and CEO of two subsidiaries dealing with horse racing and slot machines.

At the beginning of 2005, Danske Spil and its two subsidiaries had 260 employees and sales of DKK 9,7 billion (€ 1.3 bn). Sales grew more than DKK 2.2 bn (€ 297 million) or more than 25% during Jean's two years (2003–2004) as acting CEO. Social responsibility initiatives introducing gaming and age limits were defined and introduced as part of the daily operations.

Jean was inducted into the Lottery Industry Hall of Fame in 2014 in a ceremony in Rome, Italy.

LOTTERY WORLD NEWS

WLA RFP Standardization Project

To streamline the lottery procurement

process, which is notoriously costly and time consuming, the WLA has worked with NASPL, operators, suppliers and independent consultants to develop a Best Practice for lottery RFPs. The Global RFP Best Practice provides comprehensive guidance and standardization of lottery procurements while fully accounting for the legislation in the respective lottery's jurisdiction. Following the Best Practice will make it simpler, faster and cheaper to develop a successful RFP, obtaining responsive proposals and conduct the evaluation of those proposals.

The Global RFP Best Practice is aimed at providing guidance and is not a mandatory standard. However, by using it, each member individually and the industry collectively, will dramatically decrease costs and workload in the procurement processes.

The Best Practice does not limit a lottery's ability to specify its requirements as the lottery wishes, nor does it prevent suppliers from tailoring proposals to best meet a lottery's requirements. Rather, the Best Practice is focused on simplifying the often routine and laborious task of the procurement process, allowing both lottery and supplier staff to focus on more productive aspects of the procurement process.

Effectively standardizing procurement processes is a long term project. Continuous improvements will be made to the Best Practice, and WLA encourages your feedback and suggestions.

The RFP Process document contains a description of and recommendations for the entire RFP process, applicable to the lottery organization. These documents can be accessed at www.world-lotteries.org. Any comments, feedback, and suggestions regarding these documents should directed to the WLA Business Office. Visit the World Lotteries Association website for more information: www.world-lotteries.org

On-Line Gambling in Italy Posts Significant Growth

On-line gambling in Italy generated strong growth in revenues and profitability in

2015, with results up 31.2% over the previous year, according to the nation's regulatory body, Agenzia delle Dogane e dei Monopoli (AAMS).

Sports betting led the way with gains in profitability of 19% on 5.5 billion euros in revenue, which represented an increase of 28% over 2014.

Portugal to Launch Full-Scale Gaming Market in 2016

After a decade of deliberation and legislative delays, Portugal will launch a comprehensive gaming market in 2016. The target date is June 28. Licenses will be made available to both Portuguese and international game operators, who will be required to submit financial guarantees and to undergo a three-year trial period.

Participation in UK Gambling Declines

A new report published by the UK Gambling Commission revealed a sharp decline in participation in gambling activities from 2012 to 2015. Overall participation decreased from 57% to 45% during that time period.

Regarding the on-line findings, 33% of gamblers use a mobile phone or digital tablet to play. Younger adults (ages 25 to 34) were the most likely to use those types of devices (50%).

AGA: March Madness betting to exceed $9 billion

Of the $9.2 billion that will be wagered this year on the NCAA men's basketball tournament, only about $262 million will be bet legally at Nevada sports books. The total illegal sports betting market in the United States grew to $148.8 billion in 2015.

Illinois Lottery to stop online, mobile app sales of single tickets

Illinois internet sales initiative (allowing single tickets for the state's Mega Millions, Powerball and Lotto games to be purchased online or via its mobile app) was

enabled via a "pilot program" which expires March 25. Bills that would have allowed the program to continue did not pass the Illinois General Assembly before the Assembly adjourned last week. It remains to be seen if the discontinuation will be temporary or permanent. Lottery players will still be able to purchase lottery subscriptions, just not single tickets. The state will also be seeking proposals on firms interested in managing the lottery. Uncertainty over the status of the online channels would likely affect the value of such a management agreement.

The European Commission (EC) has abandoned the concept of a pan-European regulatory framework for online gambling

The EU effectively is rejecting calls to apply a singular online gambling regulatory framework that would apply to all EU member states. This move interestingly mirrors similar issues in the US, where states' rights vs. federal dictates have become an ongoing political battle over who decides how to regulate online gaming. Speaking at February's International Casino Exhibition in London (ICE), Harrie Temmink told the industry emphatically that the EC was not working on sector-specific legislation in gambling.

Russia's legalization of online poker could generate a billion-dollars in taxes

Data from PokerStars, the world's biggest online poker website, indicate that 8.4% of its players are from Russia. (**PGRI Note: That is an amazing percentage. If it is true, and if it is illegal in Russia, does that mean that PokerStars continues to ignore the laws and operate illegally?**) Igor Shuvalov, the nation's First Deputy Prime Minister has ordered the Ministry of Economic Development and the Ministry of Justice to collaborate on a report on the legalisation, regulation and taxation of online poker. ■

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SPOTLIGHT ON THE LEADERS
OF THE GOVERNMENT-GAMING INDUSTRY

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 PGRI conferences, and all industry events and conferences. 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 PGRI conferences.

Carmanah Signs
(CarmanahSigns.com)

LEADING THE CHARGE IN DIGITAL LOTTERY EXPERIENCES

Carmanah Signs, the gaming division of STRATACACHE, is a global provider of digital signage software and hardware, network services, and jackpot signs to lotteries and casinos. Carmanah's products are found in 48 lotteries on four continents.

STRATACACHE's customers are Fortune 500 retail chains, banks, and quick serve food retailers. Together, STRATACACHE and Carmanah have over 1.4 million connected media players and 115,000 jackpot signs at retailers around the world.

Digital signage networks at retail improve a consumer's in-store shopping experience, resulting in improved sales conversion and increased brand value. Carmanah supplies the complete solution, including content, software, media players, display hardware, installation, and services. Carmanah has also developed a formidable line of display hardware and retail furniture solutions that can be customized to create truly engaging points of interaction with customers.

At the core of these capabilities is STRATACACHE's ActiVia for Media software, which enables distribution of differentiated content to thousands of displays, facilitates interactive experiences, and interacts with consumer mobile devices. ActiVia for Media driven networks support interactive touchscreen experiences that Carmanah provides to lotteries for their retail partners. These touch experiences use intelligent content delivery strategies and provide analytics reporting to lottery marketers—delivering ROI by engaging the next generation of lottery players.

The dominant supplier of wireless jackpot signs for over a decade. The leader in reliable, robust digital signage networks. The innovator in interactive retail experiences. In the current era of digital lottery experiences, Carmanah is your best bet to grow lottery revenues at retail. ∎

Diamond Game
(DiamondGame.com)

Diamond Game designs, produces, and services games, gaming systems, and tickets for various North American Lotteries and alternative gaming markets. 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 social establishments, such as bars, taverns, bingo halls, and social clubs.

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. The LT-3 is currently deployed in 5 North American lottery jurisdictions.

Diamond Game was established in 1994 and as of May 2015, Diamond Game is proud to be a subsidiary of INNOVA Gaming Group (www.innovagaminggroup.com).

INNOVA Gaming Group Inc. ("INNOVA") develops and grows companies that provide unique games and products to the global gaming industry, with particular focus on state and provincial lotteries. The INNOVA management team collectively has over 65 years of experience in the gaming industry, bringing in-depth knowledge of the industry, long-standing relationships with lottery directors, and a track record of significant acquisitions. INNOVA is a public company trading on the TSX under symbol IGG.

Diamond Game is a proud Associate Member of the WLA and NASPL. ∎

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Linq3
(Linq3.com)

Linq3's secure payments platform transforms existing unmanned POS devices into highly interactive access points for sale of lottery products. By leveraging existing hardware, securing transactional data and communications, lotteries have a unique opportunity to think outside the traditional sales terminals. The Linq3 solution works in partnership with existing lottery networks, allowing lotteries to efficiently reach a greater market, intersecting and interacting with players in a new way. In collaboration with state lotteries, their operators, and the nation's leading fuel pump and payment kiosk manufacturers, ATM providers, and the payment card industry, Linq3 has developed the secure protocol for lottery transactions on fuel pumps, ATM's, taxis and other innovative unmanned points of sale. Linq3 enables lotteries to achieve sales growth at a low cost through new sales channels that reaches new players and occasional players. 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 recognizes that security and integrity is of upmost importance to lotteries. 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 consists of three fundamental features security, reliability and availability, and performance and scalability. Linq3's data centers are housed in SSAE 16/SOC 1-compliant facilities, which provide a high level of physical security, including on site guards, multiple forms of verification for access, and visual monitoring. 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. 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. 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. ■

Scientific Games
(ScientificGames.com)

As a global leader in the gaming and lottery industries, Scientific Games' mission is to empower our customers by creating the world's best gaming and lottery experiences. 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 83 years through our acquired companies, Scientific Games has delivered what customers and players value most: trusted security, creative content, and innovative technology. Beginning with the world's first slot machine, the "Bally Baby" in 1936, to 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 across the globe.

Headquartered in Las Vegas, Nevada with nearly 8,500 employees worldwide, we serve our customers from manufacturing and operational facilities on six continents. Scientific Games delivers a one-stop-shop offering customers a fully integrated portfolio of technology, platforms, content, and services for the robust gaming and lottery industries.

Success is a reflection of talent, and Scientific Games' history of success has been driven by our highly experienced professionals. Our lottery and gaming products 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. ■

Intralot
(Intralot.com)

INTRALOT is a leading gaming technology supplier and operator active in 57 jurisdictions around the globe. A platinum member of the World Lottery Association (WLA), INTRALOT's systems and operating base of more than 340,000 proprietary terminals handled more than $24.5 billion in worldwide wagers. With over $2 billion in annual turnover and a global workforce of 5,400 employees INTRALOT is a global corporate citizen committed to sustainable development (a member of the UN Global Compact) and responsible gaming (possessing the WLA responsible gaming framework certificate). INTRALOT entered the US market in 2002 and currently holds 14 contracts in 12 jurisdictions in the United States. INTRALOT has also launched the last 2 start-ups in the US (Arkansas and Wyoming).

Within 24 years of operation, since its establishment in 1992, the company has achieved a monumental global expansion and is a ground-breaking innovator of the gaming sector, bringing state-of-the-art, market-proven solutions and operational expertise to the industry. Through the use of a dynamic and omni-channel approach, INTRALOT offers an integrated portfolio of best-in-class gaming systems and product solutions & services addressing all gaming verticals (Lottery, Betting, Interactive, VLT). Players can enjoy a seamless and personalized experience through exciting games and premium content across multiple delivery channels, both retail and interactive.

The company maintains the highest security certifications. 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 2012. Moreover, the Company has been certified with the ISO 27001 for its Information Security Management System (ISMS) and maintains the ISO 20000-1 certification on Information Technology Service Management.

INTRALOT contributes decisively to the future developments of the industry being a member of the major Lottery and Gaming Associations: 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). ■

IGT is the global leader in gaming. We enable players to experience their favorite games across all channels and regulated segments, from Gaming Machines and Lotteries to Interactive and Social Gaming. Leveraging a wealth of premium content, substantial investment in innovation, in-depth customer intelligence, operational expertise and leading-edge technology, our gaming solutions anticipate the demands of consumers wherever they decide to play. With over 12,000 employees, we have a well-established local presence and relationships with governments and regulators in more than 100 countries around the world, and we create value by adhering to the highest standards of service, integrity, and responsibility. The Company is listed on the New York Stock Exchange under the ticker symbol "IGT."

Gaming—designs, manufactures, and distributes top-performing games, slot machines, central systems, video lottery terminals (VLTs), and associated software to gaming markets around the world. IGT 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.

Lottery—designs, assembles, installs, operates, and maintains draw-based lottery systems, lottery terminals, and communications networks for governments and licensed operators worldwide. IGT is the industry's leading private lottery manager, with the most extensive and proven operator capabilities. The Company operates the world's largest lottery in Italy, and manages other operator contracts in the United States and Latin America/Caribbean. Additionally, IGT 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 lottery capabilities.

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

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

Camelot Global is a leading technology and professional services provider to lotteries around the world. We are owned by the Ontario Teachers' Pension Plan (OTPP), Canada's largest single-profession pension plan with over $130 billion (CAD) in net assets. OTPP is the owner of Camelot UK Lotteries Limited (the operator of the UK National Lottery) and majority shareholder in Premier Lotteries Ireland, the operator of the Irish National Lottery.

Our mission is to provide proven and pioneering solutions for responsible lottery growth. We do this through three distinct propositions:

1. **Industry-leading lottery technology, content and managed service solutions:** Camelot Global provides industry-leading solutions to lotteries. Our four products and services are;

   · **Camelot iLottery Platform—A modern open robust platform**
   Through the iLottery services of the Camelot Global Platform, Camelot Global enables lottery owners to access the same modern, open and flexible interactive lottery platform and engineering expertise that support the UK National Lottery, Europe's largest interactive lottery.

   · **Interactive Instant Win Games Content**
   Camelot Global offers a range of Interactive Instant Win Games which provide a rich and engaging experience for lottery players.

   · **Fully-Managed Service**
   Camelot Global also offers a fully-managed iLottery service to lotteries seeking to outsource their interactive operations. Camelot Global provides interactive marketing services including player acquisition, retention, activation and campaign management.

   · **In-Lane Retail Solutions**
   The Camelot Global Platform includes an in-lane module which enables retailers to offer full lottery services through their own Point of Sale equipment.

2. **Strategic consulting and support:** Camelot Global advises lotteries and lottery owners on the key issues facing their organizations. We have worked with the world's leading lotteries on critical decisions around game, channel and technology strategy.

   Camelot Global also supports large and complex technology programmes such as vendor transitions and mass retail roll-out.

   As well as advising lotteries on a short-term basis, Camelot Global also partners with client lotteries on a long-term basis to support the delivery of their chosen strategies.

3. **Strategic Investment:** Camelot Global works in partnership with its shareholder, OTPP, to identify and support the management of strategic investments within the lottery sector.

   As an example of this partnership, Camelot Global supported OTPP in acquiring its majority stake in Premier Lotteries Ireland ("PLI"), the operator of the Irish National Lottery. This transaction saw PLI acquire a 20-year licence to operate the Irish National Lottery for an up front payment of €405m. ■

Hudson Alley Software
HudsonAlley.com

Helping Lotteries Engage Players at Retail

Hudson Alley Software, Inc. is laser-focused on helping lotteries improve retail execution. Since entering the U.S. lottery market in 2004, Hudson Alley has remained the undisputed innovator and market leader in the lottery sales force automation market. Today, sales teams from 22 lotteries rely on its OnePlace™ and OrderPad™ products all-day, every-day, to help them do their jobs better.

InTouch™ is Hudson Alley's ground-breaking retailer-facing solution; there is nothing else like it available in the lottery industry. The goals of InTouch™ are simple; to increase sales by educating retailers and by providing merchandising guidance for scratch games—and to do so in a way that will keep retailers coming back to the platform. The content is delivered through retailer-centered smartphone apps and a retailer-centered website.

Its customers range from very large lotteries like New York, California, and Georgia to less populated jurisdictions like Idaho, Washington State, and Maine—and everything in between.

Please visit www.hudsonalley.com to learn more. ∎

NeoPollard Interactive
NeoPollard.com

NeoPollard Interactive LLC is a strategic joint venture between two of the lottery industry's most respected vendors—Pollard Banknote Limited and NeoGames S.A.R.L. The company combines the marketing expertise and extensive worldwide lottery experience of Pollard Banknote with the proven leadership and superior technology of NeoGames in order to develop, implement, operate, and maintain iLottery services for regulated lottery clients in North America.

NeoPollard Interactive offers a comprehensive and scalable iLottery 360° Solution™ that comprises an extensive portfolio of market-proven games optimized for mobile, tablet, and desktop; a robust and agile technology and operating platform; an independent, MUSL-certified interactive central gaming system for draw-based games; and a complete set of operational services, including customer support, compliance, payments, marketing, CRM, and more. Further, its mobile-first development methodology delivers the best performing and most adaptable mobile solutions in the industry.

Technological sophistication, together with an exclusive focus on the North American iLottery market and an unrivaled commitment to delivering flexible and integrated solutions, makes NeoPollard Interactive the ideal partner to help regulated lotteries drive revenues and maximize proceeds for the good causes they support as they continue along the digital continuum. ∎

GameOlogy®
Tournament1.com

A Tournament One Company

Every game follows a proven process that ensures maximum return for our clients' online, kiosk and monitor game programs. "Gameology®" describes the unique creative development and engineering process that we use to create, develop and produce games.

We start by playing on paper individually or in a group, to work out scenarios of the customer experience of every aspect of presentation, play, reward and achievement. These "proto" games evolve into concepts, play mechanics and algorithms that support our clients' objectives.

We then create concept panels, scripts and storyboards to illustrate every detail of the player experience. T1 engineers work closely with our platform partners' technology teams to build flexible specifications that fit unique jurisdictional, marketing or platform requirements. Gameology® games integrate with complex proprietary transaction systems in existing or new distribution channels such as GTECH, Scientific Games and Intralot.

Our deliverable milestones and time lines meet our partners' and clients' business, technology, certification and marketing requirements. Each team is lead by senior management and is comprised of art and engineering staff with extensive Lottery experience.

Today, Gameology® has enabled us to become the leading provider of interactive games in the US Lottery market. Our games are among the top selling brands on the Web, touch screen kiosks and monitor racing games. ∎

Novomatic
(NovomaticLS.com)

NOVOMATIC Lottery Solutions (NLS) is the new 360° solution alternative vendor for the world lottery market. Our customers benefit from fully agnostic retail solutions, web enabled transaction engines, state of the art player and retail management systems, together providing a never seen before level of integration with all available channels.

The core of the solution is a secure, open and flexible gaming platform which ensures easy integration with 3rd party vendors and allows building a complete and successful lottery presence within all sales channels, following a clear 'best-of-breed' strategy. This approach gives our customers a truly flexible way to manage and grow their business, enabling innovation with unequaled time to market performance.

Drawing on NOVOMATIC's extensive experience and track record, NLS also delivers market leading VLT solutions, fully compliant with all regional regulatory requirements.

The NOVOMATIC Group, is one of the most important producers and operators of gaming technologies and one of the largest integrated gaming companies in the world.. Founded by entrepreneur Prof. Johann F. Graf, the group has subsidiaries and locations in 50 countries and exports high-tech electronic gaming equipment to 80 countries. It operates over 235,000 terminals and 1,600+ gaming operations such as casinos and electronic casinos. ∎

EquiLottery
(EquiLottery.com)

THE NEXT GENERATION OF LOTTERY DRAW GAMES

Are you looking for new draw game options to increase profits going to the good causes your lottery supports? Trying to expand your player base with exciting new games that appeal to all ages including the millennial generation that craves entertainment options through their mobile devices? Trying to find ways to encourage "stickiness" and positive word-of-mouth marketing?

If you answered yes to any of these questions, then it's time to take a look at EquiLottery, a new live action lottery game based on the excitement of live horse racing. Studies show that EquiLottery allows you to offer a new product category to your players that increases profitability and reduces cannibalization. This unique offering also attracts new players while creating greater investment from your core players. And by delivering races through multiple online platforms, EquiLottery meets people where they are by turning the excitement of a two-minute horse race into a highly relevant daily "YouTube video" experience.

Visit our newly-designed website at www.EquiLottery.com to learn more about how EquiLottery works, test out our demo mobile app and learn more about our recently conducted player study with market research leader Ipsos. And contact Brad Cummings at (502)644-1454 or brad@equilottery.com. ∎

Grover Gaming, Inc.
GroverGaming.com

Grover Gaming, Inc. is a software and game development company specializing in Lottery Products, Charitable Gaming, and Software Licensing, with extensive experience in developing casino game content. Grover Gaming is proud to license premium games for a variety of gaming markets including Social and Real Money gaming. ∎

InComm
InComm.com

Leveraging deep integrations into retailers' point-of-sale systems, InComm provides connectivity to a variety of service providers that allow consumers to conduct everyday business at more than 450,000 points of retail distribution worldwide. Whether those consumers are activating prepaid products, paying bills, enjoying real-time discounts through a membership card, purchasing digital goods in-store or adding funds to an online account, InComm is there to provide unique gift-gifting opportunities, cater to on-the-go shoppers, deliver added value through loyalty programs and serve cash-based consumers. With 186 global patents, InComm is headquartered in Atlanta with a presence in over 31 countries in North and South America, Europe and the Asia-Pacific region. Learn more at www.incomm.com or connect with us on www.twitter.com/incomm, www.facebook.com/incomm, www.linkedin.com/company/incomm or www.incomm.com/blog. ∎

Fantasy Sports:
A Game of Skill or Chance?

A 2006 federal law banned online gambling but specifically exempted fantasy sports, paving the way for the creation of the niche industry that's since exploded in popularity, prompting policy makers to take a closer look.

Companies like DraftKings and FanDuel have argued their contests aren't gambling because, they claim, the games require more skill than luck. But where it argued against government oversight, the DFS industry is now embracing limited regulation, so long as it isn't subjected to the same exacting standards as traditional gambling operations. There are at least 30 U.S. states with pending bills. At least half the bills represent variations of a DFS industry-backed proposal exempting the games from state gambling regulations, but imposing requirements meant to protect consumers.

This debate about the legality of Fantasy Sports (FS) and Daily Fantasy Sports (DFS), and how to regulate it, is based mostly on the question of whether Fantasy Sports should be classified as a game-of-chance or a game-of-skill. How should games that involve both chance and skill be regulated and taxed? The debate over whether DFS constitutes "gambling" is quite similar to the debate over whether poker is a game-of-skill. Clearly, they both involve elements of both chance and skill. The operators of DFS and the advocates for regulating poker as a game-of-skill contend that these games involve more skill than luck. It is unclear how one would measure that with any scientific precision. More interesting, though, is the presumption that it should even matter how much skill is involved. A Dutch court recently acknowledged that poker clearly involves an element of skill. But it ruled that the whole discussion about how much skill is involved, whether the outcomes are determined by skill more than chance, and how to measure the relative influence of skill versus chance, are irrelevant. Doesn't matter. The judges ruled that the fact that the player has no influence over the cards that are dealt clearly means that there is an el-

ement of chance. Combined with the fact that the cards that are dealt do influence the outcomes of the game, that means that poker is therefore to be classified as a game of chance. The Dutch court ruled that arguments over the degrees of chance or skill are irrelevant. According to this reasoning, DFS and FS would be regulated as gambling.

There are significant differences between U.S. states as to how they define gambling.

States fall into four groups in their interpretation, according to another opinion letter from the New York case:

- Those that prohibit contests in which chance is a predominant or significant factor
- Those that outlaw contests in which chance is a material factor
- Those that ban games with any degree of chance
- Those that prohibit all cash games regardless of skill or chance

Daily fantasy sports were deemed by Virginia lawmakers to be a game of skill. DFS sites will now be overseen by the state's Department of Agriculture and Consumer Service. In Arizona, the state's Senate Judiciary Committee passed and sent to the full Senate a bill that defines Fantasy Sports as games of skill and therefore permissible.

The uptick in legislative activity around the country was spurred by a New York court decision to issue a preliminary restraining order against Fantasy Sports betting. Documents associated with the New York court case indicate that about half the states in the U.S. fall into what is described as a "predominance" category in determining the respective roles of chance and skill in Fantasy Sports.

Currently, all games-of-chance are prohibited in the U.S. by federal law, except and unless the state exercises its right to legalize, regulate, and tax the games. And no federal laws intrude on the prerogative of the states to determine whether to classify DFS and FS as games that should be regulated and taxed as gambling. ∎