

# PGRI PUBLIC GAMING INTERNATIONAL

MAY/JUNE 2016

- Scenes from the EL/ WLA and ICE London Events
- Where Science Meets the Art of Interactive
- On Building a Sustainable Future for Government-Lottery: A Focus on Technology-Driven Action-Plans

## FEATURED INTERVIEWS



Michelle Carinci



Rebecca Hargrove



Younès El Mechrafi



Bryndís Hrafnkelsdóttir



Philippe Vlaemminck



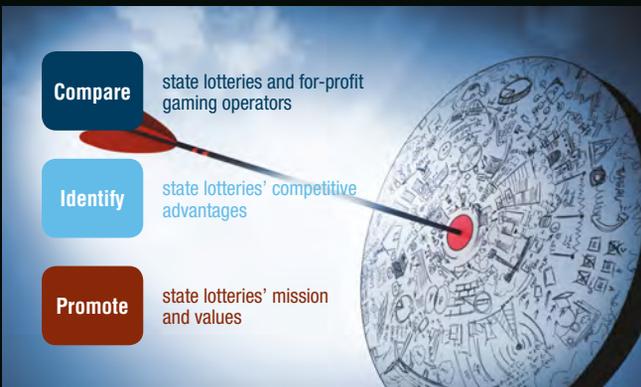
Declan Harkin



Joni Hovi



Kevin Anderson



Forging a Future for Government-Lotteries in the Face of Increasing Competition from For-Profit Gaming Operators

—Jean-Luc Moner-Banet

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## From the Publisher

Thank you to our editorial contributors and interviewees for making this a special issue. The over-riding theme is how government-gaming is reshaping itself to compete in a market-place that no longer affords the kind of monopoly protection that has always been our province. We do still enjoy a measure of regulatory protection, but even that is changing. The real driving force of change in the competitive landscape, though, is the ubiquitous expansion of all forms of gaming. The consumer is confronted with countless options. And not just in the eponymous category of “entertainment”. We’re facing real competition within the games-of-chance space. Granted, there will always be a large market of people who will only play traditional lottery games. But it may be wishful thinking that our customer base won’t be eroded by the easy availability of more and more gaming options and the creativity of developers who are creating a huge diversity of new and exciting gaming products. What is encouraging is the wealth of ideas and strategies, the tenacity with which they are being turned into reality in the market-place, and the vision of our industry’s thought-leaders who share their success stories in this issue of PGRI magazine.

**The government-gaming mission of raising funds for good causes as opposed to the mission of enriching private shareholders is a competitive differentiator that does matter. Greatly.**

Jean-Luc Moner-Banet’s powerful presentation at SMART-Tech is synopsised on page 27 and also can be viewed at PGRItalks.com. He tackles head-on the issue of the challenge that government-lotteries face in world of increased competition from a lack of enforcement of regulations, and even outright deregulation, and the ingenuity of for-profit operators when it comes to exploiting the gray areas of existing regulations. One of my personal take-aways is the need for government-lotteries to find ways to promote who we are, what we stand for, and why our stakeholders (which is everyone, really) should care. We know that people play games-of-chance with the hope of winning something of value, like money. But the overall value proposition that drives consumer behavior may be more nuanced than the classical (and neoclassical for that matter) economic model that focuses on rationalistic, self-interested maximization of “utility”. Intrepid entrepreneur and investor Mark Cuban explains “If you want to sell to Millennials, you have to have a social responsibility component. I invest in young entrepreneurs and they all know this. They’re all trying to copy the Tom Shoes model.” For every pair of shoes it sells, Tom Shoes donates a pair of shoes to needy people in under-developed countries. It sounds to me like everyone is trying to copy government-lotteries!

Nobody ever accused Harvard Business School professor and renowned author Michael Porter of being a quixotic idealist. But he wrote an entire book on the subject of “shared value” as business strategy. And in our interview with legal counselors Beata Guzik and Philippe Vlaeminck on page 74, Beata also refers to Michael Porter’s concept that engaging the audience’s desire to affiliate with brands that reflect their values is good business strategy. In fact, the mission of government-lottery to support good causes is a theme that inhabits all of the interviews that we do.

Our stakeholders do care. The government-gaming mission of raising funds for *good causes* as opposed to the mission of enriching private shareholders is a competitive differentiator that does matter. We just have to find better ways to integrate it into our brand and messaging, i.e. to sell it.

Next up in the world of important industry events is the **EL/WLA Industry Days** in Marrakech, May 30 to June 1. This is a special invitation-only conference. We will report on this event in both the EL NEWS (the official publication for the European Lottery Association) and our own publication. Many of the issues that affect our industry are universal, manifesting themselves everywhere in the world. The thing is, they almost always manifest in Europe years before they come onto the radar in other parts of the world. That is what makes Europe an incredible looking glass into the future for government-lotteries everywhere. And Industry Days delivers the most serious treatment of how to overcome the obstacles, and maximize opportunities, that we will be facing in the coming years.

Additionally, PGRI is extended the courtesy of conducting the **Lottery Industry Hall of Fame** ceremony at Industry Days. Congratulations to the four current European inductees: Ioannis Katakis (Head of Lottery, Win Systems), Stavros Michael (Director Cyprus Lottery), Thierry Pujol (Director Sporting Integrity, Française des Jeux), and Philippe Vlaeminck (Managing Partner, Pharumlegal).

Visit [european-lotteries.org](http://european-lotteries.org) for more info about all of the upcoming high-level educational seminars hosted by the EL.

Thank you to those of you who joined us for **PGRI SMART-Tech on April 6, 7 & 8 in New York City**. Pictures and synopses of the sessions will be in the July issue of the magazine. Video-recorded presentations and panel discussions can be viewed at PGRItalks.com. PGRI holds two conferences a year. Our next event, **Lottery Expo, will be at the Eden Roc Miami Beach Hotel on September 12, 13, and 14**. Three receptions and two luncheons make it easy to visit with your colleagues from around the world. We hope to see you there! Visit [PublicGaming.org](http://PublicGaming.org) for conference info, updates, and registration and room reservations links. ■

**Paul Jason, Publisher**  
**Public Gaming International Magazine**



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## Younès EL MECHRAFI

General Director, La Marocaine des Jeux et des Sports (MDJS)  
General Secretary of the African Lotteries Association

### The Market-Place and Profiles of Sports-Betting Players and Lottery Players

**PGRI Introduction:** Younès El Mechrafi holds a master's degree in Computer Science Applied to Business Management (MIAGE) and a diploma of Higher Specialized Studies (DESS) in Computer Engineering from Université de Lille in France. He began his career as a professor and researcher within a unit of the National Scientific Research Council (CNRS) at Université de Valenciennes in France.

Back in Morocco, he was appointed General Manager of SOMAV, a company operating in the agro-industry field. Then, he founded CONCIS, a computer engineering services company, based in Rabat, which counts among its customers important state prescribers such as the Ministry of Finance and the Royal Moroccan Armed Forces.

In 2003, Mr El Mechrafi was appointed Special Advisor to the Minister of Justice in charge of new technologies and modernization. The e-Justice project received the Imtiaz prize, a distinction awarded to the most performing public administrations in the e-Government program. In 2006, he held the position of General Manager of an IT services company, Archos Conseil, based in Casablanca and a subsidiary of ONA group, the first Moroccan private group.

Since 16 November 2009, Younès has been the CEO of la Marocaine des Jeux et des Sports (MDJS), a state lottery that finances the Moroccan sports. In March 2014, he was elected General Secretary of the African Lotteries Association (ALA). He was also elected member of the World Lottery Association's (WLA) executive committee in June 2014 and executive committee member and Secretary of GLMS (Global Lottery Monitoring System) in January 2015.

**Paul Jason, PGRI:** *Do you think there are over-laps in the player-ship of sports-betting and Instants?*

**Y. El Mechrafi:** Not really. The profile of the sport betting player is totally different because sport betting requires some level of skills and the passion for sport while instants are based on impulse and they require no skill at all.

*Instants comprise 2% of your sales. How*

*aware of the margins do you think the players are? Do you think, for instance, that sports-betting players tend to avoid Instants because the prize-payout percentage is lower for Instants?*

**Y. El Mechrafi:** Sport betting players are more aware of the payout but this is not the reason they do not prefer Instants. Moreover the regulation of our products are available on our web site.

*99% of MDJS sales are from land-based retail. Do you expect online sales to increase ?*

**Y. El Mechrafi:** The migration to online gaming is very slow, mainly due to cultural constraints as well as limited payment methods available to players. MDJS has always been the pioneer in new technologies. Nevertheless, the retail business will continue to exist and grow because it remains the key driver of the Moroccan market. In our effort to en-



Guy Bartlett, Business Intelligence Analyst

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*Do you market Instants to your sports-betting players and vice-versa? Are they sold in the same venues/POS's?*

**Y. El Mechrafi:** Yes. All the products are available in all our POS.

*Are your land-based venues required to purchase dedicated terminals to process sports-betting and Instants transactions?*

**Y. El Mechrafi:** Our central system requires dedicated terminals to process gaming. However all the equipment is offered to the retailers free of charge.

*How does the Moroccan socio-economic profile compare to the rest of Africa and to Western Europe? Do technological trends mirror Western Europe or Africa ?*

**Y. El Mechrafi:** There are both similarities and differences that reflect the cultural background and the financial performance. Morocco stands in between the rest of Africa and the rest of Europe quickly following the trends of the latter. Technological trends mirror Western Europe. However, implementation and usages on a daily basis takes more time.

*How do the trend-lines of consumer behavior in general, and play-style behaviours in particular, differ between Morocco and Africa and Western Europe?*

**Y. El Mechrafi:** They are quite similar but there are always some differences due to culture. ■

## LA MAROCAINE DES JEUX ET DES SPORTS (MDJS)

Created in 1962, the purpose of the company is the organization and operation, on a national scale, of sport betting on competitions organized both within and outside of Morocco (except horseracing and greyhound racing).

MDJS is run by a board that is headed by the Minister of Sports. The shareholders are as follows: 90% Public treasury/10% Caisse de dépôt et de Gestion.

MDJS' mission is to distribute 100% of its profits to the National Fund of Sports Development (FNDS). These funds are intended to finance sports federations activities and to support the top athletes in their preparation for international competitions. These resources also finance many sports infrastructure projects, including grassroots infrastructures, such as Sports Social Centers, directed by public authorities.

In 2015, MDJS achieved a turnover of 1.847 billion dirhams (167 947 045 euros), up 12.5% from 2014, of which 1.1 billion dirhams were distributed to the players. The contribution to the FNDS in respect of 2015 amounted to 302.9 million dirhams (27 606 306 euros), up 18% compared to 2014.

On top of all the taxes paid to the state budget, MDJS' funding represents more than 20% of the Ministry of Youth and Sports' overall budget.

MDJS is a pioneer in terms of sports betting and governance:

- The 1st African lottery to obtain the highest level of the WLA's Responsible Gaming Certificate (2013).
- The 1st African lottery to obtain the WLA Security Control Standard Certificate (2013).
- Member of the WLA's CSR and Security Committees.
- Obtained the Corporate Social Responsibility certification from the Confederation of Moroccan Companies (2014).
- First lottery in Africa to launch:
  - Fixed odds sports betting (2005)
  - Online sports betting (2011)
- First lottery in Morocco to conform to the personal data protection law (2011)
- MDJS has an inclusive sports sponsoring strategy, with actions in favor of:
  - Rural and poor neighborhoods
  - Women, disabled people, and people of all generations

TOTAL REVENUES IN EURO's  
(1 Euro = 11 dirhams)

	2010	2011	2012	2013	2014	2015
Revenues (Euro's)	75 090 342	87 654 798	119 350 381	133 296 515	149 319 386	167 947 045
Variations		17%	36%	12%	12%	12%

## DESCRIPTION OF THE AFRICAN LOTTERIES ASSOCIATION (ALA)

Created on December 3rd, 1983 in Dakar, the ALA counts 21 members, with the following objectives:

- Encourage mutual assistance on a technical and educational level
- Participate in the integration of the African economy through the institution of pan-African games

Continued on page 43



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## Bryndís HRAFNKELSDÓTTIR

Chief Executive Officer, University of Iceland Lottery

### On Managing Stability, and Ongoing Support for the University of Iceland, in a Rapidly Changing Market and Regulatory Environment

**PGRI Introduction:** Totally owned by the University of Iceland, the University of Iceland Lottery (UIL) faces the same challenges, and some unique to its charter, as lotteries all across the globe. Like CEO's of all successful lotteries, Ms. Hrafnkelsdóttir stays focused on the mission to generate funds for its beneficiary, operate within strict regulatory limitations, set the highest standards for Responsible Gaming and Corporate Social Responsibility, and otherwise serve all its stakeholders.

Prior to her appointment to CEO of the UIL in 2010, Ms. Hrafnkelsdóttir was CFO of Landfestar, a real estate company owned by Kaupthing bank, Project Manager at Kaupthing bank's head office in 2007–2008, General Manager of Debenhams department store from 2000–2006, and CFO and member of the executive board of Hagkaup, the largest hypermarket in Iceland, from 1996–2000. Bryndís has been the board chairman of the Commercial College of Iceland since 2006, a board member at Reginn Ltd. from 2014, a real estate company listed on the Icelandic Stock Ex-

change, and alternate board member at TM Ltd. from 2014, an insurance company listed on the Icelandic stock exchange. Bryndís has a Master's degree in business from the University of Iceland and a Cand. Oecon degree in business administration from the same university.

**Paul Jason, PGRI:** *The University of Iceland Lottery (UIL) serves a uniquely crucial role in Icelandic society and the development of the University.*

**Bryndís Hrafnkelsdóttir:** It does. The UIL was founded in 1933 and its purpose is to generate funds for the construction of university buildings, their maintenance and the purchase of equipment. The first construction was the beautiful Main Building of the University which came into use in 1940. Since then, more than 20 other buildings have been funded almost entirely with lottery money. Most people in Iceland realise that without the existence and contribution of the UIL, the University of Iceland would not have been able to develop in the way it has.

*What is the basic regulatory and governance model for lotteries in Iceland?*

**B. Hrafnkelsdóttir:** Under Icelandic law, no lottery can be run in this country without a licence from the Ministry of the Interior and it is only granted for the purpose of generating funds for worthy national causes. The objective of these provisions is to prevent any damaging effects on society and to uphold public order.

There are currently 6 lottery companies operating in the market. The UIL is the oldest lottery in Iceland and is licensed to run three types of money lotteries:

- a) a class lottery, which has been run from the beginning with the first draw taking place on 10 March 1934
- b) scratch ticket lotteries which were introduced in 1987
- c) Video Lottery Terminals (VLT's), under the name of Gullnámán, which have been operating since 1993.

Other lottery companies in the Icelandic lottery market are Íslandsspil, which runs VLT's, Íslenskar gettraunir which offers sport betting, Íslensk getspá with Lotto, Viking lotto and Eurojackpot. It should also be mentioned that there are two other companies which both offer class lotteries. Íslensk getspá and Íslenskar gettraunir are run under the same hat, albeit with separate

boards of directors. The UIL has a market share of around 30%, if one looks at the profits of the companies. The number of lottery companies often causes surprise, particularly when one considers the small size of the Icelandic market with its population of just 330,000. The lottery companies all support different causes. In order to maximize the contribution of the companies to national causes they have been instructed to run their operations cost-effectively. This working environment has encouraged the companies to operate in a responsible manner and it can be said that they all enjoy a lot of trust and work in harmony with the community. In 2014, the companies paid out a total of €23,174,000/\$26,472,000 to their owners. There are also many small charitable organizations, which operate lotteries on the market, but they do not operate all year round.

The UIL is the only company with a money lottery licence and it currently pays an annual licence fee of ISK 150 million (over \$1 million USD), and one could therefore call it a National Lottery.

*How are sales trending for your different products?*

**B. Hrafnkelsdóttir:** The class lottery is the oldest product and I only know of three other comparable lotteries—Det Danske Klasseslotteri, for example. The total average number of customers is 42,000 people buying an average of 2.1 tickets each month, which is 17% of the population over the age of 18. The scratch ticket division is the smallest, and its size can be a handicap. It has been difficult to develop it any further in terms of utilising the available technology. These investments are expensive and it can be difficult to obtain satisfactory returns, although we are examining very exciting solutions for the future. At any given time there are only 4 different types of scratch tickets in circulation, and each ticket is for sale for a period of 12-18 months. The UIL manages about 500 VLT machines and the machines are located in over 30 different gaming halls and bars, which are not owned by the UIL. There are no casinos in Iceland. One half of the

machines are progressive and connected to a Jackpot, whereas the other half are non-progressive. The only product available on-line is the class lottery.

*And yet, the UIE has had impressive growth, especially in 2015. Total revenues for 2014 were €21,040,451. What were they for 2015?*

**B. Hrafnkelsdóttir:** We had a very good operating year in 2015. The turnover increased by 10.1%. The biggest increase was in VLT's, although there was also an increase in the class lottery and instant games. This is, in fact, the first increase we're seeing in the turnover of VLT's since the economic crash of 2008. The total gross gaming revenue grew by 6.7%, but changes in the prize-payout percentage between years may mean that changes in turnover and the GGR do not always go hand in hand. Profits excluding capital gains increased by 14.5%. 2016 also got off to a good start. We are seeing very positive trends in the first four months of the calendar year for 2016.



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*How do margins vary between the different game categories?*

**B. Hrafnkelsdóttir:** The payout percentage from VLT's is higher than in the class lottery and scratch cards. VLT's are the biggest division and the net margin in Icelandic króna, which is the gross gaming margin minus the operating costs of the system, is twice as high with VLT's as it is with the class lottery. This means that each percentage point change in the turnover of the VLT's weighs more than twice as much as a change in the class lottery in terms of its impact on the net margin. Despite this, the UIL's policy is not to advertise VLT's. On the other hand, we have worked a lot with IGT, who is our machinery and system suppliers, in an effort to make the supply of games more interesting with more effective game controls. Too, we have conducted experiments in various sites with the look and presentation of machines, messaging to customers in the locations etc., and all of this has obviously boosted our turnover together with an improved economy in Iceland.

*What do you see as the best strategies for maintaining growth in the draw-based game category?*

**B. Hrafnkelsdóttir:** We've achieved good results in the sale of class and instant lotteries. Ticket prices have risen twice in the class lottery, from ISK 1,100 to ISK 1,500, i.e. by 36%, since 2011. And yet we still have an increase of approximately 11% in the number of tickets sold between 2010 to today. I believe that can be attributed to the changes we made to the class lottery in 2012 when we offered a new winning pot, called Milljónaveitan (the Millions raffle), where all tickets are drawn for a single winning ticket of \$80,000. If a winner is not found, the prize remains in the pot and is added to the draw of the following month. Direct phone sales have also achieved great results. We strive to have humour at the forefront of our marketing campaigns and use Facebook a lot, where we have 32,000 followers. Also we upgraded the website and procedures to facilitate the buying of tickets online. Subscriptions account for 88% of the turnover, but there are always some users who stop briefly, and jump in when

the Milljónaveitan pot increases. The majority of lottery ticket holders essentially do business with us to support the University of Iceland but also in the hope of winning.

People of all ages play the lottery but, as is natural, the most active participants are middle-aged people who have the most disposable income. The challenge is to turn the class lottery into an exciting option for young people between the ages of 20–35, while at the same time retaining the rest of our loyal clientele from all age groups. Today 15% of participants in the lottery are in the 20–35 years age bracket. This target group poses many challenges, such as the demand for digital communication options, greater speed and the most up to date technology.

*What do you think is the future of draw-games?*

**B. Hrafnkelsdóttir:** For the class lottery to continue as the leading lottery here in Iceland in the future, we need to keep a sharp eye on player and general market-place trends as they emerge. A fundamental precondition for this is to make sure that our website and the interface in all our gaming machinery are simple and accessible so that they do not test our customers' patience. The younger generations in particular expect us to deliver a user experience that is just as easy and up-to-date as the most advanced e-commerce websites—everything needs to be preferably “one click away.”

There are also other challenges raised by trends today. Online marketing is constantly growing and the emphasis is shifting away from well-established media such as TV, radio, and particularly newspapers. The class lottery is following this trend and we are increasingly using online advertising platforms, such as Facebook, Google, YouTube and other popular networks. These changes entail the application of a vast volume of measurable data which market experts can examine and evaluate to assess the results of their marketing efforts. This benefits us in the class lottery and the policy is to advertise in the places where the marketing funds are best used and yield the best results.

We must be doing something right because we're witnessing a rise in popularity among people of all ages. We believe that,

with the right presentation and simplicity of our games, this popularity will continue to grow. We don't envision any radical changes in our games or rules in the near future. What we are more likely to see is the appearance of new games. We believe that, so long as we manage to follow trends each step along the way, the future of the class lottery should be bright and we have every reason to believe we can maintain this as an exciting option for the players of the future. After all, it has been running in this country since 1934. It has had its ups and downs, and it's still going strong.

*Iceland is known for being a global hub for young innovators in the tech, entertainment, design, and media industries. Will you benefit from Iceland's indigenous creative resources?*

**B. Hrafnkelsdóttir:** That hasn't been the case. The most popular online Icelandic games, Eve Online and Quiz-Up are not in gambling, and Fanaments.com is in sports which we don't have a licence for. So, this could represent an opportunity for us to innovate further. But reality is that we have strict limitations as to the games we can offer and the media/channels through which we are allowed to distribute.

*Are remote i-gaming operators as successful at disrupting the markets in Iceland as they are elsewhere in the world? Are your government or agents of law enforcement doing anything to prevent illegal i-gaming in Iceland?*

**B. Hrafnkelsdóttir:** The lottery is a fun, exciting and useful phenomenon which offers a twofold benefit: On one hand it gives the people who play a chance to make a contribution to the community, while at the same time enjoying the hope of winning a prize that may enhance or change their lives, and this is what makes the game so exciting. On the other hand, the many agencies and organizations involved in worthy causes for the community benefit from the contributions of lottery companies and the Lotto.

In recent years there have been radical changes in consumption patterns, particularly in younger generations. Leisure, shopping and various other services are increasingly moving online. The same applies to

money games, which are evolving extremely fast. People choose to play online and the use of traditional gaming machines is slowly dwindling. A vast increase in the use of smart phones and tablets is being forecast and young people grow up with these gadgets and become accustomed to using them, first as a game, which later evolves into business. Inevitably, lottery companies will move to selling their products online. The UIL has been struggling for an authorisation to expand its operations and offer its casino-style and instant games online for several years now. We've also lobbied for the government to confront illegal foreign i-gaming, but to no avail. The Icelandic lottery market has been affected by the involvement of foreign private companies. This applies in particular to companies that offer their services on the web. Consumers in Iceland have access to countless foreign websites that operate illegally. A number of these have become firmly implanted.

The apathy of the government is incomprehensible and it is unacceptable that the legislature has set no restrictions on the

forementioned illegal foreign websites. These companies have no connection or responsibility to the Icelandic community—no supervision, no taxes, no fines, no obstacles. At the same time, the government prevents domestic lottery companies, such as the UIL, from expanding its operations and therefore from offering the games they are licensed for today on the Internet. Vast amounts of money therefore flow out of the country instead of supporting the work of the owners of the UIL in favour of the Icelandic public.

I don't know what explains the apathy of the government, but it seems to have no interest in these issues and I feel the ministry fails to grasp the importance of these activities. If lottery money were not used, the operations of the institutions and associations that currently benefit from lottery money would have to be partly funded by the tax payer or their operations would have to cease or be reduced in scope.

In the spring a bill regarding casinos was submitted to parliament. The bill was produced by 9 members of parliament from

different political parties and without the involvement of the ministry. What is at odds in this bill is the fact that it does not provide for the gaming activities to be managed by the organizations or legal entities that offer their proceeds to national causes—in addition to the fact that the bill actually prevents Icelandic lottery companies from participating in the market. If the bill were to be passed and become law, it would mark a fundamental change in the policy that has governed lottery and betting activities in Iceland and deviate from the arrangements that have been applied to these activities and enjoyed a broad consensus. The issue has been through a first round of discussions and reports have been submitted, but we feel that it is not very likely that the bill will be approved, and we have to bet on our MP's common sense in this matter.

*How do you see the product mix trend-lines evolving?*

Continued on page 56

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## Rebecca HARGROVE

President and Chief Executive Officer,  
Tennessee Education Lottery Corporation

Senior Vice President, World Lottery Association (WLA)

### Regional Versus Nationwide Games and Optimizing the Long-Term Performance of Powerball

**PGRI Introduction:** Rebecca Paul Hargrove has served in leadership roles in the lottery industry for over 30 years, including as Chief Executive of four U.S. lotteries and as a consultant to lotteries across the globe. In three of those four states she led the start-up and remains one of the most respected, experienced leaders in the field.

The founding Board of Directors of the newly-created Tennessee Education Lottery Corporation recruited Rebecca to start a lottery here nearly 13 years ago, which she did three weeks ahead of schedule, netting an additional \$30 million for education than was anticipated. The Tennessee Lottery has seen growth every year since inception, thought to be a U.S. record.

Rebecca's resume includes a long list of lottery industry, business and civic accomplishments, honors and awards. She is the current Senior Vice President of the World Lottery Association, and has served as President of the North American Association of State and Provincial Lotteries, President of the Multi-State Lottery Association (MUSL), President of Powerball, and President of the international industry organization A.I.L.E. She was one of the first inductees to the Lottery Industry Hall of Fame, and was named one of The Tennessean newspaper's Tennesseans of the Year. Throughout her career, Rebecca has served on a variety of boards and continues to support many causes.

Rebecca holds a bachelor's degree and a master's degree in Education from Butler University and is a native of Indiana who now calls Tennessee home.

**Paul Jason, PGRI:** *I do not understand why you would not cap the Powerball jackpot. As soon as the jackpot exceeds the previous record, cap it and apply the revenues from the following rolls to fund lower-tier prizes, redistributing the prize money to create more winners, or to some other purpose that benefits the players. Granted, the big jackpot roll-ups are reduced to accomplish that, but wouldn't the player see that as a good trade-off?*

**Rebecca Hargrove:** It benefits everyone except the players who win the

big jackpot. This would seem to be a good trade-off. However, people who play Powerball are typically playing to win the big jackpot. That's why they play the game; to create the possibility of winning the big jackpot. They are not thinking about the odds of winning a lower-tier prize. So if you cap the jackpot and redistribute the revenues from the subsequent rolls to fund lower-tier prizes, the players who are playing to win the big jackpot might feel like you are taking their money. The calculus be-

hind that may not seem logical to players who want better odds to win a smaller jackpot, but there are many other lottery game options that deliver play-styles and value-propositions that accomplish that. If you are hoping to win the big jackpot, you don't want anyone to change your ability to win as much as you can.

*To what extent will the \$1.58 billion jackpot raise the tipping point at which media and consumers get super excited and jackpot fever takes hold? That tipping point raises*



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a little bit with each jackpot run. The tipping point for the \$1.58 billion jackpot was around \$250 million. Will that increase and is that a problem?

**R. Hargrove:** There are two thoughts on that. Powerball used to limit the amount that the jackpot would increase. Once a new record was set, the jackpot would be allowed to increase by \$25 million on each roll, with the balance of the revenues being rolled down to fund lower-tier prizes. The idea was to create a larger number of millionaires in addition to the winners of the big jackpot. The reality is that the million-dollar jackpot winners do not receive the kind of press that drives sales. The end result is that we lost some of the positive impact of continuously increasing jackpot sizes, without generating much impact or publicity from the creation of more millionaires.

Sales always increase with every increase in jackpot size. I believe the tipping point where sales start to sky-rocket has more to do with the media coverage than some preconceived magic number in the consumers' minds.

There are many different ways that the jackpot run-up can be managed. The challenge is to do it in a way that appeals to the players. We know for instance, that players are very motivated by big jackpots. The bigger the better in many players' minds. As the jackpot rises, player-ship and sales rise exponentially. What we are trying to figure out is how to re-apportion the prize money in a way that appeals to players. We know consumers often say they would rather a prize pool of \$500 million be used to create 500 millionaires than for it all to be given to one or two jackpot winners. That's what they

say, but that's not how they play.

The \$1.58 billion jackpot was actually shared by three different people who held the winning ticket numbers. Even though they each received a third of the \$1.58 billion, the thing that sticks in everyone's mind is \$1.58 billion. And in the hours leading up to that record jackpot, the players were not ruminating over the possibility they might have to split the jackpot. They were playing to win the entire amount. In addition to the \$1.58 billion jackpot winners, there were also 73 people who won \$1 million each and another five who won \$2 million prizes. Those who did not win either the jackpot or one of the second-tier prizes would probably say they



wished the \$1.58 billion were split among 1,600 people to create 1,600 millionaires. But in the next roll of jackpot games, they won't be factoring in the odds to win the lower-tier prizes. They will see the big jackpot number on billboards, at POS in the store, and in media headlines. This excitement will cause them to jump into the game when it reaches the threshold that captures their imagination. That might be \$100 million for some; it might be \$250 million for others, or more for others.

We are sensitive to the issue of rising consumer and media expectations. To date, though, the benefits of rising jackpots continue to outweigh the benefits of capping the jackpot. You get far more promotional

impact and media coverage by having the jackpot go higher than you have by creating more millionaires. The players who prefer the large jackpots do not want them to be capped, while the players who prefer other value propositions have plenty of other lottery game options.

*But if the game were capped at \$500 million, for example, wouldn't that amount still be in the sweet spot of super high "jackpot fever" media coverage and consumer engagement and sales?*

**R. Hargrove:** We are grappling with these questions and don't know what the right answer is. Keep in mind that Powerball and Mega Millions are the only two national jackpot games. These are the only two games that offer the possibility of winning a gigantic jackpot, albeit at longer odds. There are hundreds of other games with all varieties of value propositions, all of which include better odds to win a smaller prize. There are many draw games and instant games that award a million-dollars and more in top prizes. There are many games that offer prizes of less than that, everything from multi-million dollar prizes down to \$1 and countless increments in between.

It's true; we do not want the tipping point of consumer and media excitement to continue to rise. But we are a consumer-centric business. We want to give the consumer options to play the games they want to play. If the consumer wants to play big jackpot games, if they are motivated to come out in larger and larger numbers as the jackpot continues to rise, should we necessarily deny them that option?

*But still, wouldn't it be better to cap or manage the jackpot roll-up so that you in effect create more record jackpots?*

**R. Hargrove:** Perhaps but not necessarily. Think of the record-setting jackpot, be it Powerball or Mega Millions, like an NFL Super Bowl game. The Super Bowl is the single biggest sports event in the U.S. Every year it generates huge over-the-top excitement for everyone, huge benefits for all

Continued on page 64

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# Aurora Performance Intel: Get Answers Fast

A comprehensive lottery solution to gain insights from all of your lottery data

Information may be a lottery's most valuable asset. Across consumer product industries, executives harness the power of information, realizing that intelligent strategic and tactical decisions depend on quick access to timely data-driven insights. Understanding the importance of this, IGT has worked with its customers to develop tools that address the largest challenges and areas of opportunity for using a lottery's retailer and player data more effectively. The result of this significant investment and effort is IGT's Aurora Performance Intel.

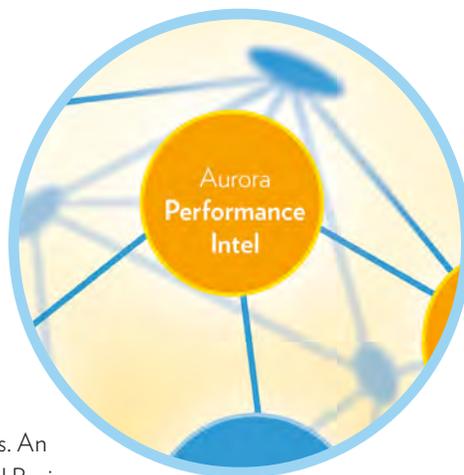
Performance Intel is the foundation for comprehensive lottery Business Intelligence (BI) and analytics. A one-stop solution for decision making, it provides users with instant access to timely Key Performance Indicators (KPIs) and in-depth information that will make lotteries more nimble, efficient, and effective. IGT supports lotteries worldwide with BI and analytics content and capabilities that are proven, essential tools for driving sales growth. Performance Intel is built on that experience and understanding. Moreover, Performance Intel informs and powers a suite of product and service offerings from IGT.

## Easy, Comprehensive, Actionable

Performance Intel provides three key benefits to help lottery staff gain oversight and insights into Retail Lottery and interactive businesses.

### 1. Easy to use and timely access.

Using the latest data presentation capabilities, Performance Intel includes visual analytics and interactive dashboards for at-a-glance insights. An intuitive web-based Business User Module interface lets users get the information they need quickly through tabs and report menus.

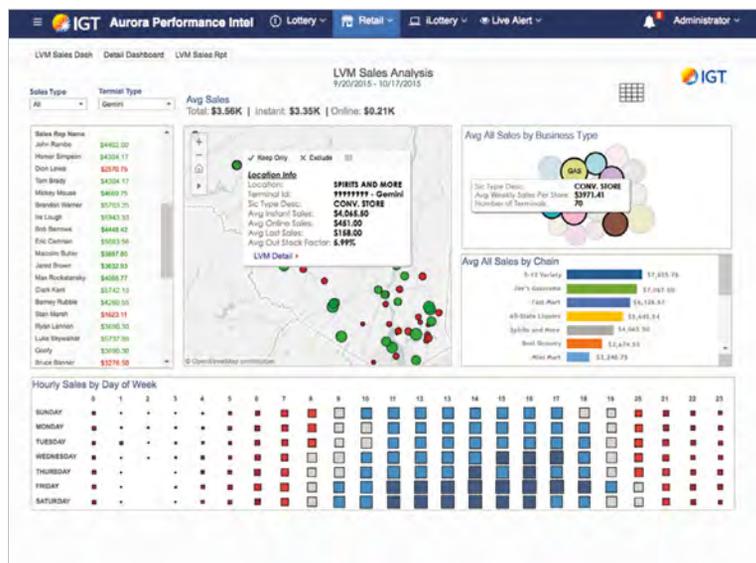


Data visualization and interactive dashboards provide at-a-glance views of any functional area of lottery performance. Ad-hoc capabilities allow analysts to look deeply into Performance Intel's central data warehouse by selecting objects from business-friendly data universes that include the ability to drill-down to transaction level detail. Secure access to the full range of Performance Intel's content is ensured through Aurora Navigator's single sign-on portal on a desktop or tablet, while a mobile BI application provides convenience and immediacy of information.

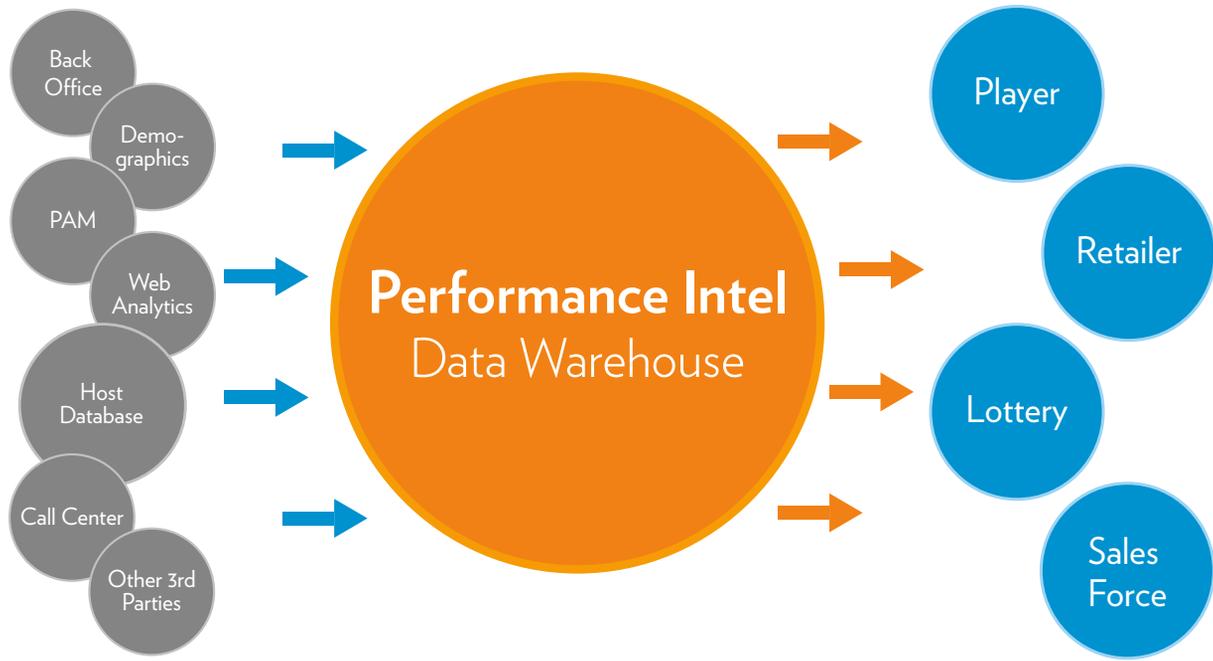
### 2. Comprehensive Data Set

Performance Intel provides the opportunity to consolidate information across all aspects of a lottery in one location. It can integrate data from any lottery or third-party data source to create a central repository. IGT's Player Account Management (PAM) data is also integrated into the Performance Intel warehouse. This includes key metrics and measures centered on player spending and engagement analyses. Player-level data is especially relevant for jurisdictions that offer interactive products and have registered, known players.

Performance Intel consolidates industry-proven baseline content, such as instant ticket performance data, retailer performance data, fraud detection information, and lottery vending machine analytics that leverage daily and *real-time* analytics.



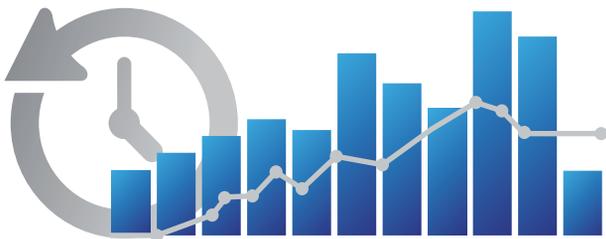
Performance Intel provides at-a-glance, interactive dashboards to gain quick insights into lottery performance.



Performance Intel provides a central source of data that supports synchronicity across BI-driven systems.

### 3. Actionable Insights

Performance Intel creates metrics and measures that are actionable, allowing lottery decision-makers to make informed changes and create timely communications. Lottery executives can use Performance Intel to gauge how lottery goals are being met, or how incentive and promotional programs are impacting sales.



Aurora Performance Intel offers daily and real time data updates.

Performance Intel also offers a Fraud Detection Analytics Module that leverages daily and real-time data to first identify and then target suspicious activity. These insights provide evidence to identify and stop fraudulent activities. **Aurora LiveAlert** is a Performance Intel module that leverages real-time data transactions and user-defined fraud detection scenarios.

### Future Ready – Evolutionary

The BI and analytics industry is always evolving with new technologies and new ideas. Lottery reporting and data analysis needs also are changing as lotteries continue to embrace and use new capabilities that include predictive and real-time analytics. Our dedicated Performance Intel research and development staff

### Actionable Insights from Performance Intel

#### Insight

Weekly total instant ticket sales are trending lower than last year, and weekly average sales of \$2 and \$5 games, which historically have been driving sales, are tracking 4.5% lower than last year.

50 Gemini lottery vending machines that historically have high average weekly sales in the southern part of town have 8 or more empty bins. These retail locations are also out of stock of 5 core instant ticket games.

Interactive players age 21 to 35 in the north-eastern corner of the province who regularly play LottoMax, do not play Lotto 6/49.

#### Action

... face more \$2 and \$5 games

... reroute field services or sales reps today to these key locations

... send an e-mail or text reminder to those players that the Lotto 6/49 jackpot is at an all-time high.

continues to invest in product improvements that leverage industry best practices. This is true from a technological perspective; however, it also extends to working closely with our lottery partners, our IGT-operated lottery site staffs, and dedicated IGT subject matter experts around-the-world to grow and share new analytics concepts and models that help guide the product's development. These efforts and IGT's commitment to BI and analytics will help lottery customers improve and manage their lottery operations to increase profits for good causes.





# Forging a Future for Government-Lotteries in the Face of Increasing Competition from For-Profit Gaming Operators

JEAN-LUC MONER-BANET DIRECTOR GENERAL,  
SOCIÉTÉ DE LA LOTERIE DE LA SUISSE ROMANDE  
PRESIDENT OF THE WORLD LOTTERY ASSOCIATION (WLA)

Following is a synopsis of the presentation made to the audience at PGRI SMART-Tech on April 6 in New York. It included a large number of slides that illustrated the points, most of which are not included here. View the complete presentation at [www.PGRItalks.com](http://www.PGRItalks.com). *Edited by Paul Jason*

**THE CONTEXT IN EUROPE:** Theoretically, each jurisdiction has an organized regulatory framework in place. It might include a monopoly model, or a single license model, or a multiple license model, or a combination of these. It is this diversity in Europe that makes everything so challenging, especially from a regulatory point of view. The good news is that effective regulations and responsible gaming are increasingly important. Game portfolios, advertising communication, and promotional methods are coming under more and more regulatory control.

The problem is that licensees and authorized operators are facing fierce competition from offshore online operators who do not comply with the laws of the jurisdictions in which they operate, i.e. the “consumptive” markets where the players actually reside. They may be legally licensed in the jurisdiction where they are based, like Gibraltar or Malta, but they operate in other jurisdictions where they are not legally licensed. Further, the jurisdictions where they are licensed have a very low tax rate, sometimes as low as 1% or 2%, and very low fees to acquire the license. So that lower cost-base gives them a big competitive advantage over authorized operators who pay higher taxes and comply with higher standards of operation. Security, integrity, and responsible gaming required in the regulated markets are much higher than the offshore tax havens. Offshore operators do not comply with



rules that limit the kind of advertising, promotion, and marketing communications required in the regulated markets. And they access the regulated markets via the low-cost and ubiquitous channel of the internet. There are methods to block access to the consumers of the regulated markets, but governments and the EU Commission are reluctant to apply them. There are reasons for that, most of which we may not agree with, but it remains a matter of fact that we have to deal with. In the U.S., you are getting a taste of this kind of situation as it applies to Daily Fantasy Sports. Imagine if DFS operators are able to convince state and federal legislators that DFS is not gambling and should not be regulated or taxed as gambling. Not only would that completely reshape the whole world of sports-betting in the U.S., it would open the door for creative operators to develop new play-styles and marketing methods that deliver a games-of-chance player experience and yet fall outside of existing regulatory statutes and restrictions against cross-border commerce of gambling products. You may have seen the ads for Publishers Clearing House that look like they are operating a lottery. That is what has been happening in Europe, on a much larger and diverse scale, for many years now.

That is why it is so important that the community of government-gaming operators build a strong brand and differentiate ourselves from others in the games-of-chance industry. Is Europe in the throws of a disintegration of the state monopoly model for lotteries? Yes and no. In theory the answer is “no,” but in practical reality the market is opening up to new kinds of operators who are disrupting the monopoly model that state lotteries and the good causes they support rely on.

Direct competition from games-of-chance operators is increasing, which means that we clearly must identify our strengths and advantages to compete more effectively. Let’s compare the state lottery model and the for-profit offshore gaming operators, and try to identify our competitive advantages and how we can lever-

# STATE LOTTERIES

VS

# FOR-PROFIT GAMING OPERATORS

Balance of business priorities with social, economic and environmental responsibilities	Profit maximization
Long-term shared value	Short-term profitability
Stakeholders engagement	Shareholders satisfaction
Community involvement	Business operations
Homogeneous distribution across entire geographical territory	Selective distribution targeting areas with high density population
Important geographic coverage favoring proximity	Fewer points of sales favoring profit maximization
Support and close collaboration with multiple local small businesses	Big points of sales profit-oriented
Important infrastructure supports retailers	Limited infrastructure available
Free and performing equipment for all retailers	Selective equipment available according to the venues' performance and potential
Mandatory on-going training including Responsible Gaming trainings	No or minimum basic training
Security and integrity of gaming operations	No prescriptions
Player protection	Consumer incentives and inducement
Responsible gaming standards	No prescriptions
Wide assortment of products	Homogeneous assortment with segmented and targeted products
Moderate payout rate	High payout rate
Limited and moderate offers, promotions and bonuses	Generalized promotions and high bonuses
Wide assortment of products	Homogeneous assortment with segmented and targeted products
Products designed for entertainment	Products designed for profitability
Responsible marketing and communication	Aggressive and inductive marketing and communication
<b>Profits distributed to good causes</b>	<b>Profits distributed to shareholders</b>

Continued on page 62

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*Having read about the regulatory changes in Mauritius, and having known Michelle Carinci for many years, I called to see if she could describe what a CEO does when your portfolio of revenue generating products is cut down by more than 25% and the ability to advertise your products is taken away.*

*During her career that spans more than 40 years, Michelle Carinci's drive, vision and commitment to the industry are unparalleled. Her invaluable contribution was recognized with her induction to the Lottery Industry Hall of Fame in 2006.*

*Prior to her appointment to lead Lottotech, operator of the lottery in Mauritius, Michelle spent 10 years as President and Chief Executive Officer of the Atlantic Lottery, where she had the responsibility of delicately balancing the gaming initiatives of four different government lotteries in eastern Canada. Prior to Atlantic Lottery, she held leadership positions with gaming supplier GTECH Corporation (now IGT), the British Columbia Lottery Corporation, and the Western Canada Lottery Corporation.*

*Mrs. Carinci also served as President of the Interprovincial Lottery Corporation, a member of the Executive Committee for the North American State and Provincial Lotteries and as an elected member*

*of the Executive Committee of the World Lottery Association (WLA). She was the founding co-chairperson of the WLA's Corporate Social Responsibility Committee.*

*Carl Ah-Teck, Chairman of Lottotech: "This region of the world presents an environment that requires skill sets only a few people in the industry master. Michelle's vast experience in sales and marketing during the early days of modern lotteries, to her framing of worldwide standards for responsible gaming, to her leadership in deploying the first regulated Internet gaming platform in North America, will benefit Mauritius at the highest level."*

*Michelle's commitment to the economic growth in Mauritius and improving its quality of life is unwavering. Whether it's a corporate objective or a charitable event, Michelle has a passion for making a difference.*

*Michelle's commitment to Mauritius' and Madagascar's economic growth and improving its quality of life is unwavering. Whether it's a corporate objective or a charitable event, Michelle has a passion for making a difference.*

— Introduction by Paul Jason



**MICHELLE CARINCI**  
CHIEF EXECUTIVE OFFICER,  
LOTTOTECH LTD



## ADAPTING TO AND OVERCOMING MAJOR REGULATORY DISRUPTION

The success story of Lottotech, the operator of the Mauritius National Lottery (MNL), began in October 2009 with fireworks, a lot of fanfare and an inspiring speech from the Prime Minister outlining the vision of how the funds from the lottery will be invested, ultimately making a significant difference in the country. The game plan in Lottotech's winning bid to be the operator of MNL included the usual line-up of two weekly Lotto draws, Instant games, Daily and Keno games and VLT's. However, following the very successful launch of MNL, things changed and Lottotech was limited to one weekly Lotto draw and the Instant game category. In spite of the limitations imposed upon Lottotech, MNL's performance was stellar. Over 70% of adults participated, there was 100% awareness and 86% approval ratings of the lottery realized within a few years. The responsible gaming strategy was effective resulting in a lot of players spending a little on a weekly basis.

Five years later MNL proved to be truly the people's lottery. In 2014 Lottotech successfully listed on the Stock Exchange of Mauritius (SEM) and was three times oversubscribed. Over 12,000 shareholders invested in Lottotech, most of them individuals investing for the first time on the stock exchange. 2014 also proved to be a record year of sales as a result of a series of jackpot rollovers that peaked at MUR120 million.

And then the environment changed again. During the 2015 election it was stated that Mauritius is a "nation Zougadere," a nation of gamblers. In fact, Mauritians do enjoy participating in gambling. Horse racing has an active and significant following; there are 20

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## Camelot Global also advises lotteries on:

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gaming houses and four casinos in addition to a large network of sports betting shops. The lottery represents less than 14% of the overall gambling spend and yet in March 2015 a ban on lottery advertising and the abolition of the Instant games category was imposed, leaving MNL with one weekly Lotto draw. The immediate impact of the advertising ban was a drop in lotto sales of 19% and a 37.5% reduction in the fund for good causes.

Lottotech's response was one of resilience and creativity. Given the overwhelming responsibility to its 12,000 shareholders, the team responded immediately by "right-sizing" the operations and developing alternative means of communicating relevant information to its players.

The objective of the communication strategy is to keep Lottotech in the news on a weekly basis, ensuring that the jackpot was a part of any story. A great emphasis was made on publicizing CSR initiatives. Point of sale material is allowed, so Instant game posters were replaced with 6th Anniversary messages thanking players, and the responsible gambling campaign was revved up. A major effort was introduced to create and grow the player data base. An SMS service was introduced pushing the jackpot size, emailers and winning numbers to subscribers. The Loterie Nationale website had a makeover. In less than a year Lottotech acquired 100,000 Facebook fans (adults). Depending on the post, Lottotech is seen by 300,000 users weekly. Native communications was introduced on the most popular websites and the draw was introduced on YouTube.

A Quick Response (QR) code is now on all tickets. This month, a Lotto "app" MauLoto is being launched that will include a QR code scanner so that players can check their ticket using a mobile device, locate the closest retailer, join a VIP club and pick their lucky numbers. This development paves the way for mobile transactions in the near future.

It has been a year since the "bans." Lottotech is profitable, in fact due to the restructuring, profits in the first quarter of 2016 are over 50% higher than the first quarter last year, albeit significantly less than 2014.

The team discovered that Horace was right when he wrote "Adversity has the effect of eliciting talents, which in prosperous circumstances would have lain dormant."

Throughout this past year the Lottotech team was repeatedly reminded that the strategic collaboration between Government and regulated lotteries around the world did not happen overnight. But, it did finally happen over the years through hard work, continuous communication and education.

Eventually governments do come to the realization that it is human nature to play and the activity is going to happen whether it is regulated or not regulated, so safe regulated fun becomes the best option. Of course, the commercial aspect of keeping the money "at home" for good causes is a contributing factor as well. A turning point that reinforced the need for collaboration between government and gaming operators is the understanding that corporate social responsibility (CSR) is more than a trendy initiative. It has to be genuine, collaborative and effective. It has to be part of the DNA of all gaming operators and stakeholders in the industry.

The Mauritius National Lottery is only 7 years old. That is how old most lotteries in Canada were when the weekly online Lotto 6/49 was introduced. MNL is already ahead of the game!

While there remain a lot of challenges ahead for MNL, the model of Government/Operator collaboration that exists in the majority of mature gaming jurisdictions around the world is a beacon of inspiration and proof of what is possible through resilience and, most of all, patience. Lottotech has both. ■



Vic engineers  
ways to  
extend your  
lottery's reach.



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**In the Digital Content Studio at Scientific Games, Vic Marinelli embraces a “mobile first” approach to digital development:** “Our goal is for all players to interact with an optimized experience, regardless of how they are permissibly accessing lottery content.” From bonusing and second chance, to loyalty rewards and iLottery, let Vic and his team show you how you can engage your players in new and exciting ways.

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# WHERE Science MEETS THE Art of Interactive

*Insight, innovation lead to a portfolio of lottery digital solutions*

From loyalty and bonusing solutions to mobile apps, second chance promotions, iLottery and eGames, Scientific Games innovation has resulted in a portfolio of world-leading lottery interactive solutions. Since the early 2000s, the company's insights analysts, internet and mobile technologists and marketing strategists have collaborated with game designers and creative teams, demonstrating what happens when science meets the art of interactive.

Continually focused on advancing technology, content and solutions for its global lottery and gaming customers, the company is very tuned in to what today's consumers want—and discovering new ways to deliver it.

As a result, Scientific Games has delivered more distinct mobile and web-based projects to global lottery organizations than all major lottery suppliers combined—in diverse regulatory environments, international languages, and with technology architected to allow multi-channel distribution and third-party integration. To date, the company has delivered over 600 digital programs and promotions to more than 45 lotteries around the world.

"We're engaging and connecting players with lottery games on mobile, web and at retail point-of-sale in new ways that expand beyond their initial purchase and play," said Michael Lightman, Senior Vice President, Interactive Products for Scientific Games. "From the player's perspective, interactive is all about offering more excitement and more chances to win."

Lightman said the players who register online for extended play experience a deeper connection, and this enhanced engagement leads to enhanced actionable player insights for the lotteries. "More registered play means more insights on player preferences for game themes, brands, play styles, price point and prize structure," he said. The Digital Content Studio at Scientific Games leverages these insights to create even more innovative lottery games and promotions.



*First launched with the Arkansas Lottery, the Loyalty Plus™ program is now offered in nine states, with more than one million registered members.*

## Loyalty/Bonusing

Scientific Games is the first provider of full-service loyalty rewards programs to the U.S. lottery industry, starting with the launch of *Loyalty Plus*™, with the Arkansas Scholarship Lottery in 2009. *Loyalty Plus* has grown to more than 1.6 million members. Today, more than 33 percent of the Lottery's sales are from registered players—club members who subsequently scan their tickets in return for the chance of a bonus win.

Continuing to lead with interactive innovation, in 2014 Scientific Games provided the New Mexico Lottery with a targeted loyalty promotion called *Points and Rewards*, which offered players a chance to win cash or points to shop in an online store. The mobile app allows players to scan non-winning tickets for entry into the promotion. Scientific Games also conducts the monthly drawings and provides customer service support for players.

The results? New Mexico's \$1, \$2, and \$3 lottery instant game sales experienced year-over-year increases during the promotion, which was so successful the lottery extended it another year. As of May 2016, players had entered more than one million tickets into the promotion and installed the supporting mobile app on over 10,200 devices. Scientific Games and the New Mexico Lottery are currently working to introduce new features to keep the promotion fresh and allow for expanded marketing tools.

The company's lottery mobile apps leverage smartphone technology to provide players with an easy, convenient way to participate in loyalty rewards. The app's ticket scanning feature allows them to scan instant and draw games purchased at retail, and accumulate points. Players then redeem their points for merchandise in Scientific Games' exclusive online store – the only store of its kind in the lottery industry. Players can also scan instant and draw games to determine if they are winners—adding to the convenience factor.

## Second-Chance Promotions

Second-chance promotions have long offered the opportunity for lotteries to deepen their connection with players. In the early 2000s, Scientific Games pioneered the use of interactive second-chance promotions and promotional games, followed by unrestricted for-fun games, to help lotteries engage with their players and to connect the players' retail experience to digital engagement. From its successful foundation in second-chance promotions, the company now

offers a wide range of loyalty and bonusing solutions to nine U.S. lotteries, and is the only full-service loyalty rewards provider in the industry.

Scientific Games can design and manage all aspects of an interactive program including web development, hosting, business intelligence, prize sourcing and fulfillment, customer service and drawing services. The company's Digital Content Studio also specializes in second-chance promotions, which allow regular non-winning tickets to be played again for more opportunities to win prizes.

Additionally, the studio creates and manages targeted loyalty and bonusing promotions with virtual prizes and additional drawing entries, as well as advanced loyalty and bonusing programs that provide gamified extra chances to win real and virtual prizes, or instant cash, each offering achievements or qualified criteria for bonus opportunities to win more.



*Five weeks into the Ohio Lottery's Gold Fish™ promotion, 19,770 unique players had entered 114,463 tickets.*

Advanced second-chance bonusing, like the new *Gold Fish*™ game the Digital Content Studio at Scientific Games recently created for the Ohio Lottery, connects a branded instant game purchased at retail with a highly-involved casual social game that provides players chances to play online to win cash prizes and drawing entries. Players earn virtual coins and fish food, advancing to new levels in the game as a reward for keeping their virtual pet gold fish and aquarium healthy.

Five weeks into the promotion, 19,770 unique players had entered 114,463 tickets. More than 504,500 in-game purchases



(virtual pet gold fish accessories, advance in levels, decorating aquarium) were made. Over 810,000 instant games sold, representing a retail value of more than U.S. \$1.62 million.

Indexing at 141, the game is performing 41 percent better than the average of any other Ohio Lottery game in its price point in the last fiscal year.

## iLottery

“The heart of any iLottery initiative is the catalog of games,” said Lightman. “A common ingredient across all successful iLottery programs is the breadth of content, offering something for everyone. Scientific Games supports all of a Lottery’s existing game categories, and can complement these with a wide array of new and innovative themes.”

Success centers around introducing current players to the convenience and interactivity of the iLottery channel; engaging new and in particular, players not previously interested in lottery by integrating new media and social interaction; and developing all players into more active Lottery consumers in planned and responsible ways.

Scientific Games is an iLottery pioneer with 13 customers currently operating; the first was Lotto Bayern (Germany) in 2001. Since then, the company has developed a comprehensive suite of interactive gaming solutions and services for iLottery and player subscriptions, extending engagement to an eCommerce platform that enables players to make purchases online. In North Dakota and North Carolina, where Scientific Games supports iLottery draw game subscriptions, players can purchase a single ticket in the next draw (beginning June 2016 in North Carolina), and/or a subscription up to 12 months of draws, configured to each lottery’s individual rules.

Once the player registers and sets up a subscription account, purchases can be made through credit (North Dakota only) or debit cards as well as through an electronic funds transfer. Players receive email alerts if their numbers are drawn.

Player engagement is enhanced by a portfolio of tools that includes a dynamic shopping cart, real-time display of all game offerings and flexible prize redemption. Player account management is enabled by the creation of profiles, each offering more insight into how and what players like to play.

## eGames

“Instant game players are seeking a chance to win prizes instantly in a casual online environment,” said Lightman. “Our eInstants deliver this by combining proven social gaming engagement techniques with instant game design visuals and math models.”

Scientific Games has also learned from interactive social gamers that winning isn’t always about cash. So the company also makes lottery games more fun—creating more chances to win—because value can sometimes motivate players beyond cash toward a more meaningful social, game-winning experience.



“The ability to post wins on social leaderboards, and redeem winning points to purchase exciting merchandise from an online store, drives eGame engagement,” said Lightman. “We offer a steady stream of innovation in this area, including freemium, second-chance, *Fun Play™* and *Skill-With-Reveal™* games. All of these expand the value of the game and deepen player connection to the lottery’s brand.”

*Skill-With-Reveal* games can be executed as a mechanism for awarding prizes or in a just-for-fun capacity, as determined by the rules and regulations governing the lottery.

Lotteries that are unable to offer internet components in their games can utilize this new category of games for entertainment purposes only by simply eliminating the reveal component and leveraging the games themselves to engage new and existing players in a more social competition.

*Scientific Games’ eGames extend the playing of popular games to an online platform.*

### Convenience



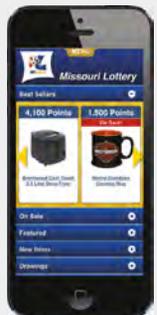
### Promotions



### Loyalty



### Rewards



### iLottery



## Mobile Apps

For years, the lottery industry predicted that mobile would one day become as important as the internet—or even more so. It's why Scientific Games creates interactive customer solutions with the mobile interface as the first consideration.

"We are currently the leading provider of mobile apps in the lottery industry, with one in four U.S. lotteries using a mobile app developed by Scientific Games," said Lightman. "Mobile apps are central to our digital solutions, offering features in the areas of convenience, promotions, loyalty, rewards and iLottery."

Lightman said the company's mobile apps include advanced features like bar code and ticket scanning that enables players to see if their ticket is a winner. The technology also offers promotional "push" notifications to alert players to new opportunities, as well as eCommerce that allows players to buy lottery games from their phone in jurisdictions where this is permitted by regulations.

Base features of mobile apps include core program functionality such as account access, new account registration, game information and member entry history, along with point balances.

Advanced features leverage the latest mobile technology, including GPS for retail lottery location, targeted notifications and promotions, and the camera for ticket validation and ticket entry.

As a real-world example, the Tennessee Education Lottery has experienced great success with its mobile ticket

*Scientific Games' mobile apps serve a wide variety of customer needs.*

scanning capability. Within 30 days of its 2013 launch, its VIP app had been downloaded more than 14,000 times. As of April 31, 2016, the app has been downloaded more than 240,000 times and elicited nearly 77 million ticket entries.

## Predicting the Future

Looking ahead, Scientific Games will continue to develop advanced, open technology platforms, interactive content and games for an increasingly changing marketplace – all focused on broadening player engagement and lottery revenue opportunities.

While players are driving gaming product convergence, the company's innovations are also guided by megatrends happening in many different consumer segments.

Scientific Games' Shared Services Platform group and iLab track across the lottery, gaming and interactive sectors—and are tasked with developing new concepts based on a holistic view that encompasses casinos, lotteries, mobile, web, retailers, regulators and players.

Focusing more on technical innovation over a two- to five-year period, the iLab seeks to develop technology that can be used across any or all verticals, with a goal of continuing a tradition of strong, insight-based interactive gaming products for decades to come. In a very real sense, the iLab is a "think tank" that looks as far into the future as possible, identifying emerging platforms or game delivery methods that others might not yet see on the horizon.

With 15 years of innovation in the industry's newest channels, Scientific Games has firmly established the company as the leader in lottery interactive – from loyalty and bonusing solutions to mobile apps, second-chance promotions, iLottery and eGames. Blending science with art to deliver what today's consumers want, sometimes before tomorrow arrives, Scientific Games' mission is to create the world's best gaming and lottery experiences.

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## Declan HARKIN

International Senior Vice President  
and Chief Operating Officer, IGT

### Beyond Omnichannel: Intelligence is the Key to Growth

Tomorrow's lottery players will expect much more than an omnichannel experience. How are lotteries adapting?

**Paul Jason, PGRI:** *Everyone in the lottery industry is talking about omnichannel. What's your view of what omnichannel is?*

**Declan Harkin:** The term 'omnichannel' is already becoming somewhat dated, partially because it's often overused and misunderstood. Confusion around the term primarily stems from a focus on the delivery devices rather than the end-to-end consumer experience.

All lottery players are consumers, but clearly not all consumers are players. That's both the challenge and the opportunity.

The consumer today doesn't talk about 'channels' at all—they just engage with brands. As consumers, we expect the brands we interact with will know every aspect of our interactions with them. We expect the brands to know exactly where we left off in the conversation or transaction. We expect a personalised experience at all times.

As consumers, lottery players expect and demand the same type of consistent interaction, regardless of where they are ... for example in a store, at a social event, or relaxing at home.

In the past few years we've seen the evo-

lution of tablets, smartphones and now wearables. These types of connected devices are rapidly transforming our day-to-day interactions through the ubiquitous 'Internet of Things'. For years within the lottery industry, we have talked about appealing to the Gen X and Millennial players, who grew up with the Internet. The situation today in this regard, however, spans all generations. All age groups know how to use their devices and want exciting and entertaining content and services available anytime. The lottery industry is very well placed to deliver and compete with the myriad of other content providers fighting for consumers' attention. In addition to compelling content, however, the industry needs transformational tools and platforms to capture their attention.

We're no different than all the major eCommerce retailers and entertainment companies throughout the world; we must be in the moment with our players wherever they are. At IGT, our latest Aurora platform and solutions offerings are built from the player journey up, on the very latest technologies with this vision in mind. We rapidly enable each lottery

company to execute its own tailored vision and creative applications for its particular market and player journeys.

It's an old saying but a good one—'The only constant is the pace of change.'

*So what do you think are the next waves of change?*

**D. Harkin:** Today, whether we realise it or not, predictive analytics is already prevalent in the services we use. For example, my mobile device proactively 'nudges' me to tell me how long it will take me to drive home. It adjusts the temperature of my house once it knows my journey is underway, reminds me that a restaurant I was researching earlier is located along my route home, and offers to book a table. It also suggests I reserve a table for six, because that's the number of family members it remembered from the last time I booked. This technology will only improve and very soon it will be commonplace.

Sundar Pichai, Google's CEO, recently said, "Looking to the future, the next big step will be for the very concept of the 'device' to fade away. Over time, the

computer itself—whatever its form factor—will be an intelligent assistant helping you through your day. We will move from mobile first to an Artificial Intelligence first world.”

Our challenge and opportunity in the lottery industry is to stay in lockstep with this exciting and dramatic transformation of the information age. Machine learning and predictive analytics will mean that very soon you will find it difficult to know what information you have really searched for yourself and what is being presented to you ahead of your conscious needs. This may sound like science fiction, but it’s fully upon us now.

You will have already seen slightly “crude” marketing efforts today—you see ads for a product that you had already just bought or a trip that you just came back from. Now imagine that the right lottery product is offered to you at just the right time! Not just a nudge to play a jackpot game one evening because you usually play when the jackpot hits \$100m, but beyond that...to a nudge for a social space game with several friends, which appeals to exactly your preferences. Again, we can’t predict exactly how all this plays out in each market, but this fast emerging competition aspect is now a reality, and lotteries must be able to compete with the most sophisticated consumer businesses for the consumer’s attention. We have 40 years of global lottery experience plus all the insight from our new IGT business. We’re using this today to build predictive capabilities and learning into our core platforms. We need to be there and responsibly nudging.

*With things moving so quickly, how does IGT keep up to date and build for the future?*

**D. Harkin:** There are many dimensions to this, Paul. First, we listen very closely to our customers. Some of them have been innovating and experimenting on the leading edge of technologies and content offerings for several decades. In fact, 120 of our customers have interactive offerings around the world. Listening to them gives us a unique perspective into their needs as they develop and expand their businesses across new channels.

We also leverage the knowledge within our own company. Everyone in IGT is encouraged to openly contribute to developing the long-term vision. No ideas are bad ones (at least to begin with), and there are huge sources of insight and talent among the 13,000 people who work for our company. The strength and depth of lottery and gaming industry knowledge and expertise within IGT is second to none. We have large Research and Development groups, as well as ‘Futures’ teams, who are dedicated to thinking about what’s next. We partner with trend watchers and specialists across all areas of consumers’ lives. I can’t stress this enough: all players are consumers, but not all consumers are players. So lotteries must deliver the same quality of convenience and experience that consumers already expect and receive from the other brands they interact with every day. We are constantly looking at other industries and evaluating latest technologies and best practices.

IGT’s Aurora software platform is the result of all of the inputs described above. Aurora is designed and engineered to provide exactly the same kind of personalized experience that characterizes the most successful commercial businesses today... whether they be 100% through the traditional retail channel or accessed through multiple devices. It can service all possible channels, now and in the future, because it’s built around the needs of lottery players and retailers. It also has complete flexibility to integrate with any new game content or service capability that may be conceived.

*You mentioned Aurora a couple of times. Aurora is IGT’s major new Lottery Platform launch. What would you say is its most exciting feature?”*

**D. Harkin:** Yes, and we are very excited about it. Aurora is designed to deliver on that vital player experience. It provides lottery operators, players, and retailers the essential data each stakeholder needs to deliver and receive the true omnichannel experience. Think of Starbucks, who do an excellent job of providing a seamless consumer experience across channels. You can choose how you’d like to load money, see your rewards and even order

your coffee in advance, and every transaction is updated in every channel in real time. Aurora has been built using the very latest architecture and technologies to enable that realization of the same seamless experience for your lottery players and goes far beyond what’s currently offered in the marketplace today.

The beauty of Aurora and what sets it apart, is the fact that it’s relevant to all our customers, wherever they are on their digital roadmap. Its sophisticated analytics toolset allows lotteries to manage their player relationships through their retailers and directly through B2C channels. Only by having this holistic view of their players can lotteries truly continuously deliver and evolve a compelling omnichannel consumer experience.

*Is Aurora ready to predict when a player wants to enter a lottery draw?*

**D. Harkin:** Well some of the world’s biggest companies have already implemented similar algorithms for other products. We are staying very current with these trends. Of course we are also able to integrate learnings and experiences from our IGT colleagues in the casino gaming segment who also have a wealth of related Predictive Analytics experience. And we are leveraging that. All these possibilities of course must be achieved with a close eye on Responsible Gaming principles; but certainly I think this is already available with the right tools and data.

But this is just one small example. Our roadmap for Aurora is designed to respond to technology and consumer trends as they emerge. It allows our customers to be ready with the right solutions at the right time when these trends become mainstream or even when a lottery wishes to experiment with new content or services. Aurora lets lotteries rapidly implement their own innovations and unique requirements, whether they be on a 100% dedicated retail network today or a totally digital roadmap. While IGT excels at working with its customers to help them execute ideas, what we really deliver is helping them innovate new customer

Continued on page 56

# On Building a Sustainable Future for Government-Lottery:

## A Focus on Technology-Driven Action-Plans

The theme of the EL/WLA Marketing Seminar in London in February was Digital Transformation in Marketing. The theme of the EL/WLA Industry Days Marrakech in June is Renaissance of Retail in Digital Times. And the theme of PGRI Lottery Expo Miami is Integration of New Media, Modern Lifestyles, and Lottery. The following discussion with four industry leaders focuses on these topics ... how digital technology is being used to improve lottery operations and deliver more value to the players.

Key to this discussion is a sense of urgency. Take a look at Jean-Luc Moner-Banet call-to-action on page 27. Government-Lottery's monopoly used to protect it from the impact of competition. Modern lifestyles, the easy availability of alternative gaming options, and other changes are reshaping traditional player segmentation models, leaving Lottery vulnerable to the impacts of a much more dynamic and fluid market-place. Jean-Luc's article is based on a presentation he made on this topic at PGRI Smart-Tech in New York. The main idea is to identify and leverage Government-Lottery's strengths and competitive advantages to carve out the successful future that our stakeholders depend upon. Our esteemed panel of experts in this article speak to some of the many concrete action-plans that Lottery can implement to ensure the sustainable growth model that serves our players, society, and the worthy causes which are supported by Lottery funding.

*What technological innovation/initiatives have done the most to enhance the consumer/player experience?*

- **Anita Bánki**

Director of Marketing and Business Development, Szerencsejáték Zrt., Hungary

- **Lene Finstad**

Executive Vice President, Product and Brands, Norsk Tipping, Norway

- **Vincent Pauly**

Marketing, Web Product Manager, Loterie Nationale Luxembourg

- **Jari Vähänen**

Senior Vice President of Business Development, Veikkaus Oy, Finland

**Anita Bánki:** The omni-channel approach is an integral part of our development philosophy. Szerencsejáték Zrt. is using sports betting as the pilot for such developments, since this type of gambling is the most dynamic, information-demanding of all. Our goal is to divert users to digital screens, and preferably to their own personal devices, instead of the traditional printed betting offer and bet-slips. The introduction of live and outright betting, thousands of events and new markets into the retail environment forces us to go web-based with as many services as possible. Dedicated and dynamic digital screens present the actual betting offer for players in many different ways: last minute, top recommendations, live events, and more.

**Lene Finstad:** I Think the revolution of the Mobile is the single technology that has been the most important in enhancing the customer experience. We are now able to communicate directly and in real-time with each and every one of our customers, offering them a tailor-made experience wherever they might be. Think of the future implications for us in mastering this!

**Vincent Pauly:** The most important thing is how the market is shared be-

tween smartphones/tablets and desktops. Since the end of 2015, In Luxembourg we have more (55%) smartphones/tablets than desktop users. This is a very important fact to consider, and the trend will be key to our strategies. Here is the key for us. We are exploring ways to bring our mobile customers in our POS. Technology provides many new ways to engage and interact with the consumer: geolocation, SMS, Push notifications, ... Loterie Nationale is currently in the process of defining a strategy that applies these tools to best effect.

**Jari Vähänen:** The most important thing is how we can continuously develop UE (User Experience) code. Current development is based on analytics and agile methods. The "package" includes a combination of data, data source, and analytics to enhance direct marketing and make it a personalized service. Instead of banner advertisements, for instance, we send out personalized game offers.

*What do you see as the most pressing need for Lottery to address over the next three years—especially as it relates to the "Digital Transformation in Marketing?"*

**Anita Bánki:** Szerencsejáték Ltd. ob-

tained great results on different social platforms. Our Facebook group reached a follower base of 120k where people not only can gain information about our services, but can interact with us on a range of different topics. As mentioned, sports betting is used as a pilot for new developments. For example, that is why we launched our Tippmixpro Twitter channel where we can take advantage of the potential of live sport events. It is clear that the future is to acquire a better understanding of our customers.

**Lene Finstad:** The most pressing matter for the lotteries is to turn the business from being product-oriented to being customer-oriented focus as quickly as possible. This means to focus on fully registered play for all customers. We need to re-think and re-define the role of traditional retail, and build up modern marketing operations that enable us to communicate with our customers directly. We have no time to lose in accomplishing this.

**Vincent Pauly:** At the Loterie Nationale, our goal is to have an effective promotional system, with cash/coupon offers for our customers. It will be a significant improvement to our current strategy as this will help also build synergy with the social networks in which promotions work so well and are such a key part to engaging the audience.

**Jari Vähänen:** The products should be as good/excellent as possible! Services must support the products and the gaming and player experience and offer customer benefits. The combination of the gaming products and overall player experience that should be delivered in a customer-centric way. When the focus is on the customer, the marketing will be of genuine service to the customer. Lottery should understand that marketing is totally different than it was in the past, and the rate of change is accelerating. Customer data is giving us new insight and understanding about the customers – what they want to do, what they are willing to do.

We can now provide products, services, and marketing communications based on that information. Marketing is no longer just about advertising and promotion. Modern marketing should be of real value and service to the consumer, and that is made possible by technology and effective application of data analytics.

*How will data-analytics impact Lottery's ability to identify the player behavioral trends, personalize communications, and focus product and business development in a more customer-centric way?*

**Anita Bánki:** As our online player base gets bigger every year, the information we obtain gets more valuable. It has become crucial for us to differentiate the signal from the noise. Evolving playing patterns, customer behaviour creates opportunities for us to evolve our communications to be more and more precise, personalized, and effective. We are moving from a traditional marketing mix to both more composite, and more direct, solutions.

**Lene Finstad:** Data is the foundation for this revolution, but it is not just a question of collecting data. It's not even about the intelligent organization and analysis of the data. It is more than that. We must also transform the sales and marketing processes to turn all of this new customer knowledge and information into real value for the players.

**Vincent Pauly:** Especially since the launch of the new website version of Loterie Nationale, we are applying significant data analysis to improve our advertising, our actions, and even our games. It's now a "vital need" to analyze data. As Luxembourg is a multicultural country, which makes it very difficult to clarify and classify customers profiles. So we are testing and building and revising and relaunching our offers for our players everyday.

**Jari Vähänen:** Veikkaus was already a very product orientated lottery even 10 years ago. In 2004 we launched the

first Customer Strategy. Since then, we have evolved our approaches, processed through many changes, and continue to work hard to derive a real understanding about our customers, how the insights and information we gain can be used to develop the best products and serve the players in the best ways possible.

*Game Development: How can Lottery develop games that appeal to the powerful consumer trends of social networking and long-playing games of entertainment on Mobile?*

**Anita Bánki:** Mobile applications, such as Tippmix Radar scan the bet-slip and keep track of the results real-time, notifying the player about winning. Self-service functionality allows players to make their selections on their own mobile devices, or touchscreens that are now available in retail, providing an identification field that enables the player ID to be entered into the terminal. No coupons are required. And there are now apps and webpages that direct players to the nearest open shop based on their GPS coordinates.

**Lene Finstad:** As we turn to the customers to ask what they want, we must be prepared to streamline the offering to different sub-segments much more quickly than is being done today. We need to radically decrease time to market for each offering and we need to dramatically increase the number of games and content on offer. To be able to do this we need to re-think how we do development and the models for co-operation with content providers.

**Vincent Pauly:** Social gaming appeals mainly young people. The Loterie Nationale has a strict Responsible Gaming policy and so we are not building games and apps for free gaming. We have even removed the demo version of our games from our new website.

**Jari Vähänen:** The psychology in casual games and money games is very different, and they don't mix at all. Maybe we

should concentrate on some other challenges instead of that? Maybe it is possible to enhance skill games with sports betting?

*What technological innovation/initiative has enhanced internal operations and efficiencies?*

**Anita Bánki:** Project AEGIS (Advanced Entertainment Gaming and Information System) incorporates a big jump for the coming years in terms of user management and terminal-usage. The project (consisting of two pillars, the first concluding in August 2015) aims to integrate and widen different kinds of gaming and entertaining informations, from potential customer-card service to gaining takeover-reminders. The new system made possible the renewal of our most popular betting game (Tippmix), allowing us to provide more game events, reach more markets, process data more quickly, and deliver the possibility to play live betting. We hope to further integrate more internal services that can influence indirectly the gaming experience of the players and the effectiveness of the communication with our retailers (faster service, more effectively using advertising material, etc.).

**Lene Finstad:** The technological development has major implications on the lottery operations. We already see a big shift towards the need for more, a lot more, human recourses on the customer front. This is important, especially as we move more and more of the traffic from our retail networks over to our direct channels. The need for operational resources increase dramatically. To manage this it is necessary to have even more automation and efficiency in technical and back office operations. The technology is more and more commoditized in the back office and central systems side and this means that we should be able to be more cost efficient on the technology side in the future.

**Vincent Pauly:** Recently, we have changed our mass e-mailing tool. The previous system was handled by our IT Department, in our own servers, and was not

able to provide e-mails in standards. The new tool is a complete SaaS solution, with good analytics systems and also a -99% success of e-mails received. It is also a tool that is constantly evolving. Now we are looking for other possibilities with SaaS solutions or web-based solutions for our other needs (system e-mails, etc.).

**Jari Vähänen:** In this area we are not even closed to be ready. System modularity with good internal APIs are the key to doing this. Lottery also needs to acquire the development knowledge for itself—this cannot be fully outsourced. Internal understanding of the process is crucial for effectively guiding development. You also have to have knowledge of customer behavior and that data needs to be provided to all designers and developers who need to have visibility of results and effects for them to be able make developmental changes, and to do it quickly. This requires modular systems that enable the ability to know the impact of all changes, provide the visibility to analytical behavioral data of customers, and the ability to create fresh hypothesis for how to make improvements based on the analytics.

*What role might the technology of standardized APIs (or Application Program Interfaces) play for lotteries? Is there a potential for an API solution to provide a central server shared by multiple lotteries and retailers to reduce the cost and increase the speed for deploying new games and technologies across multiple jurisdictions?*

**Lene Finstad:** The technology creates potential and acts as a driver for economies of scale. We see this in all other businesses and in my view it is highly necessary for us in the lotteries to actively seek co-operation to tap into this. For instance, in order to enable the lotteries to increase their game portfolios and decrease the time to market, we should encourage co-operation between lotteries on co-development and even co-operation on game portfolios.

**Vincent Pauly:** Of course, standardized API between Lotteries would be a very good point for us. Many lotteries are selling similar games (like Euro Millions in Luxembourg) and all the lotteries use a lot of resources to produce in-house API's. For Luxembourg, as we are a small country, collaboration with other lotteries would help us a lot in terms of costs.

**Jari Vähänen:** It is possible but not very likely. There are no standards in the gaming business, since many providers keep the other businesses out with closed systems and closed APIs. And the development of technologies is more rapid than the possibility to create those standards. I don't see it happening. However openly published APIs may help to create a few de facto standards which may lead to easier integrations. There are also other issues, specific to each jurisdiction, that are even more difficult to standardize, at least for lotteries—like requirements of local authorities, regulations, or local payment and identification systems.

*Are there any success stories or examples that illustrate or relate to the theme of "Digital Transformation in Marketing" that you could share?*

**Anita Bánki:** Project AEGIS was a huge step forward in the company's life.

**Vincent Pauly:** Our new website (launched in November 2015, [www.loterie.lu](http://www.loterie.lu)) is an example of the Digital Transformation in Marketing. It's a responsive website, so all our customers now have the same experience, no matter what device they use. They can also use an iOS based phone or a Windows Mobile phone, and they will get the same information in the same format and, of course, the same gaming experience. We have driven a strategy on this website since the beginning of 2015 that reduces the path of customer to the game. In terms of revenue and in terms of new customers, this website is a success. We are always working on our website to improve conversions and new registrations. ■

TOTAL REVENUES IN EURO'S  
(1 Euro = 11 dirhams)



- Participate in the socioeconomic achievements in priority sectors such as education, security, disaster and emergency services, health, culture and sport, fight against unemployment and poverty by the creation of income-generating jobs and activities
- Organize seminars, congresses, conferences, general assemblies and frames of dialogue for capacity building
- 4 technical committees: Security, Corporate Social Responsibility, PMU, Sports Betting
- The committees will be the drivers that will help all the ALA members get certification and operate according to the highest international standards and best practices

PORTFOLIO MIX

Fast Draw: CHRONO / Instant Tickets: GRATTEZ GAGNEZ / Sport Betting: COTE & SPORT, TOTO FOOT

Euros	2010	2011	2012	2013	2014	2015
COTE SPORT	18 422 544	30 183 787	53 342 165	65 963 073	82 744 332	104 807 064,91
ToToFoot	13 213 079	10 541 713	12 022 001	12 462 800	13 262 721	13 016 259,55
Total sports bettings	31 635 623	40 725 501	65 364 166	78 425 873	96 007 054	117 823 324
Instant	3 193 400	2 711 318	4 061 223	3 413 523	2 947 715	2 874 488,05
Chrono	40 260 849	44 217 979	49 924 992	51 457 120	50 364 617	47 249 232,95
Total revenue's	75 089 872	87 654 798	119 350 381	133 296 515	149 319 386	167 947 045

(Sales are increasingly driven by Sports Betting. In 2015, Sport Betting represented 70% of the product portfolio.)

Percentage	2010	2011	2012	2013	2014	2015
COTE SPORT	25%	34%	45%	49%	55%	62%
ToToFoot	18%	12%	10%	9%	9%	8%
Sports bettings	42%	46%	55%	59%	64%	70%
Instantanéés	4%	3%	3%	3%	2%	2%
Chrono	54%	50%	42%	39%	34%	28%
Total revenue's	100%	100%	100%	100%	100%	100%

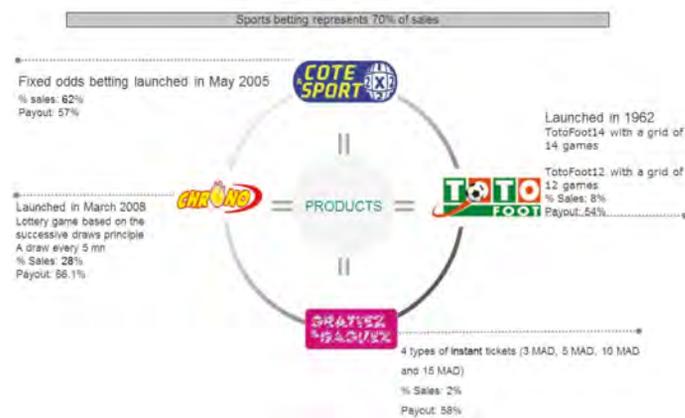
In March 2014, Mr Younès El Mechrafi was elected General Secretary of the African Lotteries Association. Since his election, the ALA organized many seminars as the CSR/Responsible Gaming Seminar in Abidjan, Ivory Coast, in March 2016 and the sports betting seminar that took place in Dakar, Senegal in November 2015. Both seminars gathered more than 80 participants with high quality speakers coming from different countries of the world.

MDJS also signed many partnership agreements with African Lotteries such as: Ivorian National Lottery (LONACI), Senegalese National Lottery (LONASE), Burkinabe National Lottery (LONAB), PMU Mali.

These partnerships enable those lotteries to benefit from the support of MDJS and its proven experience in responsible gaming and governance. MDJS also brings its expertise in sports betting.

In this context, MDJS has been rewarded in April of this year, during the Africa Hub, an African investors and entrepreneurship fair. The 2016 edition, under the theme “Entrepreneurship as an accelerator of economic emergence of the continent” aims to encourage African leaders and entrepreneurs to develop their business in order to promote the economic emergence of the continent, and to emphasize the South-South cooperation.

MDJS was thus awarded the prize of South-South cooperation, rewarding its cooperation strategy and its African focus.



DISTRIBUTION & ONLINE

- 1500 Point of Sales all over Morocco. All the products are spread over the distribution network (lottery stores, cafés, bookstores, stationery stores, phone shops, tobacconists, newsstands, grocery stores).
- Number of POS that sell instants : 600
- No Sport Betting Shops
- Online games : www.mdjsjeux.ma, launched in October 2011 : Chrono, Instant Tickets, Cote&Sport
- Online represents only 1% of the turnover. ■



# Kambi

Joni HOVI

Executive Director, State Lottery Business, Kambi

## Sports-Betting: The Key to Unlocking New Markets and Attracting New Consumer Groups to Government-Gaming Operators

**PGRI Introduction:** Sports-betting is the fastest growing gaming category. Maybe that's because it is more exciting than any other games, or maybe because it has so much appeal to young adults, or maybe because it delivers a longer-play gaming experience. Kambi's focus is on supporting the uncompromising standards of government-gaming operators in the highly regulated markets. Understanding the players, empathising with their needs and exceeding their expectations are what make Kambi's Sportsbook so successful.

Joni Hovi has been dedicated to the mission of government-lottery, with a focus on the sports integrity field, for more than thirteen years. Joni joined Kambi in January 2016 and is applying his expertise and experience in the government sector to support Kambi's mission to be the most progressive sports-betting partner to government regulated-lotteries. Prior to joining Kambi, Joni served at Veikkaus (the Finnish lottery) for ten and a half years, and served as an advisor to the Viking group CEO's (the Viking group consists of the 8 Nordic and Baltic national lotteries).

**Paul Jason, PGRI:** *Are current regulatory structures effective at ensuring that all sports-betting operators pay their taxes and comply with all laws? And how do they vary from one jurisdiction to another?*

**Joni Hovi:** Regulations are important to protect the consumer, to preserve the integrity of the market, to minimize fraud, money-laundering, and corruption, and to facilitate the collection of taxes. An effective regulatory structure should require transparency from the operator to enable auditing and controls to be effectively executed by the regulator and agents of the government. It should also enable the operators to conduct business, and serve the consumer with efficiency and effectiveness as well. But each jurisdiction is different and may have different approaches to how

these objectives are best accomplished.

Kambi is strictly B2B, so our customers are the operators of sports-betting. Our contracts require that our customers respect the laws of the consumptive jurisdictions where regulatory framework is in place. For example, no customer of Kambi is allowed to accept sports bets from USA.

Further to this, Kambi is, for instance, one of the few certified B2B operators today in Italy. Kambi is proud to be a member of the World Lottery Association (WLA), European Lottery Association (EL) and Corporación Iberoamericana de Loterías y Apuestas del Estado (CIBALAE).

*Sports-betting is much more complicated than selling lottery tickets. Since Lottery's reputation for integrity is its most valuable asset, opera-*

*tional excellence is even more central to sports-betting than to any other gaming category.*

**J. Hovi:** The operation of sports-betting is very data and technology-intensive. Protection of transaction data and confidential player information is vital. Effective standards and mechanisms to ensure that all this data is protected have not been established. It is also important that the local regulator oversees the betting operations in order for them, together with the betting operators and their suppliers, to follow up in case there is any doubt on match fixing at a later stage. The industry knows and respects and appreciates that Kambi excels at this aspect of operations.

Furthermore, when it comes to sports-betting, almost all jurisdictions have a multiple operator and licensing system model.

In order for government-lotteries to have a positive impact on the sports-betting industry, they must have an offer that appeals to the consumer. They must offer a competitive value proposition and prize-payout percentage. In Germany, for instance, the lack of an effective regulatory and licensing regime has resulted in the lottery share of the sports-betting market to plummet from over 60% in 2006 to less than 5% today. That not only harms the lottery and its beneficiaries, it is not good for the industry or the consumer. Government-lotteries have a positive influence for society and the consumer. They should be given the tools and the ability to compete in the market-place. Finland in a monopoly environment and Denmark again in a licensed environment are doing much better because the government makes a special effort to ensure that they are equipped to compete and meet the needs of the market-place.

*Explain some of the different types of sports betting. And how we got to this point where live-betting has become so popular.*

**J. Hovi:** The constant development of technology has enabled operators to deliver a much more fulfilling sports-betting experience. It used to be that a sports-bet was on who won a match, and who beat the point spread. Now, you can bet on countless moments that happen during an event, from who scores first to when time-outs will be called or when the next point in basketball is made. For instance, during the FIFA World Cup we had more than 200 different betting choices on each football/soccer match.

Kambi manages more than 170,000 in-play events a year now, and a small portion of those are actually televised. But through Kambi's platform, we empower our operators by enabling them to live stream sporting events. For instance, Philippine basketball is our fourth most popular basketball league for our streaming service because they are played at times of the day (on the global time clock) where there's not very much else going on.

*The rich variety of live-action betting options would certainly seem to be more exciting than the pre-match fixed-bet play-style.*

**J. Hovi:** The sports player can now bet on each single point, for example, in a ten-

nis match. In football/soccer we now have bets on the next throw in. We are always testing more and different betting options. In American baseball, for instance, we are testing to see if players want to bet on every single pitch. What are the odds of the batter reaching first base on any given pitch? The industry is definitely moving in this direction. Consumers are interested in instant play and live-action betting as it is fast and entertaining. Here the speed of a single bet has become almost instant. Due to this speed, only a few companies can actually offer this service in a reliable way since it requires not only specific sports expertise and man-power, but also sophisticated technology that is again underpinned by our intelligent data modeling tools.

*Lottery people like me tend to think of the fast-play/high prize-payout/low-margin model as being more like gambling, and therefore perhaps more likely to lead to problem gambling. But it occurs to me that it also allows the players to enjoy the playing experience for a longer period of time. The play-style is more like playing a real game, delivering a higher entertainment value. And you can play longer without losing too much money.*

**J. Hovi:** This is an entertainment business. It's about creating the products that not only compete with other gaming products but also compete against other leisure and entertainment activities for both time and money. For the general public, sports-betting is really all about fun and excitement. In fact, the sports-betting player knows they will never win a lottery-size jackpot. They're playing for fun and hope they will win a little money instead of losing, but either way the focus is more on the playing experience, making your stake last a longer time, and making the spectator sport of watching a sporting contest much more entertaining.

*Some of us are wondering if the increased availability of different gaming categories enabled by the Internet will increase the likelihood that players will migrate from one category to another. Do you think that lottery players will embrace sports-betting if it were made readily available to them?*

**J. Hovi:** That's a good question. Lottery

offers a different player experience and the lottery player has a unique player profile. But look at the explosive popularity of Fantasy Sports in the U.S. It is quite a phenomenon that I suspect stretches across a wide variety of player demographic profiles and historical play-styles. The main thing is for operators to make as wide a variety of gaming options available to its players; and to develop the applications to make the games especially user-friendly and enjoyable on Mobile. More than half of our business is now on Mobile and that percentage increases every month.

As the demographic profile of lottery players continues to age, it is becoming more important than ever to attract younger consumers. While it appears that lottery players do not migrate as much to sports-betting, it is the case that sports-betting players do play the lottery. That is why it is strategic for lottery operators to offer sports-betting. They need to have a complete portfolio of games that includes games that appeal to younger adults like sports-betting. Younger consumers are much more likely to experiment with all forms of gaming.

*Do Lottery's land-based retail network give it a competitive advantage over operators which have only an internet-based model?*

**J. Hovi:** Lottery's network of retailers, and its competency at managing networks of land-based store-fronts, is a powerful competitive advantage. If you have retailers already for other products, you can just add more products, like sports-betting, to the same channel. For instance, all the bars would want sports-betting because they already have the TVs. And people are already betting. The betting may be unauthorized now, but that's why it should be brought into the regulated environment. Too, the theme of the EL Industry Days event is Renaissance of Retail in Digital Times. Sports-betting is the category of choice for much of the modern consumer market. And it has a powerful social component to it—people love to watch sports together and bet on sports together. They need a venue to do that and that venue can also sell all the other lottery products. Sports-betting is the perfect game to advance the renaissance of retail in digital times! ■



## Kevin ANDERSON

Vice President, Sales and Business Development, EMEA  
Scientific Games Lottery

### European Perspective: Scientific Games' 360 Degree View of the Player

**PGRI Introduction:** In his 33-year career in the lottery and gaming industry, Kevin Anderson has covered a great deal of ground professionally and geographically. Anderson, vice president of sales and business development EMEA at Scientific Games Lottery, a division of Scientific Games Corporation, oversees sales for a vast area of the globe stretching from Europe to the Middle East and Africa, and he serves as global head of sports betting. In that time he has managed lotteries in Latin America, spent six years in Greece running sports betting for OPAP, and led the company's joint venture with Française des Jeux in France. We spoke with Kevin about product convergence—currently a hot topic in the industry—and how Scientific Games is providing innovative solutions to help lotteries serve the needs of consumers across all gaming entertainment categories.

**Paul Jason, PGRI:** *How has the expansion of Scientific Games through the acquisitions of Bally and WMS changed the company's lottery innovation?*

**Kevin Anderson:** We now have a 360-degree view of the player and the global gaming environment. My interactive and gaming colleagues at Scientific Games help me think about what's important to Europe's gaming consumers, retailers and operators of today and tomorrow. Coming together as one, large omni-channel company has given us a new perspective. We now look at software and systems architecture in a new and more complete way. We are developing technology for our customers that's more flexible and agile. We are creating faster solutions that can accommodate the continuous changes that regulation and competition bring.

The mergers have driven Scientific Games' innovation in systems solutions, content and services that are more closely alignment with requirements of the European marketplace, where gaming convergence has happened sooner than in other regions. We are architecting gaming systems that are easier to implement, more cost effective to operate, and most importantly, able to accommodate third-party products and services with minimal disruption.

Content remains very relevant. Scientific Games is well known for our game design capabilities, and we now have four content development studios that focus on gaming consumers as

well as delivery channels. Another important benefit from the acquisitions is scale—we are bringing the best and most exciting licensed properties to our clients in many sectors.

*How have your lottery customers and consumers benefited from the company's expansion?*

**K. Anderson:** Scientific Games has more focus on R&D than ever before. We have centralized, larger and more diverse resources. We have more innovation and creativity happening across the company. And we can provide more value and engagement for players. In our development work, we are looking at the overall player experience and how much value we are giving players by extending game play, offering cash and experiential prizes, even virtual prizes and social sharing opportunities. We have found that the deeper the consumer engagement, the greater the benefit to the lottery and its stakeholders.

The gaming sector is extremely focused on player retention, so we do everything we can to make sure that the player journey is satisfying and entertaining. Also, you hear a lot about "big data" in our industry, actually in every industry. Business intelligence, along with Scientific Games' ability to transform our global insights into products, is key to innovating programs and products that ensure our lottery customers' success.

*How do you believe the convergence taking place across gaming channels benefits European players?*

**K. Anderson:** There are more gaming choices for European consumers than ever before and Scientific Games products are more relevant than ever before with the convergence of gaming channels. We help our customers more accurately target their offerings to individual players or segment of players, ultimately resulting in a better rate of redemption. Players want to play when they want, where they want, and how they want on different devices, whether it's at retail, in the home, or on the subway. They want game entertainment to be more convenient and more accessible. And of course, there's also the desire to collect their winnings without necessarily going to a store. So new distribution channels are clearly beneficial to European consumers because of the immediacy.

*With the multitude of gaming entertainment available to consumers, how do lotteries in Europe adapt to greater competition for the gaming spend?*

**K. Anderson:** Most lotteries in Europe have adapted quite well. They have faced or are facing deregulation, which opens up their markets to an array of new gaming companies entering the marketplace, particularly in the online or interactive space. There has always been offshore competition in certain product areas, most prominently in fixed odds, sports betting, online casino and poker. New competition definitely has helped lotteries up their game to become more consumer-focused, to be more judicious about what, how and when they deliver.

Many of Europe's most prominent lotteries have chosen not to abandon the online space to the competition. They have added new product lines to their traditional, core businesses, to the extent that it's no longer unusual to find that several major lotteries now include all of the best-known product verticals in their portfolios. They have a very broad range of products, from lottery numbers games to instant games, bingo, interactive, and in some cases land-based casino, e-instants, fixed-odds sports betting, pari-mutuel sports betting, dog and horse racing, video lottery and vir-

tual sports. Many lotteries deliver these in specialized outlets, across wide-area networks—usually their lottery retail network—and via a range of digital devices, such as smartphones and tablets.

*How are lotteries using technology to adapt to convergence of gaming and lottery markets and player-ship?*

**K. Anderson:** Of course technology has been very instrumental in ensuring European lotteries' ability to compete with these new market entrants, particularly in the interactive space. Lotteries here have been quick to react to the competition, and they were quick to adopt best practices in the fields of content management and customer relationship management, which are very much enabled by technology. That all-important relationship with the player is underpinned by powerful analytical tools. This has been an area of major focus for our gaming division and it has been transported across the broader company, and by extension to all of our customers globally.

We focus on providing lotteries and gaming operators with tools to drill down and understand the various segments of player behavior through the analytics, which are essential for customized offerings. And of course, Scientific Games applies our learnings from One™, our motivation-based player segmentation study across lottery and gaming – the first study of its kind in the industry. Our study included both the U.S. and Europe, and the findings are driving our game and technology innovation.

*How can a player account management system, such as the one Scientific Games is implementing for Danske Spil, improve lotteries' understanding of their players?*

**K. Anderson:** The player account management system which we are delivering to Danske Spil is a great example of the value of our mergers with Bally and WMS. We now have knowledge from our larger gaming business, knowledge that was previously in silos or were product-based or were based on business units.

Our cross-jurisdictional player segmentation study focused on the motivations behind gaming behavior. When we see

so much competition for the discretionary gaming spend, we know that consumers want to be treated very well. Scientific Games understands what drives consumers, what triggers their involvement, what they like, what turns them off, when they engage, and when they don't. It's why a huge portion of interactive marketing budgets is devoted to player acquisition and retention. And yes, a unified player account management solution like the one we are delivering to Danske Spil allows the lottery to be fully conversant with the behavior of each individual player.

By providing open interfaces, our unified PAM solution allows the operator to choose best-of-breed solutions from the open market, which are then integrated into one master framework that can analyze the player's previous behavior and help predict future behavior. It can simplify the management of promotional campaigns that are better targeted and much more relevant to the recipient. The unified PAM gives us a 360-degree perspective that allows the lottery to track the player, understand the player, know when to engage with the player and when not to bother the player. Ideally this results in less spend on player retention and in a more satisfied consumer.

We look beyond the operator and the retailer, and we have to get everybody in the game to value the gaming consumer. It's very difficult to win that consumer, it costs a lot of money, and it can be challenging to retain their loyalty. If we deliver the right tools to our lottery customer, and share our deep understanding of consumers and games, we can seriously save our customers money. And that means more net proceeds from gaming revenues for lotteries.

*What can U.S. lotteries learn from their European counterparts?*

**K. Anderson:** Overcoming challenges is tantamount. European lotteries have responded very well to the threats and challenges to their erstwhile monopolies, particularly in the interactive space. Lotteries in Europe will remain leaders in the sectors where they have chosen to compete, despite new market entrants. These lotteries have

Continued on page 56

# A Refreshed Product Portfolio and Retailer Base Leads to Skyrocketing Instant Ticket Sales in Poland

Totalizator Sportowy and IGT worked together to leverage IGT's Six Pillars of Instant Ticket Success to rebrand and rebuild the Lottery's instant ticket product offering and retailer base in Poland, driving sales to heights TS had never previously seen

As the world's leading lottery supplier, the global leader in lottery management contracts, and the operator of the world's largest instants program – Gratta e Vinci, in Italy – IGT has accumulated a wide range of experience helping its customers grow their instant ticket businesses through the years. This work has allowed IGT to identify six key success factors for instant ticket sales growth.



One customer IGT worked with to implement growth strategies across some of these pillars is Totalizator Sportowy, the Lottery operator in Poland.

## Situation

In 2006, Totalizator Sportowy's (TS) instant ticket sales had fallen for the third consecutive year. Sales had been fairly consistent during the beginning of millennium, but in 2004, began to descend at a worrisome rate. By 2006, instant ticket sales had fallen to 56 million PLN, or 60% less than 2003 sales levels. As sales continued to drop sharply, TS partnered with IGT to institute a retailer development strategy to turn around that trend.

## The Strategy

TS worked with IGT to develop a plan to counter this sales decline. The first was a disciplined product strategy to develop new games

and play styles while also introducing higher price point games. In addition, TS and IGT developed a plan to breathe new life into the instant ticket retailer network through:

- Retailer expansion.
- Introduction of Lottery vending machines.
- Retailer optimization.
- Rebranding and redesign of point of sale area.

## Product Portfolio Modifications

TS worked with IGT to implement a range of initiatives to put a better product in the hands of its players. These initiatives included:

- Increasing price points strategically from 1 and 2 zloty games to 3, 5, 10 and 20 zloty games. This introduction was done strategically, as each price point introduction was established before another was introduced.
- Launching extended play games across multiple price points including 3, 5 and 10 zloty.
- Launching families of games including Win for Life, Cash, Multiplier, and Good Life.
- Increasing game launch cycles.
- Optimizing prize structures based on key industry metrics and differentiated payouts by price points.
- Optimizing game plans with varied themes and play mechanics.
- Improving the planning process by planning games early enough for regulatory approval and printing production logistics to create and maintain an 18-month rolling plan.

These initiatives were also implemented with logistical considerations such as adjustments to print quantities, to be certain of timely sell-through and inventory control. As these changes were made to the product and logistics, a tremendous amount of work was being done on the retailer side as well.

## Retailer Network Improvements

### Retailer Expansion

TS and IGT acted upon a “one size does not fit all” approach to retailer expansion. It cultivated a wider range of traditional retailer trade styles, including managing its own full service retailer locations, supporting a network of standard full-service retailers, and developing a network of instant-only retailers. This broad range of retailer options helped TS give its players what they wanted and added a new layer of diversity across the lottery retailer landscape. As an illustration, today TS manages its own network of 850 high-traffic retailer points of sales, which include 92 flagship stores across three different formats (shops, islands, and kiosks).



### Introduction of Lottery Vending Machines

Further TS worked with IGT to introduce lottery vending machines to again give players more options and choices through an additional Lottery point-of-sale channel. The lottery sought to optimize location (high traffic and proper visibility) in addition to personnel (personal engagement of agents, adequate training, and high levels of machine service) to develop this network of vending machines. Within two-and-a-half years of launching this initiative, TS deployed 400 machines to take a non-existent distribution channel and grow it to nearly 4% of all instant ticket sales.

### Retailer Optimization

The third retailer strategy TS and IGT worked together on was providing stronger retailer optimization by giving retailers better tools. The shining example of this area was an online platform that each regional lottery office could use to generate retailer optimization strategies. The website included a common space for the regions to share comments, ideas, best practices, designs, and solutions with each other. It also provide the means for each region to directly shop for various items (e.g. furniture, dispensers, signs, and other POS materials) to act upon strategies seperated from the idea exchange in real-time. This site allowed TS to efficiently manage the process of POS modernization and optimization.



### Rebranding and Redesign of Point of Sale Area

In conjunction with the retailer optimization effort, TS and IGT collaborated to rebrand and redesign the point-of-sale areas in the TS retail network and its flagship stores. This included making the instant product line more visible, displaying a wider variety of tickets, and setting aside dedicated space for winning ticket display.



### The Results

As part of an overall strategy to grow instant tickets, the work done across a range of the Six Pillars of Instant Success in Poland led to dramatic results. The number of tickets TS sold, annually, grew by nearly 80% from 2.9 billion in 2006 to 5.3 billion last year. Further, ticket sales grew by more than twelve-fold (from 62 million zloty to 772 million). Executing upon a number of the pillars helped TS dramatically increase the number of tickets sold, sky-rocket total sales revenue, and truly bring its instant ticket business to life.





# MICHIGAN LOTTERY



## AN OMNI-CHANNEL SUCCESS STORY

Danny Bogus, Founder & Principal, Digital Gaming Group

The Michigan Lottery is an exemplary case study to examine the impacts of online sales (“iLottery”) throughout an organization including its network of retailers. After beginning with an unadvertised beta launch in the summer of 2014, iLottery has quickly grown to surpass \$8 million in weekly sales during March of 2016. Meanwhile, the retail business has set all-time records for sales, profits and retailer commissions.

It is clear that retail channels have not been negatively affected since the launch of online sales. In fact, a better argument can be made in support of iLottery increasing overall player engagement and driving cross-channel sales. Programs such as the Online Game Card, purchased at retail and redeemed online, have helped to bridge the two channels while providing added traffic and commissions to retailers.

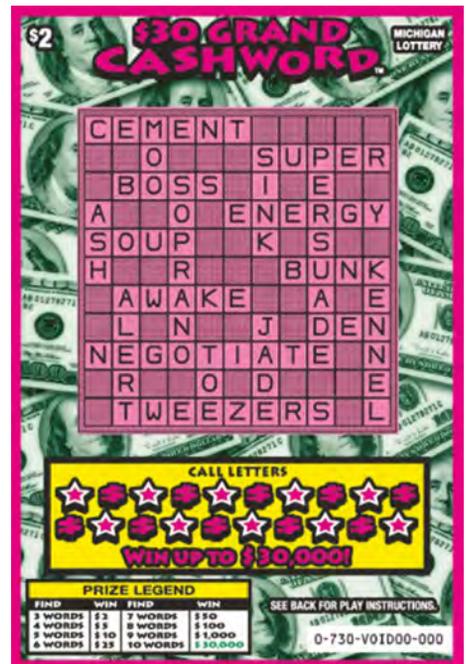
The reality has been consistent with focus group results obtained prior to the launch of iLottery in Michigan. During those interviews, many existing retail players were opposed to the idea of registering online, didn’t like the requirement to provide banking information, didn’t always trust that iLottery games would be fair, and preferred the game play experience (i.e. scratching) of retail games over their digital counterparts.

The most supportive evidence of player channel preference can be found when examining categorical sales comparisons. Keno and instants were the only two categories of games sold online during the first fiscal year. During that time, online instants accounted for two-thirds of iLottery sales, or roughly \$98 million, while

online keno contributed \$49 million. In parallel, retail instants and retail keno reached all-time records and grew by more than \$100 million and \$30 million respectively.

Perhaps the most compelling indicator of player channel preference was observed in the Keno “To Go” product

sold at retail. Players who purchase Keno “To Go” watch their drawings online after buying in-store, and are literally a few clicks away from playing a Keno game with improved prize returns, quicker play action and the supposed convenience of avoiding a trip to the store. Yet this product was unaffected by the launch of



### RECORD GROWTH IN 2015 ONLINE AND RETAIL



# iLottery has experienced explosive growth and retail sales are yet again on pace to set all-time record highs.

online keno and it drove the majority of growth within the retail keno category.

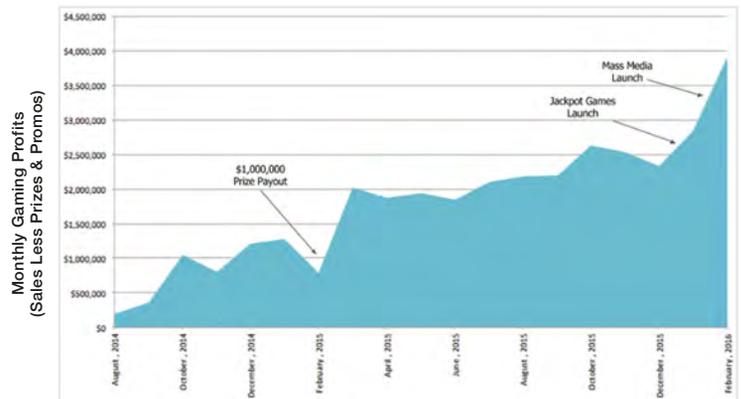
The first year has not been a fluke. At the midpoint of the second year, iLottery has experienced explosive growth and retail sales are yet again on pace to set all-time record highs. The multi-state and in-state jackpot games launched online in February and were followed by the first mass media awareness campaign to promote iLottery. The results were spectacular, with iLottery sales surpassing \$1 million per day (81 cents weekly per capita) and gross gaming profits reaching nearly \$4 million during the month of February.

Performance has been tracking in line with the long-range goal of delivering \$480 million in incremental profits from iLottery during the first eight years of operation. If Michigan stays the course, the iLottery program is projected to deliver roughly \$120 million in supplemental profits during fiscal year 2021. Retailers are also expected to play an increased role in driving online sales and they stand to benefit from this new market as well.

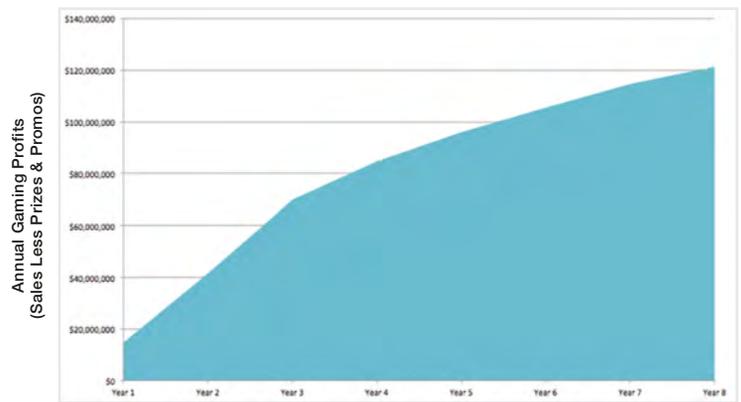
The iLottery program is projected to deliver roughly \$120 million in incremental profits during fiscal year 2021.

The Michigan Lottery's success story should be a page in the book of every lottery looking to convince its stakeholders of the value, certainty and complementary nature of this new sales channel. Multi-channel growth has been observed across the globe where iLottery is present and the industry is finally obtaining domestic evidence as well. Perhaps not too far ahead, as the trends continue to take shape, iLottery will be viewed universally as one of the safest bets to achieve incremental growth. ■

Michigan Lottery—iLottery Profits by Month (through February 2016)



Michigan Lottery—Projected iLottery Profits (8 Years)



**About Danny Bogus and the Digital Gaming Group:** In 2014, Danny Bogus led the startup of the Michigan Lottery's digital programs as the Deputy Commissioner of Gaming Operations. Danny's orchestration of the iLottery startup set Michigan on a path to realize more than \$480 million in incremental profits over a projected 8 year span. He reshaped the face of the organization by building the digital division into a 19 person operation over a seven year time span.

Prior to that, Danny led the startup of Michigan's mobile apps, website, mobile site, loyalty programs, payment programs, analytics platforms, second chance games and Keno To Go program. Danny was also the primary architect and author of all major procurement initiatives

during this course of time as well, helping to select suppliers that could form a successful partnership.

Danny has been a noted speaker at many industry conferences and was a recipient of the 2015 NASPL Powers Award in recognition for significant contributions made through exceptional job performance. In 2016, he founded the Digital Gaming Group to help the lottery industry with key modernization projects ranging from iLottery startups, to loyalty programs and cashless acceptance programs at retail.

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# EMPOWER

## Scientific Games' EMPOWER<sup>SM</sup> 2016 Customer Conference Draws 750 and Showcases Customer-Driven Innovation for Lotteries

Scientific Games recently hosted its EMPOWER 2016 customer conference at Planet Hollywood Las Vegas Resort & Casino, drawing more than 750 attendees, including a host of lotteries from across the globe.

The only private, global conference of its kind in the lottery and gaming industry, EMPOWER 2016 truly underscored the convergence taking place—and the fact that much of the convergence is driven by consumers who are more connected than ever and seeking gaming entertainment experiences through lottery, interactive, social and traditional casino games.

The three-day event in the company's headquarter city of Las Vegas showcased the industry's broadest portfolio of lottery, gaming, and interactive solutions, with a focus on game content and technology solutions that help lottery organizations and casino operators drive revenue, improve operating efficiencies and increase player engagement.

Scientific Games product brands Bally®, Barcrest™, Scientific Games®, Shuffle Master™ and WMS® were represented, spanning a wide range of products and technology platforms across the company's gaming, lottery and interactive business lines.

*"It was very exciting to be a part of the first EMPOWER conference with customers from all three of our business divisions," said Jim Kennedy, Group Chief Executive, Lottery for Scientific Games. "Our customers were truly wowed when they experienced the full Scientific Games on display, it was high energy synergy."*

Kennedy said that the feedback he consistently received from customers during the event was that Scientific Games is a big force in shaping the industry.

*"This year's EMPOWER marked the first time we brought customers together from all of the gaming channels we serve," said Laura Olson-Reyes, Executive Director of Corporate and Community Relations for Scientific Games. "Because it was a private, invitation-only event, we had very unique, focused opportunities to listen to our customers share their successes and challenges, give them hands-on demonstrations of our newest products, and get their immediate feedback. We are shaping our innovation in direct partnership with our customers."*

Lottery products on display at EMPOWER included the award-winning PlayCentral® HD self-service retail technology—an interactive self-service kiosk for lottery instant, draw and high-



**From Left to Right:**  
 Steve Beason (CTO, Scientific Games) and Steve Wozniak (Co-founder of Apple Computer).  
 Gavin Isaacs (CEO Scientific Games).  
 Conference crowd scene.  
 Scientific Games Lottery, Gaming and Interactive CTO forum.

frequency draw games like Keno (where permitted by law)—that puts the player in command of the games and information they want to access. PlayCentral HD accepts cash, coin, credit and debit card, and features near-field communication and account-based mobile wallet payment options.

Scientific Games also showcased PlayCentral EX, an end-to-end sports wagering platform featuring unlimited sports, events and markets in real-time for both pre-game and in-play wagering.

The EMPOWER conference evolved from the Bally Systems Users Conference, which was held for 11 years at various casino resorts across the U.S., most recently at Mohegan Sun in Connecticut and Pechanga Resort & Casino in California. Following the 2014 merger of Scientific Games and Bally Technologies, Scientific Games expanded the conference to include gaming, lottery and interactive content and customers.

Gavin Isaacs, President and Chief Executive Officer for Scientific Games, welcomed attendees with an update on the company and the industry, and shared the importance of embracing disruptive technologies in partnership with regulators to keep the industry strong. Isaacs also discussed why keeping up-to-date with the latest technologies is so critical for lotteries and casino operators to capitalize on the many new ways to engage players through mobile, big data, business intelligence and player insights.

Scientific Games Enterprise Chief Technology Officer, Steve Beason, led a CTO Forum with the company’s chief technologists across gaming, lottery and interactive, discussing the future related to convergence, disruption and Scientific Games’ commitment to customer and player-driven innovation.

A conference highlight was keynote speaker Steve Wozniak, Apple Computer co-founder and philanthropist, who helped shape the global computer industry with his design of Apple’s first

line of products and influenced the popular Macintosh. Wozniak spoke to EMPOWER attendees for nearly two hours about his history with Apple, his thoughts about the importance of innovation and disruptive technologies, and his current role as Chief Scientist at Fusion-io.

EMPOWER 2016 provided lotteries and casino operators with world-class professional development, hands-on product demonstrations, fast-paced workshops, direct access to Scientific Games’ product experts and invaluable networking events.

Attendees chose from more than 40 interactive breakout sessions and how-to workshops, featuring Improving Player Loyalty, Capitalizing on Crossover Brands, Meaningful Innovation Driven by Player Insights, Mobile, Marketing, Big Data, The 360-Degree Customer, Slot Floor of the Future and Emerging Technology.

The more than 750 EMPOWER attendees were customers from 190 casinos and lotteries in eight different countries, and included sponsor partners, media and Scientific Games representatives.

Customers were focused on new innovations, thought leadership and synergies coming from the combined Scientific Games that could help drive revenues and net profits, and empower their business now and in the future. ■



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## a canvas™ full of opportunities

### TIME TO MEET YOUR PLAYERS

By Christina Boubalou & Dimitrios Kakkos

*“Whatever you do, do it well. Do it so well that when people see you do it they will want to come back and see you do it again and they will want to bring others,”* said Walt Disney back in the day and in that way he had successfully risen the importance of experiences over the simple “consumption” of products before anyone else was ever aware of them.

If one was offered the opportunity to interview major lottery winners around the world throughout time, they would most probably talk more about the experience of winning and less about the prize they actually received. This does not mean of course that the prize would be overlooked, after all it is a bliss, a financial relief and sometimes even a life-changing thing. Nevertheless, lottery winners would eventually talk about the thrilling feel and the excitement of winning. The place and moment when they first found out, the way they shared the news with their loved ones and the kind of celebration they chose to hold, would probably be what actually matters the most. Once the dust has settled, players always remember their winning moments as unique and exceptional. Imagine now the impact on the players’ experience, if we were able to stimulate and bring out a small piece of these feelings and excitement, from the winning moment to the game as a whole.

Our industry, as the entire market shifted its focus from product-driven strategies to experience-oriented ones, was bound to follow. The services’ section made the first baby steps towards the new trend, and fast-consuming goods tried to keep up, but it was the Lottery world that seemed destined for even greater things, as it was already blessed with that special gaming sparkle and anticipation of joy, being at the same time committed to embrace and enhance the global principles of responsible gaming. Therefore, what have we missed? Why haven’t we already thrived in the world of experiences?

Steve Jobs said that *“you’ve got to start with the customer experience and work back towards the technology—not the other way around”* in order to succeed in this area. Lotteries, operators, systems designers, platform developers, game providers and governments have all spent countless resources, hours of hard work and research in order to create complete and robust products, trustworthy platforms, stable systems, rewarding responsible games. And we all performed remarkably. But somewhere along the way, we may have underestimated the perceived

value of customers’ experience and the fact that, in many occasions, they have raised the bar significantly in terms of expected outcome. We definitely respected all existing regulatory restrictions and safeguarded our faith and trust in the traditional ways of operation but have we truly shown excellence in listening to customer’s voice?

In INTRALOT, we have carried out extensive research on various groups of players and platform users (originating from different markets) in order to gather the insights required and ultimately create a perfect solution. We combined our findings with our deep knowledge and experience of the lottery industry and today, we are proud to present INTRALOT Canvas™.

Canvas™ is an all-in-one platform, designed to offer centralized management of multiple game verticals and focus on providing a personalized and consistent User Experience (UX) across all sales channels, both online and retail, to the players.

By listening closely to the pulse of the gaming market, Canvas™ be-

“

Whatever you do, do it well.  
Do it so well that when  
people see you do it they will  
want to come back and  
see you do it again and they will  
want to bring others

—Walt Disney

”

came the ultimate tool to serve a state-of-the-art gaming experience to all audiences, specifically designed to provide various gaming content to multi-channel solutions with exceptional cost and time efficiency.

For the design of Canvas™, INTRALOT has deconstructed its 25-years of managing multiple operations, gathered every single issue ever addressed and had it included in the platform. Information is gathered through research and a continuously updated and

learning mechanism of tracking and monitoring KPIs in order to compose a complete and ultimate solution which will be able to predict every customer need.

Canvas™ architecture is optimized to equally satisfy both elementary and proficient CMS users. It offers simple modules and explanatory user journeys to facilitate its usage and productivity, but also advanced tools, like personalization functions, A/B testing and segmentation engines, that sets the platform on top of its competition.

Its core goal is to minimize the time and effort spent from operators when distributing different gaming content to multiple sales channels in a consistent, usable and functional manner.

Additionally to that, it showcases a modern, flat Users' Interface (UI), presenting dashboards and functionalities through wizard-like journeys that are fully and easily customizable by the operator, offering thus an exceptional user experience to both the management team and the end customer. Fully tested and certified, secure and compatible with every 3rd party tool or platform already installed in an existing operation (CMS, RGS etc.), Canvas™ is the ultimate multi-channel content management tool.

In every industry, when it comes to boosting sales, it is paramount that companies create and compose their buyers' profiles. Only by knowing your customer to a great extent, will you be able to offer them exactly what they want. Through Canvas™, player profiling becomes the core of a successful platform that guarantees great results. Its personalization capabilities are even more enhanced, when combined with INTRALOT's new and innovative CMS platform. Through this universal solution, lottery operators are offered not only premium Player Account Management capabilities, but they can also organize promotional campaigns, view data dashboards and monitor e-satisfaction analytics.

In a fast evolving and changing market, Canvas™ could not be anything less than a user-centric hyper tool. As our users become more and more demanding, it was of high priority to offer a product of customer service excellence and with the ability to adapt and evolve according to any customer need.

To optimize its performance, INTRALOT has initiated its Customer Experience Dashboard scheme, which allows the combination of ongoing top-down evaluation and review with bottom-up data-driven analysis in order to always be one step ahead of the market. Through the CX Dashboard mechanism, KPIs are selected and monitored through sales data and research findings, which as soon as they are gathered and analyzed, they are fed back to the system functionality for further evaluation. This way, operators are given a chance to preview first the market trends and choose through A/B testing the segmentation strategy that best serves the most personalized and meaningful content to their players.

This offers a complete board of usage analytics, including monitoring every activity and personalized offering the operator wants, setting a higher level of gaming experience, customer satisfaction, trust and impeccable conversion rates in all sales channels served by Canvas.

As part of INTRALOT's Next Generation of Customer Experience platforms, Canvas™ aims at facilitating operators to come closer than ever to their customer needs through proven and sus-



tainable data, embracing change and offering them a set of cutting edge tools that will help them refine their sales, services, marketing strategies and overall product offering to their end users.

To conclude in, it is not only about how many game titles you offer, how competitive your payouts are and how often your jackpots are hit. It is also about how this is perceived by your customers, how smoothly it is served to them and how the whole experience makes them feel. It is said that quality in a service or product is not what you put in to it but what the customer actually gets out of it. We at INTRALOT, aim at offering the most exciting and remarkable, solid and safeguarded experience there is.

The best time to plant an apple tree may have been ten years ago but the second best time is always now, so make a leap of faith and offer your customers a playing experience to remember. And as Walt Disney said, they will come back again and bring others along them. ■

*Christina Boubalou is a Senior Manager of Gaming Experience at INTRALOT. With more than 17 years in the entertainment and advertising sector as a Marketing and Communications Specialist, she has spent the last 4 with INTRALOT designing games and optimizing customers' experiences.*

*Dimitrios Kakkos is Director of Product Management in the Products and Services Division at INTRALOT. He has 12 years of experience on design, implementation and delivery of multi-vertical and cross-channel interactive gaming solutions for lotteries and regulated gaming operations.*

**B. Hrafnkelsdóttir:** While our offer of products continues to remain unchanged and we are unable to use the Internet as a distribution channel for our products, I can't imagine there will be any major changes to the current mix. I'm most satisfied, however, when we manage to show an increase in the class lottery because when I first started working at the UIL in 2010 the attitude towards that product was that it was slowly but surely fading and that the Net would take over. Neither has happened. Once we get an opportunity to sell our products on the Net, I expect the percentage of scratch cards in particular will increase.

*Do you think there are over-laps in the player-ship of traditional lottery games and "other" games like VLT's?*

**B. Hrafnkelsdóttir:** We don't keep track of the customers who play VLT's so we can't make any statements in that regard, but we consider that the vast majority of our class lottery customers who hold an average of 2.1 tickets do not play VLT's, but on the other hand it is quite possible

that those who play VLT's also own a number of class lottery tickets.

*How challenging is it to combine a growth agenda with UIL's dedication to the principles of Responsible Gaming?*

**B. Hrafnkelsdóttir:** We do not think of that as a trade-off. Our statutory role places a great responsibility on our shoulders and the UIL has always placed an emphasis on credibility and responsible activities. My predecessor, Brynjólfur Sigurðsson, took the initiative to commission the Psychology Department of the University of Iceland to conduct research on gaming problems and gambling addiction to increase our knowledge and understanding of the issues. The first study was conducted in 2004 and then again later in 2007 and 2011. A new study will be conducted in 2017. We have supported the National Centre of Addiction Medicine (SÁÁ) both through funding and prevention work. We are, among other things, participants in a Scandinavian joint forum on Responsible Gaming and in collaboration with two other Icelandic lotteries, Íslandsspil and Íslensk Getspá, we run

a website to promote responsible playing. Moreover, the UIL has been certified by the European Lotteries association for Responsible Gaming, first in 2012 and then renewed at the beginning of 2015. We have also been certified by the World Lottery Association in 2015. Responsible Gaming will always be a top priority for the UIL.

But it can also be restrictive to run activities that are subject to licences. For example, we are not able to work on our natural development as much as we would like. But we certainly have not remained idle and, over the past quarters, we have been working on enhancements which are aimed at revising and streamlining all our working procedures, in addition to making the necessary adjustments to our IT systems. Our goal is to boost the efficiency of our management, enhance services and increase security, both internally and externally, and enhance the overall player experience. Slowly but surely, this has produced cost-savings in our management so that now we are achieving better results with a leaner staff. We are not by any means finished and still see great opportunities that we are working on. ■

## Declan Harkin Interview ... continued from page 39

experiences. What lottery would not welcome this type of technology, which brings lottery games to consumers and turns them into players because it's at just the right time, in just the right place, and at just the moment when they are most likely to play?

*What's your message to lotteries struggling to make sense of this new consumer world?*

**D. Harkin:** At IGT our first priority is to listen to our customers and ensure that we understand exactly what their issues are and

what they need from us. Everyone needs a partner that understands today's evolving technology and develops solutions from an operator and consumer perspective. IGT is also an experienced Lottery operator itself in multiple jurisdictions, serving the full spectrum of game content offerings through solutions at the forefront of these evolutions. So we recognise the challenges and opportunities that lotteries face and are able to ensure market readiness—whenever that may be required.

Ultimately, the player stands at the centre of this change. Technology is meeting the players' expectations for a frictionless experience where needs are anticipated and every interaction is personalized. We're proud to say we've built Aurora with the architecture to achieve this, enabling more consumers to become players, whilst ensuring retailers and lotteries can meet the exciting and demanding needs of our new consumer world. Now I am off to see what my phone wants me to do next! ■

## Kevin Anderson Interview ... continued from page 47

learned how to leverage their strong brands, and the integrity, respect and security that those brands have engendered as part of the fabric of society over many, many years, and in some cases over centuries, to the extent that they have remained not only relevant

but dominant in the wider gaming space.

I believe the challenge that U.S. lotteries will face in the future is the inevitable move towards a more heterogeneous gaming industry as has already happened in Europe. As the situation evolves in the

U.S. and as regulations change, even if it's going to take a few years, there will come a time when they will be able to learn from their European counterparts, particularly in the area of sports betting and interactive gaming. ■

# Winning in the New World

Meet the challenge, Make the change

WORLD  
LOTTERY  
SUMMIT  
SINGAPORE



Marina Bay Sands, 6-9 Nov, 2016

Singapore, a bustling metropolis set in the crossroads of the Asia Pacific, plays host to the World Lottery Summit in 2016. The business program covers a diverse range of topics with winning strategies and best practices by distinguished external keynote speakers from various industries both in Asia and around the world, as well as speakers from the lottery industry.

The WLA and host organization Singapore Pools have crafted an exciting business and social programme for delegates befitting the Republic's status as a top convention and meeting venue. A world-class integrated resort, vibrant festivals, delectable cuisine, fabulous shopping await you.

Join us in Surprising Singapore from November 6 to 9, 2016 for a truly unforgettable experience!

*Singapore  
Welcomes You!*

**SAVE  
THE  
DATE!**

Visit [www.wls2016.org](http://www.wls2016.org)  
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# Scenes from the European Lottery Marketing Seminar

February 3rd - 5th, London "Digital Transformation in Marketing"

Visit [www.european-lotteries.org](http://www.european-lotteries.org) for information about educational seminars and other events hosted by the European Lotteries Association (EL)





# Scenes from the European Lottery Marketing Seminar

February 3rd - 5th, London

“Digital Transformation in Marketing”



# Scenes from ICE Totally Gaming Exhibition and Conference

London, February 2nd - 4th



age and promote them. My comparison sets the different models alongside four different axes: the values, the products, the distribution of the gaming services, and how we are using our profit, which is the most important differentiator.

**VALUES:** We need to clarify for ourselves and for everyone else what we stand for. We comply with rules and obligations as do many others in the commercial world. But government-lotteries go much further than that. The heart of our business includes social and environmental responsibilities as equal to our mission to generate profit for good causes. Instead of maximizing profits for shareholders, we want to optimize outcomes for all stakeholders, which includes the general public. Our focus on long-term shared value with society at large and stakeholder engagement is something that is unique to our industry.

Responsible gaming, for instance, is a priority not because it is required of us but because it is part of our DNA and commitment to the values we share with society. Our competitors from Malta and Gibraltar focus on profit maximization with little consideration for the impact they have on society, or even the players. Their promotional style is aggressive to the point of being irresponsible. We should integrate the values of social responsibility, integrity, and transparency into our brands as much as we can.

**PRODUCTS:** Our goal is to provide a safe and secure destination for consumers who want to play recreational games-of-chance. Our mission is to meet the needs of society, which includes everyone, all consumers everywhere within our jurisdiction. To that end, we provide a wide portfolio of products. Some of Lottery's products are more profitable than others, but all of them serve a purpose of meeting the needs of society for a safe and legal option for consumers who want to play games-of-chance. Maximizing profit by focusing aggressive promotions on a limited number of highly profitable products is not our way. You can look at the promotions of commercial betting operators to see how that is exactly their method. It is not good for society and it encourages problem gambling. They give bonuses for additional plays, even giving away free product to entice new players to play more.

As the president of the WLA, now is a good time to mention the WLA Responsible Gaming Certification. The process of getting certified informs us on how games should and should not be promoted and teaches us the operational procedures for ensuring that we stay true to our commitment to Responsible Gaming. It includes a marketing and publicity code of conduct that are applied to our advertising and promotional activities. It explains the importance of requiring our stakeholders, commercial part-

ners, and external agencies to sign up and apply the same codes of conduct. Raising the standards for the entire industry is a very important part of our agenda.

(Examples of what should not be done are displayed on the slides, from Unibet and Ladbrokes advertisements. These are certainly not the only offshore operators who employ these kinds of super-aggressive promotional tactics.)

**DISTRIBUTION AND GAMING SERVICES:** Lottery's method of distribution, relying on a wide network of retail stores, is all about proximity to the community and service to our players. This promotes shared values, collaboration with a large number of small businesses, and a close affiliation with the welfare of the communities that we serve. Offshore operators have very few points of distribution, often only one, out of which they promote online gambling, and focusing on high-density, lower income population centers. This promotes profit maximization with very little concern for the values or welfare of the communities where the players reside. And Lottery's profits are shared in the form of commissions to the retailers, whereas online operators have no investment in and share no profits with the businesses of the community.

**PROFITS:** To my mind, this is really the number one differentiator. The profit of government-gaming is used to support good causes as opposed to enriching shareholders. In Italy, the UK, Australia, and other places, the licensees are private companies which do garner a portion of the profits for private shareholders. But the portion is very small, highly controlled, and the entire model is still based on the goal of channeling income to good causes and delivering optimal outcomes for society. An estimated \$78 billion U.S. dollars was distributed by 160 WLA members worldwide to good causes in 2014. Commercial operators pay taxes, but the amount they pay is a tiny fraction of the GGR—as low as 1% in some jurisdictions. And lobbyists for offshore operators are working tirelessly to get the taxes lowered everywhere. If the government-gaming model that depends on monopoly protection breaks down, it could result in \$78 billion being transferred from good causes over to private shareholders. At the very least, it will result in market share being shifted from Lottery over to illegal operators. Is that really what is best for society? That is the decision that faces the shapers of public and regulatory policy. So, we need to work tirelessly to make sure they understand the implications of the decisions they are making! ■

# Unlocking the Power of Integration

Connecting New Media,  
Modern Lifestyles,  
and the Lottery



**Conference Sessions September 13th & 14th**  
**Evening Receptions September 12th, 13th & 14th**

First there were the four P's (Price, Product, Promotion, 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!

## **Eden Roc Miami Beach Hotel**

Visit [PublicGaming.org](http://PublicGaming.org) to register, reserve hotel rooms, and for conference updates

Gaming news website: [PublicGaming.com](http://PublicGaming.com)

Video presentation website: [PGRItalks.com](http://PGRItalks.com)

[pjason@PublicGaming.com](mailto:pjason@PublicGaming.com)

Call: U.S. + 425-449-3000

its stakeholders, and huge income for the businesses attached to its production. The Super Bowl is once a year. Since it is so successful, why don't they try to reconfigure the whole football schedule of competitions so that you have two or three Super Bowls a year? It could be done, but you can see why it wouldn't work. The whole media frenzy and consumer excitement that happens once a year could not be replicated that way. There are regular season football games the consumer loves and that generate income for the shareholders of the businesses that support the whole football industry. Likewise, Powerball and Mega Millions games produce the lottery "Super Bowls" when the jackpot runs up to a new record. And we have our big portfolio of games to complement our Super Bowl games of Powerball and Mega Millions. Capping the jackpot size may produce some positive benefits to the long-term health of the game, but we do not know that it would. We do know that the residual impacts would be both positive and negative and not entirely predictable.

Further to this analogy ... is there a point at which the excitement over the Super Bowl gets to be so high that consumer expectations recalibrate such that it might be hard to replicate the following year? Perhaps. But, would you think you should manage expectations or cap the level of enthusiasm for the Super Bowl? The big Powerball and Mega Millions jackpots are like the Super Bowl. They are special events with a life and character all their own. The whole dynamic of how rising jackpots affect the marketplace involve complex issues with a multitude of interacting parts. We just want to be cautious in how we manage that.

*The media coverage also brought in new consumer groups.*

**R. Hargrove:** Once this record run hit the stratosphere of \$528 million, then \$948 million, then \$1.58 billion, we began to see a whole new level of consumer impact. As media coverage reached new heights, the impact on non-players also

reached new heights. It is estimated that the record jackpot run attracted 10 million new players to the lottery. That is absolutely amazing. Think about it. That's 10 million consumers who have never really paid attention to the lottery before, who paid attention for the first time because of the massive media coverage, and now they will notice those billboards and commercials and in-store POS like they never did before.

I am not saying we shouldn't be concerned about rising consumer expectations. I am just pointing out that the positive residual impact of jackpot fever is huge, and it is complex and multifaceted. That is why we need to be very thoughtful about trying to "manage" it.

*How does all the attention given to Powerball during a jackpot fever run impact sales of the other lottery products?*

**R. Hargrove:** One of the things that happened with this jackpot run, at least in Tennessee and I know in many other states as well, is that people who had never bought a ticket before got excited about the lottery. They went into the stores and saw how easy it is to buy a ticket. And while they were there, some of them bought an instant ticket and discovered how fun that was, as well. Many lotteries posted record sales across the entire portfolio of lottery products. Tennessee's highest instant ticket sales in history were in January, the same month as the record Powerball jackpot. Our second highest instant ticket sales in history were in March; our third highest were in February. So we saw a spike in all of our games because we had new players in the game. Now that may not be the case everywhere, or in a state where the lottery has been there for 40 years. In Tennessee and many other states, the record jackpot created a level of excitement and engagement that is having a powerful residual impact on our entire business.

*The question of how much is too much comes up almost every time there is a record jackpot.*

**R. Hargrove:** It came up 25 years ago when Florida's in-state game reached \$100 million for the first time in the U.S. I was the director and there were some legislators who protested that the jackpot should be capped, that no single player needed to win a \$100 million. I pointed out that no one is forced to play that particular game. There are lots of lottery games with better odds to win a smaller jackpot. There are games to appeal to practically every price-point, every play style, and every value proposition. Why not let the consumer decide?

*The community of lottery directors has been exploring the possibility of launching a new national premium game. There are lots of regional games, games that are played across multiple jurisdictions. The benefits of a regional game model is that it does not require the consensus of all 44 lotteries and it can scale up as it proves to be successful. Plus the cost of terminating it if it is not successful is contained. Which leaves the question: What are the benefits of a national game over regional games?*

**R. Hargrove:** The more general issue is the way in which the community of lottery directors should explore and think about the best ways to evolve the portfolio of multi-state games. Regional games are an important part of the portfolio. Before cross-sell started in 2010, Powerball and Mega Millions were regional games. There will always be room for regional games. Regional games are terrific. In fact, if a game works well on a regional basis, that's how it should be done.

However, there are some specific objectives that can be best achieved only with large-scale national games. For instance, the liquidity delivered with the maximum population base is what drives those large jackpots of Powerball and Mega Millions. The benefit of a new national premium game is the possibility for new price-points and a wider variety of value propositions to be applied to draw-based games. The growth of instant games over the past 20 years is largely attributed to the simple process of

expanding the portfolio of games and price-points. Some states now have \$50 instant tickets. The instant ticket category has an incredibly wide variety of play-styles and price-points to appeal to all types of players.

The draw-based games have not been growing nearly as much as instant ticket sales over the past 20 years. We believe that one reason for that is simply the lack of variety, lack of price-point and value-proposition options for the consumer. Mega Millions and Powerball provide a player experience that is quite similar and they offer just two price points - \$1 and \$2 tickets. We would like to create a platform for expanding the portfolio of draw-based games, and give the consumer the option to buy higher-priced tickets, perhaps with different value propositions. We feel there is a market for those options and would like to give the consumer those choices. To do that, we need the scale and liquidity of a nationwide population base.

Getting the broad consensus for doing a nationwide game is challenging. If a game can be done on a regional basis, it should be done on a regional basis because it is easier for three or four or five or even ten state lotteries to agree on a game's parameters than it is for forty four lotteries to agree on everything. Regional games provide a fabulous platform for games that are hard to implement by an individual state lottery. Likewise, there are games that will perform much better if we can get an even larger number of lotteries to collaborate and implement them.

*Does the national premium game have to be a draw-based game?*

**R. Hargrove:** It doesn't necessarily have to be a draw-based game but it has to be a value proposition that the player is willing to pay a higher ticket price for. The first thing I say at every national premium game meeting is there's no point in doing it together if we can do it alone. And there's no point in doing it with forty four states if it can be done with six states. Instant games do not require the high population base that draw-games depend on. And it is important

that we figure out how to drive growth in the draw-based games because they deliver higher profit margins than instant tickets.

*Why not just scale up the regional games and expand, adding states and building liquidity along the way?*

**R. Hargrove:** Regional games can scale up as you suggest. For example, a number of state lotteries now offer the Lucky for Life game, which has a 60% prize payout. New York can't do a 60% payout. It wanted to do the same kind of a game, but with a 55% payout. So New York and New Jersey created Cash4Life, which pays out 55%. Those states that like the game and can pay out 60% joined the Lucky for Life regional game. And those states that want a 55% game joined Cash4Life. Both are great games. But neither could scale up to national scale because some states prefer a 60% payout while others want a 55% payout. And since they both work well on a regional basis, why not run both games and just allow each state to choose which one works best for them and their state regulations?

It is not an either/or question. Regional games are great. We just want to explore all possibilities for expanding the portfolio of multi-state games. And there are some game concepts that work better with maximum liquidity and participation of the largest number of state lotteries.

*The World Lottery Association (WLA) plays such an important role on the global stage of government lotteries. Why should U.S. lotteries become more involved in the WLA?*

**R. Hargrove:** I think it's important for all lotteries to be part of the global community because there's so much we can learn from each other. That is particularly true for U.S. lotteries, which are less mature than many other lotteries around the world. And the responsible gaming platforms that have been developed by WLA are more important than ever now that lotteries are moving into internet wagering.

U.S. lotteries learn from each other and from the analyses of game performance in different states. By the same token, we could

benefit immensely by studying the experiences of lotteries in Europe, Australia, South America, and other markets around the world. That would expose us to a much bigger variety of new games than we see in the U.S. That is also true for multi-jurisdictional games where regions are making them work across completely different gaming cultures, monetary systems, and languages. Some of these lotteries have been operating for over 200 years. And South and Latin America are advancing in Mobile and Social gaming in ways that everyone can learn from. There is practically no issue that we face in the U.S. that has not been dealt with by other lotteries around the world.

Many parts of the Asian-Pacific region, China and Korea, are in the early stages of developing their own lotteries and regulatory models. As the games-of-chance industry becomes global, it is important the U.S. join with other lotteries to shape the global industry in ways that will serve the interests of governments and good causes.

Sports betting has been on the global stage for many years. And now Daily Fantasy Sports has put it on the radar of everyone in the U.S. games-of-chance industry. The WLA Global Lottery Monitoring System (GLMS) is tracking the issue of preserving integrity in sports betting from the only angle that works—engaging the entire international community of regulators and operators. It's a fabulous program put together by WLA president Jean-Luc Moner-Banet and others, and I certainly applaud their efforts.

The WLA recently held an iLottery seminar in New York that was very well attended and everyone thought it was fabulous. The presenters were from lotteries that have been selling lottery products online for many years. There is a lot we can learn from them. WLA seminars are conducted all over the world and always receive rave reviews from the participants.

So, yes, let's engage with our colleagues in the global community of government-lottery operators. The WLA is the perfect vehicle to connect us to our colleagues all around the world! ■



# What's your legacy?

CamelotGlobal.com

Close your eyes and fast forward twenty years ... what's your legacy? What future did you leave for your lottery? Did you and your team grow sales? Did you successfully launch a new game or scratch ticket? Did you drive participation? And more importantly did you leave your lottery in a better situation that you found it?

This year we have celebrated huge, rolling jackpots and the resultant record breaking sales. But what sort of legacy is left behind after these brief events? The player's expectations have been reset—\$100 million dollar jackpots are no longer so exciting. And so begins jackpot fatigue. This same phenomenon can be true if one increases payouts on a scratch ticket; you risk teaching your players the art of jackpot chasing. Although win-ability and jackpot size are effective drivers to play and help to increase sales, they both come at cost to your lottery's future as the net revenue itself is eroded.

Other successes we measure—the launch of a new game which, more often than not, comes in the form of new imagery on a scratch ticket. Given the decline in player participation and our industry's current struggle to capture the attention of the younger demographic (in America, 51% of over 25s play the lottery, but only 30% of 18-25 year olds play, already down from 35% only 6 years ago), it's clear that new imagery on scratch tickets alone isn't going to build the lottery's foundations for the future.

So what are the steps you can take now to ensure your legacy is one you'll be proud of? What can we all do to leave a legacy of a healthy, thriving lottery with a broad player base—in other words to ensure your lottery continues to thrive in the future?

I believe strongly that digital has to play a key part in this. We are living in a digital world where more and more consumers buy products online, and this is especially true for younger consumers. Nearly two thirds of all Americans own a smartphone, a figure which increases to 85% in the 18-29 year old category—the very demographic we need to appeal to. Research also shows that people are increasingly comfortable transacting online—57% of all smartphone owners use online banking, a number which once again increases when considering the young adult category, as 70% use online banking facilities.

Consumers can buy pretty much anything online these days, from banking to holidays, to household appliances—but apart from in a handful of States, they cannot buy a lottery ticket online. This is eroding our player base, and is going to prove increasingly damaging for our industry in the future—unless we do something about it.

We do not underestimate the challenge of going digital. Legislators, retailers, and lobby groups are all ready to express their objections and concerns. But for the sake of our industry, and the beneficiaries we support, we must do all it takes to get there. It is true that the road to a fully digital lottery world is a challenging one. So

much so, some of us may even have left the industry before that day finally comes. But, just because we have no certainty of reward in our careers (but a great sense of the risk!), does not mean we should be complacent. A strong legacy would be to safeguard the future of the lottery and the causes it supports through the execution of a clear digital strategy, that broadens the player base.

Undertaking the challenge of positioning your lottery, your players, and your beneficiaries for a digital-future is most certainly a worthy cause for celebration. But how do you do this?

There are numerous steps you can take immediately. Executing a mobile led strategy which bridges the gap between online and in-store is a great place to start. Ticket scanning, mobile results checking, store locators, and ibeacon messaging ... these are all digitally hosted features you can offer players without any transaction happening in digital. Once you have begun to develop your digital presence, you can continue to evolve and develop the offering, introducing enhanced content with digital second chance games, such a Collect and Win. This not only gives players the opportunity to interact with your lottery and to play exciting games, it also gives you the opportunity to develop a personal relationship with your players. And, in time, you can use this digital presence to demonstrate that the digital lottery world is not something to fear—it is a necessary evolution which can be well managed to ensure your lottery is able to achieve sustainable growth in a responsible way.

The key throughout this process is communication. Tell your legislature of its success, explain the benefits of your strategy, and how you will develop it. Build their support, and engage them in your vision. Help your players to gain confidence in the concept of digital lotteries, reassure them that you can meet their needs safely, securely, and personally. Bring your retailers on the journey. Share with them the success stories from Michigan, Georgia, British Columbia, and the UK National Lottery, among others, who have succeeded in growing retail in conjunction with digital. Show them examples of retailers who themselves have embraced digital technology in retail, such as Starbucks who offer in-store transactions on a customer's mobile device—they have now reached 13 million users and transact over 16% of purchases via this channel. Show your retailers what digital can do for them.

To achieve this, to begin the very daunting and challenging task of positioning your lottery, your players and your retailers to be ready for the digital world is not an easy undertaking. It is filled with many small steps, slow success, and great victories.

We need to think beyond the 'record breaking sales' headlines and understand what lies beneath them—what are the small triumphs we should be celebrating instead? What is the future going to look like because of something we have done? What will your legacy be? ■

# Pulse of the Industry



These news stories comprise a small fraction of the gaming and lottery news stories posted every day to [www.PublicGaming.com](http://www.PublicGaming.com). Too, these stories are the short versions. You can visit our news website and go to the “search” field at [www.PublicGaming.com](http://www.PublicGaming.com) to pull up the complete story. Sign up for our free e-newsletter by just sending your e-mail address to [sjason@publicgaming.com](mailto:sjason@publicgaming.com).

## AROUND THE WORLD

### TRUTHFUL NATIONAL LOTTERY

#### PRIVATIZATION TO BE TENDERED IN MAY

The Finance Minister of Turkey, Naci Agbal, says the country’s national lottery privatization will be tendered in May 2016. Speaking at the Macroeconomic Developments and 2016 January-March Central Administration Budget Realizations meeting, the minister said changes made in lottery regulations are likely to result in more investors joining the bidding. A mechanism for privatizing the lottery was first created with a decision by the High Board of Privatization (ÖYK) on Sept. 12, 2003. The first bid was made on May 7, 2009, but bidders did not raise the funds offered at auction, so the bidding was cancelled. A second auction was held on July 15, 2014, and the highest offer, which was \$2.755 billion, plus value-added tax, was made by Net Sans-Hitay OGG. Payment was due on April 15, 2015, but Net Sans-Hitay OGG could not raise the necessary funds.

### ITALY: AGENZIA DELLE DOGANE E DEI MONOPOLI ANNOUNCES PROVISIONAL AWARD OF ITALIAN LOTTO CONCESSION TO IGT/LOTTOMATICA-LED CONSORTIUM

The consortium’s bid was comprised of €770 million in upfront concession payments that will be paid in three installments between the time of the award

and April 2017. IGT currently expects the first two installments of €350 million and €250 million to be made in 2016, with the balance made in April 2017. In addition, €130 million will be invested by the consortium to upgrade the technological infrastructure (systems, terminals) supporting the Lotto game. IGT expects that approximately 25% of the capital related to the infrastructure upgrades will occur in 2016 and the balance in 2017. Members of the consortium will contribute to both the upfront concession payments and capital investments on a pro rata basis as follows: Lottomatica, 61.5%; IGH, 32.5%; Arianna 2001, 4%; and Novomatic, 2%.

### GREEK BETTING COMPANY AWAITS NEW LOTTERY MACHINE REGULATIONS

Greece’s biggest betting company, OPAP, is ready to launch new video lottery machines as soon as regulations governing the new business are amended, its chief executive said. OPAP had planned to launch the new video lottery machines in 2015 but delayed the project after Greece introduced more stringent regulations. “*We stay very committed to this project and are ready to restart as soon as possible in case a reasonable and balanced regulatory and legal framework exists,*” CEO Kamil Ziegler said.

### CZECH REPUBLIC ONLINE GAMBLING MAY OPEN TO OFFSHORE GROUPS

The Czech Republic took a step toward approving legislation that will open the online gambling market to offshore enterprises and will increase taxes on existing companies offering gambling services. The proposal requires approval by the Czech Senate, which is expected to be a formality. Current law was considered inadequate to regulate the online market, and restrictive for those operators that are licensed by the State Supervision of Gambling and Lotteries Department of the Ministry of Finance. Licensed operators have been critical of the current tax laws that have restricted their growth while leaving them unable to compete with unlicensed operators. Gambling is popular in the Czech Republic; it represents about 3.5% of Czech economic output. In 2015, Czechs spent \$5.8 billion on gambling products. More than half was spent on video slot machines and the traditional mechanical versions. The Finance Ministry estimates the bill will generate an increase of 1.5 billion crowns annually.

### GERMAN COURT RULES THE 20-LICENSE CAP ON GERMAN SPORTS BETTING LICENSES IS ILLEGAL

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## DUTCH LOTTERY MERGER COMPLETED

Dutch national lottery operators Staatsloterij and De Lotto have finalized their merger. In its new form, Staatsloterij and De Loto will maintain its existing brand portfolio, which includes lottery products Toto, Lucky Day, Krasloten, EuroJackpot, and Miljoenspel. The new enterprise will be led by Staatsloterij Chief Executive Frans van Steenis, with De Loto's former MD Claire Lurvink taking over as CFO. The Dutch ministers who approved the merger estimated that a unified lottery operator could generate revenues of + €1 billion. The merger comes as the Netherlands awaits the legalization of online gambling services, which will open the market to international operators.

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## INTRALOT SIGNS EXTENSION CONTRACT WITH THE NETHERLANDS STAATSLOTERIJ/DE LOTTO LOTTERY OPERATOR

Nederlandse Staatsloterij/De Lotto announced their merger and the establishment of a new gaming entity. The extension contract has a three-year term, until April 2019, with an option to extend for one additional year. The extension of the contract follows an initial successful six-year operation, which was sealed in 2008 after a dual international tender conducted by both lotteries. Under the terms of the extension contract, INTRALOT will continue to provide its best-in-class LOTOSTM O/S platform, along with the related services, connected to its 5,000 proprietary terminals, blended in a unique tailor made POS solution for the Dutch Lotteries. De Nederlandse Staatsloterij and De Lotto currently operate jointly a wide portfolio of games, including traditional lottery games ("Staatsloterij" and "Miljoenspel"); numerical games ("Lotto," "Eurojackpot," "Lucky Day"), a full Sportsbook branded "Toto" (including Fixed Odds betting and Poolgame "Toto-13") and Instant Tickets. These games are offered both in retail and online.

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## DANSKE LOTTERI SPIL A/S EXTENDS INSTANT TICKET PRINTING CONTRACT WITH POLLARD BANKNOTE

*"We have developed a very strong partnership with Pollard Banknote, utilizing many of the company's tactical marketing strategies and imaginative product innovations,"* said Henrik Greve Jensen, Product Development Manager, Danske Lotteri Spil A/S. *"We look forward to building on the success we have already achieved together."*

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## GREECE TO REGULATE ON-LINE GAMBLING

The Greek government will introduce an entirely regulated market for online gambling to supplant the existing temporary licensing approach. There will be strict regulatory measures and higher taxes. The Greek Parliament announced that the GGR rate will be increased to 35% from the current 30%.

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## THREE BIDDERS HOPE TO ACQUIRE SISAL

Sisal, the No. 2 gaming company in Italy, is being sold. The three bidders in the competition to acquire Sisal are all private equity companies: Bain Capital, Apollo, and CVC. The bidders have been granted permission to review Sisal's financial information before submitting offers by May 15. Sisal has a significant presence in both the live and online sports betting markets. Sports betting contributed significantly to Sisal's revenues, with the Italian market growing by 24.7 percent in 2015. The March revenue figures issued by regulator AAMS show Sisal ranked fourth for online sports betting with monthly revenue of €23.4 million (\$26.8 million). Sisal's 2015 revenues of €787 million (\$901 million) may signal a purchase price of more than €1 billion (\$1.15 billion).

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## FIRST NOVOMATIC LOTTERY SOLUTIONS 'NLS EXPERIENCE' TAKES PLACE IN VIENNA

*"We are a company that strives to bring people together from across the globe sharing the same values, innovative spirit and the drive to move the lottery industry forward and provide our customers with up to date technology and services that will help to improve their contribution to the good causes they in turn serve,"* said Frank Cecchini, the CEO of NLS. CEOs and CTOs from lotteries across Europe were

invited to attend a series of presentations, demonstrations and active discussions on the future of lottery technology. The event was moderated by the now retired former CEO of Austrian Lotteries and former President of The European Lotteries Association, Mr. Friedrich Stickler. Harald Neumann, the CEO of NOVOMATIC, in his welcome note emphasized the complete commitment of the whole company to its lottery division and the strategic importance of NLS within the Group. The participants spent two days learning about NLS' lottery vision, the philosophy behind its products as well as its passion for innovation and technology. Demonstrations provided a hands-on experience of a true Omni-Channel approach.

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## NOVOMATIC ACHIEVES HIGHEST TURNOVER SINCE THE GROUP'S FORMATION

In fiscal year 2015, NOVOMATIC AG recruited some 1,900 new employees and increased turnover by 5.5% to a new record high of more than EUR 2 billion. The largest gains were generated from proceeds in the area of gaming technology rentals, which increased by 7.9% to EUR 594.7 million.

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## NOVOMATIC LOTTERY SOLUTIONS (NLS) LAUNCHES ITS OMNI-CHANNEL LOTTERY SYSTEM FOR LOTERIA DE CATALUNYA

This solution integrates the Catalan Lottery's sales network across retail, internet and mobile, delivering technology that gives the Lottery's customers access to its products from any channel. The system supports all existing games, such as 'Loto Rapid,' '6/49,' 'Trio,' 'Super 10' and 'La Grossa,' and new scratch card games that were specifically developed by the local team for the local market. NLS, a wholly owned subsidiary of the Novomatic Group, has its roots in Iceland and employs more than 300 people in seven locations across Europe and the U.S.

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## AUSTRALIA GOES AFTER UNLICENSED iGAMING PROVIDERS

Australia is blocking in-play betting by introducing what they call "disruption" tactics

to prevent Australian citizens from gambling any further with illegal offshore operators. While the government stopped short of saying that unlicensed sites will be blocked outright, confirmed measures do include the Australian version of a blacklist naming and shaming violating sites and their operators. An additional confirmed measure is federal coordination of prevention efforts with banks and credit card companies.

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#### **ONLINE GAMING OPERATOR MR GREEN LTD. SELECTS KAMBI GROUP PLC AS ITS SPORTSBOOK PROVIDER**

Jesper Kärrbrink, CEO, Mr Green Ltd. commented: *“Mr Green has a reputation of being the gentleman of online gaming. A position that promises honesty, fair play, accurate information and all services attached to the definition of a gentleman.”*

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#### **VEIKKAUS’ ANNUAL REPORT 2015 IS NOW AVAILABLE**

Thanks to persistent long-term development, Veikkaus’ 75th anniversary was a year of success. Veikkaus managed to improve its profit by 3.2%, the financial result attaining EUR 537 million. The turnover for the financial year increased to EUR 2,095 million (+6.9%). Eurojackpot, Fixed Odds Betting, and the eInstants did especially well. The share of the digital channels out of Veikkaus’ total sales now exceeds 43% and the number of registered customers went up to 1.8 million.

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#### **Ireland: UNREGULATED TRADE NOT OBLIGED TO REPORT SUSPICIOUS GAMBLING**

Betting companies are required to obtain a licence that governs tax compliance, payment of duties and ensuring that the bookmaker is fit to hold a licence. But no laws have been implemented requiring bookmakers to monitor for suspicious gambling activity, in contrast to industries such as banking and accountancy. In 2013, proposals for the introduction of gambling regulations were drawn up and agreed on—but three years later the law is yet to be signed off.

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#### **MINAS GERAIS IN BRAZIL SIGNS SIX-YEAR CONTRACT WITH INTRALOT**

The renewal contract follows an initial successful six-year operation contract signed between the two parties that has become a major funding source for social policy, education and health care initiatives in the district. INTRALOT deployed more than 2,500 of its proprietary terminals in this period and established 1,700 Points of Sales statewide. In the new contract period it is expected to expand even further its gaming portfolio adding Virtual Games initially in 400 points of sales, as well as alternative channels. INTRALOT will continue to have the complete operation of the project, including all related services. The Managing Director of the State Lottery of Minas Gerais, Mr. Henrique Pereira Dourado, stated: *“After an unprecedented operational success that has allowed us to raise significant funds for the benefit of our citizens, we have decided to renew our fruitful cooperation with our partner INTRALOT. We are confident that INTRALOT’s expertise and international experience will support our endeavours to reshape the Brazilian gaming market and increase value for our stakeholders.”*

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#### **NEW POLISH GAMING ACT UNDER CONSIDERATION**

A draft of legislation that would create a new Polish Gaming Act has been completed. There is speculation that the act may introduce a 20% tax on betting revenue rather than a 12% turnover tax. Sources also say the legislation may provide for the regulation of poker, including on-line poker games. Income from the gaming tax will be used to finance the increasing budget needs of the Polish government.

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#### **IRELAND DAILY MILLION WILL DRAW TWICE A DAY**

The Ireland National Lottery has announced that there will now be a Daily Million draw twice a day, at 2 p.m. and 9 p.m. seven days a week.

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#### **NORTH AMERICA**

##### **TRIBE, STATE OF OKLAHOMA WORK TO FINALIZE ON-LINE POKER AGREEMENT**

that would permit the Native American tribe to launch a real-money online poker site that would be available to Americans in all places where it is not illegal. Under the compact, the tribe will pay a portion of revenue to the state. The tribe has two brick-and-mortar casinos in Oklahoma.

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##### **QUEBEC LEGISLATION COULD BLOCK ACCESS TO GAMING SITES**

The bill would force Internet service providers to block Quebecers’ access to online gambling sites that have not been approved by the government. Government officials say the bill is necessary to protect the health and safety of citizens because illegal sites don’t apply the same “responsible gaming rules” as sites operated by the government.

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##### **POKERSTARS BOOSTS NEW JERSEY REVENUES**

Spurred by the launch of PokerStars, New Jersey received record revenues in March. Online poker revenue in March was reported at \$2,461,064, up 10.5 percent from March of last year. The increase puts an end to a long period of decline for New Jersey’s online poker market.

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##### **CHARLES “CHUCK” STRUTT RETIRES AS EXECUTIVE DIRECTOR OF THE MULTI-STATE LOTTERY ASSOCIATION (MUSL)**

Chuck has been an integral part of the lottery industry for over thirty years, and his leadership at the MUSL was key to the organization’s success for over a quarter century since it was founded in 1987 with Chuck as its first employee. During his tenure, Chuck earned many of the lottery industry’s top honors including induction into the Lottery Industry Hall of Fame, the Lifetime Achievement Award, and the Power’s Award. He was also interviewed by Forbes magazine and was named one of that nation’s Top 100 Marketers by Advertising Age magazine.

Chuck led the association from its start with

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six lottery members to 37 lottery members and from starting sales of less than \$100 million to annual sales approaching \$7 billion.

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#### **LINQ3 PARTNERS WITH VERIFONE TO BRING PLAY AT THE PUMP LOTTERY TO GAS STATIONS**

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**SCIENTIFIC GAMES' TECHNOLOGY INTEGRATES PAYMENT CARD PURCHASING SOLUTION IN PENNSYLVANIA,** enabling consumers to use credit and debit cards to purchase lottery instant and draw games via payment processing technology directly integrated with lottery gaming systems technology. At the center of the Pennsylvania Lottery pilot is Scientific Games' unique omni-channel enterprise service bus (ESB) technology, a service-oriented gaming platform designed to securely integrate third-party products and services such as card payment processing. The payment solution developed for the Lottery is approved by the Multi-state Lottery Association (MUSL) and the card processing terminals are Europay, Mastercard and Visa (EMV) and Payment Card Industry (PCI) compliant for financial security standards.

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#### **COURT REJECTS PETITION TO PLACE CASINO QUESTION ON MAINE BALLOT**

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#### **TENNESSEE OFFICIAL DECLARES FANTASY SPORTS ILLEGAL**

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#### **DELAWARE GAMING REVENUE UP SIGNIFICANTLY COMPARED WITH 2015**

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#### **MISSISSIPPI LOTTERY PROPOSAL DEFEATED**

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#### **KENTUCKY LOTTERY GOES ON-LINE**

The Kentucky Lottery became the third state to offer lottery sales online. Michigan and Georgia allow online gambling; Minnesota did, but then banned online sales in 2015 after faith-based groups protested. The Kentucky Lottery expects about \$7 million in online sales for fiscal year 2017; for fiscal

year 2016, total lottery sales are expected to be \$994.5 million. The move to online gambling is seen as a way to attract younger customers who are accustomed to online buying. In Europe, where online lottery sales have been available for more than a decade, 70 percent of purchases of Internet lottery tickets are to players aged 18 to 35. In Kentucky, only 25 percent of people in that age range bought a lottery ticket in the past year. Online sales are expected to help, rather than dampen sales at the 3,200 lottery retailers in Kentucky. In Michigan, store sales rose 6 percent after online sales started; in Georgia, retail sales rose 4 percent. Kentucky Lottery officials said they have set controls designed by the National Council on Problem Gambling that safeguard players.

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#### **MICHIGAN LOTTERY AND PAYPAL PROVIDE PAYMENT OPTIONS TO ON-LINE PLAYERS**

To withdraw funds and place them in a PayPal account, players first must have successfully deposited funds into their online accounts using a PayPal account. Since their debut in 2014, more than 276,000 players have registered to play the Michigan Lottery's online games.

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**MICHIGAN SENATORS INTRODUCE SENATE BILL TO CREATE THE LAWFUL INTERNET GAMING ACT** which requires the licensing and certification of persons to engage in Internet gaming; creates the division of Internet gaming; provides for the powers and duties of the division of Internet gaming and other state governmental officers and entities; imposes fees; imposes a tax on the conduct of Internet gaming; creates the Internet gaming fund; prohibits certain acts in relation to applications for licenses and certification and in relation to Internet gaming and prescribes penalties for those violations; to require the promulgation of rules; and to provides remedies.

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#### **MICHIGAN BILL MAY ALLOW INTERNATIONAL LIQUIDITY SHARING**

An online gambling bill might permit poker

players in the state of Michigan to play in international liquidity pools. The proposed legislation states that *"a wager may be accepted from an individual who is not physically present in this state ... including any foreign nation."* The proposal is subject to the state sanctioning such multijurisdictional wagers and it must not violate federal laws. Nevada and Delaware signed an agreement enabling the sharing of player pools, which was realized in 2015, but both states' relatively small populations still present challenges. This is the first time that U.S. gambling regulations have appeared to expressly pursue the idea of international liquidity sharing. Michigan is one of only three states to offer online lottery products.

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#### **DELAY IN PAYMENTS HURT ILLINOIS LOTTERY**

Before a state appropriation allowed for lottery winnings to be paid out in Illinois, lottery winners waited months for their checks. Illinois Lottery Acting Director B.R. Lane told a Senate appropriations committee that the lottery has not recovered from the decline in sales caused by the payment delay. Lane said it is difficult to judge how the Illinois Lottery brand was damaged during the time when winners were waiting on their winnings.

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#### **CAMELOT GLOBAL HAS OPENED A NORTH AMERICAN HEADQUARTERS IN CHICAGO**

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#### **THE FLORIDA LOTTERY'S NEWEST WHEEL OF FORTUNE SCRATCH-OFF TICKET SETS TWO SALES RECORDS IN ITS FIRST TWO WEEKS**

Sales for the newest \$5 Scratch-Off game, WHEEL OF FORTUNE, exceeded \$6.1 million in its first week; setting a record for the highest first week of sales by any game at that price point. The game also set a record for having the highest single week sales ever for a \$5 game, with \$7.6 million in sales in its second week, eclipsing the previous record set by \$500,000 GOLD RUSH in 2015 by 10%.

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## **IGT SIGNS SEVEN-YEAR CONTRACT WITH THE VIRGINIA LOTTERY TO PROVIDE NEW LOTTERY TECHNOLOGY AND SERVICES**

*"We look forward to taking our customer service to a new level, for our retail partners and our players, when the new IGT terminals hit the market in 2017,"* said Paula Otto, Virginia Lottery Executive Director. Under the contract terms, the Virginia Lottery will receive components of IGT's Aurora™ platform. Aurora Open Retail (f/k/a NEOS), a new retail solution software architecture, will enable the Lottery to support multiple types of retailer solution devices in an efficient manner, improving time to market. The Aurora Lottery Services Portal, a robust, interactive website, will provide the tools independent and corporate retailers need to successfully start, manage, and grow their lottery business without being tied to a lottery terminal. In addition, the Lottery will receive Aurora Navigator (f/k/a NVISION) back-office applications for lottery personnel who will have the ability to customize the look and feel of the interface to meet their exact needs, help them better manage their business, and enhance productivity. The Virginia Lottery will also receive 5,500 Altura™ Flex draw-based lottery terminals which feature a highly-configurable platform derived from IGT's Altura GT1200 product, and a smaller footprint.

The Aurora MultiMedia digital advertising display solution will be provided to stimulate increased brand awareness, winner awareness, and player recognition of jackpots and game activities, directly at the point-of-sale, as well as Ticket-Scan™ Plus self-service ticket checkers for players. Additionally, the Gemini™ Touch, IGT's new self-service lottery vending machine, provides fully customizable screens and supports up to 28 instant-ticket games and a configurable number of draw games. The communications network will be upgraded utilizing next-generation satellite technology. In addition to the installation and maintenance of the central system, terminals, and communications network, IGT will provide warehousing and distribution for instant tickets, field

services, and marketing support. The control room/operations is co-located with the Virginia Lottery where both IGT and the Lottery manage day-to-day operations.

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## **EQUILOTTERY LLC AND IGT GLOBAL SOLUTIONS CORP. SIGN AGREEMENT FOR INNOVATIVE LOTTERY GAME**

EquiLottery offers a compelling new game for lotteries that delivers the excitement of live horse racing to lottery players. This unique offering provides lotteries an opportunity to grow the revenues going to lottery good causes while increasing the exposure and revenues to the sport of horse racing, an industry that supports hundreds of thousands of jobs across the country.

Studies conducted over the summer of 2015 with global research leader Ipsos show that the EquiLottery game concept, which allows players to purchase quick pick lottery tickets based on future live horse races and watch these races at their convenience through mobile, online and in-store platforms, has widespread appeal across all major demographics in Kentucky. Projected player appeal and spend scores make EquiLottery a viable game for state lotteries searching for ways to increase lottery profits and appeal to new player bases, including the Millennial Generation.

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## **SCHAFER SYSTEMS INC. AWARDED CONTRACT EXTENSION BY THE OHIO LOTTERY COMMISSION**

The contract provides the Lottery with ticket dispensers and other products produced and supplied by Schafer Systems Inc. through March 31, 2017.

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## **LEGALIZED SPORTS BETTING JUST A MATTER OF TIME, SAYS TRADE GROUP AGA**

Sports betting will become legal across the U.S. in the next three to five years. This is the prediction of the president and CEO of the American Gaming Association, the country's top casino trade organization. According to LegalSportsReport.com, bills to legalize sports betting are before legislatures

in four states: Pennsylvania, California, New York and Delaware. In a relatively short time, the question about sports betting has evolved from whether it will expand to what regulations are needed when it does spread beyond Nevada.

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## **LEGALIZATION OF DAILY FANTASY SPORTS COULD VOID NATIVE AMERICAN CASINO COMPACTS**

Many states are moving to approve legislation to legalize and regulate daily fantasy sports, although most Indian tribes are opposed to these measures. If states legalize daily fantasy sports, it may open the door for tribes to 1) argue that it violates the exclusivity clause in their state-tribal contracts, making them null and void; 2) expand their own online gaming operations, and/or 3) stop fulfilling their revenue-sharing obligations to the state. The Unlawful Internet Gambling Enforcement Act was passed by Congress in 2006. It created an exemption for fantasy sports. However, the daily fantasy sports industry has evolved in the past 10 years from a season-long contest to daily wagering.

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## **NEW LOBBYISTS HIRED TO ENTER ONLINE GAMBLING FRAY**

Players on both sides of the online gambling dispute in the United States have hired new lobbyists. Sheldon Adelson's Coalition to Stop Internet Gambling (CSIG) and Amaya Services Ltd., a division of PokerStars parent Amaya, have retained the services of lobbying organizations. The CSIG, funded by Las Vegas Sands CEO Sheldon Adelson, has retained the services of The Keelen Group, a lobbying firm based in Washington, D.C. Adelson and the CSIG were the driving forces behind the Restoration of America's Wire Act (RAWA), a federal bill that aimed to make online gambling illegal in the U.S. The Department of Justice in 2011 clarified its stance on the Wire Act, saying that it did permit on-line sports gambling. That incensed anti-online gambling people like Adelson, who sees internet gaming as a threat to his brick-and-mortar investments.

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## STATES CONTINUE TO WRESTLE WITH DFS

States across the U.S. continue to struggle with the popular Daily Fantasy Sports industry. Attorneys general have issued opinions about the legality of DFS, legislatures have debated its legal standing and its potential to generate much-needed tax revenue, and other states have said, “Get out!” In Alabama, the attorney general joined his colleague from Tennessee in declaring the contests to be illegal gambling. In Missouri, the House has passed a bill that would regulate but not tax DFS, exempting the contests from state gambling laws as games of skill.

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## U.S. CONGRESSIONAL COMMITTEE TO EXAMINE DAILY FANTASY SPORTS

The U.S. House Subcommittee on Commerce, Manufacturing, and Trade will consider in May the legal status of daily fantasy, online gaming, and sports betting and whether consumer protection may be needed. The hearing will focus on actions that states have undertaken relating to daily fantasy and whether there is a need for federal involvement. Nine state attorneys general have issued opinions that daily fantasy sports violate their states’ gambling laws. In April, the Alabama attorney general issued cease-and-desist orders to DraftKings and FanDuel, giving the companies until May 1 to stop offering paid contests in that state. Those two daily fantasy providers also are in legal battles with New York, Illinois and Texas. Virginia and Indiana have passed legislation this year clarifying fantasy sports’ legal status in their states, and Massachusetts has created regulations for daily fantasy. More than 20 states have considered bills that would clarify the legal status of fantasy sports. In related news, New Jersey is awaiting a ruling from the 3rd Circuit Court of Appeals in its fight to bring Las Vegas-style sports betting to the state’s racetracks and casinos.

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## AGA TO HOST FIRST-EVER LAW ENFORCEMENT SUMMIT AS “STOP ILLEGAL GAMBLING” INITIATIVE ENTERS SECOND YEAR

The effort is a component of AGA’s “Stop Illegal Gambling—Play it Safe” initiative which is uniting gaming and law enforce-

ment to expose the massive illegal gambling market that preys on consumers, siphons tax revenues and funds violent crime. *“Illegal gambling preys on consumers, funds large criminal enterprises involved in racketeering, money laundering, extortion and fraud, and threatens the integrity of the sports we love,”* said Geoff Freeman, president and CEO of the AGA. *“The AGA’s initiative has been instrumental in building a strong partnership with law enforcement and drawing a stark contrast between the legal, regulated gaming industry and shady, illegal operators.”*

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## NY LOTTERY & VIDEO GAMING SMASH RECORDS WITH \$9.69 BILLION IN SALES AND \$3.3 BILLION FOR NET DISTRIBUTION TO ALL SCHOOL DISTRICTS IN THE STATE.

*“On all metrics, the New York Lottery continues to be the most profitable lottery on the continent and underscores the success of New York’s smart gaming policies,”* said Commission Executive Director Robert Williams. Total Lottery and VLT revenue up 5.8%. Traditional lottery games grew by 6.2 percent with a record \$7.7 billion in sales in FY 2015/16 over the previous year’s \$7.25 billion. *“We thank the Lottery’s 17,000 retailers, including thousands of small, independent businesses across the state, for their continued hard work and support in achieving this new record,”* said Executive Director Williams.

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## BARRY PACK, CHIEF ADMINISTRATIVE OFFICER AT THE DEPARTMENT OF ADMINISTRATIVE SERVICES, IS APPOINTED INTERIM DIRECTOR OF THE OREGON LOTTERY.

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## THE CT LOTTERY LAUNCHES KENO IN 2,900 RETAILERS.

*“Keno is an entirely new way to play the lottery, and is a more social way to enjoy lottery games,”* said Anne Noble, CEO and president of the CT Lottery

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## IGT AND PARADISE ENTERTAINMENT SIGN ELECTRONIC TABLE GAMES PATENT AND TECHNOLOGY ASSIGNMENT AGREEMENT

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## THE ILLINOIS LOTTERY LAUNCHED A NEW INSTANT TICKET VERSION OF THE POPULAR BINGO-STYLE LOTERÍA GAMEE

*“This new game shares the fun and excitement of a traditional pastime celebrated by the Mexican-American community for generations,”* said Illinois Lottery Acting Director B.R. Lane. Lotería, much like Bingo, allows players to track and mark the draw of cards with the use of characters and objects significant to Mexican culture.

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## KANSAS LOTTERY RECOGNIZES RETAILERS FOR OUTSTANDING 2015 LOTTERY SALES

Kansas Lottery Executive Director Terry Presta has recognized 62 Kansas Lottery retailers for outstanding lottery sales in calendar year 2015. *“For the first time, we have two retailers that sold more than \$1,000,000 in lottery products in a single year,”* said Kansas Lottery Executive Director Terry Presta. *“We very much appreciate their hard work and the hard work of all of our great retail partners.”*

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## ONLINE PAYMENT PROCESSING SERVICE PAYPAL ANNOUNCED THAT IT WILL SOON STOP PROTECTING PAYMENTS FOR TRANSACTIONS RELATED TO GAMBLING IN SEVERAL COUNTRIES, INCLUDING THE UNITED STATES, CANADA AND BRAZIL

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## GAMING LABORATORIES INTERNATIONAL’S (GLI®) NEW iGAMING WHITE PAPER

The white paper, *“iGaming Information Security Management: Is Your Business Adequately Protected?”* highlights GLI’s ability to ... Discuss your concerns about network infrastructure security; 2. Advise about data loss from players or your company; 3. Assist you to ensure security when working with third parties; 4. Provide effective personalized planning to maximize system uptime; 5. Work closely with you for continued compliance and ongoing risk mitigation.

Since 1996, GLI has provided independent testing and assessment services for many emerging online gaming jurisdictions. The company serves more than 475 jurisdictions, more than 130 of which exclusively accept GLI certification letters. ■



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**PGRI Introduction:** The gaming and gambling sector is going through a period of significant national and European regulatory changes, the end-result of which is unknown. The rapid growth in this sector and its highly dynamic and exciting nature offer both challenges and opportunities to all government-gaming stakeholders.

Philippe Vlaemminck and his team have three decades of experience in this sector, and are ideally positioned to provide their clients with strategic and long-term legal support in achieving their objectives. Pharumlegal's gaming and gambling practice consists entirely of expert lawyers who offer unparalleled legal experience, knowledge and understanding of the issues facing the government-gaming sector. The team combines in-depth knowledge of all gaming and gambling issues with a strong EU law as well as comparative legal focus. It's this ability to seamlessly move across EU and national jurisdictions around Europe along with its dedication to the principles of government-gaming that enables Pharumlegal to provide a uniquely strategic approach towards navigating a challenging regulatory landscape.

Pharumlegal advises governments, regulators, and trade associations as well as public and private operators on gambling-related regulatory issues at EU and member-state level, handling litigation (EU Court of Justice, General Court, EFTA Court, national courts), notification procedures, complex multi-jurisdictional contracts, gaming rules and legislation, licensing (including renewal), concession agreements, and public procurement processes for clients.

Philippe Vlaemminck is recognised as an authority on the subject EU regulatory law as it applies to gaming and gambling and has collaborated with government-gaming operators in shaping the regulatory debate.



## Defending the Principles of the Government-Gaming Model

BY PHILIPPE  
VLAEMMINCK,  
MANAGING PARTNER  
AND BEATA GUZIK,  
DIRECTOR PUBLIC  
AFFAIRS  
— PHARUMLEGAL  
BRUSSELS  
PHARUMLEGAL.EU

**Paul Jason:** *Congratulations for the launch of Pharumlegal. Why this change, and why now?*

**Philippe Vlaemminck:** We discussed these questions in detail, and strongly believe that a more focused, flexible, dynamic, and highly specialized team can do better work for our clients. The gaming industry, the political environment, and the legal/regulatory issues are changing. Pharumlegal was formed to serve our mission to provide our clients the most effective legal counsel in these times of change and opportunity for operators of government-gaming.

**Beata Guzik:** The Lottery world is changing, as are other sectors of the economy. Our job is to understand the broader scope of how the EU political and regulatory landscape is evolving. We learn from the different approaches that are applied by other sectors, and how EU institutions are applying the law to other sectors. Think about how climate change (COP21), the Energy market, and the EU circular economy contribute to environmental, social and economic growth; and how the Internet

of Things will impact every day's life. The complexity of the issues, and the diversity in the ways that industries are addressing them, requires a more targeted and specialized approach towards the formulation of legal strategies and action-plans for government-gaming operators.

*Why the name "Pharumlegal?"*

**B. Guzik:** We brought together the word "pharus" (the Latin word for lighthouse), and "forum" (the place where justice took place in Rome during the ancient times). The Forum Romanum was also the most important hub for political discourse. We added the word "legal" because that is our primary skill-set and approach towards the EU institutions. It's just that the rendering of justice in the EU, certainly as it relates the gaming sector, is just as much about politics and public affairs as it is about the law!

*How would you describe the mission or core competency of Pharumlegal?*

**P. Vlaemminck:** Our mission is to provide our clients with guidance and protection. We guide them through the EU labyrinth, the EU Treaties, and the EU secondary legislation as well as the political, administrative, and legal procedures that can affect their business. Our goal is to protect their business and to support their future.

*How does this change improve your ability to serve the cause of defending the European Lottery Principles?*

**P. Vlaemminck:** The future of Lotteries is still an issue. Lotteries play an important and, in our view increasingly important, role in today's society. People want fun, but are also concerned about the non-economic as-

pects of today's society. We look at the Lottery activities but also how Lotteries contribute to society. There are many EU policy areas that are indirectly connected to this societal role. For instance, FDJ put a scratch ticket on the market during the COP 21 negotiations showing their commitment to the climate change debate. The debate on sport and good governance has a lot to do with the integrity question that Lotteries embrace.

**B. Guzik:** In every EU Debate there is something to learn about the relationship between the individual States and the EU institutions. In the EU energy debate, the use of EU recommendations was also an issue, like it is in the gambling sector. Our team has an in-depth understanding of the EU processes and legal interpretations, but some of us are also strongly connected to people in the various institutions and EU social networks.

*How many are on the Pharumlegal team?*

**P. Vlaemminck:** Our team is multidisciplinary and growing. By September we will be seven persons working on EU, national and transnational legal and public affairs matters. Most of our team has an in-depth knowledge of the Lotteries and gambling sector. To that we add a strong legal expertise in EU law, competition law, Data protection and Anti Money Laundering legislation.

*The transition from thinking of our sector as being based on the Lottery "Model" to being based on Lottery "Principles?" What does this mean and how does it reflect a shift in legal strategy?*

**P. Vlaemminck:** There is no real transition of thinking. We have always been defending the 4 regulatory principles (subsidiarity, solidarity, precaution and integrity) whereby the core competence remains with the State. The model (actually the choice between a monopoly, a concession model, licensing, or a combination of those) is the consequence of the application of the 4 principles. Today we need to emphasize more the values that Lotteries represent. I think we are not changing the legal strategy but deepening it further, enriching and promoting it with the strong values, developed by The European Lotteries, that Lotteries share and which distinguish Lotteries from other operators. There is an evolution from a rather defensive approach in the 90's to a more confident leadership today whereby we come to the core values that we need to promote further, and promote together.

*The political/regulatory climate seems to be slowly eroding monopoly protection of government-lotteries. What can you tell us about the way the political and regulatory climate will be changing over the next two or three years?*

**P. Vlaemminck:** It will depend on the Lotteries how they will respond to the challenges of tomorrow. They need to stay vigilant and anticipate even more. I do not believe that monopolies are eroding. I think that in the Lottery sector, the monopoly model is the most modern and responsible way a State can respond to the changing markets. Even the Court of Justice of the EU has recognized this. But governments and Lotteries need to strengthen their cooperation. Lotteries need to be the true partners of the state and advise them on innovation in the gaming sector to stay ahead in the market. We have always been working both with Lotteries and governments.

**B. Guzik:** The Belgian approach, whereby the Lottery cooperates

since the early 90's closely with the government in the EU Courts, is a perfect example of this. We do this work in dialogue between the State and the National Lottery. But it requires a long term vision. Of course, every state decides upon its own policy and the model that will best serve its policy objectives: licenses, concessions, public or private monopoly is only the outcome of what is essentially a political process.

*What legal strategies will you apply to optimize the position of government-lotteries?*

**P. Vlaemminck:** We have defended Lotteries for more than 25 years now and we have been successful in doing so. Over the recent years we developed the EU Public Order strategy, namely the Unity in Diversity approach. We presented our ideas during Smart-Tech in New York (1st stage) and further during the EL Industry Days in Lisbon (global plan).

On the unity side there is the global acceptance that games of chance are a special economic sector, where unbridled competition is undesirable, the societal risks are serious, and the fight against illegal, often offshore, operators, is crucial. Lotteries play a distinct societal role therein.

On the diversity side, it is for the Member States themselves to decide about the structure of their market through a monopoly, a concession and/or licensing model, or any hybrid model combining a monopoly for certain games with licenses for other games, to enforce their laws, to set the level of consumer protection, and to flesh out the connection which is made between games of chance, their proceeds and their goals, all in line with their cultural, ethical and religious, and national public order.

This concept of EU public order emanates from the common constitutional traditions of the Member states, and therefore should be used as the reference in games of chance under European Union Law.

*Can the model being employed by Lottoland and others be stopped? If it is legalized betting in Malta or Gibraltar, and other jurisdictions have no legal recourse to stop them from misrepresenting their product and selling it as a lottery product online, how can they be stopped?*

**P. Vlaemminck:** Lottoland is this typical kind of parasite approach that does not contribute to society. The matter is first of all a political question. Do States want to see these developments undermining their Lottery model? I do not think so. The awareness must be enhanced and, where possible, legal action undertaken to stop them. Lotteries must remain vigilant and confident that they are on the right side. Their claim to be licensed and legal in Malta or Gibraltar is irrelevant. The European Court did deny that those licenses have any value. The offshore matter is an ending story.

**B. Guzik:** We also see it in other areas like taxation—the OECD approach on BEPS and nowadays the Panama papers. Corporate responsibility requires (multi)national companies to respect the societies where they operate. We believe even that it is necessary to go beyond the classic CSR into the shared value approach. To quote Porter & Kramer (Harvard Business Review, Jan/Feb 2011: Creating shared value): “The principle of shared value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges.” This is exactly what Lotteries do! ■



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