

# linq3

## Daniel Cage

Chief Executive Officer, Linq3

**PGRI Introduction:** Retailer expansion is on the short list of “To Do’s” for practically every lottery. Making the product more accessible to the consumer is probably the fastest and most predictable route to increased sales. That’s the basic premise and the value proposition of Linq3. Only we’re not talking about increasing the number of POS by 10%. Linq3, in collaboration with state lottery commissions and their operators, has developed the secure protocol for lottery transactions on ATMs and other unmanned points of sale (POS). This breakthrough technology will explode the number of POS locations and make lottery accessible to entirely new groups of consumers. Look for lotteries to begin launching in Q2. Visit [www.linq3.com](http://www.linq3.com).



**Paul Jason, Public Gaming:** *Lottery products are presently sold almost exclusively through retail stores. I would suspect that there may be a large percentage of core players who will always want to buy their products from a sales clerk inside a C-store. Expanding the number of retail stores makes the product more accessible to those core players and that can't be a bad thing. But making the product available at alternate POS's like ATM's and fuel pumps would seem to give access to an entirely new group of consumers, many of whom are not even buying lottery products now. This would seem to hit the bull's-eye of two top priorities. One, tapping into new consumer groups would create pure incremental sales increases. And two, the per capita sales increase would stem from new players by broadening the player base.*

**Daniel Cage:** Absolutely. Expanding the player base is key to the long-term sustainable growth of the industry. The platform is designed to significantly grow the retail footprint in a jurisdiction. This is true whether the current retail base is traditional or one that's augmented with an online component. The

Linq3 solution expands the market for the existing portfolio of games as well as to distribute new games, both utilizing our secure delivery methods. Alternate POS make the products available to new consumer groups and that's what delivers real incremental sales growth.

Our channels are extremely effective at working to support existing game sales through new points of distribution, but also promotions and cross selling initiatives. One example of many, is an ATM selling Powerball at an existing Keno location. This is effective at capturing on-line sales, but also marketing and conversion. “Buy a \$2 PB ticket and receive a voucher for Keno play.” This seemingly simple message has, (1) informed a Keno player that Powerball is now \$2, (2) offered a promotion to play Powerball and (3) given a reason to play Keno again at the retail location, effectively cross selling an instant and on-line game.

Our locations include anywhere a debit swipe or credit card (where approved) swipe or ewallet are enabled, a screen can display images and a printer can deliver a receipt. In addition to these locations, Linq3's process-

ing and transaction capacity also enables mobile and online lottery services. The Linq3 focus is on enabling these terminals to sell lottery products. We're turning those hundreds of thousands of ATM's and transaction processing devices installed at fuel pumps, taxis, grocery stores, airports, and countless other locations, into lottery selling touch points. At the end of the day, the goal is to assist lotteries in generating more revenue for the benefit of their good causes. Increasing the number of POS that sell lottery products goes a long way towards accomplishing that goal.

*Before we go into detail, I have to ask... What are your thoughts on the recent DOJ opinion?*

**D. Cage:** It's obviously exciting for us and for the industry as a whole. We're cautiously optimistic as much is still unknown about what's needed to make it a reality at the state level. As we're going 'full throttle' with our current initiatives, we're thrilled at the prospect of adding our on-line functionality along side it. Linq3's focus is on bringing more retail opportunities and gaming solutions for lottery and this includes

on-line and social media. Whether its payment processing, winner redemption, secure transaction logging or game design our engineers are chomping at the bit. Having said that, we're keeping them busy as it is!

*What is involved in enabling the conversion of electronic payment processing devices into lottery terminals?*

**D. Cage:** Over the course of the last three years we have aggregated the payments side of the transaction and can now provide the lottery a single point of access to a massive footprint of POS devices. On the ATM side, we contracted with the nation's leading ATM manufacturers, the owner groups, and the processors to make that a reality. To enable other kinds of POS devices Linq3 has forged some fantastic partnerships that we believe will help shape a new landscape for distribution. We have recently partnered with VeriFone to enable fuel pumps and taxis for lottery (with in-lane solutions to come).

The lottery can scale these programs efficiently and quickly due to this single point of integration that provides transactions, reporting, web support, redemption and a number of other service related functions.

*The Linq3 solution isn't just about increasing the number of POS. It's also about enhancing the player experience by exposing them to additional information services that can sell lottery products. The screen can display all different kinds of messages, for both the lottery and the retailer?*

**D. Cage:** Yes, our screens provide a convergence of media, advertising and purchasing capabilities. A great example is taxi screens in New York City. A taxi passenger is sitting in front of a screen as a captive audience with full media and transaction capacity. This is the ultimate in driving an impulse buy to lottery and we're excited about the potential performance on this platform.

Our focus is on delivering an optimal consumer experience that appeals to the players and drives revenues, integrates the retailers into the value chain so that they understand how it aligns with their own business objectives. We are focused on achieving this with the entire process meeting the highest standards of integrity and security.

Enhancing the player experience and evolving the business from being transaction-driven to being relationship-driven is another benefit. The exchange of information is the first step towards building the kind of interactivity that we all know is the key to creating the kind of dynamic relationship

that keeps the consumer engaged.

*Can you give some detail about the player benefits?*

**D. Cage:** For the player it will include a variety of benefits including auto redemption for winnings under \$600, a web interface to view play history, results of lottery transactions, options to opt-in to receive text alerts of jackpot levels, a 24/7 call center support to name a few. We're not only increasing the number of POS, our goal is to use our technology to create a great player experience. Our screens have the ability to give the player a menu of options, answer questions, and offer promotions and bonus plays.

*Even more than most business models, this would seem to be a technology-driven solution.*

**D. Cage:** It's true, our technology and the security built into it is paramount. Talking about marketing and distribution benefits really doesn't matter if the transactions are not at the highest level of performance and security. That is essentially what we have spent the last three years building. We employ top tier PCI-DSS security, the highest level of data security for debit/credit processing. We have SAS 70 data centers, powering transactions speeds that are comparable to wagering on current gaming systems. We also use third party testing prior to going live, which ensures objectivity and integrity to the whole process. So, as much as we have talked about the marketing aspects of the Linq3 solution, at its core, we are a secure transaction-processing provider.

*As an organization, how does this focus play out?*

**D. Cage:** Security is the first thing we think about when investing in infrastructure, hiring and even strategizing product development. Linq3 hires the highest level of talent for engineering these secure transactions, partner connectivity and data management. And although the technology is incredibly sophisticated on the back end, the implementation of it from the operator point of view is straightforward.

The process of providing a highly secure solution from the start involves extensive real-time field-testing, and an ongoing process of collaboration with the lotteries to evolve our technology and products to deliver maximum value.

*In locations participating in the fuel pump lottery program is there a concern that retailers might have about losing store traffic. One of the benefits of lottery is that it causes the consumer to come into the store and proceed*

*to buy other stuff in addition to lottery.*

**D. Cage:** Our solution has the potential to actually increase store traffic. For example, 70% of fueling customers never go into the C-store. The flexibility to include additional media to drive the customer into the store could in fact, increase store traffic. The same messaging that is promoting lottery on the screen at the pump also promotes product tie-ins that the customer redeems in the store. Just as we are creating a whole new class of customer for the lottery, we are also creating a new class of customer for the retailer. Keep in mind too, we just offer the draw games. Instants and any bonus-play, Megaplier, or PowerPlay options need to be purchased inside the store. So really, we're capturing a new set of customers for the benefit of both the lottery operator and the retailer.

*Can you tell us more about responsible play?*

**D. Cage:** The responsible play features we take very seriously. We provide daily play limits set by the lottery, which are a unique feature we're proud of. We also have various age control features that are based on the terminal type and location. Our on-line support also is a platform for additional responsible play resources.

*It is easy to see that the market is huge and your solution is scalable. But how easy is it for the operator to get started on a smaller scale before they commit to a big implementation?*

**D. Cage:** It's easy, and we actually recommend starting on a small scale. Every jurisdiction, and every market is different with unique objectives. Some jurisdictions want us to focus on both current lottery and new retailers while others want us to do the opposite and focus on only non-lottery retailers. As the Linq3 solution is integrated into the lottery's operation, we can scale up as it makes sense for the operator.

The way in which we source locations is an ongoing collaborative process with the lotteries. First, we talk with the lotteries about the different options, the different ways to segment retailer profiles and consumer groups, and then clarify the types of retailers the lottery would like to access first. We then get a list of addresses, stores, and location types from our processing and terminal partners. Included in that data set is the detail needed to analyze the market, the competition, the proximity to other lottery retailers. The lottery then decides what locations to approve, how the recruitment will be executed, and whatever other details of imple-

mentation need to be determined. Linq3 essentially functions as a conduit that connects the lottery to this entirely new network of ATM's, alternate POS, retailers, and payment processors. It all intersects at Linq3's payment center that processes these secure transactions.

*How do the additional supply chain partners, like the ATM owners and payment processors, get paid?*

**D. Cage:** Linq3 manages payment to all supply chain partners. These include the terminal owner, processor, payments networks, and merchant. Linq3 captures the current retail commission per jurisdiction.

Describe the actual transaction from the player/consumer perspective.

It's an easy, fun, secure new way to purchase lottery for people who usually don't! The user experience differs slightly depending on the location and terminal type but I'll take you through a basic example. After the player selects lottery, they are presented with a simple screen offering 5, 10, 20 quick pick Mega Millions or 3, 5, 10 quick pick Powerball tickets. Before confirmation of purchase the player is prompted to enter their mobile number to receive a text link of their purchase (entering number is not required). The player confirms purchase and collects a receipt with

their printed lottery plays. The entire transaction is quick and designed to be straightforward and easy to use for players.

There has never been anything quite like this as a tool to grow the retail footprint. As traditional and on-line opportunities evolve (including Linq3 products), very few will offer the explosive expansion for accessing an impulse purchase the way that an active POS location does. We believe that the ability to turn this immense network of POS into lottery touch points, the ability to attract entirely new consumer groups, and the speed and efficiency at which it can be implemented, is revolutionary. ♦