



Margaret DeFrancisco

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Public Gaming: *When did you start discussing the possibility of selling both super jackpot games in all the different lottery states?*

Margaret DeFrancisco: We started talking about this seriously just after NASPL in 2008. It wasn't until the recent NASPL, October 2009, that the push to pull it all together intensified. It has taken a huge effort on everyone's part to overcome all the obstacles, build a consensus, and then work out the countless details. It has been pretty all-consuming for a number of people to get it to this point. Sometimes we feel like we're approaching Heartbreak Hill, the hardest part of the Boston Marathon which defeats some of the runners just three miles before the finish line. But it's all coming together and we're ready for the January 31 launch. This needed to be done and I think everyone realizes that. The states need lotteries to stay strong and increase the funds generated for the various good causes that lotteries support. Continuing the status quo was and is really not an option. We have to move forward and be willing to change. We simply must take the lottery industry to the next step. And to do that requires us to get creative and most importantly to all work together. The amazing and wonderful thing about this cross-selling initiative is that it has required us to break down many barriers to working together, forced us to patiently work through our differences, find the common ground, and build something that will put all of us in a much stronger position than we were before. We anticipate the selling of both super jackpot games will be a revenue boost for all participating lotteries. But just as importantly, the collaborative relationship the lotteries have created will serve them well in the future in ways that we probably do not even understand right now.

It is interesting how quickly it has come together once you decided to move forward with it.

M. DeFrancisco: We needed to move as quickly as possible for two reasons. One, we all need to generate revenue growth sooner than later. The other reason, though, is that we knew that if we let anything slow us down it would possibly stall and get stuck. There were so many obstacles, you can't imagine. We all had to be cock-eyed optimists to think we could wade through everything and make it work. We couldn't let anything slow us down or we might have lost momentum. Everyone persisted to resolve anything that stood in the way. It was a team effort that required a huge commitment from absolutely everyone to make it all come together. The business of coordinating systems, procedures, and creating a framework for communicating and working together has been an exciting adventure. Difficult at times, but ultimately so rewarding for everyone. Having these two national games being sold everywhere will give us some great history, establishing a solid foundation for what it's like to collaborate on a project of grand scale.

What are some the elements involved in the execution of selling both games in 35 lotteries?

M. DeFrancisco: All the lotteries have their own central gaming systems. The vendors – GTECH, Intralot, and Scientific Games – had to work with the lotteries and with each other to develop the software and enable the technology and systems to implement both games across all lottery states. There is an awful lot involved just from a back-office and technology point of view. Our commercial partners have done a fantastic job, fully supportive and deserve much credit for the success of the whole venture. We're confident that the technical and operations sides of the execution will continue to go well.

Marketing will be the critical part of the equation. We need to educate retailers and players. Most players have some familiarity

with both games, but some don't. We need to make sure that our marketing communications and promotions are effectively reaching out to all segments of our customer base. We need to think carefully about how something this new will be perceived by all the different market segments, in all different geographies, and customers with all varieties of playing experience and prior knowledge and attitudes. Again, we all need to get really creative to take full advantage of the opportunity to increase funding for good causes that this initiative provides. And we need to be very open-minded in finding new and imaginative ways to collaborate and produce even better results. Even though lotteries happen to be steeped in really complex technology, lotteries are fundamentally sales and marketing organizations. Our commercial partners and IT people are doing their jobs well. Now it's our job to execute where it matters most – sales and marketing.

We will be working on some national marketing and advertising campaigns. Many state lotteries including Georgia are working on in-state campaigns. As Gordon Medenica likes to say, we really now have two national games since we are in effect launching two games across the entire country.

It's only healthy to be anxious as you approach the actual launch on January 31. Any major concerns or uncertainties?

M. DeFrancisco: You're right in that there is always some healthy anxiety. But frankly, no major concerns. Remember, Paul, both of these games have already existed and are being implemented already. It's not as if we are starting from scratch with a brand new game that's never been tried, never been tested, never been played anywhere in the world. We actually have these games already and the vendors have years of experience in all operational aspects of the business and the

implementation of these games. The launch is still very complicated, but I do think everyone has all of the technical and operational aspects well under control.

It seems to me that this cross-selling initiative really introduces a whole new level of complexity to the concepts of brand management and optimization of the whole portfolio of products.

M. DeFrancisco: It absolutely does. The introduction of the second super jackpot game into our product mix does dramatically impact the entire brand management strategy. The goal, of course, is to maximize net sales. Some games will likely decline as a result of a change like this. We need to make sure that the net effect is positive. Ideally, we will find creative ways to reposition all the different products so that everything appeals to different player preferences and all products in the portfolio continue to increase or at least maintain their positive sales trend line. And we definitely need to explore new concepts and strategies to make that happen.

Isn't it the case that all participating lotteries would expect a minimum net sales increase of 6% or 7%? And nobody will really get in trouble for delivering a 6 and 7% increase. Isn't it also the case, though, that there will be some state lotteries that are going to execute in a way that delivers decisively more than that. I know we do not want to raise expectations because nobody knows for sure precisely what the impact will be. But can you point at some of the things that can be done to truly optimize the net impact on overall sales?

M. DeFrancisco: I think it's about creativity, collaboration, energy, enthusiasm. It's about knowing your customers, bonding with your customers so that they know you and understand your products and you understand their wants and needs. We all do pretty much the same thing, which is sell lottery tickets. We will go about the business of doing that in different ways. And with a smart, collaborative, 'best practices' approach, we should be able to move rapidly up the learning curve and identify the strategies that work best and fine-tune the skills to implement them. I also want to assure you that I do not have all the answers! We're all learning a great deal as we go along.

The Mega Millions lotteries have a different way of managing the jackpot game and their working relationship than the Powerball lotteries.

M. DeFrancisco: Yes, of course. MUSL is an institution, handling many of the functions of administrating and implementing Powerball

for its 30+ members. The Mega Millions group is 12 states. We have no organization like MUSL, so our game is operated within and the work is done by the Mega member lotteries. We have twice weekly conference calls and are directly involved with all the decisions required to operate the game. So both groups needed to adjust their work styles and to understand each other's operations in order to create the consensus needed to make this work.

With two rolling jackpots, is there a concern about jackpot fatigue syndrome, and is there anything that can be done to minimize the negative aspect of that?

M. DeFrancisco: Of course, that continues to be a challenge. But the selling of both games should give us a wider variety of marketing and promotional options. We're already working on the next stage, the Premium/National game. I honestly feel we have never been in a better position, with more momentum and creative ideas to drive us forward in positive ways. Challenges like jackpot fatigue will never go away, but I don't see it being exacerbated by having two games. I see us as having more tools in our bag to deal with this and all other challenges that come our way. Really, it's our ability to work together as a group that will empower us to accomplish so much more than we can as isolated lottery organizations. It won't necessarily be easy, but it is fun.

You mean if you like extreme torture and hard work?

M. DeFrancisco: Yes, exactly! Seriously, as difficult as it has been at times, it's something that you know will reward all the hard work a hundred-fold. That's what makes it fun. It's a real tribute to all the lottery directors, all the lottery employees, our commercial partners and all their employees, that they pulled together to make it happen. In fact, sitting at the table the other day with my friends and colleagues from all around the country, it struck me that this is what this industry is all about. It's just flat-out exciting to work with really smart people to solve problems and figure out how to deliver more funds to the lottery beneficiaries.

This cross-selling initiative has probably consumed so much time that there's not much time left over for another important initiative, the national retailer 'big box' channel.

M. DeFrancisco: I'm afraid that's not how it works. Nothing ever stops. We need to keep the pressure going on all different fronts at the

same time. Opening up new channels of distribution is more important than ever. Of course, states need the revenue. But one of the things that the bad economy did was to cause everyone, even the big national retail chains, to look for new revenue opportunities, new products to sell. Many of us have pilot programs going. We get very positive feedback, and so we hope for some breakthroughs to happen at some point. We've engaged our three major commercial partners, Intralot, Scientific Games, and GTECH, to help get better access to the very top management level, the CEO's and COO's of the big companies. We need all the help we can get because we have a powerful story to tell and know that the national chain stores will benefit from selling lottery products. GTECH was instrumental in helping move the Dollar General account forward. Now is really the time to push hard to open these new channels and get positioned for the economic recovery. Can't say I have a crystal ball, but I think we are all hoping to see some improvement in 2010.

You're saying that the national chain stores might be more receptive than ever because of the down economy, that now is perhaps the time to strike while the iron is hot?

M. DeFrancisco: Yes. Every retailer, in good times and bad, is looking to expand the customer base. Of course, we believe that it is always the right time to offer customers entertaining lottery products. For instance, we have had inquiries from other lotteries asking about our airport retail project. Everyone is thinking about new channels, new strategies, new and better ways to reach more customers. Where can we go that we haven't been in the past because that will likely mean brand new customers. Transportation centers are certainly a great target because there is huge traffic there. The Atlanta airport alone has over 90 million passengers a year. Think about that. The entire population of Georgia is less than 10 million. To have that kind of exposure to nine times our entire population is amazing. And businesses of all kinds are more receptive than ever to opportunities to enhance their sales and profits. To go back to your original question, obviously we need to focus on all these different things at the same time. We can't afford to drop any balls for any reason.

The term "modernizing" the basic model for lottery organizations. What does that mean to you?

M. DeFrancisco: I think it has been used in different ways. To me it refers to the need

to allow and encourage lotteries to be entrepreneurial enterprises. In Georgia, our enabling legislation actually refers to the lottery corporation as an entrepreneurial enterprise. But not every jurisdiction sees its lottery that way. Modernizing the organizational structure could mean that we function like a results-oriented sales and marketing operation; an organization and culture that is innovative, creative and driven to accomplish great things, like increased funding to good causes. Our mission is fundamentally different from any other governmental agency.

What are some of your other priorities as president of NASPL?

M. DeFrancisco: John Musgrave, the immediate past president of NASPL, created a strategic planning committee that I think should play a very important role for all of the members. As important as it is to achieve our short-term objectives, we also need to clarify long-term agendas and make sure that our activities are aligned with those long-term goals. Cross-selling of the jackpot games, for instance, is aligned with the long-term agenda of getting us all to work together. Our ability to

collaborate on large scale projects, on a national scale, will be instrumental to putting us into the leadership position in the gaming industry. If we can harness the combined power of all the state and provincial lotteries and have at least some of our agendas be implemented as a unified force, that would clearly be good for all individual lotteries. Working together to build relationships with national retail chains would be another long-term agenda that should guide our short-term efforts to crack these big accounts. Clarifying the common interests when it comes to new media like internet gaming involves long-term strategic perspectives to guide our more immediate actions.

It's my goal to enlist the active participation of past-presidents of NASPL and others to take a serious look at where our industry is going and what we can do to position us for success two, three, and five years down the road. We used to talk about ten year plans but I think everything is a little more compressed now. Better to have a well-conceived five-year plan that is updated quarterly. NASPL is a great vehicle to mobilize a strategic planning committee to address these long-term issues.

In addition to the tremendously valuable

services that NASPL has been performing for years, we are taking stock to find new ways for the organization to be used to promote the interests of its members. For instance, NASPL is clearly in a perfect position to facilitate additional collaborative projects between its member lotteries. Perhaps it can take a more active role in regulatory and legislative affairs at the national level. We're exploring all those kinds of possibilities for our association. Another purpose of the long-term strategic planning committee is to create better continuity for all of the programs. We all serve in our offices at NASPL for just one year. That's not enough time to see most projects through from beginning to end. The strategic planning committees can help to ensure continuity and follow-through.

2010 is a huge gubernatorial election year. There will likely be some new faces at the beginning of 2011, so now is a good time to set NASPL on a course to maintain continuity and a strong strategic focus. That will help all lottery organizations be more successful and it really is vital to each individual lottery that our colleagues around the country be strong members of a healthy nation-wide industry. ♦