

## An Interview with Arch Gleason

President and CEO of Kentucky Lottery Corporation, President of the World Lottery Association (WLA), and Host of this year's World-Meet '07



Arch Gleason

**Paul Jason (PJ):** *How have your experiences as president of the World Lottery Association changed your perspective on our industry from when your only focus was as president and CEO of the Kentucky Lottery and from your tenure as NASPL president?*

**Arch Gleason (AG):** This role as WLA president has opened up a literal world of experiences for me. I've been exposed first-hand to the vast array of societal and cultural differences from so many different corners of our world. I've also seen the wide variety of developmental stages in lottery organizations around the world.

Despite these differences, these experiences have also reinforced for me a tremendous amount of common ground shared

work of our corporate and social responsibility initiative, maintaining, improving, and increasing the adoption of the WLA's security control standards, and embarking new initiatives, which will set forth marketing and distribution best practices.

**PJ:** *There's been a tremendous amount of discussion about these WLA security standards. How will these benefit lottery organizations?*

**AG:** The standard that's been set forth by the WLA is the ISO 27001. This standard allows lottery organizations to ensure we're conducting security measures to highest acceptable public standard. One of the best things about this standard is that it's scalable – both small and large lotteries can scale the standard to fit their organization and the risks associated with the scope of their lottery activities and operations.

I have no doubt that this will be one of the key elements which will set us apart from other gaming operators, and this will ultimately be the way lotteries are successful in competing against them.

---

*I have no doubt that the WLA security standards will be one of the key elements which will set us apart from other gaming operators, and this will ultimately be the way lotteries are successful in competing against them.*

---

by lottery organizations. No matter where they're located, at the end of the day every lottery I've encountered is in the business of offering games of chance to the playing public. Their success is based on the public trust in the integrity of the games and operations. Add this to the fact that we all raise money for public benefit and good causes, and you quickly see we all shared a great deal in common no matter where we're located.

**PJ:** *What are some of the more important current initiatives of the WLA?*

**AG:** As a membership organization, the WLA's primary objective is to provide educational opportunities and forums through which our membership can exchange thoughts and share experiences. One of the key outlets we have to make this happen is through the WLA Academy. This program is being restructured, and will be reintroduced in a much different format and with improved content in 2008. The Academy will focus on core courses that will be offered around the globe, but they will be customized to reflect the nature, culture, environment, and the stage of lottery development in the particular region where they're being held.

There are also a variety of other initiatives the WLA is undertaking. These include launching the responsible gaming frame-

**PJ:** *I know that you would want to hold your lottery accountable to the highest standards because it's the right thing to do and you are responsible to your constituents to fulfill high expectations, but to what extent will holding the performance of the lottery to a higher standard in an area like security differentiate the lottery in ways that will provide a competitive advantage over against other gaming venues?*

**AG:** Of course, reinforcing the public trust in our security is important to our lottery brand. The development and adoption of higher standards and best practices is a key differentiating strategy that will ultimately help our member lotteries be more successful in an increasingly competitive gaming environment.

**PJ:** *There are so many different ways of operating a lottery – is it difficult to get all of the members of the WLA to work together, and how hard is it to build consensus?*

**AG:** You've hit on one of the great things about the organization. We're a tremendously diverse group, from the perspectives of culture, political environments, and stage of lottery development, which means a number of different viewpoints are brought to the table. Even in light of this, it has not proven difficult to

...continued on page 22

*An Interview with Arch Gleason* ...continued from page 6

get members of the group to work together so long as we stay focused on that which we have in common. We are all lotteries that offer games of chance to the playing public, whose success is dependent on the public's trust in the integrity of our games and operations and whose acceptance and popularity are bolstered by the funds we raise for public benefit and good causes.

This spirit of cooperation has extended to our regional associations as well. For example, the WLA has worked closely with

WLA, and do you see the potential for more cooperation between regional operations?

**AG:** Besides the WTO case I discussed earlier, the WLA has cooperated with NASPL on several fronts. A good example is the global RFP best practices now available to both memberships to use in procuring goods and services. There will be other efforts moving forward as well since there is clear evidence these associations can work together effectively.

---

*I think the Internet and how it will ultimately be utilized for gaming is the most significant and pervasive issue relating to the conduct of lotteries and gaming around the world today, without question.*

---

NASPL on the WTO case, and the WLA and the EL are currently working together concerning the European Commission's consideration of liberalizing or opening gaming markets and increasing open market competition. We are most fortunate to work in a business where our diverse groups make sure to support and cooperate with each other.

**PJ:** *Do issues and challenges differ much by region or continent, or do they share many of the same big picture issues?*

**AG:** I think the Internet and how it will ultimately be utilized for gaming is the most significant and pervasive issue relating to the conduct of lotteries and gaming around the world today, without question. It's interesting that even though this issue is common to everyone around the world, there are vastly different approaches to the questions of how to deal with Internet gaming. In the U.S., the question seems to be whether Internet wagering ought to be allowed at all, versus in Europe, where the questions isn't whether to allow it but rather how it should be regulated and should Internet gaming be liberalized to take a free market approach. So, there are quite different approaches to the same issue.

I happen to believe that there is a common solution, no matter which way one approaches it. If it is ultimately decided that Internet wagering should be provided, then the question becomes what's the best way to regulate and control it. I think the answer is clearly to utilize the lottery organizations that have been created and sanctioned by governments throughout the world to serve the interests of the public. This plays back into the development issues that we were talking about before. If Internet wagering becomes something that the governments want to allow, then lotteries want to position themselves to be the offerer of choice, both to the governments and to the playing public. We hope to do that by meeting a higher standard of corporate social responsibility and security and protecting the interests of the public, we will be better able to manage the expansion of gaming in the most prudent and responsible way.

**PJ:** *How much interaction is there between NASPL and the*

The WLA decided a few years ago that instead of having biannual conventions and biannual forums, in the years in which a forum would have taken place we will join with a regional association to meet. The first of those meetings will take place here in Louisville this October as the WLA and NASPL join together for World Meet '07. During this gathering, we will look at a variety of global issues such as updates on court decisions, legislative and regulatory matters from around the world, corporate social responsibility/responsible gaming, sales techniques, and marketing strategies. Topics like this provide a forum from which members of both groups can benefit.

**PJ:** *The likelihood of markets opening up to increased competition will create a need for lotteries to establish a strong brand value. How should we approach this issue of branding?*

**AG:** This is unequivocally a very important issue for lottery organizations, no matter where they might be based. The strengths of lottery brands include high levels of public trust, integrity, quality and entertainment value. Ultimately, our high level of public acceptance is underpinned by these attributes and the funds we raise for good causes. All of these elements are integral to our brand, and by focusing on them, we will stay successful.

Interestingly, here at my home lottery in Kentucky, we're prohibited by law from engaging in any sort of beneficiary advertising. While we've worked for years to get our state legislature to address the issue, it significantly undercuts our ability here to brand like most folks can.

**PJ:** *Speaking of your home organization, tell me about the games which are likely to be an important part of your success in Kentucky.*

**AG:** Kentucky, like virtually every US lottery, sees a significant amount of revenue from our instant games. Here in Kentucky, instants account for approximately 60% of our sales.

As for proprietary games, we're always looking for ideas here, and we've offered a couple of the licensed property games. We've found some of them have proven successful, while others

*If Internet wagering becomes something that the governments want to allow, then lotteries want to position themselves to be the offerer of choice, both to the governments and to the playing public.*

haven't been all that great for our playing environment.

Our next largest source of revenue is our daily Pick 3 and Pick 4 games, which comprise about 20% of sales. Powerball sales account for about 15% of sales, and the remainder is spread along a couple of other online games we offer.

Policy makers here in our state have not allowed us to provide monitor-style games like Keno, and we don't look for that to change in the near term. If they ever did decide to provide us this opportunity, we feel confident sales could be boosted by 10% to 15%.

As for our future, we will continue to look for enhanced opportunities for distribution, in particular with contemporary ITVM's. We just agreed to purchase another 200 of the most contemporary ITVM's available, and will look forward to monitoring their success. Otherwise, we'll just continue our practice of emphasizing

ing fun games with good prize structures.

**PJ:** Are live event drawings still an effective public relations tool?

**AG:** Here in Kentucky I think they've run their course. Early on in our history, we would go out about 12 weekends out of the year to fairs and festivals to hold the drawings live on location. These attracted huge crowd at the beginning. However, public interest waned as we were on the road for several years, which meant crowds and the sales they generated started to dwindle. We stopped going out about seven years ago.

I do however think they continue to make a strong statement about the integrity of our games. There's nothing like showing the public how drawings are conducted, and I remember after attending several of these events and seeing people look on in amazement when they realized the level of security involved in

**Your TV draws  
deserve the best!**



### The Worlds Most Advanced Drawing Machines

Fully Automatic • PC operated • Stunning Design • Fully Retractable Loader • Lightweight Solid Constitution Balls • Automatic Recognition System • Integrated Security System • Drawing Ball Validation Machine • Worldwide High Profile Service • Reliability

For detailed information about our products and services please visit our website [www.editec-lotteries.com](http://www.editec-lotteries.com) or contact us: [wintv@editec-lotteries.com](mailto:wintv@editec-lotteries.com)



protecting the integrity of our drawings.

**PJ:** Finally, everyone is looking for a better way to motivate retailers to sell more products. Based on your experiences, what is the best way to approach retailer incentive programs?

**AG:** This is one of those areas where my serving as WLA president has given me a new insight into the issue. Here in the U.S., we take what I describe as a shotgun approach to retailing – we look for a maximum number of retailers spread around our area

As for stimulating sales through retailer commissions, here in Kentucky we have continually fine-tuned our program to make sure it does just that. We pay a standard 5% base commission. At one point we paid extra (incentive) commissions based on the increase in retailer sales from one year to another. However, we had several instances where some of our top retailers saw no additional compensation – even though they sold more tickets than other retailers because as the lottery business matured, their levels of an-

---

*As for our future, we will continue to look for enhanced opportunities for distribution, in particular with contemporary ITVM's.*

---

based on populations. In other parts of the world, they use what I describe as a rifle approach – they are much more selective as to where retailers are located, retailers must pay significant up-front fees and in many cases construct a special kiosk area to sell lottery products. Depending on cultural differences, both of these models can be effective.

nual sales growth hadn't been significant. This didn't seem fair to our larger volume retailers, so we changed the program to reward week in and week out sales production for our instant tickets allowing them to earn up to an additional 2% on their instant sales. How well has this worked for us? Instant sales have grown 66% in the eight years since the program was put in place. ♦

---

*Pending Lawsuit May Clarify Federal Law as it Relates to State Lotteries and Internet Gaming* ...continued from page 20

---

unless there is a "substantial reason" for the disparate treatment that bears a "substantial relationship" to the State's objective. Material to this consideration is whether less restrictive means of regulation are available that do not undermine the State's objectives.

The New Hampshire Lottery has not yet filed a response in the lawsuit, so it remains to be seen what arguments the New Hampshire Lottery will make to justify exclusion of non-residents from the Replay program. Public statements by Lottery officials, though, suggest that the Lottery will point in part to the fact that prizes in the Replay program are mailed to winners. According to Lottery officials, federal law prohibits the mailing of lottery prizes to out-of-state persons. That purported federal law restriction reportedly provides a "substantial justification" for limiting participation in the Replay program over the Internet to New Hampshire residents.

### **Potentially Significant Rulings**

The federal law on which the New Hampshire Lottery is expected to rely is known as the Federal Anti-Lottery Act. Originally enacted in the late 19th Century, the Act prohibits the interstate transportation of lottery tickets as well as the use of intermediate brokers to sell lottery tickets in one State to persons in another State. The Act also prohibits the mailing of lottery tickets and certain other materials concerning a lottery.

The Act, however, has various exceptions for State Lotteries, including exceptions for mailings to addresses within the State that conducts the lottery.

The Doncaster lawsuit implicates several of these provisions and could give rise to several instructive rulings.

First of all, the court could hold that the Replay program (and similar second-chance drawings) do not qualify as a "lottery" under the Act. A lottery is commonly defined by three elements: (1) the furnishing of consideration; (2) the offering of a prize; and (3) the distribution of the prize by chance.

The Replay program self-evidently satisfies the second and third of these elements, as participants in the Replay program are awarded randomly drawn prizes. The Replay program, however, may not satisfy the first requirement – the furnishing of consideration. Since participants do not pay to register losing tickets and their Replay Points are not redeemable for cash, participants in the Replay program do not provide any consideration to participate in a Replay drawing (unless one adopts the strained position that the provision of a registrant's name and address on the on-line application qualifies as consideration). As such, the Federal Anti-Lottery Act is arguably inapplicable to the Replay program. Adoption of this position by the court could free the Replay program and similar re-drawing programs in other States from the Act's restrictions.

---

...continued on the PGRI website. Go to [www.publicgaminginternational.com](http://www.publicgaminginternational.com) to view the entire article.