



Benjamin Gonzalez Roaro

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PGRI Introduction: The Lotería Nacional para la Asistencia Pública (also referred to as Lotenal) is a public company that was created by the Mexico Federal Government for the purpose of generating income for the Public Welfare by selling lottery tickets. The Lotería Nacional has a long history (242 years!) as a beloved institution much admired by Mexican society. The Lotería began in 1770, back in the years of King Carlos the III when Mexico was still a colony of Spain. Known then as “Real Lotería de la Nueva España”, it had so much success with new drawing game concepts that it influenced the evolution of public lotteries in Europe. The system of selecting numbers to win a prize became known as the “Mexican model” and formed the basis for the modern lottery now known world-wide as the lotto games. Over the past 242 years of operation, the Lotería Nacional has helped to finance important works for the cultural, social, and economic development of the country, and has earned a special place in the culture and in the hearts of the Mexican people.

Benjamin Gonzalez Roaro was appointed directly by the President of Mexico Felipe Calderón in June of 2009. Before that, he presided over the Commission of the Public Function as Sub-secretary of Public Education on ex-President Ernesto Zedillo’s administration, and served as General Director of the Institute of Social Security of government employees. Recognizing the need for change to deliver the full value both to the consumer and to funding for Public Welfare, Mr. Gonzalez Roaro immediately embarked on an ambitious agenda to modernize lottery operations.

Paul Jason, Public Gaming: *What games does Lotería Nacional para la Asistencia Pública offer?*

Benjamin Gonzalez Roaro: The Lotería Nacional has always been focused most on the traditional draw games. That is why the majority of our sales, 95%, continues to be in the draw games. When I was appointed to lead the Lotería Nacional in 2009, we increased the attention we give to the Instants category, and electronic games as well. We could see that these gaming categories have been the source of significant growth in other markets all around the world. So without compromising our focus on traditional draw games, we began to develop new Instants products and electronic games to appeal to new consumer groups and build new markets. We operate electronic games but not in casinos. The Lotería Nacional does not offer sports-betting.

What percentage of your sales is in the Instants category?

B.G. Roaro: Remember that we just started less than two years ago with Instants

and so are just beginning to gain traction and build the market. Instants and electronic games are now around 5% of our sales. We project that it will be around 8% of our sales in two years, and that it will continue to grow as a percentage of our overall sales.

Which games have the biggest growth potential? What is your focus in product development?

B.G. Roaro: We are developing a large portfolio of internet-based games. We are offering the traditional games for sale on the internet – people can select their favorite number and buy it online in all Lotería Nacional draws. Additionally, we are developing new games that will appeal especially to the new generation of young adults from 19 to 32 years who like to play games on the internet, and are used to games that have a lot more entertainment value. Also, we are developing a new game model that is played on a touch screen in the store based on the particular interest of these particular types of games. We are analyzing the play styles and preferences of a new generation of internet gamers and reinventing lottery games

to appeal to the new styles of games that are social, facilitate sharing with friends and family, are longer playing and deliver more entertainment value, and make full use of the medium, like touch screens and the means for real-time feedback with the like/dislike functions we see on Facebook, for instance. We all can see the consumer trend-lines and the direction that gaming is going. The challenge is to recast lottery games to include the kinds of features and gaming experience that appeal to this modern consumer.

As the gaming markets mature, they become more and more segmented. As the market expands, the consumers divide and subdivide into smaller and smaller homogeneous player profiles. We need to create the products that are differentiated to appeal to those increasingly targeted profiles. That is our goal: to build a wide portfolio of products that will have a wide variety of attributes to appeal to all the different consumer play styles. For instance, there is the high-energy player who wants faster action. So we just developed a new electronic keno that will be repeating every five minutes.

Lotería Nacional televises the draws in an especially entertaining way, doesn't it?

B.G. Roaro: We had 2 seasons of a television show in years 2010 and 2011 of a bingo game that we called Lotería Mexicana. The public had to buy their slips with different combinations in our point of sales and every Saturday at 8:30 p.m. It was broadcasted as a live draw with competitions and musical entertainment. In this bingo modality, every number was represented with traditional images of Mexican folklore or historic characters and places. These images helped the game to become a spectacular form of entertainment where each participant had their slip. The game become not only a contest for the jackpot, but also a game that they played in their own home to see who had more winnings. The technological platform detected immediately when a slip was sold and been completed. Then, at that moment, the game stopped and we knew exactly in which state of the country the first prize had been purchased.

Both seasons were important for Lotería Nacional, we obtained important revenues for public assistance. But without doubt, the biggest benefit for the Lotería was the boost to our image and branding for the Lotería Nacional. The television exposure and the games promoted civic and family values

and provided great fun and entertainment for the consumer.

And the internet will be an important channel for the Instants too?

B.G. Roaro: Of course. The internet will be an important channel for all the products, and especially for Instants. To have a true gaming experience, the player needs feedback. They want to know immediately how they are doing, if they are winning, and what the options are to continue to play. Instants are all about instant feedback, so they are fundamentally well-suited for internet games.

Those goals would seem to depend on the rate of consumer adoption of internet and mobile. How will that evolve over the next two years?

B.G. Roaro: That is the most interesting part of this picture. Presently, Mexico has seventy million users of mobile phones. In two years we will be reaching, or more likely exceeding, ninety million. Internet will soon be available everywhere except in the most rural parts of the country. And the government is now planning to establish a system that is easy for even rural areas to have access through a program that is called e-Mexico. The government is installing wireless internet technology in the town plazas and city centers of almost every town in Mexico. This easy access will drive an explosion of internet use and also adoption of mobile technology.

This rapid adoption of mobile would seem to be quite the significant consumer trend, with significant implication for the lottery business. Perhaps you can leapfrog an entire generation of land-based communications technology and move directly into the next generation of wireless internet technology as the primary distribution platform?

B.G. Roaro: Yes. And we have the advantage that the consumer can be on the internet at any time of the day from their home. A problem that we just recently identified is that the consumer is afraid to use their credit cards for online purchases. To solve this problem, we have begun to sell a prepaid card. Next will be the ability to electronically recharge the cards. Enabling the consumer to purchase gaming products with the pre-paid card has the additional advantage of enabling us to track their play patterns. Our analyses will now be able to tell us the penetration in each game and the effectiveness of pro-

motional initiatives. It will also enable us to communicate directly with the individual players, perhaps for customized promotions based on the games they like to play; and also for the purpose of helping the consumer play responsibly. Responsible gaming and corporate social responsibility are of the highest priority for Lotería Nacional. As we enhance the appeal of the games, and increase consumer access to the games, we need to take extra measures to ensure that the problem of addictive gaming does not increase. Properly done, this will all lead to a healthier and more enjoyable consumer playing experience, as well as increased funding for the social services that is the most important objective of the Lotería Nacional.

This is most fascinating. You are on a fast track towards achieving goals that seem out-of-reach for many lotteries.

B.G. Roaro: While I do appreciate your comment, we are working on the same challenges that all lotteries are dealing with. We've just had to fast-track our agenda because we were behind in 2009. We did not have a technological platform that could support any of these initiatives. Implementation of new products, increasing distribution and consumer access, and managing a growing revenue stream was really not possible just three years ago. Or at least not in the fashion that the Lotería Nacional is engaged in now.

How did you decide what to do? Was it a hard decision to invest in a technological platform that supports internet as opposed to investing in expanding the land-based retailer network or advertising or doing other things that may have had a more predictable ROI?

B.G. Roaro: As a matter of fact, it was a difficult decision. We did not have the necessary funds designated in the budget. We had to cut from administrative and advertising budgets and make other tough decisions to free up the necessary funding. That is hard to do because there are no guarantees that the new investments will deliver the ROI within the budgeted timelines. And there are no guarantees that the budget cuts in other areas might not have a more negative affect than projected.

But we knew it was the right thing to do to position the Lotería Nacional for a successful future. We hired a third party to manage the outsourcing, establish new technological platforms, acquire the soft-

ware and hardware, and implement the new telecommunication network.

It must be high anxiety in the beginning and so gratifying to see that your investment was the right choice to make.

B.G. Roaro: The fact really is that the Lotería Nacional had to modernize, and it had to act quickly. The future of the Lotería Nacional would have been very vulnerable in a competitive world where consumers are keen for new innovations and there are lots of operators, legal or illegal, who want to provide it to them.

The platform that delivers the games over the internet, is there much of a difference between mobile or the computer? Or is it all just internet?

B.G. Roaro: The technological platform is the same for both. But the specific gaming applications are different. There may be lots of similarities between the games, and games for the computer can sometimes be modified to fast-track a mobile application. But the mobile gaming experience is obviously different from the home-computer gaming experience and so the consumer wants games that take full advantage of each specific medium. We only have one game for mobile phones right now and it hasn't had the sales success that we hoped for. But it has been a great learning step for us and we have no doubt that mobile gaming is key to the future of gaming and are committed to developing more and better mobile app's.

It sounds like the process is to develop gaming applications for the internet that are delivered over a computer and then those applications are modified to deliver over the mobile?

B.G. Roaro: That is the way that we have done it. But I can't say that is necessarily the blueprint for developing new and better mobile applications. In fact, I suspect that it probably isn't.

You launched your Facebook page less than a year ago and achieved a high level of consumer engagement. How did you do that in such a short time?

B.G. Roaro: We just started our social media initiatives eight months ago. We have a system of awarding points for Facebook friends who play our games. The consumer responds to these awards systems even when it doesn't have any monetary value. The awards system just makes it more fun for

them. Just as importantly though, the awards systems enable us to measure the level of activity and also to focus marketing communications to the individual. It also creates a dialogue, with the player being much more likely to send us questions and feedback. And it enables us to promote a responsible gaming message as well. We have partnered with popular musical groups to promote our Facebook and social media agendas. These partnerships can cost nothing because we promote them on our Facebook pages and they promote the lottery on theirs and sometimes at their live events. We are exploring other ways to create win-win partnerships that cost the lottery little or nothing to do.

I would submit that it is a very small measure of the impact that Facebook actually has on the business. Facebook creates a new level of engagement, with family and friends being able to communicate with each other about their favorite activities. It creates loyalty and brand awareness in ways that no amount of advertising could ever do. It is that heightened level of brand awareness that positions the consumer, especially the younger adult, to respond positively to the advertising and promotion that does entice them to buy the product. Our social media outreach, especially Facebook and Twitter, has been especially helpful at getting the younger adult to think more about Lotería Nacional.

Do you envision yourself creating new types of games, perhaps based on traditional games, but perhaps doing something completely new and different?

B.G. Roaro: At this point we are simply offering the existing products online. But we get lots of real-time feedback from the consumer that will guide our efforts in the future.

Does the Loteria participate in any multinational games?

B.G. Roaro: We've had several talks with Spain's lottery, exploring the possibility to have a lotto for both of our countries to participate in. But there are some legal restrictions in Mexico that we need to address. We are continuing to look into it and we hope to join a multi-national game because we can see how successful they are in other markets and how attractive the big jackpot games are to the consumer.

How can the World Lottery Association (WLA) be most relevant and helpful to its members?

B.G. Roaro: There are many, many things that the WLA does to benefit its members. Three important things are Certifications, active work to eliminate or minimize corruption in sports-betting, and education and training of their members.

The Certification process applies to Security and Responsible Gaming. The process of earning WLA certification, and progressing through the different levels of certification, improves a lottery's operations. The process itself is a guidepost for helping the lottery operator know what needs to be done and then install the mechanisms to accomplish the highest levels of performance in these two critical areas. Additionally, governments all around the world recognize the value and credibility that achievement of these certifications brings to the lottery operator. As governments expand into new forms of gaming and i-gaming, we hope that recognition of these certifications will inform the process of deciding who they want to operate the games. Authorization to expand into new games and channels will be a tremendous benefit to all the stakeholders of government lottery, especially the beneficiaries which will receive more funding as a result of increased sales.

The WLA has a tremendous Education program with seminars led by the leaders of the industry. Ours is a somewhat unique business. As far as I know, there are not college curricula to teach people this business. The WLA education programs bring the wealth of experience and knowledge of the people who have spent years learning and working in the industry. There really is no substitute for that kind of guidance and wisdom.

A current WLA initiative is to gather data and intelligence from all the members to create an organized foundation for an effective Best Practices template, something the members can really use to measure their performance and hopefully help to identify the best ways to focus their resources.

All regions and markets are different, are unique in some ways. But there are also many commonalities and many things we can learn from each other in spite of, and in some cases because of, our differences. That is what the WLA is all about, providing a vehicle for all of us to interact with each other, to communicate for the purpose of improving our understanding of the business and improving our ability to increase the funds we produce for our beneficiaries.

Can the WLA help its members defend the interests of lotteries against illegal operators?

B.G. Roaro: Fighting the illegal operators is a big problem for all lotteries. The WLA does help by being a resource that helps us communicate these concerns to our governments, agents of law enforcement, and regulators. By bringing us together, like for the WLA Summit in Montreal in September, the WLA provides a mechanism for members to communicate with each other

and learn from others about all matters that relate to our business, including the efforts to support regulated markets and the enforcement of laws.

What do you see as the most important goal for the Lotería Nacional over the next two years?

B.G. Roaro: We need to consolidate and rationalize a much larger portfolio of products. We need to integrate electronic media into the fabric of all the games, and develop

new games for new media. We need to get all the different gaming divisions to fuse together to create a more integrated brand for the consumer. And we need to complete the installation of the technological platforms that will support a forward-looking, consumer driven, 21st century business operation. Those are some of the goals of our project to modernize, and we are well on our way towards accomplishing them. ♦