



# To Know the Road Ahead

By Matt Mansfield, GTECH Professional Services

Essential programs providing for the social goals, growth and well-being of citizens look to lotteries for funding. As other revenue sources come under pressure, state governments and good causes depend upon lotteries to deliver even more revenues.

At the same time many lotteries are facing challenges typically associated with maturing industries – leveling sales from traditional online and, in some cases, instant games; retailer resistance to dedicating more space and labor for lottery products; stable, if not declining, player bases with less discretionary income; more accessible gaming options from private sector competitors and the need to rejuvenate products to appeal to a new generation of players.

Business forecasts based on past successes are no longer enough. Flexibility to adapt and innovate to changing conditions is critical, and you need your vendors to partner with you to meet these needs. Yet, the cost efficiencies realized in long-term contracts based on earlier planning assumptions seem to thwart this initiative – and at a time when lotteries need all the help and productivity they can get.

GTECH is investing to anticipate future requirements that are rapidly pushing into view. In practical terms that means that intense and focused efforts are underway to better understand how equipment and systems designs can be improved for more appeal and flexibility. It means new games with a faster time to market and better player management. And it means even more non-traditional game channels to ensure lottery sales and revenue potential can be maximized. It is about adding value upfront because the needs are now.

## So how does this get done?

To put its entire global organization at every level on the same page, GTECH has launched a “Customer First” strategy. This approach focuses resources, research and processes toward better planning and development of solutions, equipment, systems and games through on-going collaboration with customers, retailers and players where it matters the most, at the local level.

Being “Customer First” recognizes a simple and fundamental axiom: real world business problems drive more practical solutions. The best solutions are created for specific retail needs at the local site where the needs aren’t theoretical; they are uncompromisingly real.

Using this approach, the feedback from the local site channels into GTECH global development teams and helps identify certain elements for broad-based solutions common to many lotteries. Additional information from installed products is provided through proprietary GTECH sales tracking databases to identify and align with Best Practices performances as needed. The result is a continual rebalancing between customization and cost effectiveness for our customers.

A key early result of the “Customer First” effort has been providing more flexibility and options with equipment and system platforms mapped for development. For example, a variety of retail solutions for traditional lottery games and transactions have been developed by appreciating that “one size does not fit all” and player and retail habits are changing:

- A Family of Terminals approach has been created for clerk-activated transactions. It is anchored with a base model that offers multiple upgrade features for more capacity and speed as well as different playslip reader technology and footprint sizes to handle different cost/function/performance requirements – even within one market.
- Alternative retail sales models have also been developed for those retailers who want the lottery transactions integrated into their own retail equipment and accounting systems (Lottery Inside) and for those who want the transactions managed outside their regular traffic patterns (DASH free-standing kiosks).
- With players now familiar with lottery product buying, a Family of Self-Service

Equipment is evolving sleek new designs and options. Based on work in Europe and GTECH historical U.S. sales tracking, the one-step ease and simplicity of instant game selections has been applied to the more complex online game options.

On a parallel path to retailer focused equipment, the Enterprise Series system can now support more or less complexity of programs and processes, according to customer needs, ranging from basic minimal complexity formats to mid-range customized for modest operating needs to full scale large lotteries – with security and service portal modifications for today’s marketplace.

While these developments are focused on its traditional areas of expertise, GTECH has recognized that its obligation to customers must also look at how to maximize the sales potential of what the equipment and systems do – enhancing the game offerings and the playing experience.

One of the immediate results of the “Customer First” approach in the traditional game space has been the enormous planning and collaboration with Powerball and Mega Millions lottery groups as well as other vendors to launch the cross-sell of these two large jackpot draw brands within 41 of the constituent jurisdictions. The step taken in this direction last January introduces the larger prospect of a national premium game in the U.S.

At the same time the GTECH Global Game Development Group is preparing new concepts with in-house and 3rd party online game developers as well as GPC instant game designers and license portfolios. To manage increasing demand for more games and help our customers minimize the marketing investment risk, GTECH technologists have developed an application that allows customers to test games in the marketplace before investing in a full launch.



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This Group is also working to find game structures and playing styles derived from the GTECH G2 experience and knowledge of internet gaming and sports betting and GTECH’s video lottery divisions. While traditional lottery games may benefit in the short-run from some of these applications, the anticipation is that some lotteries in the not-so-far future may need a partner ready to implement these new markets quickly to grow sales and offset competition.

As gaming options become more sophisticated and accessible, player management will become increasingly important. Similar to what has already happened in worldwide retail markets, personal gaming management will need to be easier and more mobile. GTECH, leveraging its G2 experience, is well along the path of developing a program that will manage game preferences, purchases and prize payments and work across different gaming and non-gaming retail venues.

Underlying these efforts is the use and management of the research, consisting of field surveys and performance databases. On its own initiative, GTECH developed and funded the player and retailer research that helped to spearhead the Powerball and MegaMillions cross-sell initiative. The company also manages the Global Gaming Market Research Exchange to help participating customers and its own professional services group learn from each other and what cross-currents in preferences and behavior are affecting game development and, in turn, equipment and system needs. Finally, the company conducts an annual External Customer Survey for feedback on all of its initiatives and operational areas that guide action plans for continuous improvement.

A Chinese proverb holds that “to know the road ahead, ask those who are coming back.”

Through its use of customer, retailer and player research, performance tracking, customer collaboration and unified focus of global resources, the “Customer First” program is seeking flexible ways to grow as more stable, prosperous markets return. ♦