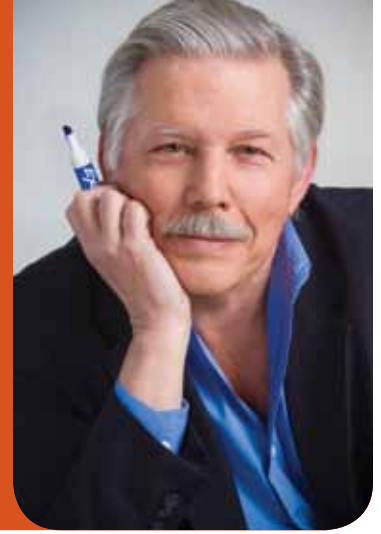


Building Public and Player Trust

The Challenges of Corporate Social Responsibility

By Matt Mansfield, GTECH Professional Services



As lottery operators and vendors, we are acutely aware of our responsibility to establish and maintain the trust of lottery players and the general public. In fact, building trust is more than a responsibility; it is the hallmark of lottery as a brand. Players must be able to count on the assurance that everyone has a fair and equal chance to win each time they play. We all strive to earn and embody this trust every day, with every one of our actions.

One way we build trust is by managing the delicate balance between delivering the ideal gaming experience for the player and simultaneously protecting them from fraud, breach of privacy, and inappropriate play.

Fortunately, these goals are not mutually exclusive. Both depend upon building a close relationship with the customer (i.e. the player), a simple function of any Customer Relationship Management (CRM) program. It is that operator-player relationship that both engages the player's interest in the games and enables the operator to implement the newest responsible gaming tools. Instead of compartmentalizing these different objectives, let's think of them as the holistic result of a dynamic and healthy interaction between operators and consumers.

Increasing the focus on technologies that move the lottery industry toward enhanced player-facing responsible gaming programs provides a two-sided advantage:

- First, player protection is ensured at each point of contact.
- Second, valuable data received through responsible gaming programs provides a more precise understanding of player behavior.

Lottery leaders have long known that gathering such data allows lotteries to better understand player behavior and tailor communication and promotional offers to individual player preferences. However, the motivation for securing consumer information has often come primarily from the lottery's obligation to protect players' rights.

It is time to broaden our perspective on the outputs of a reputable responsible gaming program. Certainly, first and foremost, we strive to assure the public that lottery programs and technologies identify points of problem gaming, offer solutions, and ultimately, diminish the negative societal impacts of problem gaming. Simultaneously though, information received by player contact programs provides valuable consumer feedback used to improve the gaming experience. We are committed to "responsibly driving global gaming" as we adhere to the principles of responsible gaming while leveraging knowledge gained through player interaction.

It is in the best interest of every lottery operator to evolve the paradigm to consider social responsibility initiatives as a business oppor-

tunity rather than largely an obligation. By better leveraging the interaction between players and lottery providers at responsible gaming access points, we meet the challenges of corporate social responsibility while gaining the information needed to position lottery as an appealing product in an increasingly consumer-controlled economy.

Ensuring Responsible Gaming

As with many businesses, accountability and transparency of the government-sponsored lottery starts with its products or games, determination of winning results, and payment of prizes and marketing practices, including those ensuring that players and prospects have enough information to make informed choices. How these programs are executed can go a long way toward demonstrating the integrity with which a lottery is managed, and hence, trusted.

The results of a Corporate Social Responsibility (CSR) program are directly dependent on the tools supplied by an invested technology solution provider. CSR encompasses a number of important issues but can be broken down into two major areas: Responsible Gaming and Consumer Protection.

What Are Responsible Gaming & Consumer Protection?

Responsible Gaming – is concerned with ensuring that appropriate individuals are playing (i.e., age and location), and that individuals play within their means.

Consumer Protection – ensures that players are treated in an ethical



manner and have a positive playing experience.

The Corporate Social Responsibility graphic shown at left depicts the key components of CSR. In terms of addressing and solving the market needs of these components, there are two primary approaches: Best Practices and Solutions.

What are Best Practices & Solutions?

Best Practices – these are operational or procedural activities that can usually be implemented without much investment and in a rapid manner.

Solutions – these are technical solutions (hardware and/or software) that will usually require varying levels of investment and implementation timing.

Adopting Best Practices

As an industry, we have benefited from collective efforts to establish guidelines for responsible gaming, including the World Lottery Association's adoption of the seven Responsible Gaming Principles.

WLA's certification levels for compliance with the WLA Responsible Gaming Framework provide a benchmark against which all parties in the industry may measure themselves. Lottomatica has reached Level 4 Certification, as have 13 GTECH customers. In addition, Lottomatica is certified as compliant with standards set by the European Lotteries Association. Such certification programs provide a roadmap of best practices to guide lotteries and vendors toward the ultimate goal of developing and sustaining reputable responsible gaming programs. (See the *Responsible Gaming Best Practices* chart below for examples of Best Practices)

With the obligation to implement responsible gaming best practices met, lottery operators are now in the exciting position of being able to select technologies that expand the outputs of RG programs from simply "obligation met" to "opportunity realized."

In developing a system of player protection, you simultaneously develop the opportunity to establish a more meaningful connection with your players. By calling for technology solutions that advance responsible gaming programs, we meet responsible gaming objectives while advancing the industry.

Improving the Play Experience through Responsible Gaming Solutions

The lottery database of players is a building block for both player protection activities and player game activities. As an operator, we understand the urgent need to increase the relevance of the lottery brand for a broad base of consumers, and we believe that we can build relevance by selling games and also providing the kind of protection that players, society, and governments demand. Our programs and solutions aim to enhance rewards and entertainment value for players while maximizing player protection.

Building players' trust in the lottery and its products continues to be an essential element in winning their loyalty and promoting their attachment to the brand. Activities and innovations that foster this trust are part of an effort to promote customers' willingness to transact with us, both by buying and by communicating.

To that end, we have spent the last two years bringing to market products that protect players and promote responsible gaming. We invested considerable resources to focus groups and quantitative game studies, as well as pilot projects that examined ways to improve the gaming experience in a socially responsible way. Since fielding our first Worldwide Research for Innovation focus groups, we have completed the development of several solutions that improve the quality of play encounters. The descriptions below provide some of the product results of that research.

Ticket Checkers – There has been a substantial growth in the adoption of Ticket Checkers by Lotteries, Retailers and Players. It used to be that ticket checkers would comprise a percentage of retail locations (usually social environments), but in the last couple years, there has been a 1-to-1 relationship between retail locations and ticket checkers – primarily because of social responsibility/fair play programs. The self-validation system, Ticket-Scan™, is an example of a product associated with this trend. Ticket-Scan enables players to check their winnings without the retailer's assistance, thus avoiding any risk of fraud.

Digital Signage – The proliferation of digital signage at retailer POS and specifically lottery POS has afforded another opportunity to provide player protection as they place transactions with a retailer. By displaying

Responsible Gaming Best Practices

Placement of Self-Service Machines

- In direct line of sight to the retailer
- In direct line with express checkout lanes at large retailers
- Never placed near childrens' video games, toys, or rides
- Placed in high-traffic area of store
- Never placed in a cluttered area

Consumer Alerts

- Printed on lottery tickets
- Scrolling on LED displays multiple times per day, e.g., "Must be 18 years or older to play"
- Bright warning stickers on self-service machines
- Advertising at each point of sale

Proactive Prevention Programs

- Educate and train store personnel on state/country laws prohibiting the purchase of lottery tickets by minors
- Periodic "sting operations" with local authorities, e.g., New York's "Project 18+"
- Remote shutdown of self-service terminals
 - Allows retailer to turn machine off if underage patrons attempt to purchase tickets with either a retailer-controlled Radio Frequency (RF) key-fob device or a remote control shutdown from the online terminal screen

Age Verification Software Built into all Lottery Terminals

- Terminal application download to all lottery retailers
- Self-service terminals enabled to recognize player identification cards (with magnetic stripe, barcode, or smartcards)
- Field proven in both New York and Pennsylvania

Player Registration Programs

- Player signs up one time and receives a magnetic or barcode player loyalty card
- Card will verify player age
- Card can be read at any lottery retail shop from the lottery self-service device

a real-time transaction display on the digital display right in front of the player, we afford another aspect of player protection and responsible gaming. We also leverage digital signage to provide player education with respect to problem gaming and where to seek assistance.

Cash/Coin Back/Voucher Back – As noted earlier, the use of a player card with its centralized repository of value will greatly improve the ability of players to play only the specific amounts they want to play.

Signature Capture – Another new player-centric advance is the capability to capture an individual's signature on a playslip and digitally reproduce it on the ticket associated with that playslip. This can provide additional player protection, since the ticket has their unique signature already imprinted.

Point-of-Access Products – As governments adopt PDF 417 barcodes, capable of storing dense data such as ages and addresses, as a standard feature on driver's licenses and other forms of identification, we have re-engineered our point-of-access products to read these barcodes. This equipment can now provide lotteries and their retailers the capability to scan a player's driver's license for each transaction – especially important for self-service devices and reducing the need for staff surveillance.

Each of these solutions, which were developed using insights from consumer research, can help lotteries build a stronger foundation of trust with our players, as we move toward greater and more direct interaction with them.

The complicated relationship between operator management of reputable responsible gaming programs and preservation of player rights and best interests has experienced a slow evolution to true connectivity at many new access points. Deeper interactions with many of our players will succeed in reinforcing their perception of lottery integrity. We must demonstrate our effort to earn their trust by protecting them from fraud; responding to their inquiries; cultivating attentive, service-oriented retailers; and helping them enjoy their play experience. As we strengthen these levels of the operator/player relationship, we demonstrate our value to the player and our values as an industry even as we consider altering lottery business models.

Lotteries and the constituents they serve win when the public has complete trust in the integrity of responsible gaming programs, players become comfortable with a stronger personal connection to a lottery that protects their rights, and vendors provide tools that help lotteries generate public revenues while building public trust. ♦

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importantly, how they're enforced. There are significant differences in approach. Oregon, for instance, is a well established VLT market and yet you would have a hard time finding gray machines there. That's because the police work very closely with the lottery to ensure that no gray machines exist. A zero tolerance policy is in place and being enforced. In Sweden on the other hand, a VLT market also works under a 'distributed model' with a size of about 7,500 VLTs. There are regulations that prohibit "gray machines" in Sweden just as there are in Oregon. But those regulations are not enforced as aggressively in Sweden, so you have a gray market of electronic games there. The difference isn't in the regulatory framework. It's in the mechanisms to enforce the regulations.

In Italy, the newly enforced VLT legislation, called 'comma 6b', will effectively minimize the gray market machines. Gaming machines are all required to be connected to a central server. It is relatively easy to inspect and identify those that aren't connected. The Italian regulator and tax police have asserted that the rules will be enforced, the illegal machines shut down, and violators will incur heavy penalties.

How is the development of the Italian VLT market different than other markets?

M. Koch: The Italian approach is certainly different from any other market. Among other things, the government set out to create a regulatory framework that ensures that taxes are collected. And just as importantly, they provide the tools and mechanisms for law enforce-

ment to go after any form of tax fraud and tax evasion. From the very beginning, there was a will on the part of the Italian Government to create a comprehensive system that works on all levels: eliminate gray market machines, implement responsible gaming tools for the protection of the player, enforce the collection of taxes, block unlicensed offshore operators from doing business in Italy, and most importantly, generate revenues to fund disaster relief and other public service causes.

Additionally, the Italian model called for all of this to be implemented in record time. It was an ambitious agenda for everyone. ACE Interactive, along with a small number of other elite commercial suppliers, are proud to play a role in this exciting project. The efforts are just beginning to show results, and it is apparent that there is much to recommend about the Italian approach to implementing a large scale project of this type.

From a supplier's point of view, there is a difference between the multiple licensee model and the monopolistic model. In both, the key performance indicators remain the same: deliver the best games at the most cost-effective price, create a truly entertaining experience for players on a platform that performs reliably and meets the needs of all constituents, and does all that in a responsible manner to minimize social costs and problem gambling. The major difference between those models, though, is that time-to-market is typically accelerated in the multiple licensee model.

With inter-operability and the ability to implement all games over all cabinets, how relevant is the cabinet to the success of the overall VLT program?

M. Koch: We believe we are just about to enter a paradigm shift. The point you raise is a good one, but we're not quite there yet. It's mostly a matter of player education. As the players come to understand the full meaning of true server-based gaming, they will learn to demand the games that are most appealing to them. At that point, the commercial suppliers will evolve to deliver the games the player wants, regardless of whether the game content was built in-house or provided by a third party. That's the promise of "open source – open systems." Of course, it will continue to be the goal of the terminal manufacturer to produce the games that appeal most to the players. But if the hottest games happen to be produced by someone else, the player will demand it and the operators will want to meet that demand, so their commercial partners will have to provide it. That will be the next most important paradigm shift – when the player actually takes control and determines the games they want to play. At that point, the provision of game content will be separated from the business of terminal, hardware, and network support. The player can play any game, at any time, and on any cabinet. That is the promise of open systems and true server-based gaming. But we are not there yet and we should not believe that this educational process can be accomplished overnight.

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