

# CUSTOMER **first**

## AN ACTIONABLE GROWTH STRATEGY

### Customer First Research Results

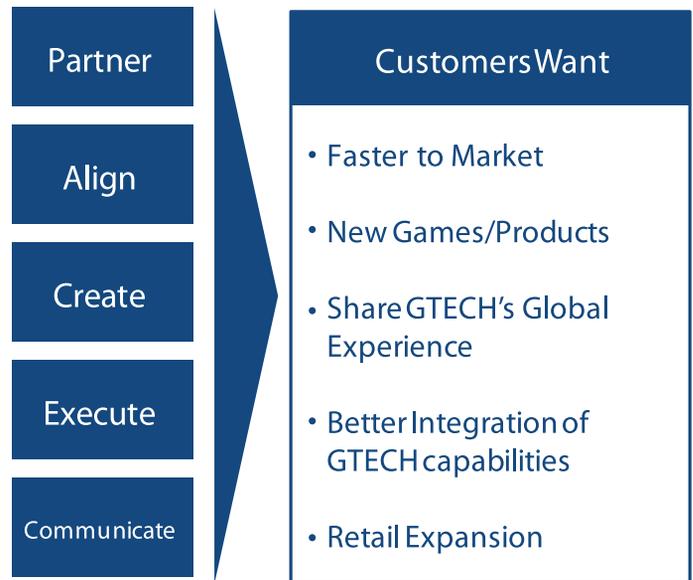
As consumers, lotteries, and governments continue to wrestle with the uncertainty of the current global economy, lotteries are working hard to develop their businesses by engaging the broadest possible player base with new products, promotional offers, and consumer communications strategies. All of these efforts provide continuing opportunities for substantive collaboration among lottery industry professionals and their vendor partners.

In 2010, GTECH began addressing these opportunities through its *Customer First* operating strategy. As GTECH CEO Jaymin Patel has explained inside and outside the company, GTECH's "Customer First" operating philosophy blends each lottery professional's knowledge of their business needs with consumer insights, product offerings, and execution plans that will drive results.

In the year since Patel challenged all GTECH employees to align their people and solutions with each customer's specific needs, the company has observed the kinds of business outcomes that help our customers meet their goals in a difficult climate.

#### IN-DEPTH RESEARCH: VALUE-ADDED RESULTS

Alignment with lottery needs started with extensive surveys and interviews to identify our customers' top business priorities. Hundreds



Identifying the key actions that begin the customer value chain was the first step in developing a Customer First strategy that is implementable, actionable, measurable and transferable.

### Customer First: What Does It Mean?

*Customer First* provides an enhanced level of customer focus based on better insight, redefined relationships, and delivering the highest value products and services. In working to identify the execution plan to launch and sustain this initiative, we asked ourselves two central questions:

1. "When considering the customer's perspective, what creates value, and what does not, across all phases of the customer relationship?"
2. "Which actions are implementable, actionable, measurable and trainable?"

The answers to those questions helped us to define Customer First Value Drivers; these are important touchstones that provide expectations and direction to deliver value to our customers. These drivers include:

<b>PARTNER</b>	Create win-win scenarios through listening, understanding, and aligning with customers' strategic business objectives and plans.
<b>ALIGN</b>	Ensure actions and communications consistently demonstrate GTECH's alignment with customers' business objectives, processes, and needs.
<b>CREATE</b>	Design the most cost-effective, flexible solutions based on best practices that meet customer needs.
<b>EXECUTE</b>	Consistently deliver timely, high quality products/solutions that meet customer needs.
<b>COMMUNICATE</b>	Ensure consistent, timely, accurate, and candid internal and external communication at all levels.

By understanding and investing in what our customers value most, we are better able to tailor our solutions to each of our customers, develop the right innovations where it matters, and improve our customer responsiveness.

of lottery professionals whom GTECH serves—including Executive Directors as well as members of marketing, sales, technology, legal, finance, and security departments—responded. As we analyzed the results of the surveys, five key business areas rose to the top of the list:

Over the course of the last year, we have looked at each potential company initiative through the lens of the five customer value drivers. For example, development of marketing growth opportunities considered input from a collaborative study of market research issues discussed during GTECH's **Global Gaming Market Research Exchange forum**, which took place at GTECH's Rhode Island offices in October 2010.

## SHARING GTECH'S GLOBAL EXPERIENCE TO ACHIEVE BETTER MARKET UNDERSTANDING

To further define Customer First opportunities, GTECH combined the information gathered from the Customer First Research surveys, which defined the value drivers, with feedback received at the Global Gaming Market Research Exchange in order to determine where and how survey results could impact execution of the Customer First Value Drivers. The Global Gaming Market Research Exchange gives market research professionals from lotteries across the world the chance to discuss with representatives from Lottomatica, GTECH, ATRONIC, SPIELO, GTECH G2, and GTECH Printing Corporation insights on how to improve research methodologies and to identify commonalities and differences among the various approaches to market research.

Through such forums, collaboration between GTECH marketing resources and industry marketing professionals will increasingly improve the planning and execution of future marketing programs among participating jurisdictions and eventually throughout the industry as a whole. However, evidence of success in executing Customer First objectives already exists within several jurisdictions.

By continually soliciting customer input through contact such as the Global Marketing Exchange program, we have worked closely with GTECH customers to address their opportunities in such areas as portfolio expansion and retail optimization, for example, as evidenced in the following case studies.

## CUSTOMER FIRST CASE STUDIES

### FASTER TO MARKET:

#### Texas: Building Powerball® Brand Awareness at Retail

The timetable for Texas Lottery Commission approval of Powerball led to a compressed marketing rollout timeline, so the Texas Lottery accepted GTECH's offer to collaborate on establishing a Powerball marketing presence at retail as quickly after game approval as possible. We worked with the Texas Lottery to design, produce and print the POS for retail, to allow the Lottery to focus their attention on managing all of the additional marketing and operational related initiatives that ensured a successful and timely game launch.

GTECH Texas sales managers brainstormed creative POS items that could be used to promote Powerball. At the same time, the Texas Lottery worked in-house on developing the messaging and graphics around the campaign. We designed and placed into production over 25 different POS items (special counter displays, LED light frames, play station posters, terminal toppers and more). Texas was able to launch Powerball and Power Play on schedule and has generated \$52.3 million to date for the school children of Texas with a comprehensive retail merchandising and promotion program.

### NEW GAMES/PRODUCTS

#### Rhode Island: GamePRO Live Game Testing

The Rhode Island Lottery and GTECH wanted a way to move beyond traditional player research for new games. The goal was to enable



Special Texas Powerball counter displays placed at the point of sale facilitated play action and added to the overall retail marketing package.



Extra large sized LED light frames attracted player attention to the Powerball game.

the Lottery to place a game in a retail location and observe how players would respond to the concept when they spent their own money to play.

Our system architects designed GamePRO to have the security and automated functionality of an actual production system, without the need to conduct full system integration testing of the pilot games on the Lottery's transaction system.

The benefit of this system, which is now available for use in other jurisdictions, is that it allows a lottery to take secure, auditable wagers and validate winners on a new game while still allowing the lottery and GTECH to make quick changes to the game within a matter of days. With this system capability, lotteries can, for the first time, gather feedback from players and retailers as they play and fine tune games based on the feedback.

As a result of the GamePRO testing in Rhode Island, the Lottery just launched a new add-on feature to Keno, called Multi-Chance, which gives players the opportunity to win free games and larger prizes.

The Security and automation features of GamePRO mirror a full production system, even though the game may only be available in one or two retail locations.

## INNOVATION TO GUARANTEE INTEGRITY

- Secure network communications.
- Draw sealing to prevent insiders from inserting fraudulent winning tickets after draw.



The first-ever GamePRO pilot went live in Rhode Island in December 2009, followed by three additional pilots in early 2010.

- Data redundancy based on RAID-configured hardware.
- Real-time, algorithm-based confirmation of every ticket's authenticity at the time of validation.
- Round-the-clock system monitoring of GamePRO systems, complete with the monitoring tools and operator oversight available to any live system

This solution allows lotteries to focus on how games are being received by players and retailers, which greatly reduces the risk of rolling out a game to the entire retail base before it is ready.

#### RETAIL EXPANSION/OPTIMIZATION

##### West Virginia: T.A.G. Sales Improvement Program

GTECH's Texas marketing and sales teams working with our Corporate Marketing team developed a program that combined sales and demographic analysis with lottery retail sales best practices to increase the sales of high-potential lottery retailers. This program, "Double Blue," has since been adapted to a national sales and marketing program, called "T.A.G." (Train, Act, Grow).

In Fiscal Year 2010, instant ticket game sales in West Virginia declined 14% from Fiscal Year 2009. The Lottery and GTECH's Sales Director worked together to identify retailers with the potential for sales growth.

T.A.G. was introduced in West Virginia on September 1, 2010. The goal was to increase sales at selected retailers, by a minimum of 10 percent during the initial 13-week period. Named for the three main program features, T.A.G. touches the navigation points that are critical to lottery sales representatives:

- 1) **Train:** Sales reps are trained on lottery best practices to optimize retailer sales.
- 2) **Act:** Sales reps introduce strategies to retailers and sales clerks to help them grow sales.
- 3) **Grow:** Targeted retailers realize sales growth by carrying out the optimization strategies.

In November 2010, the sales force in West Virginia completed a 13-week T.A.G. program cycle. Retailers that participated in the program saw weekly average sales increase 12.7% over the prior period, compared to 6.5% average increase for non-participating retailers.

Encouraged by the sales growth of retailers involved in this first phase of T.A.G. execution, a second T.A.G. rollout was initiated in January of this year. During this second phase of T.A.G., overall sales for the

participating retailers increased 34.7% over total average weekly sales for the same quarter the previous year, while sales for all other retailers increased an average 19.4%.

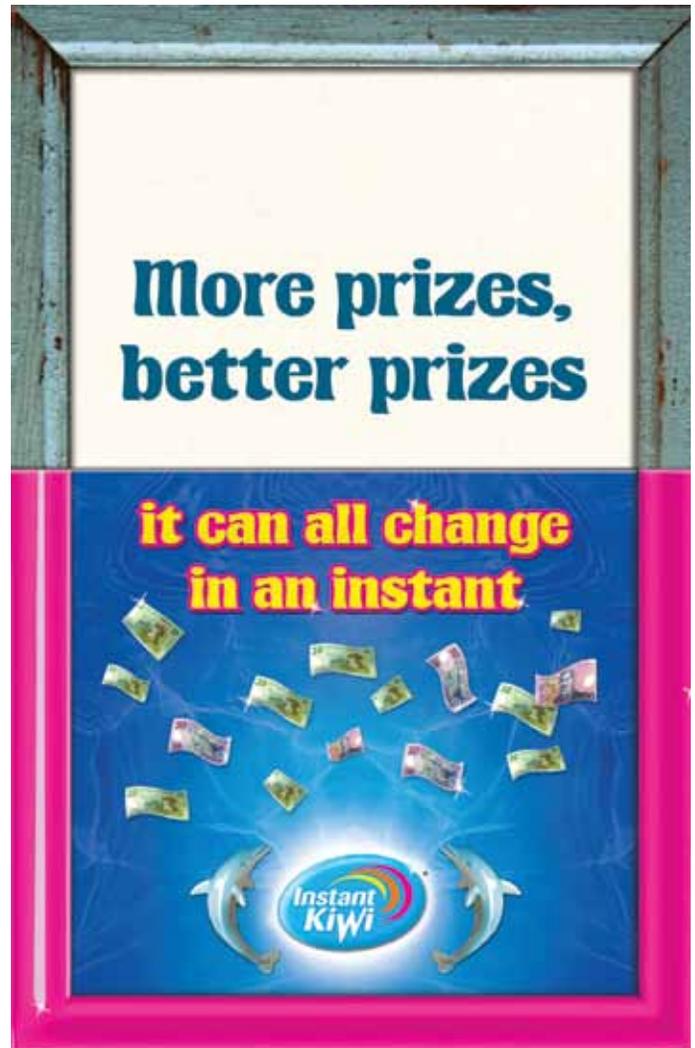
In addition to the T.A.G. program, the Lottery launched a few other notable things which contributed to the success of the program's second phase including a \$25 Instant Scratch-off ticket, as well as high jackpots for both the Powerball and Mega Millions games.

The Virginia Lottery, Tennessee Education Lottery, Georgia Lottery, and Kentucky Lottery all have either completed T.A.G. programs or have programs underway, with additional lotteries considering their own implementation.

#### BETTER INTEGRATION CAPABILITIES

##### New Zealand: Customer and Vendor collaboration support smooth Instant Game Transformation

When the New Zealand Lottery Commission (NZLC) embarked on an Instant Kiwi Optimization Program, it undertook a route and branch review of the category. Instant Kiwi has always been a strong brand in the portfolio, but had come under increasing pressure from the Pokies in recent times, which offered both higher payouts and instant wins. Instant Kiwi has always been positioned as a chance for people to "get out there and live a little," and is a great way to remind people that "instant Kiwi games are for people like me."



Integrating the customer knowledge and industry experience of GTECH with the NZLC's instant ticket vendor produced a successful new branding of the Instant Kiwi product

As part of the process, the NZLC requested that GTECH and its instant ticket provider review the current situation and proposed response plans. The GTECH Instant Ticket Team was able to provide recommendations regarding sales and operations that were designed to encourage the expansion of the group whom they called “people like me.” Those recommendations expanded on the already excellent work undertaken by the NZLC of benchmarking with analogous global markets that had faced similar challenges. In addition, they were able to suggest further improvements to enhance the plans over the medium to longer term.

The program focused on three key areas of the Instant Kiwi value chain: product, communication and distribution. The portfolio of games was refreshed and a new brand proposition was developed: “It can all change in an instant.” This was supported by a new advertising campaign designed to celebrate the changes and ensure all of New

Zealand was aware that Instant Kiwi is now bigger and better than ever. The results thus far have been extremely encouraging, with Instant Kiwi sales for the first year forecasted to go up from 2010’s \$104 million to \$132 million. This is an increase of 29 percent. On average, there are 30,000 more winners per week winning \$450,000 more in prizes. As a result, the brand is more visible and viewed more positively by players.

## CONCLUSION: A NEW WAY OF THINKING AND ACTING

To thrive in this constantly changing market and sustain our industry’s relevance, it requires inventive thinking and relentless, superior retail execution. Recognizing our common goals and working collaboratively toward progressive change are the cornerstones of *Customer First*.

Partner, Align, Create, Execute and Communicate. Our lottery customers’ business challenges are our challenges. We have common goals. We are committed to earning our customers’ trust every day. ♦

Ana Paula Barros ...continued from page 33

the infractions occur, but throughout the entire community of nations working together to compel operators to respect the laws of each nation. Maybe an International Treaty on gambling is needed. So yes, I would hope that insofar as these companies are found to act criminally in the United States, their status in markets where they are currently operating might be re-assessed. And that markets that are opening up in the future should factor in the track records of applicants who have been found to violate laws in other countries.

There is another “court” that can be the most powerful. That’s the court of public opinion. Public awareness of these issues and the fact that illegal i-gaming poker sites can be dishonest, violate laws, not pay taxes, and potentially defraud the players; this could lead to a respect for the importance of laws to protect the public and to hold these companies accountable. As the public and the players become more knowledgeable about this, our legislators and shapers of public policy will be more likely to support regulatory frameworks that hold operators to a higher standard. That’s why we need to nurture an international awareness, or at least a trans-Atlantic awareness of these issues. European and North American lottery operators need to work together more to create a better understanding of our industry on both sides of the Atlantic.

*The European Lottery Association has become a force for positive political and regulatory change. How does the EL Association get its members to agree on political positions and the actions to take?*

**A. P. Barros:** First of all, the majority of lotteries belong to the member state and could never bind the member state political position. The EL, however, doesn’t represent

the lotteries themselves, and thus unanimous consensus is not required for the EL action. The EL acts on its own behalf and its position doesn’t bind the lotteries or the Member states’ position. EL has a Board and an Executive Committee that take the daily decisions, according to the general declarations. The EL General Assembly approves general declarations and frameworks, e.g. on responsible gambling and such, and the EL has many groups for studying and preparing documents that can be accepted by the members to present to their member states, if they wish to do so.

Individual lotteries are free to take positions that are not always consistent with the EL Association. And vice-versa. For instance some members of EL, like Camelot and Lotomatica, are private companies. And all German lotteries, Veikkaus from Finland, the Belgian lottery, and many others, are all public operators. Santa Casa is a private entity but totally controlled by the state.

The second point is that the EL has been very engaged in European issues for many years. Some of the EL internal resolutions that establish main principles on lotteries and betting have taken more than ten years to be approved. Proposals are made, resolutions are formulated, resolutions are reworked, followed with votes by the general assembly, back to committee for further revisions – this is a complex process that takes time and a conviction on everyone’s part that it is important and worth the effort and the need to compromise. Some European lotteries, as they are part of the Public Administration of the member state, are not allowed to lobby themselves. But the European Lotteries Association is able to lobby.

*So, the European Lottery Association has lobbyists in Brussels?*

**A. P. Barros:** Yes. And while the positions it defends are usually consistent with the majority of its members, we do not require a unanimous consensus for the EL to take those positions. And sometimes we do not agree. For instance, in the early stages of the case with Bwin, the EL had different positions from Santa Casa on how to tackle the problem of Bwin, and recommended a different legal strategy. It was up to Santa Casa to decide what to do in “Brussels”. We pursued a strategy based on the conviction that the Court could be convinced to uphold the principle of subsidiarity against mutual recognition. Of course, once in court, many member states supported us, but there were different opinions about the best way to achieve our shared objectives.

The important thing is that differences of opinions not impede action and the need to always move forward. European Lotteries do not agree on everything with all its members. But we do agree that our interests need to be defended in Belgium, just like the interests of U.S. lotteries need to be defended in Washington, DC, I would suppose.

The distinction is that the EL can speak on behalf of the Association of the European Lotteries but they do not speak on behalf of any specific lottery. They do not represent Portugal or any other lottery in “Brussels”. The EL did not always have lobbyists. Ten years ago, the members wouldn’t allow it. That has changed over time and the evolution required patience and persistence and is in fact an ongoing process. We really have no choice. Other interests that conflict with lotteries, like the remote i-gaming operators, lobby hard in Brussels. We all recognize that the interests of lotteries in general need to be defended in Brussels or our stakeholders, especially the most vulnerable people, will be the ones who suffer. ♦