



JUMBO LOTTERIES

THE RIGHT COMBINATION

Interactive Gaming Poised for Significant Growth in the Americas

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Since 1984, Jumbo has operated lotteries in another large southern hemisphere lottery market – Australia and the South Pacific. Beginning with a traditional lottery terminal system throughout 7 countries in the South Pacific, Jumbo leapt into Internet-based lottery sales in 2000 in Australia and since then has amassed plenty of experience with Internet lotteries.

Not all countries have adequate communication infrastructure to support high-bandwidth lottery terminal systems, so a practical approach must be taken to operate a system in these conditions. Fiji, for example, struggles to provide reliable ADSL connections resulting in retailers being forced to use low bandwidth dialup technology and store-and-forward software to ensure reliable lottery ticket

sales. Widespread flooding in Fiji earlier this year highlights the challenges that a lottery system must be able to withstand.

The trend towards Internet lottery sales is also helping to spread a lottery through less developed areas. The internet itself is a robust network that was designed in the 1960's to withstand even a nuclear blast and as such is ideal for developing countries. In fact many countries are jumping straight into modern 3G networks and avoiding the costs of earlier technologies. This creates an ideal situation for a lottery to adopt internet lottery sales to boost growth.

In Europe, the UK National Lottery now offers a full complement of 40 lottery games for sale through their website, the Canadian's have embraced the technology, in Australia lotto sales are available online through Oz Lotteries, and in the US the Illinois Lottery now offers sales of their Lotto products through the Internet.

2010 statistics establish Internet use in Central America at 27% of the population, and for South America 37%. While these statistics do not approach the penetration numbers other areas enjoy, the penetration of mobile phone use in both regions for adults aged 18 and older approaches 100%. Even though Smart phone penetration still hovers in the 15-17% rate, 80% of the non Smart phone users have mobile access to the Internet and use it regularly often to purchase products. Like Europe over 80% of mobile users prefer top up cards over annual contracts. When lotteries are reaching out for new customers the younger demographic is critical. Mobile technology helps you get in their field of vision but you need to engage them and keep them interested. Jumbo Interactive is launching a suite of interactive games and tools to bring the traditional draw game to life. Never again will the player just be presented with a grid of numbers, Jumbo's technology will send them on a quest and on the way they'll find random numbers that will hopefully make up a lucky ticket.

These numbers suggest that Internet gaming, with a strong mobile component, presents a real sales opportunity for lotteries in both Central and South America. The continuing shift in consumer purchasing habits and the rapid explosion of technology suggests that lotteries will need to move in this direction over the next several years to protect and grow their current market share.

Key to this approach is that the Internet and mobile programs must be designed to supplement, not replace, current retail operations. The program should be designed to protect their current retail operations and consumer base, while reaching out to the new generation consumer who prefers the shopping convenience that the Internet offers.

For the past 10 years Jumbo Interactive has successfully supported the continual operation of Internet and Mobile sales programs in Australia. In addition to our technical expertise and experience, we have developed extensive marketing programs to assist lotteries to rapidly reach their market and grow sales. From a technical standpoint we have successfully integrated our systems to work seamlessly with various back office systems, including GTECH's, and from an operations standpoint we have developed programs to integrate Internet sales into your existing sales program, without detriment to your current retailer network. Jumbo Interactive is a publicly listed company in Australia with a very strong balance sheet to support our clients' needs. ♦

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structure of lotteries is so small to the point of being a drag on the entire business. It is time to alter the resource-management focus from controlling costs over to figuring out how to re-invest in the business. We should literally look for ways to increase costs, be it in advertising & promotion, merchandising, sales and retailer training, POS materials, or any of the other activities that contribute to an increase in sales. I'll even go a step further and opine that the seemingly reasonable notion that cost-control is still a perfectly legitimate business objective is misguided because it creates a conservative bias that impedes re-investment in the business. Obviously, the re-investment process should be held accountable to high standards of productivity and ROI. But the focus of our legislators should be to hold lottery operators accountable for growing the business with prudent but visionary re-investment. As it is, too often they focus on saving nickels on the cost side of the income statement and losing dollars on the net revenue side. It's almost as if they value the ability to quantify the factors of production more than they value actual performance; and value the ability to predict results more than they value the actual results themselves.

I should emphasize that those are my thoughts and should not be attributed to my interviewees. The interviews in this issue are just what caused me to think about the incredible opportunity that faces government lotteries today and yet the precarious position we find ourselves in spite of those opportunities. I would submit that government lotteries represent an astonishing untapped value. And it will be exploited by our adversaries if not by us. We need to somehow overcome the ambivalence that governments seem to feel towards their own lotteries and catalyze them to unlock this untapped potential. It is becoming evident, thankfully, that important shapers of public policy understand that and are acting upon it. More and more governments are recognizing the incredible power they have to regulate, and tax, the gambling industry for both the economic benefit of the public and the protection of the consumer. ♦

Visit the websites of the World Lottery Association and the four regional associations.

www.world-lotteries.org

www.NASPL.org

www.european-lotteries.org

www.asiapacific-lotteries.com

www.cibelae.com