

## Tom Little

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**PGRI Introduction:** In the U.S., Instant Scratch-offs have been evolving and growing over the past couple decades. The draw games have not innovated as much. It was a great leap forward to cross-license the two biggest multi-state games, and then to raise the price of Powerball from \$1 to \$2. But, what about the games themselves? Are the game mechanics and distributional and promotional options just more limited in the draw game category than other game categories, like scratch-offs? Or are there opportunities to innovate, to give the consumer more options, to create a more entertaining play experience in the draw games?

Tom Little draws on over thirty-seven years of personal lottery management experience and expertise. Prior to implementing the Intralot USA startup in 2001, Tom served as Senior Vice President and Chief Information Officer (CIO) of Scientific Games International. His extensive background in lottery management, operations and technology informs Tom's perspective on ways to innovate and grow the draw games – quintessential lottery game.

**Paul Jason, Public Gaming:** *Although U.S. lotteries have been experiencing record-breaking sales, many of them are struggling to increase sales of their in-state traditional draw games such as Pick 3 and Cash 5. What are your thoughts on the future of existing in-state draw games and what can be done to revitalize the product line?*

**Tom Little:** The multi-state draw games have tremendous consumer appeal and that can put pressure on the in-state draw games. Even so, a number of current in-state draw games are still performing well. Others have been struggling and will probably continue to do so. Some lotteries are considering dropping games that have had consistent sales declines. My belief is that if those games are still profitable and there are no issues with covering top prizes, those games should be allowed to remain on the market. Products in the mature stage of their life-cycle can still be profitable. If the lottery were to minimize advertising and other support for those games, they could be among the most profitable games in their portfolio. I see no reason why their contribution to net funding should be terminated prematurely. All games have a group of core players that will continue to play and enjoy those games. Advertising and promotional support should be applied to new games. Having said that, we are losing the typical draw game lottery player, either because of age or the advent of numerous other gaming options. The new generation demands more variety and

features that appeal to them; not a one size fits all option. In order to continue to attract current players as well as draw in new ones (pardon the pun), lotteries will need to push the limit on what they offer to their players as well as how and where they offer those choices. There has been resistance within the industry to increase the number of price points of in-state draw games. However, we see multiple price points on draw games as a necessary evolution to keep up with the changing market and the consumer demand for more options. We have seen great success with a number of our jurisdictions that have adopted this model of multiple price points with their Online Instant games. The price points of these “draw” games have included \$1, \$2, \$3, \$5 and \$10. Very soon one of our customers will offer a \$20 Online Instant game to their players.

*Online Instant games would seem to hold tremendous potential. How do they work?*

**T. Little:** I'm not surprised that you've heard about this new product line. It has been hugely successful for our lottery partners. Essentially the Online Instant games are fast-play style games generated from the retailer terminal, or from INTRALOT's self-service terminals – the WinStation and MP. They can be played and validated instantly without having to wait for a daily or weekly drawing to occur. Getting that real-time feedback on winning information is what makes the experience of playing Instant Scratch-

ers feel like a true gaming experience, and significantly contributes to their big appeal to consumers. Transferring that attribute to the draw games and giving draws that instant feedback also has the same result of making the experience feel more like a real game and should further enhance their appeal. These Online Instants have multiple price points and are essentially scratch tickets without latex. We have developed games with all types of play styles, from traditional match 3 of 5, to themed games as well as extended-play games. This product line has added as much as an additional \$0.25 in weekly per cap sales that has been completely incremental with no cannibalization of other draw games or instant tickets. We see the opportunities for this category of draw games as a way to attract new players and possibly put a new twist on older style draw games such as Pick 3. Imagine an “instant” Pick 3 drawing available to players where every play has its own drawing with the results shown immediately.

These Instant On-line games also have a significant advantage over multi-state games in that they don’t require approval by a number of other lotteries. In the past, that process has been difficult and it can be a very big obstacle to innovation. State lotteries still need to stay aligned with their own in-state set of constituents, but they have much more flexibility and control to innovate and to implement something like an online internet-based draw game.

*There is much talk about how we need to apply at least some of the principles that have worked so well for scratch-offs over to the draw games. Are there ways to apply these successful principals to draw games?*

**T. Little:** The game mechanics of scratch-offs are quite different than those of draw games. But there are many successful principles that have been developed for scratch tickets that can be applied to draw games as well – like creating games with a variety of different themes, different price points, different odds, different prize levels and top prizes. Those are all attributes that offer a rich canvas for innovation in the draw game category. And INTRALOT has also expanded on the basic principles to differentiate our products from the existing ones so as not to just move dollars from one product to another. Research has shown us that these games fit a unique niche market and do not cannibalize sales from other existing products.

Most people think only of Mega Millions, Powerball and Pick 3 when they think of draw games. The truth is that we can do much more. Just in the last couple of years, INTRALOT has worked closely with its lot-

tery partners to develop new, exciting, and innovative draw games. Our experience has shown us that the most successful strategy, just as it is with instant tickets, is to launch a variety of games with different themes and price points in order to create options for the consumer and attract different demographics. Currently, Online Instants are offered by the Ohio, D.C., Montana, New Hampshire, Vermont, New Mexico and Arkansas Lotteries. The DC Lottery, for example, at any given time, offers more than 20 FastPlay games (Online Instants) on the market with price points ranging from \$1 up to \$10. In addition, our Online Instant Progressive Jackpot games have been experiencing great success in Montana, Arkansas, Ohio and Washington, D.C. These games do not compete with the existing big jackpot games since their jackpot is much smaller. However, the games are still very exciting as they grow in real time with increasing ticket sales. Another feature that players like about the games is that the jackpots are won frequently and that they produce “local” winners. In addition, the odds of winning the jackpot prize in these games are significantly better than multi-state games. Sales of these games have also been helped by another strategy used in the success of scratch games, the self-service lottery terminals.

Another great principle coming from the scratch world is that of “families of games”. The D.C. Lottery was the first to offer three draw games under the same umbrella, called “DC Jackpot”. Each game has its own price point and prize structure but their sales contribute to a single progressive jackpot. As a result, the jackpot increases much faster, making the game much more interesting. The DC Jackpot game doubled the Lottery’s Online Instant sales when it launched and has continued to bring in 50-60% of total Online Instant sales, depending on the jackpot level.

*You touched earlier on self-service terminals. Aren’t lottery players creatures of habit and refuse to buy from anything except their clerk?*

**T. Little:** We’ve found the response to be quite the opposite. Self-service is a growing trend in every industry globally and lottery is no exception. While there may be a group of traditional players who aren’t interested in self-service, we have found them to be a tremendous tool to aid retailers and lotteries. When jackpots are high on Powerball or Mega Millions self-service machines help to reduce lines and wait times for retailers and players. In addition, we have found that providing self-service machines significantly helps to sell lottery into social locations such as bars and taverns that typically do not have

the inclination to be lottery retailers. As we evolve with the new generation of potential lottery players, I see the reliance on self-service growing as more players demand products at the touch of a button.

Recognizing this emerging trend in self-service, INTRALOT recently introduced the TAPP IT! product line. This line of games allows players to use the touch screen of the MP terminal to choose the game and game parameters (price point, numbers, etc.). Allowing the player to make their own selections within the game gives them the perception of skill and the feeling that they have control over the outcome. Of course, in reality the result of each game play is predetermined by INTRALOT’s central system and within seconds the outcome is displayed to the player in high graphic animations and sound. The games give the entertainment experience that the new generation of gamers demand. Non-money casual games have become quite popular. TAPP IT! shares some of the attributes of casual games and so appeals to these new consumer groups. By allowing players to validate their winnings immediately and get credit in the machines up to a configurable amount, they can play additional TAPP IT! and other traditional lottery games as well, producing a rising tide lifts all boats phenomenon.

*It will be interesting to follow the progress of INTRALOT’s TAPP IT! line of games because while that product is new to the industry, Self-Service and online instant tickets have been around for some time. To what do you attribute your success with Self-Service and online instant games?*

**T. Little:** Our success with the online instant tickets comes from the expansion of the product line and the fact that the games themselves have been designed to provide the flexibility to take into account the habits, customs and preferences of local players. For example, bowling is extremely popular in Ohio. For that reason, we developed an EZPlay (Online Instant) game with a bowling theme. It has been a tremendous success in Ohio but it probably wouldn’t translate to New Mexico. We can also be experimental with these games because the lower cost to develop and launch the games means there is less risk for the Lottery than with some of their other products. With regard to self-service machines, success depends on where the machines are placed, and the appeal of the games that are played on them. Lotteries have been placing ITVM’s in grocery stores and truck stops for many years. We will continue to try to open up big box stores using self-service equipment. But where we are

seeing greater impact is in the expansion of self-service equipment with new and exciting Lottery products in social venues. Social venues are a very under-utilized retail channel for Lottery, but it takes a combination of the right self-service terminal, the right placement of the terminal, and the right games to fully effectuate this channel's potential. Social Venues need the self-service equipment so that their staff are not drawn away from their core business operations and the players need the games that fit with the style of games that are being played in those venues, whether it is Quick Draw Keno, pull tabs, video games, or illegal 'grey machines' slot type games. You have to have the right product to compete with or complement those types of games to be successful. An example

of this combination is our 'Shake-a Day' game in Montana. We developed an instant win, progressive jackpot game that resonates with Montanans because it is a game that has been played in bars and taverns around Montana for many, many years. The game is only sold from self-service equipment in around 250 social locations around the state. Last year Shake-a-Day accounted for about 8% of all Lottery sales, pretty amazing considering it is not sold at traditional lottery retail outlets.

*Speaking about traditional lottery retail outlets, how do you see their role with lotteries evolving in the future?*

**T. Little:** Traditional retail outlets have been the backbone of our industry and great partners for close to 50 years now. Although

I believe the prediction that eventually "Everything that can go digital, will," our partnership with Brick and Mortar retailers has the capability to become stronger in the future, even after traditional lottery sales occur on the internet. The key is for lotteries and their vendors to use advanced technology that already exists, and take advantage of developing technology to not only help B&M retailers sell more lottery products but also help them increase sales of their non-lottery merchandise. We, as an industry, already have access to current technology that will assist in achieving this goal. That is, however, a very lengthy discussion and probably best saved for another interview! ♦