

Stephen Martino

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PGRI Introduction: The last few years have been witness to some dramatic change in the way the multi-state games are operated in the U.S. Cross-sell in 2010. Raising the price of Powerball to \$2 a ticket in 2012. Next up is Monopoly Millionaires' Club, perhaps the most important game-launch in the history of U.S. lotteries. These innovations did not happen without a long-term plan to build on the success of multi-state games. The planning for additional games, and the development of new strategies to innovate in all aspects of sales, marketing and distribution, began prior to the beginning of cross-selling four years ago.

It's the market-place that is driving these changes. Consumer tastes, behavior, and lifestyles are evolving at breakneck speed that necessitates fast and effective adaptation on the part of all businesses. The complexity of the business environment, the sophistication of technological infrastructure to support the business, the abundance of creative, even 'paradigm-shifting', game concepts that are flooding the market, all call out for a serious look at how lottery will lead the charge into the future, or at least keep up with the changing market-place. The question before the board is – How can the consensus-building apparatus and a culture of innovation be institutionalized such that the ability to turn concept into action becomes systemic and the full potential of multi-state gaming initiatives is realized? It's a big question with no easy answers. And it will never be easy to create consensus among 44 lotteries. But one aspect of the question relates to the issue of "governance," the infrastructure that facilitates the inter-lottery communication, research, planning, concept-vetting process necessary to create and implement multi-state games and promotional initiatives.

The Maryland Lottery and Gaming Control Agency recently joined MUSL (Multi-State Lottery Association). In so doing, the Maryland Lottery is required to give up its membership in the Mega Millions consortium. As a proponent of rationalized governance of the multi-state games, Stephen Martino speaks to the reasons for this decision to join MUSL and how he expects the Maryland Lottery to benefit by its association with MUSL.

Paul Jason, Public Gaming: *Some directors feel that U.S. lotteries will never operate at an optimal level as long as there are two separate multi state game groups – MUSL and the Mega Millions. Do you agree with that?*

Stephen Martino: I agree that having two separate groups manage two national jackpot portfolio is an inefficient, cumbersome governance structure. The way we do

business now is unwieldy, and it stifles innovation. I hope it changes but cannot say how or when it might evolve to manage the games better and responsibly grow revenue for each states' good causes. What I do know is that effective July 1, the Maryland Lottery became a member of the Multi-State Lottery Association.. The media spotlight is constantly on our industry, and government-gaming operators hold themselves to the highest standards of integrity and security,



so it is prudent for them to be cautious as they implement new technologies, business processes, and expand the channel mix and the portfolio of the games themselves.

Being a huge fan of MUSL, I would think that is very exciting, both for the Maryland Lottery and the community of MUSL members. I don't see why all lottery states would not want to avail themselves of the full store of MUSL resources, infrastructure, and brain trust.

S. Martino: It just made good sense for Maryland to join MUSL. Lottery is no longer about just selling tickets in a retail store; the industry is changing rapidly. The business and operational challenges are more complex, require a more sophisticated structure, and demand rapid technological and business-process enhancement. The portfolio of games is becoming more diverse, and we need to push for even faster and more creative development of new games, new ways to communicate with our players, new channels of distribution, and fresh promotional concepts. There is a wealth of opportunity, along with challenges, facing lotteries today. The question is not whether something still works or is adequate to our

needs; it is whether the effort will most effectively, efficiently and responsibly drive sales and generate revenue for good causes. I think the MUSL model provides the best foundation for effectively pursuing new opportunities and new ideas and drive innovation. There are so many things that MUSL does for its members: its comprehensive operation; the professionalism of its staff; and the high quality, thorough information, research and game concepts that they provide. Taken together, it was a compelling value proposition for the Maryland Lottery to pursue membership, and we look forward to being a beneficiary of these services and contributing where we can.

MUSL is an innovation and game-producing machine, constantly proposing new ideas and game concepts, most of them getting shot down or sent back to the drawing board. But that's the way true innovation happens. The thing is, it takes time and the concerted application of creativity generating processes, the kind of thing that MUSL does so well. They have the resources to generate countless ideas for the members to assess and figure out which are the best to develop.

S. Martino: I agree. MUSL has the infrastructure, resources and knowledge to facilitate the development of multi-state games on the casino side of the business as well as the lottery side. In fact, the entire sphere of multi-state gaming operations is one of MUSL's core competencies, and that's definitely relevant to the casino side of our business as well. We are actively looking at joining MUSL's MegaHits game group, which would allow us to offer a multi-state progressive jackpot slot machine. We would join fellow MUSL member lotteries Delaware, Rhode Island and West Virginia. The casinos that we regulate are intrigued by the possibility of this option. It is yet another example of MUSL providing compelling game options to generate sales responsibly that will increase revenue for good causes. MUSL's work on the traditional lottery side speaks for itself. We're excited about Monopoly Millionaires' Club and what that can mean to our state, our players and the financial bottom line. These constitute a couple of the reasons why the proposal to join MUSL was unanimously approved by our commission.

Where do we go from here? Will other Mega Millions state lotteries join MUSL?

S. Martino: It is not for me to say what

other states will do or what they should do. But I think, hopefully and aspirationally, that the industry can get its head around the notion of merging the two groups and having one governing structure for everything we do. That doesn't mean that any game goes away. Mega Millions and Powerball are two incredibly powerful brands. And now, the Monopoly Millionaires' Club has tremendous promise. As a community of lottery operators, we need to work together to manage these tent-pole products as a compelling product category for optimal overall success. Just think of how much more effective it would be if everyone came together around a common table just like we do at the NASPL meetings. MUSL has active committees and management groups for the games it offers. The MUSL structure enables the various tasks and game management activities to be coordinated effectively and focused to deliver the results the lottery industry needs.

Some Mega directors might protest that the Mega Millions and Powerball directors do work together to chart a course to optimize performance of the two games, and that the relationship is productive and works well. Still, wouldn't the results be better if the two groups were collapsed into one group that includes all the lotteries and manages both games?

S. Martino: The directors from both groups do work well together. But because they represent two separate sets of constituent lotteries, the entire industry operates in a cumbersome and inefficient system. The fact that there are many shared objectives does not change the fact that they are two separate organizations with two separate memberships. It is challenging enough to create consensus among 44 lotteries. Our industry faces more than enough obstacles to progress and innovation as it is. Many of those obstacles are not of our making, and we have no control over them. They are inherent to lotteries operating within government; our ability to be nimble already is comprised. So, the least we can do is remove those inefficiencies that we do have control over. And I would put governance at the top of that list.

Just as with other lotteries, the mission of the Maryland Lottery is to maximize revenue in a responsible way for our in-state beneficiary. In Maryland, that is the state's general fund. In other states, it may be public educa-

tion, higher education scholarships or to support senior citizens. In my mind, working with other states to develop national agendas to promote the responsible sale of lottery products contributes in a vital way to that mission of serving our stakeholders. MUSL provides the means to make that inter-state cooperation function as effectively as possible.

So you see that goal of optimizing results for your in-state constituents as being served by developing stronger national programs, promotions, and brand development strategies?

S. Martino: I do think it should be a priority – where possible, practical and affordable – to develop a more nationalized approach to marketing the national games. Monopoly is a broadly popular game in the United States. Its appeal stretches across geographical markets and demographic profiles. Advertising still needs to be controlled by the states, but some of the production costs will be offset by creating templates that could be used in all markets. And that hopefully will contribute to a commonality to the brand image as people travel throughout the country or are otherwise exposed to multiple media markets and messages. So, to your question, I think that building a national presence and brand image is an important part of the plan for Monopoly Millionaires' Club.

How vital is the television game show aspect of Monopoly Millionaires' Club?

S. Martino: I think it is a compelling selling point of the game. This industry needs fresh approaches to add to the traditional lottery concept and the traditional ways of promoting lottery products. Monopoly Millionaires' Club has components that are quite different from Powerball and Mega Millions that will appeal, we hope, to new players. We can all do a better job of attracting people who don't currently play the lottery. Accomplishing that is one of the primary objectives of Monopoly Millionaires' Club and the TV game show.

Success is never guaranteed. But considerable thought and consideration has been put into all the elements of this, which makes us excited about the possibilities and confident that it will contribute to our sales in fiscal year 2015, which runs until June 30 of next year.

You mentioned that many aspects of advertising and promotion will, of necessity,

always be implemented on a state-by-state basis. I know there are lots of reasons why each state needs to control its media communications content and delivery. But some things, like a TV game show that depends on large scale to manage production costs for each lottery, and for media contract negotiations, really require big, national-market scale. I'm hoping that the process of figuring everything out for the Monopoly Millionaires' Club and its TV game show might spawn new ideas, new ways to think

about the whole concept of national advertising and create a fertile foundation for new approaches to overcoming the obstacles to national advertising and promotion. Maybe even help in the areas of data collection and reporting that retailers are demanding. And standardization of some aspects of distribution infrastructure to meet the needs of a Walmart.

S. Martino: I hope and expect that the innovative things being done for Monopoly Millionaires' Club will be informative

and educational and that the experience will stimulate fresh ideas for other games and promotional strategies. Not everything will be as successful as planned. But if we plan carefully to manage our risk and set reasonable expectations, we will continue to grow and prosper. That's the way progress happens, and, as far as I can tell, there is no other way to drive progress. ♦