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I N T E R N A T I O N A L

MARCH/APRIL 2017

- Change Agents and Technological Innovation—Meet Security and Integrity
- The Future of iGaming under President Donald Trump and Attorney General Jeff Sessions
- IGT: Top 5 Challenges Facing the Lottery Industry

FEATURED INTERVIEWS



Debbie Alford



Antonios Kerastaris



Jim Kennedy



Lorne Weil



Norm Lingle



Lifting the Harmful,
Failing Federal Ban
on Sports Betting
will Increase Consumer
Safety and Protect
State Sovereignty



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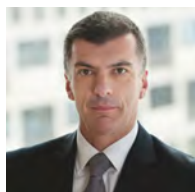
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From the Publisher

Network Externalities sounds like something that business school students may want to philosophize about. For the rest of us, we mostly have jobs that require us to focus on the concrete tasks that produce results right now, this quarter, this FY. Not much time for pondering matters that don't do that. Until we consider that *Network Externalities*, also known as Demand-Side Economies of Scale, are the underlying economic dynamic behind the success of Google, Facebook, Amazon, Twitter, Instagram, Pinterest, Apple, Airbnb, Uber, e-Bay, Youtube, and more. They all leverage the dynamic in which adding customers adds value to the product or service which in turn attracts more customers. Additional users of a product add value to all the other users. Scale begets scale. The operator with dominant market-share gets bigger, everyone else gets smaller.

How can Lottery apply the principle of *Network Externalities/Demand-Side Economies of Scale* ... and derive more value from what is by far the largest customer base in the games-of-chance industry.

The telephone is the iconic example of a tool that becomes more valuable as more people owned it. Facebook—Why join a social network that doesn't have the largest and/or most relevant membership, or post a video anywhere other than Youtube? Pokerstars came to dominate the world of online poker (albeit illegally and before Black Friday) because if you were going to play online poker, you wanted to go to the site that had all the players. The positive feedback loop drives more business to the companies that have the largest customer base.

IBM expected Bill Gates to charge much more than \$430,000 to create an operating system (OS) for the PC, back in 1981. Then they knew they were dealing with a naïve greenhorn when Gates charged only \$40 per copy/unit. By holding fast to the right to license the OS to others, Gates positioned Microsoft to practically invent platform economics and carve out the most powerful monopoly in modern times. The explosion of new programs, applications, and utilities was all written for Microsoft's OS that ran the PC and its clones, leaving all other platforms, like Apple, in the dust. Ironically, Steve Jobs returned to Apple 15 years later to reinvent *platform economics* for the era of the smart-phone.

Bill Gates was ridiculed for charging too little for software. Google, Amazon, and Facebook were famously chided for not making money in their early years. The investment community saw no

pathway to "monetization." In hindsight, now everyone is waking up to the incredible power of *Network Externalities*, using the existing customer base to enhance the value proposition which in turn attracts more customers and so on.

How can Lottery apply the principle of *Network Externalities/Demand-Side Economies of Scale*? We might think about how the assets of Lottery can be leveraged to derive *Network externality* value from what is by far the largest customer base in the games-of-chance industry. Combine that with a proprietary retail network, products that have more enduring appeal than anything else in the gaming industry, a reputation for Integrity and Brand Value that is almost priceless ... add CRM and games that promote social networking and a Mobile experience to reinforce community and sharing—it will be interesting to see what Lottery will become over the next few years.

Regulatory change has always happened at a snail's pace in the U.S. Now, with the advent of Daily Fantasy Sports (in spite of losing some of its sheen) and the introduction of new game concepts and the pressing need to rationalize the online gaming world, we can hope (!) that the wheels of progress might start to turn. The confounding issue has always been and continues to be about jurisdictional authority. The main thesis of CEI, Geoff Freeman, and Mark Hichar is that the federal government should just clarify once and for all that regulatory and taxation policy as applies to gambling of all types resides in the province of the states. That alone would break the gridlock and enable state governments to decide on the model that would best serve the interests of their citizens. At least some states would opt for the legalize, regulate, and tax model that protects the consumer and channels economic benefit back to society instead of enriching criminals. Then, as regulatory models evolve, the efficacy of allowing more flexibility for state-owned lotteries to be the agent that protects the consumer and maximizes economic benefit for society would become more apparent to everyone. We do live in interesting times, though, so who knows how long it will take for any of this to actually happen!

We hope to see you at Lottery Expo in Miami. Visit PublicGaming.org for conference info, updates, and registration and room reservations links. ■

Paul Jason, Publisher
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Debbie ALFORD

President and Chief Executive Officer
Georgia Lottery Corporation

PGRI Introduction: Since its inception in 1992, the Georgia Lottery Corporation (GLC) has transferred more than \$17.6 billion to the State Treasury's *Lottery for Education* Account. Annual sales now exceed \$4.5 billion with annual transfers to education well over \$1 billion.

On average the Georgia Lottery offers 40-45 instant ticket games at any given time and has nine draw games. Additionally, the Georgia Lottery offers online play with DIGGI games for players located in Georgia.

It is not surprising that one of the most progressive lotteries in the world hosted one of the most exciting and innovative annual NASPL Conferences ever (last October in Atlanta). The speakers were all world-class innovators in their industry sectors. Much of the following discussion is based on the amazing presentations from that event.

The NASPL API Initiative is a good example of innovation that's critically important to our industry ... as an industry, we must accelerate our time to innovate.

Paul Jason: *What are some of the 'truths' that you think we need to revisit and reimagine for our industry to unlock potential to innovate and progress?*

Debbie Alford: The consumer's path to purchase has changed considerably over the years. As we move closer to a cashless society, e-commerce has dramatically altered the way we consume and how and where we make

purchases. Lottery tickets are primarily a cash product, being sold in a cashless marketplace.

Additionally, the majority of consumer brands recognize that the consumer's path to purchase does not always lead to one destination. In our industry, we are highly leveraged in convenience stores. As a result, our sales are dependent on foot traffic, gas prices, etc. in these locations.

Building relationship marketing programs

that support multiple distribution channels or "destinations" will help maintain relevance with consumers. Our customers expect more. We must be where they are, whether it's at the counter, in-lane or online.

Most importantly, our future success requires us to understand our future players (millennials and Gen Zers). We must reimagine our industry through their eyes. Only by understanding their expectations can we connect them to our games, distribution channels, and ultimately the good causes we fund.

How might Lottery innovate to drive operational excellence, superior execution on the fundamentals of business practice and process?

D. Alford: Focus at retail. Make our products "easier to sell" and "easier to purchase."

First, we must identify our retailer's pain points and then we must eliminate them one by one. Some innovations can be as simple as replacing legacy field equipment, increasing the use of vending machines, developing e-retailer applications, to revisiting ticket activation and settlement procedures. Product distribution has been one area of focus for the Georgia Lottery. Keen focus on getting the best-selling products to the right retailer, implementing planograms, reducing stock-outs, and increasing auto-orders continues to yield results for us. But, I still believe that with access to more detailed, real-time sales data we can achieve even better results.



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Other operational innovations are much more complex and require a great deal of collaboration across jurisdictions, and with our vendor partners and retailers. With a goal of increasing sales at underpenetrated or non-penetrated retailers, the NASPL API Initiative is a good example of innovation that's critically important to our industry.

Some innovations may seem like no brainers (even the most-simple ones) but in actuality, they can be quite difficult and time consuming to implement. I think as an industry, we must accelerate our time to innovate.

From a player perspective, I think we've got to make it easier for players to make the purchase decision. Given the number of products we offer, making a purchasing decision can be difficult for players, particularly new players. So, the positioning (and presentation) of our product at the point of purchase continues to be an area of focus for GLC, as well as developing menu boards to better aid and expedite a player's decision to purchase.

Finally, it's critically important to have both a short-term and a long-term plan. Every year, approximately 35-40 GLC team members, along with our vendor partners and retailers, meet to assess our performance and to develop the following year's operational plan. And then, our whole team focuses on relentless execution of the plan.

How effective is traditional advertising at connecting a brand to its audience? How might Lottery integrate social media into its marketing mix?

D. Alford: Traditional advertising (like TV and radio) is still an important component to connecting to the customer. Whereas traditional once drove the consumer to the retailer location, today it also drives the consumer to the internet—where they do their research to determine if the product is worth their consideration.

Lotteries need to really think through their approach to digital and social media. I recall reading a recent study that indicated 25% of millennials left Facebook because they were tired of newsfeed ads. I'm not a millennial but ... who isn't frustrated by pop-up ads? Digital and social media requires that we master the art of selling without selling.

With that said, social and digital media

can foster a conversation between the brand and the consumer. Players are not "passive recipients" of marketing messages—rather, they expect to be "active participants" in shaping the message. When these channels are used to reach consumers in more personal ways they can create a stickier relationship with the brand.

At the GLC we communicate daily with players via Facebook, Twitter, Instagram and our Player's Club because that is where they choose to engage with us. Likewise, the introduction of our mobile app allowed us to reach players on the device they choose.

To effectively reach an audience nowadays requires a multi-layered approach. We must become more interactive, reaching out from the screen, billboard or radio to social channels that facilitate two-way conversations and ultimately create brand advocates.

Lottery tickets are primarily a cash product, being sold in a cashless marketplace.

Better yet, how might Lottery integrate social media into its game design and player experience?

D. Alford: We see this as a big opportunity for our lottery, both online and at retail, to create multi-player experiences. Currently, the GLC develops contests specifically for Facebook, Twitter and Instagram users. We have created second chance promotions that drive players to engage with us online and are working with vendor partners to create iLottery games that incorporate player generated content (i.e. chat, leaderboards).

These are just a few of the vehicles that can be used to integrate social features into product development roadmaps.

The Coca Cola company and others succeed at creating a story to go with their product, which are simple commodities, not nearly as intrinsically fun and interesting as Lottery. What can Lottery do to build a richer, more human-

cused, more emotionally engaging story to capture the imagination of its audience?

D. Alford: I always find it interesting how consumer brands work to connect with causes and non-for-profit organizations in order to show their relevance and bring an emotion-quotient to their brand. As lotteries, we all support great causes that have a direct connection to our communities.

The voice of our players and benefactors of the good causes we fund are the most impactful. Asking for their feedback and creating a platform to share their stories is a great starting point.

The Georgia Lottery has been successful with 'Experiential Activations' as described by "The Famous Group." Could you describe those, and perhaps explain how you measure ROI on the cost of producing something that makes a big impact. Too, might there be opportunities for multi-state collaboration to share the cost of producing Experiential Activations that could have regional or even national impact?

D. Alford: Like most lotteries, we have corporate partnerships with local professional sport franchises and other strategic entertainment properties. As always, our goal is to leverage these relationships to promote the Georgia Lottery brand with the property's audience. We work hard to evolve these sponsorships into season-long activations that not only provide on-site/in-arena presence, but the ability to leverage the associations with engaging promotional installments. Our experiential activations are designed to captivate and engage the thousands of audience members with a targeted lottery message. We use this platform to introduce new product, promote major product initiatives, or to promote the great causes the lottery support.

As an example, our relationship with our NBA team, the Atlanta Hawks comes with the sponsorship of multiple halftimes during the season. Here we have developed a visually stimulating floor projection graphics show that features our digital games, that we call Diggi Games. We uniquely designed this show to allow selected audience members to come on the floor and compete to win cash at halftime, and to engage the whole audience by asking them to text to participate. ■

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Change Agents and Technological Innovation—Meet Security and Integrity

Norm Lingle, Executive Director, South Dakota Lottery, and
Chair of the Security & Integrity Committee of the Multi-State Lottery Association (MUSL)

The business of retailing and the distribution of lottery products are in the midst of an effort to enable lottery modernization. Technological innovation is opening up new ways to distribute products, like in-lane sales at check-out and cashless transactions. This is also becoming the standard required by consumers to meet expectations for a convenient and simple shopping experience. Multi-state retailers expect lotteries to standardize process and procedures, streamline communications through the implementation of APIs, and conform to the systematic processes that retailers have in place with all other consumer product goods companies. Everyone knows how important it is for Lottery to smooth a path for technological innovation and evolve to meet the needs of its channel partners and the consumer. Modernization and technological progress are 'mission-critical' for lotteries to ensure a sustainable future.

There is another mission-critical cornerstone to the lottery business that trumps the need to modernize. That is the need to comply with the highest standards of security and integrity. Modernization, digitization of retail, the implementation of APIs, and the provision of technical security are not mutually exclusive objectives. The responsibility of the MUSL Security and Integrity Committee is to ensure that changes to process and technical standards maintain the requisite standards of security and integrity.

APIs have been implemented across multiple industries, including ones like financial services, which require the highest standards of security. We know that these security standards have been vetted and that the technology has proven, for the most part, to be effective in other industry sectors. And we know there are many similarities to the way that a technology like APIs operate across all industries. It is beneficial to have the blueprint from other industries to see that the highest security standards are being met across multiple industries.

Although there are many similarities between the ways that a technology like APIs and cashless are implemented across multiple industries, it does not mean that we are therefore good to go. While much of what would be applied for lotteries has already been vetted in other industries, the fact remains that despite similarities, differences do remain. It is the job of the Security and Integrity Committee to make sure that technological changes meet all, not some and not most, but all the standards applicable to the flawless execution of Lottery.

Currently, there is an effort to amend MUSL Rule 2 and security standards, which describe security requirements for lottery tickets and systems. Much of the current language was developed prior to the introduction of current technological capabilities. The proposed changes would enable Lottery to evolve with its channel partners, open up new kinds of trade-styles, and meet the needs of the modern player. The MUSL S & I Committee appreciates the need for modernization and is working hard to vet these new methods of business conduct to ensure they uphold the requisite security standards. Further, we appreciate that there are no guarantees in life, or in our ability to eliminate uncertainty about the future. We can, however, perform all manner of due diligence available to us to minimize the potential for compromise or unanticipated outcomes. That is what the MUSL Security and Integrity Committee is tasked with doing, and that is what we will do.



The proposed amendments to MUSL Rules are not a one-time deal. As technology continues to advance, the need to continue reviewing MUSL Rules on an on-going basis and proposing amendments will always exist.

We all look forward to modernizing Lottery for a new era of successful growth along with the preservation of Lottery's most valuable asset—the consumer trust in the brand and its reputation for security and integrity. ■

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Time to End the Madness around March Madness

Legalizing Sports Wagering Will Increase Consumer Safety and Protect State Sovereignty

Michelle Minton, Fellow at the Competitive Enterprise Institute (CEI)

Steven Titch, Associate fellow at the R Street Institute and policy advisor to the Heartland Institute

This March, millions of Americans will join friends, relatives, and coworkers in the annual rite of betting in pools structured around the National Collegiate Athletics Association (NCAA) Men's Basketball Tournament, known colloquially as March Madness. They may wager thousands of dollars or as little as five bucks. The one thing they will all have in common, save for those living in Nevada, is that they will be breaking the law.

Gambling prohibitions function as a form of social engineering that seeks to stamp out a certain behavior. Worse, gambling prohibitions that bar states from legalizing, and adults from voluntarily engaging in, certain wagering activities undermine state sovereignty—and thereby the Constitution's allocation of powers between the states and the federal government—and exacerbate any social ills that might arise from gambling by driving the activity underground.

To illustrate the absurdity of gambling prohibitions, take the example of tobacco and alcohol. While legal for adults to purchase, their use is prohibited in most workplaces, to varying degrees, either by law or company policy. On the other hand, gambling on sports is widely accepted and even endorsed in some workplaces, as everyone from the company CEO to the mailroom employee participates in NCAA bracket pools. Even former President Barack Obama openly discussed his bracket picks, and there likely will be pools among staffers in Congress—where elected representatives passed laws against such activity. So how did we get to this nonsensical junction?

The Origin of the Sports Gambling Ban

By the late 1980s, at least 13 states had considered proposals to legalize sports gambling, most in the hope that legalizing and taxing the activity would fill increasingly large budget deficits. That so worried gambling opponents—such as lawmakers and sports league officials who feared gambling would compromise the integrity of sporting events—that Congress passed the Professional and Amateur Sports Protection Act of 1992 (PASPA). Once enacted, PASPA prohibited states that did not already allow sports betting from licensing, promoting, or authorizing the activity. In effect, PASPA blocked all states, save for Nevada, from legalizing and regulating bets on the outcome of individual sports contests.

The proposal, sponsored by Sen. Bill Bradley (D-N.J.), was championed by the commissioners of the four major sports leagues, who testified that such a law was necessary to prevent “a cloud of

suspicion” over athletes and games and to avoid sending “a regrettable message to our young people.” Congress justified intervening in what had traditionally been viewed as a matter for state regulation by declaring sports gambling “a national problem. The harms it inflicts are felt beyond the borders of those states that sanction it. The moral erosion it produces cannot be limited geographically ... without federal legislation, sports gambling is likely to spread on a piecemeal basis and ultimately develop an irreversible momentum.”

However, even as Congress debated prohibiting states from legalizing the activity, illegal sports gambling was rampant. “Not since prohibition have Americans so readily engaged in an illegal activity as they do with sports betting today,” *Washington Post* columnist Andrew Beyer wrote in 1991 when the illegal sports betting market was estimated to be around \$40 billion a year. “Under the circumstances, it would seem inescapably logical for cash-strapped state governments to legalize sports betting and let the revenue from it flow to legitimate purposes instead of criminals ... [e]ssentially what the states did when they created lotteries and virtually eliminated the illegal numbers game,” Beyer argued.

Since the early 1990s, perspectives have shifted. Despite the prohibition, Americans spent an estimated \$9 billion on the 2016 NCAA Men's Basketball Tournament. And it is not just March Madness. Americans wagered almost \$5 billion on Super Bowl LI, according to some estimates. We spend upwards of \$95 billion each year on professional and college football. And while it is unknown how much money Americans bet on sporting events across the board, estimates range from \$150 billion to \$400 billion a year. Some 95 to 99 percent of this economic activity takes place through illegal channels or on websites based offshore, which deprives American consumers of the protections found in a legal market. That fact, along with greater social tolerance of sports betting, poker and daily fantasy sports (DFS)—an online fantasy sports betting platform that allows players to bet on games occurring within a 24-hour period—has been building momentum for legalization.

Furthermore, state lawmakers and legal scholars have increasingly raised questions about the constitutionality of the current ban, which blocks states from legalizing sports gambling within their own borders. This is why the Supreme Court is currently considering hearing a case that might overturn the law. The case involves a suit, *Christie v. National Collegiate Athletic Association*, in which the State of New Jersey alleges that PASPA—which the NCAA and other leagues have argued forbids New Jersey from repealing its own ban on sports

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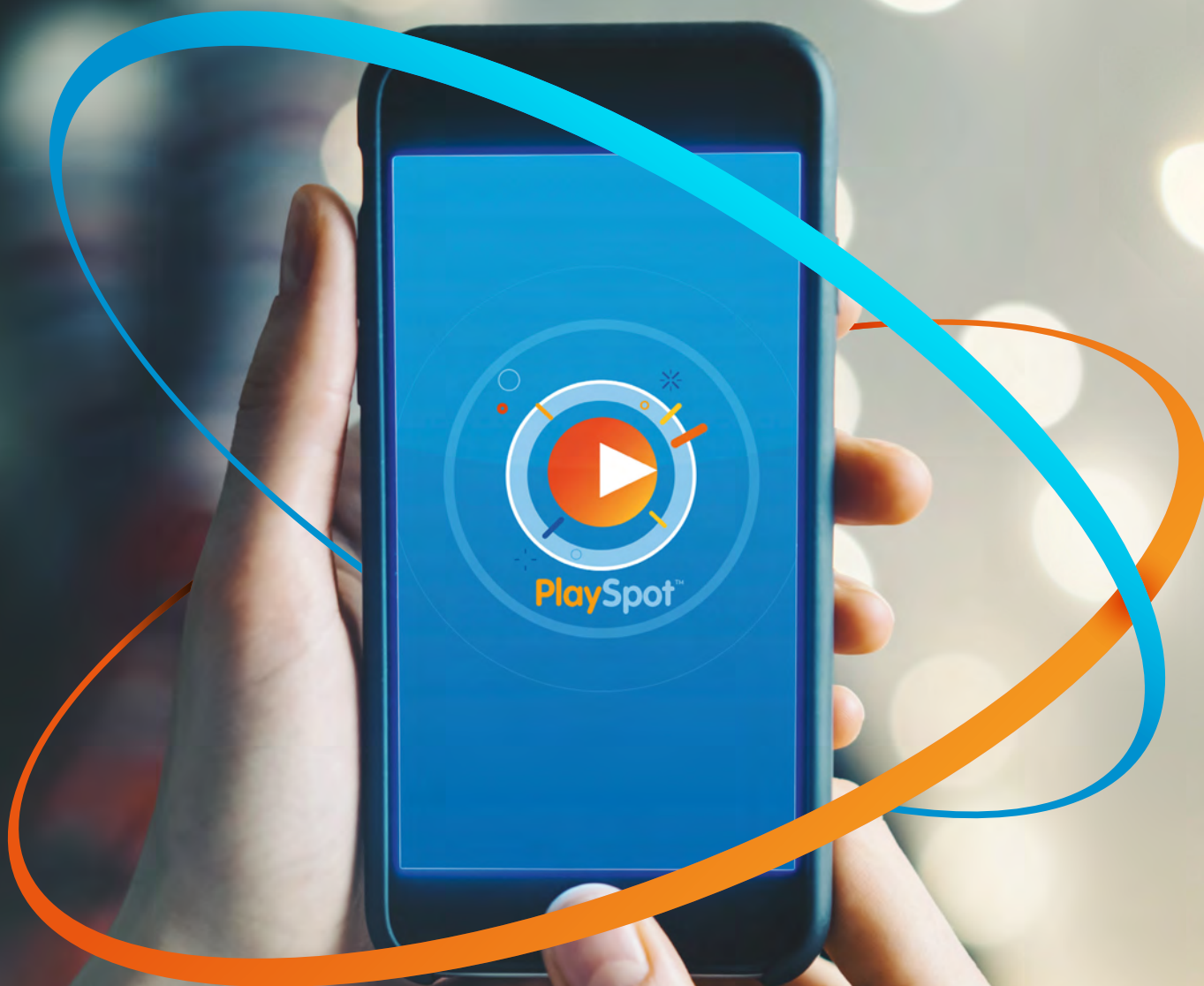


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gambling—violates the 10th Amendment to the Constitution, which holds that powers not delegated to the federal government are reserved for the states and individuals.

In particular, the suit argues that PASPA violates the 10th Amendment by preventing states from modifying their own laws in violation of the “anti-commandeering” doctrine. This doctrine, created and upheld by previous Supreme Court rulings, holds that the 10th Amendment also protects states from being compelled to cooperate with the enforcement or implementation of federal law. While states may not expressly legalize something made illegal by federal law, they may decriminalize certain activities, as they have done with marijuana possession and sales. The case filed by New Jersey argues that PASPA, by prohibiting the state from amending its own laws in order to decriminalize, but not legalize, sports gambling, is in violation of the anti-commandeering doctrine. Then in January 2017, the U.S. Supreme Court requested a brief on the matter from the U.S. Solicitor General, which indicates the nation’s highest court is considering hearing New Jersey’s appeal. When a statute is arguably in violation of the Constitution, unquestionably a violation of individual rights, widely and openly flouted by the population, and counter-productive to its goals, it is time to repeal the law.

Rather than seek to enforce a futile and counterproductive ban based on subjective moral qualms, it is long past time that government policy recognize that gambling—whether it be buying a lottery ticket, betting on the big game, or playing poker online—is a legitimate means of recreation. Good federal policy would treat citizens like adults, respect individual choice, and preserve the right of states to regulate and profit from the gambling activities conducted within their borders.

Opposition to Legal Sports Betting Breaks Down

Today, with the illegal sports gambling market somewhere between \$150 and \$400 billion a year despite the passage of PASPA, professional sports leagues are also softening their long-term opposition to legalization.

In a 2014 New York Times op-ed, National Basketball Association Commissioner Adam Silver was the first major professional sports executive to come out in favor of legalizing sports wagering, saying: “[D]espite legal restrictions, sports betting is widespread. It is a thriving underground business that operates free from regulation or oversight. Because there are few legal options available, those who wish to bet resort to illicit bookmaking operations and shady offshore websites.” He concluded: “I believe that sports betting should be brought out of the underground and into the sunlight where it can be appropriately monitored and regulated.”

Just a few months later, Major League Baseball Commissioner Rob Manfred said it was time to give “fresh consideration” to legalizing sports betting.



Only the National Collegiate Athletic Association and the National Football League (NFL) remain adamant in their stand against legalization. However, it appears the NFL has made some official concessions to reality. The league’s policy requiring teams to disclose player injuries and their likelihood of playing is designed to prevent gamblers from gaining an advantage from inside information. DFS strategies are discussed on programming on the NFL Network, the NFL-operated cable channel. Two team owners, the Dallas Cowboys’ Jerry Jones and the New England Patriots’ Robert Kraft, own stakes in DFS companies. Network commentators, who are approved by the NFL, regularly offer game predictions. While they generally avoid mention of the point spread—the number of points by which a team must lose in order for bettors to make money—commentators often offer forecasts of specific final scores, which all but telegraphs their opinion on the actual betting line.

Popular Support for Legalized Sports Betting Grows

Changing public attitudes also lend support for a change in policy. In a September 2016 poll of 1,019 adults, 48 percent favored changing federal laws to allow states to legalize sports betting (39 percent opposed), up from 39 percent who supported legalization in a similar 2010 poll. Support for legalization is strongest among young adults, with 60 percent of respondents aged 35 and under in favor of a change to federal law.

In a January 2016 poll by the market research firm the Mellman Group, 80 percent of respondents said that sports betting should either be legal nationwide or left up to the states, while just 17 percent said sports betting should be illegal nationwide. In the same poll, 72 percent of respondents said they thought legalization would make consumers safer to some extent. Fifty-four percent said that legalization would either very likely or somewhat likely make sports betting safer for consumers, while an additional 18 percent said it almost certainly would.

Objections to Sports Betting Expansion

Traditionally, concerns about expanding legalized gambling center on its possible effects on morality and on vulnerable individuals such as those with compulsive gambling disorders. However, proponents of the current national sports betting ban were primarily motivated by protecting the integrity of the games from corruption such as match fixing and point shaving. Twenty-five years later, it is clear that PASPA has failed on all accounts. It does not protect the vulnerable. It has turned millions of otherwise lawful Americans into criminals. And it has made the market more susceptible to corruption.

By criminalizing sports betting, PASPA actually increases the risks of match-fixing and corruption. In Europe and much of the world where sports betting is legal, bookies are incentivized to share with authorities odd betting patterns that might signal corruption. This is not the case in the U.S., where this information remains inaccessible to and unexamined by sports authorities. This, along with the billions wagered illegally, leaves sports in the U.S. more exposed to corruption than those in other nations that have embraced bookmakers as their early warning system. By contrast, in the U.S., the law disincentivizes gamblers from alerting authorities to suspicious betting that might indicate match fixing, lest they open themselves up to investigation.

Gambling Disorders

In addition to failing to stop or even spot instances of match fixing, creating a black market for gambling does nothing to protect vulnerable individuals with compulsive or disordered gambling behaviors.

Opponents of legalized gambling often overstate the percentage of the population susceptible to gambling disorders. In reality, national estimates put the prevalence of clinical-level gambling disorders at about 1 percent of the population. Addiction experts believe as much as 3.5 percent of the population have trouble controlling themselves while gambling, but their behavior falls short of being classified an actual disorder. And, despite an “unprecedented increase in opportunities and access to gambling,” Howard Shaffer, a psychology professor at Harvard and one of the nation’s leading addiction specialists, found the rate of pathological gambling has remained remarkably stable in the U.S.

Though a serious health problem, gambling disorders are too rare to justify a ban. For comparison, the prevalence of alcohol abuse disorders is at about 7 percent of the adult population, yet states do not ban the majority of adults from purchasing a product the vast majority can imbibe responsibly. States should treat their citizens as adults, and allow them to take responsibility for their own behavior, just as they do with alcohol, tobacco and in a growing number of states, marijuana.

Furthermore, legalizing gambling activities—far from encouraging abuse—affords authorities the opportunity to spot and address disordered behavior, while black markets sweep such problems under the rug. For example, in the states that have recently legalized

online gambling, laws require the sites to recognize “self-exclusion lists,” as many land-based casinos are now required to do. Consumers who know they have a gambling problem can voluntarily add their name to a list that blocks their access to gambling sites and ensures they will not receive enticements to play. States may also choose to set aside a portion of gambling taxes to address associated health issues. Researchers have noted that players who sign up for these lifetime exclusion bans had significantly reduced gambling-related problems. Further, states that license sports gambling can require authorized bookmakers to track player behavior to spot and address problematic behavior.

The tools to address problem gambling and spot suspicious betting activity already exist, as countries with legal gambling have demonstrate. But, without a legal market where operators are incentivized to work with authorities and protect vulnerable consumers, there is little opportunity to employ them.

Given the billions of dollars being wagered illegally on sports contests, it is difficult to argue that prohibition has worked. Quite the opposite, when millions disregard the law without a second thought, it undermines the rule of law.

Arguments for Legalized Sports Betting

Arguments for Legalized Sports Betting. The question of the “morality” of gambling has been largely answered in the U.S., with all but one state permitting—and profiting from—some form of legalized gambling. Quite simply, governments, either federal or state, should not seek to prohibit adults from voluntarily spending their money as they see fit.

Furthermore, the case continues to build that maintaining a federal prohibition on gambling violates not only individual rights, but also critical constitutional principles, by depriving states of their right to object to federal dictates and thwarting their ability to benefit from commerce occurring within their borders.

State Autonomy and Revenue

State Autonomy and Revenue. Pennsylvania, Michigan, and Maryland have introduced legislation to legalize sports betting this year while New York, California, Oregon, Minnesota, Hawaii, North Carolina, and Mississippi have all expressed an interest in similar legislation.

In 2011, New Jersey voters overwhelmingly approved a constitutional amendment to allow sports betting in the state, which the legislature followed up by enacting a law to regulate the activity. That law, however, was struck down by a district court and the Third Circuit Court of Appeals, which held that PASPA was constitutional and that New Jersey’s laws violated the federal law. In a renewed bid to circumvent PASPA, the Garden State legislature opted instead to repeal all of its laws that prohibited sports gambling. The hope was that by merely decriminalizing sports betting without expressly authorizing it, the activity could be monitored and taxed under existing state gam-

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bling laws. PASPA, which prohibits states from “sanctioning” sports gambling, has been used—once again—as the basis to challenge New Jersey’s decriminalization bill.

The leagues, joined by the U.S. Department of Justice, argued that even this would be a violation of PASPA. The Third Circuit Court of Appeals agreed with the leagues twice, first 2-1 in a three-judge hearing, and then again in an en banc hearing before the entire court. As noted, New Jersey has since appealed the ruling to the U.S. Supreme Court, which has expressed some interest in the case as indicated by its request for an opinion from the U.S. Solicitor General. As sports gambling legal scholar Daniel Wallach has noted, the Court almost always hears cases on which it requests a Solicitor General opinion.

Key to New Jersey’s argument is the contention that PASPA violates the 10th Amendment to the Constitution, which protects the states from unwarranted federal interference in state matters. It was the potential violation of this Amendment that prompted the Department of Justice to testify against PASPA when it was first considered by Congress. As noted, the case involves the integrity of the anti-commandeering doctrine. This principle was established in 1842 in *Prigg v. Pennsylvania*, in which the Supreme Court ruled that the Fugitive Slave Act did not require enforcement by the State of Pennsylvania because it precluded Pennsylvania state law, which prohibited taking people out of Pennsylvania and into slavery. In subsequent cases, the Court has upheld the anti-commandeering doctrine, which concludes that while the federal government may directly regulate interstate commerce and even require or prohibit certain acts, it “lacks the power directly to compel the States to require or prohibit those acts.” If New Jersey prevails its appeal, it would be a validation of federalist principles from the Supreme Court, and would restore states’ ability to decide for themselves what their laws should be concerning sports gambling.

PASPA is part of a legal morass that bogs down any legislative movement on sports betting. If the courts do not clarify the issue, Congress should repeal—or at least amend—three harmful gambling laws currently on the books: PASPA, the 1961 Wire Act, and the Unlawful Internet Gaming Enforcement Act (UIGEA). These outdated, ambiguous, and constitutionally dubious statutes have created legal and regulatory headaches for both state and federal authorities, as states continue to assert their constitutionally guaranteed powers to regulate in-state commerce. Repealing all three would allow Congress and the states to institute rational and effective measures to regulate gambling activities, both on and offline.

The Wire Act prohibits the use of telecommunications to transmit interstate wagering information related to sporting events or contests. For decades, this made the most common method of sport betting, via the phone or telegraph, illegal. Even so, during the 1990s and

early 2000s, Internet gambling flourished as U.S. citizens placed bets on websites that operated legally in foreign countries.

While it remains legal to place bets on offshore sites, UIGEA, passed in 2006, prohibits U.S. banks from knowingly transferring funds to these sites or their agents. As it is currently worded, the Act prohibits banks and credit processors from processing payments related to unlawful Internet gambling, but it does not specify what types of gambling qualify as “unlawful,” leaving that up to the states and other federal statutes to determine. Thus, so long as it is authorized or not specifically prohibited by state or federal law, online gambling activities are considered lawful under UIGEA. However, this ambiguous language has created confusion for banks and payment processors—most of whom have chosen to err on the side of safety by not handling payments related to any form of gambling. UIGEA also gives federal prosecutors the power to prosecute and seize funds from anyone who accepts or transfer wagers that have passed through any U.S. financial institution.

However, in December 2011, the Office of Legal Counsel within the Department of Justice, issued a memo clarifying that the Wire Act applies only to interstate wagering. Thus, states like Nevada, New Jersey, and Delaware moved ahead with proposals to legalize and license intrastate online gambling. The DOJ memo, plus the general willingness of states to permit DFS contests (nine have legalized the activity with 12 more considering legalization proposals in 2017), have set the stage for greater liberalization of sports betting.

Legalized Sports Betting Will Spark U.S. Business

Legalized sports betting would create a value chain that would present opportunities to U.S. technology entrepreneurs. While MGM Resorts and William Hill are recognized as major players in sports wagering, legalization may create opportunities for other companies in the technology sector. Microsoft, Sony, Reuters, and Wall Street financial firm Cantor Fitzgerald, along with various individual entrepreneurs, all either hold or have applied for patents for ways to integrate wagering systems, payment systems, and other such tools onto handheld devices, remote terminals, and social media platforms.

Some analysts speculate that U.S. companies would eventually dominate the global sports betting market were Congress to give sports betting the green light. “In 10 years’ time, I expect sports betting to be part of major telecommunications companies and data companies,” Chris Eaton, an integrity monitor and former investigator for Interpol, told ESPN. “I see the large international conglomerates—Bloomberg, Google, the massive data companies—swallowing up most of the sports betting operations around the world and operating an international platform, with all of sports betting being essentially offered on the mobile device, the mobile platform.”

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Beyond the business of taking bets, a secondary market is likely to emerge for software and algorithms that crunch statistical data to assist bettors. This has already occurred with DFS, which is now a \$3 billion industry in the U.S., and online gambling, which has reached \$200 million in revenue in New Jersey, where it is legal.

Source of Tax Revenue

The current federal sports betting ban, though it clearly does not stop the activity, prevents states from collecting tax revenue on this billion-dollar industry. Instead, those funds are funneled into foreign sportsbooks. Since offshore websites pay taxes to their respective governments, money from Americans that could be invested in their home states ends up funding government projects and programs in other countries.

If this economic activity were brought into the daylight, it would mean millions of dollars for cash-strapped states. In New Jersey, for example, illegal sportsbook makers prosecuted in the late 1990s had an annual volume of around \$200 million. Global gaming research firm GamblingCompliance projects that a fully developed legal American market—where bets are placed at casinos, online, and at retail bookmaking shops—would produce \$12.4 billion in annual revenue, five times bigger than the U.K.'s sports betting market and 11 times bigger than Italy's. All of which would be subject to tax. Tapping into this new source of revenue would not even require new laws for most states, as the federal government already requires people to report earnings from gambling and even allows them to write off gambling losses up to the amount that allows them to offset their winnings.

An example can be found in legalized online gambling, which did not exist prior to 2013. Since legalizing Internet gaming, New Jersey, one of three states that licenses casino-style online games, has seen tax revenue from its previously faltering casino industry increase for the first time in a decade. According to New Jersey Division of Gaming Enforcement, online gambling generated \$196.7 million in revenue for casinos and nearly \$30 million in tax revenue in 2016—money that had previously vanished into the ether of the black market.

Given the opportunity, most people would prefer doing business with legal bookmakers. Consumers would be protected by existing legal and regulatory structures, and less money would flow to criminal enterprises. Like casinos, legal sports books would be re-

quired to report big payoffs to the Internal Revenue Service (via W-2G forms). In this way, the state and even the federal government could draw revenue from legalized sports betting that would otherwise go unreported while citizens can lawfully engage in the voluntary act of betting their own money on sports without running afoul of the law.

Conclusion

Legalizing sports betting would produce substantial social and political benefits by exposing billions of dollars in economic activity to the sunshine of legitimacy. Decriminalization would renew respect for the law by individuals who see gambling on sports as a valid form of entertainment for adults. Allowing bookies and authorities to work together to stop match fixing—which is in both of their interests—would bolster the integrity of sports.

Like any other form of gambling, sports betting can be regulated and taxed, but first the law must treat consumers like adults. By legalizing the activity, states can institute safeguards to protect consumers and the vulnerable and sports authorities can have access to the information that will help them spot and deal with corruption.

From a constitutional perspective, Washington lawmakers should treat sports betting as a federalism issue, like other forms of legal gambling. PASPA should be repealed or revised to allow states the discretion to legalize and regulate sports betting on their own terms. ■

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This article is excerpted from a longer version of *Time to End the Madness around March Madness* which can be viewed at: <https://cei.org/content/time-end-madness-around-march-madness>

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Lift the Harmful, Failing Federal Ban on Sports Betting

BY GEOFF FREEMAN, PRESIDENT AND CEO OF THE AMERICAN GAMING ASSOCIATION (AGA)

SUPER BOWL 51 BY THE NUMBERS

\$4.7B	TOTAL SUPER BOWL BETS
\$132M	LEGAL BETS PLACED IN NEVADA
\$4.5B	ILLEGAL BETS PLACED EVERYWHERE ELSE
97%	% OF ALL BETS PLACED ILLEGALLY
+11%	INCREASE IN TOTAL SUPER BOWL BETS FROM PREVIOUS YEAR



Before the New England Patriots and Atlanta Falcons even take the field for Super Bowl LI, the action will have long since commenced. Nearly 50 million Americans are scurrying to place their bets before kickoff, and wagers on the NFL's grand finale will total an estimated \$4.7 billion—but only a little over \$100 million of that legally in Nevada.

It's clear that sports betting has never been more popular. Nevada's legal, regulated sports books are breaking records. TV and sports radio coverage feature talk of betting lines as much as of starting lineups. Daily fantasy sports have exploded onto the scene.

Thanks to a 25-year-old federal ban, though, nearly every bet is placed illegally. But a perfect storm of events could soon change this. First, illegal betting continues to grow, making clear the ban isn't working. Instead, it's pushing betting into the shadows, where at least \$150 billion is wagered annually without any consumer or game protections. It's also depriving state and local governments of tax revenue that could be paying for vital public services, such as infrastructure, education and law enforcement. And the ability to protect the integrity of games through rigorous data analysis and complex, real-time algorithms – something not fathomable in 1992 —is only possible in markets where sports wagering is effectively regulated.

The culprit of the ban is the Professional and Amateur Sports Protection Act, or PASPA, which permits only Nevada to offer full-fledged, traditional sports betting. President George H.W. Bush signed the ban into law in 1992. The following year, a prominent Atlantic City casino owner advocated for permitting New Jersey to offer sports betting. *"You have to be in favor of it,"* he said. *"It is vital to keeping your taxes low, it's vital to the senior citizens, and it's vital to putting the bookies out of business."*

That casino owner is now the President of the United States.

President Trump reiterated his views on sports betting and the massive illegal market that continues to grow in an interview with FOX Sports in November 2015. *"I'm OK with [sports betting and daily fantasy sports] because it's happening anyway. Whether you have [legalized sports betting] or you don't have it, you have it."*

In addition to the President's perspective, the United States Supreme Court has expressed an interest in potential constitutional problems the federal ban poses. In January, the Court asked the act-

ing solicitor general to submit a brief on the appeal filed by New Jersey, and it could grant cert later this year.

Then there's Congress. As casino gaming has become a mainstream, omnipresent industry that operates in 40 states instead of just a few, more and more members of Congress represent districts in which their constituents work in a casino and their communities benefit from millions of dollars of tax revenue from gaming. Plus, as the highly regarded, bipartisan polling tandem of Mark Mellman and Glen Bolger found, nearly nine-

in-ten voters say gaming is an acceptable form of entertainment. Times have changed, indeed; casino gaming has never been viewed more favorably.

Beyond the beltway, a growing chorus of federalism advocates are voicing their displeasure with the ban. The National Conference of State Legislatures and U.S. Conference of Mayors have strongly urged regulation of sports betting. Pennsylvania passed a resolution last year opposing PASPA. New York is working on similar legislation. Several other states filed amicus briefs in New Jersey's appeal to the Supreme Court, echoing the Garden State's desire to offer sports betting within their borders. The tide is clearly turning.

We believe states should have the power to decide whether to allow sports betting and how best to regulate it, just as they do commercial and tribal casinos and other forms of gaming. The benefits are manifold. First, a regulated market would give states the ability to regulate and monitor the sports betting market and diminish the flow of money that fuels criminal organizations. Second, an open, transparent market—along with modern analytics technology—makes tracking betting much easier and thus strengthens the integrity of sports.

Finally, lifting the ban in favor of a legal, regulated market would give fans what they want. When a new casino opens outside of Nevada, many first-time visitors are surprised when they can't find the sports book. Yet they clearly find a way to bet on games.

Allowing states to oversee sports betting would create an environment of strict regulation, rigorous consumer protections and robust tools for law enforcement and leagues to root out illegal gambling and uphold the integrity of games. That's a far better solution than a failed federal ban that turns millions of American sports fans into criminals every Super Bowl Sunday. ■

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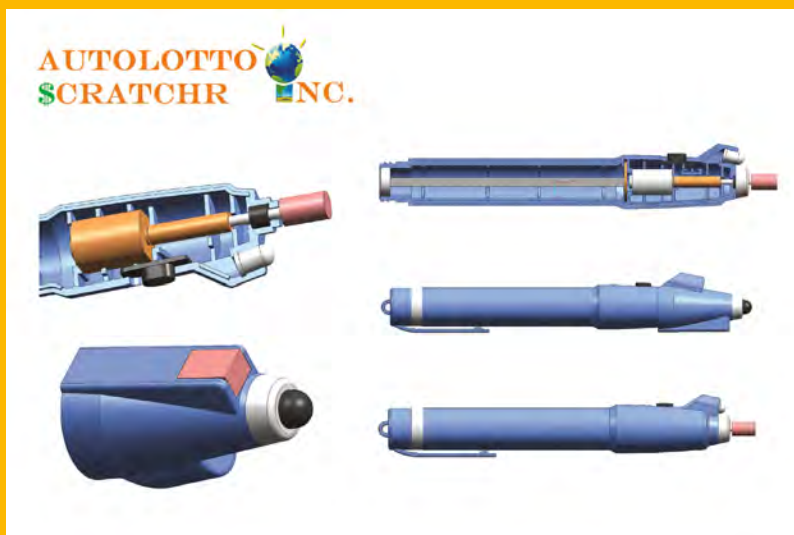
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THE FUTURE OF iGAMING UNDER PRESIDENT DONALD TRUMP AND ATTORNEY GENERAL JEFF SESSIONS: DOES PRESIDENT TRUMP HAVE THE SAME OPINION OF iGAMING THAT HE HAD IN 2011? SHOULD IT BE REGULATED?

By Mark Hichar,
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During his confirmation hearing on January 10, 2017, then-nominee for Attorney General Jeff Sessions was asked his view of the 2011 Department of Justice opinion confirming that the federal Wire Act applies only to sports betting (the “DoJ Opinion”). Sessions said he was “shocked” by the DoJ Opinion and that he opposed it. He also said he “*would revisit it or make a decision about it based on careful study.*”

This exchange concerned online gaming operators, and encouraged those who support legislation that would impose a federal ban on internet gaming, such as the “Restoration of America’s Wire Act” (“RAWA”)—companion bills that were introduced in the last Congress. The RAWA purported to “restore” the federal Wire Act to the status quo that existed before the DoJ Opinion was issued. (The DoJ Opinion removed the legal uncertainty that had prevented states from authorizing non-sports-related online gaming. It provided a “green light” to state lotteries seeking to sell lottery products online and to states such as Delaware, Nevada and New Jersey, that wanted to license commercial operators to conduct online gaming within state borders. Importantly, it partially returned to the states their historic prerogative to determine for themselves what forms of gambling (if any) should be permitted within their borders.)

Whether Attorney General Sessions considers reversing the DoJ Opinion will depend in part on President Donald Trump (as well as, presumably, the legal reasoning contained in the DoJ Opinion). If Mr. Trump’s views on internet gaming today are consistent with his views on the subject in the past, online gaming operators should have little reason for concern. However, this may not be the case.

In 2011, before the DoJ Opinion issued, Mr. Trump and his daughter Ivanka were preparing to enter the online gaming business. Mr. Trump argued that online gambling should be legalized in the U.S., stating: “*It should be approved here [in the U.S.] ... An awful lot of money is leaving the U.S. that should and could stay in this country.*”

In addition, a 2011 Forbes article refers to Mr. Trump as an “Internet Gambling Mogul,” and quotes him as follows: “*This [legalization of online gaming in the U.S.] has to happen because many other countries are doing it and like usual the U.S. is just missing out. ... It seems inevitable, but with this country you never know if it’s inevitable.*”

Finally, in a later 2011 article, Ivanka Trump is quoted as saying: “*It [i.e., online gambling] would be a tremendous source of taxable revenue for states or the federal government and an enormous generator of jobs.*”

Against this backdrop, however, is the reality that Mr. Trump’s past statements sometimes have little bearing on his views today. For example, in the past Mr. Trump has been a Democrat, pro-choice and in support of the 2003 invasion of Iraq, positions he does not hold today. More important perhaps, Sheldon Adelson—the billionaire owner of Las

Continued on page 67



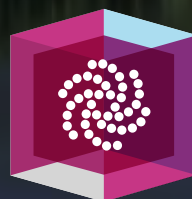
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Paul Jason: *Scientific Games is known as a visionary, as an innovator that always looks to the future of the industry. What is driving your innovation right now?*

Jim Kennedy: Let's call it an innovation test. The first test of Scientific Games' innovation is that it must ultimately connect and deliver value to the consumer. It can be fresh game content that appeals to current players and attracts new consumer groups. It can be a promotion, merchandising strategy or new point-of-sale design that improves the customer experience, the UX of lottery. It can be anything that drives consumer interaction with the brand and the lottery experience. The consumer is the only source of actual revenue.

Scientific Games pioneered and continues to lead the business of building promotional interactive tools and platforms that support engaging connections to the lottery's brand. In this digital world, our PlayerVantage® suite of products and services drives those connections to the lottery's brand. We've innovated loyalty programs, players' clubs, second-chance draws, mobile apps and direct purchases. And we've modernized retailing to create a friction-

free in-store player experience. So we are very focused on continuous improvement to ensure our lottery and retail customers are always leading the marketplace and exceeding their players' expectations.

The second test—is it scalable? There are lots of solutions, lots of great ideas that deliver a positive ROI. But lottery is a huge business with finite resources to grow the business. There are many \$100,000 solutions available. But \$100,000 is just a tenth of one percent of a \$100 million lottery revenue baseline, this doesn't move the needle. We are in the business of helping our lottery customers drive significant growth on a large current base. So, when evaluating numerous projects—all of which deliver positive ROI—it is important to narrow the focus down to what is do-able, actionable and scalable in a meaningful way, maximizing impact and funds generated for good causes. Therefore it is important to channel resources to those programs with the most potential and have the discipline to pass on those that fall below a threshold of scalability. Do the do-able, move the moveable, and channel resources for maximum impact. This discipline is critically important.

The third test of innovation deals with the nature of the jurisdictional constraints of each individual lottery. Every single lottery, country, state or jurisdiction is bound by its own unique set of rules. Most of the progress that's been made in the lottery industry over the last 20 years is a result of a challenge to those rules—showing that the original intent of the laws and rules are either no longer relevant, or that their original purpose is now superseded by more relevant factors. The basic concept is that the entire games-of-chance marketplace has changed dramatically over the last number of decades, and the rules and laws that apply to lottery have not kept up with those changes. Two aspects of this apply to innovation: one, we must innovate within the existing regulatory framework and political eco-system of each jurisdiction; and two, as an industry we should endeavor to drive change in that framework for it to be consistent with modern culture and the lottery mission of funding good causes with security and integrity.

So, we approach innovation with these three tests:

- Does the innovation directly enhance the consumer experience?

- Does the innovation deliver scale commensurate with the size of the business?
- Does the innovation work with regulations and political realities, and endeavor to modernize laws when it is time for change?

How do these over-arching parameters apply more specifically to concrete business functions and objectives?

J. Kennedy: Consider these business functions in four categories: (1) games as a portfolio, (2) player engagement using strategic promotions, (3) tightly integrated distribution operations and logistics, and (4) retail-centric products and services.

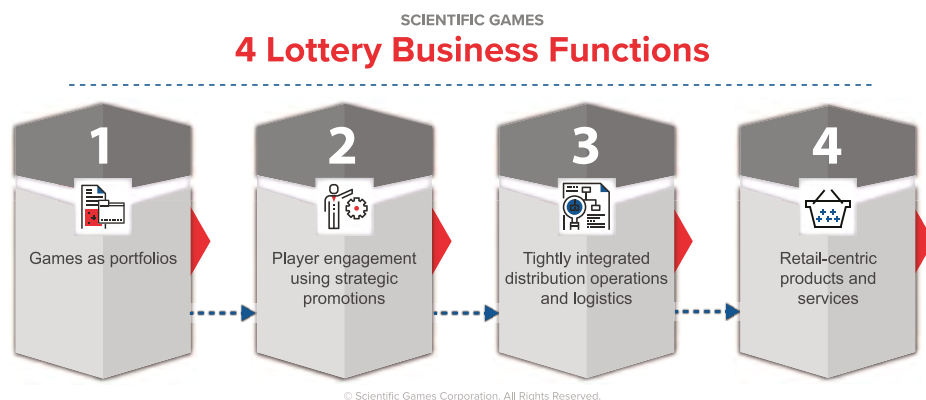
The first category is portfolio managed game content. Scientific Games operates with a three-year roadmap for the development of game content and portfolio management. This roadmap is revised annually. As the premier supplier in the instants category, we work with our customers to launch, on average, 60 new games every year. With this kind of velocity, it is vital that we apply a portfolio management model that produces optimal overall results. Our R & D, combined with decades of empirical evidence and data collection, form the basis for Scientific Games' uniquely powerful category management system. We think of our content development factory as the 'game engine' that uses individual data points to inform and enhance overall performance.

The second broad category addresses strategic promotions. Licensed properties, second-chance drawings, loyalty programs, players' clubs and our PlayerVantage promotional platform all fall within the strategic promotions category. This platform enables lottery to carve out a far larger space on the consumer's radar. Lottery becomes part of a dynamic and ongoing consumer dialogue as opposed to the narrow focus of whether to play a particular game. Scientific Games has developed, and continues to improve upon, the strategies and specific tools to promote a deep interactive relationship with the consumer. Leveraging a secure and more creative range of interactive promotional strategies is key to building the sustainable business of the future and is one of our core competencies.

Scientific Games' third area of focus is tightly integrated distribution operations and logistics. Our entire lottery supply chain includes everything from content design to manufacturing, distribution, to making sure that the right amount of inventory is in the retail ticket dispenser, and accelerating the volume of transactions going through the lottery's system. Our focus is on evolving these processes to drive revenue through increased unit sales, not just higher price points. The ultimate deliverables from the game engine and promotional initiatives all depend on our execution of operations in the supply chain. This operational skill set may not garner as much attention as games and marketing, but it is what truly separates the high performers from the marginal performers. Scientific Games' decades of experience building the instant game category has produced a singularly qualified expertise when

Isn't the complexity of managing a portfolio of hundreds of instant games a different order of magnitude than managing the sale of lotto tickets and jackpot games?

J. Kennedy: Managing a portfolio of instant games is a different business entirely. The consumer marketplace is all about fresh and new and different. Instants, and the competencies that Scientific Games has developed around the product over four decades, provide the platform for creative development of new game styles that appeal to the modern consumer. That's why instant games now comprise over 70% of U.S. lottery sales. The games-of-chance marketplace is expanding, but it is also fragmenting. Success will depend upon creating a greater diversity of games that appeal to narrower segments of the market. This is the skill set that we bring to our customers—the ability to create and deliver an increasingly complex portfolio of new game content, the under-



it comes to supply chain management. More than half of the top 15 performing lotteries in the U.S. use Scientific Games for this demanding and evolving expertise.

The fourth area is retail-centric products and services, which features our proprietary SalesMaker™ program that optimizes the particular assets of each retailer, and customizes in-store merchandising of lottery products. It also includes the continual improvement of our self-service play station technologies, advanced methods of processing transactions, and new commerce innovations like gift cards, which have expanded lottery products to almost 1,500 new retailers in Pennsylvania alone.

standing of the consumer market-place that informs our promotional approach using our interactive promotional platforms, and the experience and expertise to execute at the operational supply-chain level. Logistics, distribution and supply chain management are increasingly complex in the world of instants. But the pathways to optimizing these business processes, and the flexibility to continue to evolve with the marketplace already exist with Scientific Games leading our customers and empowering us all to succeed in this new player-centric world of gaming. ■

Grocery Wars: Implications for Lotteries

In 1999, HomeGrocer.com raised more than \$100 million in investments with ambitions to revolutionize the grocery industry. However, the company quickly filed for bankruptcy in 2001 after an inability to control expenditures and turn profitability. Supply chain complexities, high delivery costs, and slow internet speeds were all cited as contributing factors to the company's demise.

For many years after, online grocery retailing was largely perceived as an unsustainable business model. The complex challenges of logistics and the resulting cost model made it far from competitive to traditional retailers. Further, consumer confidence in online shopping was not well established and online retailers with brand credibility had not yet emerged. Mobile commerce didn't even exist yet.

Fast forward sixteen years. A proliferation of mobile devices has revolutionized modern society. The use of big data has enabled companies to make shopping experiences more personalized and convenient for consumers. Amazon surpassed Walmart's market value and has built a reputation among consumers for simple, convenient, and fast online shopping.

Online grocers are aggressively competing to take market share while local delivery services are effectively taking the shopping experience out of the store. Online grocery sales are nascent and already account for one percent of the overall market. Consumers across all age segments are increasingly likely to try purchasing groceries online.

Traditional retailers are responding to these threats by increasing hybrid services such as curbside pickup to protect their existing business. Even within the store experience, self-service checkouts are pervasive and in-store scan and pay apps are emerging. Looking ahead, in-store shopping experiences are likely to increase convenience through digital technologies in order to remain competitive.

These market forces pose questions about the future inclusion, or exclusion, of lottery sales within digitally-aided shopping experiences. Lotteries should consider proactive measures and may need to act fast. The grocery landscape may evolve as quickly as Uber disrupted the taxi industry based on the emergence of significant new trends.

An Emergence of New Trends

The transportation industry is under massive disruption from the sharing economy movement. Companies like Uber are creating networks of drivers with unprecedented speed and scale while increasing availability and reducing costs to consumers. Beyond ride-sharing services, Uber and Lyft are running pilot programs to deliver restaurant meals and groceries to households.

In a related movement, federal agencies have issued the first guidelines to support autonomous vehicles and drones. Companies like Ford, Google, and Amazon are investing heavily into technologies that can utilize these new modes of cheap and efficient transportation. As these transportation trends take shape, it will broaden access to fast distribution and provide advantages that online grocers did not have in the past.

As another trend, a variety of smarthome devices are beginning to penetrate consumer households. Using products such as Amazon Dash Buttons, consumers can simply push a wireless button that will automatically order packaged foods, cleaning supplies and



other non-perishable goods with fast two-day shipping. Similarly, smarthome hubs like Amazon's Echo can be voice-controlled by consumers to quickly reorder goods from the mega online retailer.

Many online retailers and consumer packaged goods companies are adding subscription services that offer "set it and forget it" conveniences for consumer's regular purchases. Companies like Door to Door Organics ship recurring orders of fresh organic produce to households each week while Honest Company applies the same model to diapers and baby supplies. Many consumers, especially those with busy lifestyles, are likely to embrace subscription services for staple items that once drove regular visits to stores.

The convergence of these market trends will likely result in unprecedented affordability, availability, and convenience in the online grocery shopping experience for consumers. This will reshape the face of grocery shopping, in both online and retail channels, in unprecedented ways.

The Implications for Lotteries

Lotteries are still confronting challenges from the past. The emergence of multi-lane checkout formats has relegated lottery sales into the customer service desks of larger retailers and away from broader consumer traffic flow in the store. The dominance of big box stores, who are averse to lottery operational burdens, has resulted in retailer penetration gaps.

Additionally, the increase in cashless payments has inhibited growth within the lottery industry. Many states prohibit the use of credit instruments for the sale of lottery products. Even where permissible, retailers have varying policies in relation to the use of credit and debit on lottery products due to thin product margins and high transaction processing costs. This has resulted in a detachment of lottery products from the overall consumer shopping experience.

Looking ahead, the adoption of digital technologies into grocery formats, such as curbside pickup, create an even more uncertain future for the placement and distribution of lottery products. Many of these new shopping experiences rely entirely

on cashless payments which may further push lottery into a segmented consumer flow. Moreover, delivery and pickup services have no defined framework that can enable lottery sales.

Lotteries must begin taking actions to preserve their future within the new paradigms of grocery shopping. The answer should not be exclusive to launching direct e-commerce sales for those jurisdictions that are authorized to sell online. Instead, lotteries should actively seek out new ways to integrate product sales into existing retail distribution networks while widening the payments spectrum.

With so much unpredictability, one thing is certain: direct collaboration with retailers will be a key to future success. Retailers and lotteries must solve the payments gap together in addition to testing new digital shopping experiences that can incorporate lottery products. In the long run, the continued growth and sustainability of the lottery industry may depend upon creating innovative and fully integrated shopping experiences within retail. ■

Written By: Danny Bogus

About Digital Gaming Group

The Digital Gaming Group is a consultancy that is focused on helping lotteries recognize growth opportunities in both retail and online channels through the effective utilization of digital strategies.

Read more and download the full whitepaper from our website at www.digitalgaminggroup.com


intralot

Antonios KERASTARIS

Chief Executive Officer, INTRALOT Group

Modernizing lotteries by digitizing the playing experience will usher in a golden era of growth.

PGRI Introduction: INTRALOT presented at ICE Totally Gaming 2017 the full version of its new CRM system under the brand name Pulse, showcasing benefits to Lotteries, Retailers, and Players alike. INTRALOT's CRM combined with its Content Management System offers the springboard for modernizing Lotteries, driving stronger player engagement and guiding Lottery game offerings via extensive analytics processing capabilities. INTRALOT demonstrated the full Player experience on the ICE floor by introducing the Player Card that allows seamless and uniform access to the entire product journey. Antonios Kerastaris discussed the new "All About the Player" product strategy with PGRI ...

Paul Jason: *Having an effective Customer Relationship Program (CRM) program would seem to be essential to everything.*

Antonios Kerastaris: It is all about capturing and managing information, and turning that into business intelligence that enables the operator and retailer to deliver more value to the consumer. That is what the CRM does. The entire industry is being driven by the need to integrate a consumer-focus, the demand side of the equation, with operations and retailing which are the supply side of meeting that demand. And consumer expectations going forward are going to be much different than they are today. Success will be determined by our ability to harvest information and convert it into value for the consumer. We talk about big-data and

data-analytics. All that will be driven by an effective CRM system.

To what extent does CRM require a registered player base?

A. Kerastaris: CRM program is actually the key to building that registered player base. At INTRALOT we believe that the CRM should drive all actors of the gaming ecosystem—from retailers, employees and sales representatives, to registered, and unregistered players. So, you don't want to wait to have a fully registered player base to implement a CRM program. Of course, the registered player is engaged in a dynamic interactive relationship that is far more productive for operator, retailer, and player alike. Building that registered player base is certainly

the goal, but CRM delivers value to the entire gaming ecosystem anyway.

How does CRM integrate with the larger platform that serves a broad spectrum of business objectives?

A. Kerastaris: INTRALOT's platforms all work together as a mutually reinforcing network of functionality and user experience. We start with the CRM platform that supports all different game categories, serves all different player groups, and connects game categories and players through all different media and channels. All gaming platforms are linked together so that the user experience is easy and seamless. Sports betting, lottery, interactive games, iLottery are all connected to the same CRM, Player Account Management system, and content platforms, all working across the board. You can access the same content through a Mobile device, through a desktop personal computer in your home, through a screen or self-service terminal in a store, or gaming kiosk at an entertainment venue or betting shop. At the end of the day it's the same game, the same customer and consistent user experience regardless of the venue or medium or device. And it's not just about iGaming and iLottery. In a market like the U.S., where most states do not allow online gaming right

now, operators still want to implement a robust CRM platform that engages the player in the kind of interactive relationship that is the basis for ongoing growth.

CRM is also a vital tool to support an effective Responsible Gaming agenda. By managing that activity, knowing which games they are playing more, where they are making or losing money, when and where they play—the player takes control of their gaming activity. That is the first step towards taking responsibility. The next step is to self-limit and apply other self-regulating tools which CRM offers. CRM also enables the two-way dialogue that allows the operator to assist with messaging and other tools to promote Responsible Gaming. Putting “Problem Gambling Help Hotline” numbers on tickets, vending machines, and advertisements is not a bad thing to do, but it really is not adequate. CRM is truly the mission-critical component to an effective RG program.

What about the consumer who does not want to provide the information that registration requires? Is there a way to receive the benefits of the player card without registering?

A. Kerastaris: The registered player enjoys the benefit of more control over their play and their account. And the operator captures more data that helps them produce and deliver a better product. But the player card can be purchased with a unique number instead of a name and personal information, much like an e-wallet or prepaid mobile telephony subscription card. Even in this case, when players are not fully registered but are uniquely identified in the system, they can enjoy the benefits of quick and easy access to the games, participating at the same time to promotional activities, when the regulation allows it. In parallel, the operators are capturing useful information about player habits and preferences that they can use for personalizing the offerings the next time the player uses the card. Different technology options will bring different results in different markets. As I often say technology is just the enabler. The market is what drives the business and we need to closely monitor it and respond timely and effectively.



The customer-facing component of the platform also captures data that helps the operations side of the business as well.

A. Kerastaris: The Player Account Management system is the player-centric component that helps integrate the experience. On the operations side, the platform turns data into useful business intelligence that enables the operator to manage operations for optimal performance, and thereby maximize value to the consumer. Everything is linked together so that the best games are delivered to the right players at the right time. For instance, as a content management platform, it enables the operator to change the games in the self-service terminal. The operator can view which games are most popular per customer segment, adjust accordingly, and refresh the selection as they wish. It is all done easily, quickly, seamlessly. If you have thirty games in the machine and only five or six are delivering superior results, the operator would want to experiment with the other twenty-five games to narrow the selection down. Having the right assortment of games will absolutely produce a better aggregate performance for the terminal. Optimizing terminal performance is, of course, a vital objective for the retailer and operator. And reducing the number of games the consumer does not want to play enhances the player experience.

Today, operators may feel that the current system of changing games less frequently is meeting the needs of the market-place. That is changing and we need to adapt to rising consumer and retailer expectations.

The lottery player's card is genius.

A. Kerastaris: The player's card makes it so easy for the players to access their account and play whatever games they want on whatever device or user-interface they choose. By removing all the steps of logging in and entering account numbers and such, it delivers a far more enjoyable player experience. Some people may wonder if players want a player card. That's like asking if travelers want a frequent flyer account. Of course they do. The operator just needs to deliver value and make the player card interesting to appeal to the consumer. The modern consumer expects to have the tools to maximize ease of use and convenience, to be rewarded for loyalty, and that is the purpose of the player card.

The player's card not only enhances the playing experience. It is linked to a Player Account Management platform that enables the player to manage all the interactions, recording what games are played, where they are played, the history of all transactions, etc. More importantly, this information forms the basis for the CRM program to deliver personalized offerings to the player, including promotions, bonuses, new games, communication and content, as well as the way you eventually develop your product.

INTRALOT has pioneered the digitization of the retail shopping experience and the integration of the Mobile player experience. Going forward, what is INTRALOT doing to enhance the digital shopping experience?



A. Kerastaris: We think of Lottery as a social experience. Lottery is not a casino where the focus is squarely on winning money and competing. Lottery is about dreaming, about thinking of the future. And it's about sharing those dreams with others. Just being with others as we imagine our lives as a lottery winner enhances the experience of playing the lottery. Retail outlets of the lottery world are social environments where people interact and talk and commune.

The wonderful thing is that Lottery fits perfectly into the way Retail is evolving to meet the needs of its customers. Retailers are looking for ways that they can deliver more value and differentiate their value proposition from online merchants. The physical environment that brings people together is obviously one of those ways. Retailers know they need to enhance the social experience for their customers. The service of providing a venue for the consumer to just come into a store to buy stuff is no longer an adequate value proposition. If that's all they do, the consumer may as well shop online. Retailers, and the brands they carry, are working together to transform the in-store shopping experience so that the consumer wants to come into the store because it is fun, even entertaining. They are integrating Mobile and digital technology into the in-store shopping experience to appeal to the modern consumer. They are looking for ways to increase dwell time, the time that people spend in stores, because that tends to increase the size of the consumer's basket. Instead of rushing in and spending as little time as possible to buy the one or two items that they need, retailers want to create

an environment that urges the customer to enjoy the experience of being in their store. Playing the lottery aligns perfectly with that goal. The consumer desire for a more enjoyable shopping experience represents an incredible opportunity for Lottery to position itself as a leader in this revolution of retailing.

Unlike almost all other brands and CPGs that retailers sell, Lottery has intrinsically fun and entertaining value. As a game that people love to play, it is the perfect product to help retailers accomplish their goal of enhancing the in-store shopping experience. Reshaping Lottery to be a leading brand in the retail environment of the future will require an investment, but the ROI will make it be quite rewarding.

Investing in the digitization of retail merchandising is absolutely necessary for Lottery to remain relevant and build a sustainable business. That is why INTRALOT has invested a lot of money towards the objective of digitizing the lottery playing experience and enhancing the whole in-store shopping experience. Technology is enabling Retail to become a place where people want to spend more time and interact with others. As a fun social experience, playing the lottery is the perfect fit for the modern retailers who are creating an engaging social environment for their customers.

What are some next-generation ways to create that wonderful in-store shopping experience that attracts the modern consumer?

A. Kerastaris: Self-service terminals are morphing into exciting play-stations that engage the consumer. We believe self-service terminals are the key to dramatically expand-

ing the retail footprint, making lottery accessible to new consumer groups, and driving growth in the industry through expansion of the distribution network. They do not only reduce the burden on retail clerks who sell lottery products. Self-service terminals enable the consumer to think about and enjoy the play experience without being rushed to conclude their purchase at the check-out counter. And think of all the venues, like bars and restaurants, where the primary reason for the customer to be there is not lottery, and where the patron would enjoy a recreational diversion. These are venues with patrons who otherwise would not likely have played the lottery. INTRALOT is investing heavily in the development of next-generation self-service terminals to meet that demand.

What other trends are guiding your approach towards resource allocation and focus?

A. Kerastaris: INTRALOT invests heavily in research. One of our goals is to clarify the differences between markets drawing from our experience as operators. Gaming cultures, consumer behavior, regulations, public policy objectives all vary throughout the world. Our goal is to improve performance and results by understanding those differences and delivering a more customizable set of solutions to our clients, after shaping multiple different player profiles. I believe there is a huge opportunity to drive growth by fine-tuning strategies to align with the needs of each individual market.

And as we have been discussing, the potential for CRM and data-analytics to transform everything from product development to promotional and retailing strategy to everything else we do ... is limitless. The industry has always dealt with aggregate data and trends—try to figure out what works and do more of that. Identify what games sell and do more of them, and what games don't sell and do less of them. Data-analytics based on more detailed information opens up a whole new world of possibilities to improve performance and results.

The business of government-gaming is indeed poised to enter a golden era capitalizing on its modernization. As an industry, we just need to recognize the potential and invest in our future. ■

NEW DIRECTIONS

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THE TOP 5 CHALLENGES FACING THE LOTTERY INDUSTRY

Customer First Starts with Understanding: Tracking Customer Satisfaction to Ignite Industry Growth

According to a survey IGT conducted among 149 lottery customers worldwide from 63 jurisdictions, growth is the primary concern that lotteries will be focused on over the next two years. The survey showed that growth in the form of implementing new lottery channels, adding retail locations, attracting new players, and developing new games is the top challenge. North American and international respondents also cited their concern over regulatory policies that inhibit growth of internet gaming.

Conducted every two years since 2008, IGT's customer satisfaction surveys not only provide an ongoing, internal assessment of customer sentiment, they indicate future industry needs and trends. "In keeping with our *Customer First* philosophy, IGT uses the study to ensure we are aligned with our customers' goals and concerns. The study allows us to concentrate on what is most important to our customers. This year we heard loud and clear that they need a growth partner focused on channel expansion, game content, and attracting new players," said Mike Chambrello, IGT's CEO of North America Lottery.

Jim Kraus, Principal Partner of KS&R, the company that conducts the surveys on behalf of IGT, said that IGT has a uniquely comprehensive approach. "What we've always liked about the IGT customer satisfaction program is how broad, robust, and deep it is. It's broad in that we're able to capture input from their customers all across the globe, in native languages, and with multiple individuals in each account. This ensures we can gauge differences and nuances in customer sentiment across a diverse customer set. It's robust because we are able to probe across a large and varied set of dimensions."

According to Gerard Caro, Senior Director of Insights360, IGT's research division, "With IGT's approach, no stone goes unturned so we can view the customer relationship from all angles. First we do an online survey that includes evaluative ratings. Then we follow-up with a shorter phone survey to probe deeper into certain key areas. This provides us with strong quantitative data to do all types of beneficial analysis, along with a rich 'voice of the customer' understanding to drill down on specific areas that are actionable, both at the local and corporate levels. It's a powerful combination."

THE TOP FIVE CHALLENGES FACING LOTTERIES

Pursuing/ Implementing new lottery sales channels



37% Americas
25% International
18% Latin America

Growth



30% Americas
15% International
27% Latin America

Regulatory policies inhibiting growth



28% Americas
20% International
18% Latin America

Attracting new/ retaining existing players



27% Americas
20% International
9% Latin America

New game development/ improving existing game portfolio



23% Americas
5% International
18% Latin America

According to Jay Gendron, Senior Vice President of North American Lottery at IGT, the surveys are an integral part of IGT's *Customer First* approach. "Understanding our customers' concerns and receiving input on our performance is a critical component of our annual plans. To truly evolve from a technology provider to a growth partner, we must continue to listen to our customers and accelerate and deliver innovation. Together, I know we can ignite responsible, sustainable growth within the industry," said Gendron.

IGT sees the customer satisfaction program as an opportunity to understand what matters most to customers from a business perspective. In fact, the surveys have demonstrated that having a strong understanding of a customers' goals and priorities is the top driver of loyalty. According to Gerard Caro, "We include questions to understand what each customer's key business priorities are so we can then identify opportunities to enable and support their specific needs. We also ask questions that directly invite them to make suggestions about what we can do to continue to earn their business. By examining the answers to these questions in parallel with the customer satisfaction and performance ratings, we're able to pinpoint specific areas for our teams to focus on to help them deliver compelling value to their lottery customers locally."

Though it is common for lotteries to monitor player attitudes and brand health with tracking studies, Kraus believes that an ongoing assessment of customer sentiment within the business-to-business environment is equally important. "A well-designed customer satisfaction program helps pinpoint what influences customer loyalty the most to help prioritize improvement opportunities. This has profound implications in terms of where you are focusing your time and resources. Additionally, a customer satisfaction program should provide an objective and ongoing feedback loop to assess where progress is being made, holding steady, or falling behind. Finally, it's a way to hold people in the organization accountable,

not only as a measuring stick, but to demonstrate the different ways they collectively have an impact on the customer."

IGT's commitment to understanding the challenges identified as most important by our customers extends beyond the customer satisfaction survey to include in-depth research among players and retailers. During 2016, IGT conducted nearly 300 individual studies. The findings had a global footprint with research fielded in 160 international cities and 456 North American markets. In total, IGT spoke to more than 218,000 players and 14,000 retailers to develop growth-driving insights for its lottery partners. This research will help shape IGT's plan to ignite industry growth. We are committed to partnering with our customers, understanding their challenges and earning customer loyalty by proactively addressing the areas that matter most to our customers.

THE TOP TEN DRIVERS OF LOTTERY VENDOR LOYALTY

- 1 Has a strong understanding of our goals / priorities
- 2 Places priority on day-to-day support
- 3 Right people empowered to make decisions to resolve needs/issues
- 4 Assists in defining software requirements and specifications
- 5 Provides timely feedback/supportive suggestions to marketing plans/needs when requested
- 6 Helps optimize existing retail network
- 7 Offers solutions needed for retail outlets
- 8 Places priority on time to market for new products/games/solutions
- 9 Overall time to market for software meets expectations
- 10 Provides clear resolution of any production problems



Diamond Game, Veterans Organizations Offer Untapped Market to Lotteries

“Our debt to the heroic men and valiant women in the service of our country can never be repaid. They have earned our undying gratitude.”

—President Harry S. Truman

For more than 100 years, United States military veterans have gathered at American Legion (Legion) and Veterans of Foreign Wars (VFW) posts throughout the country to enjoy the company of those with shared experiences. In addition, these organizations do important work through their time and monies raised reaching veterans in need. Similarly, non-profit fraternal organizations develop camaraderie around the good works they do in their community, frequently for veterans. The clubs in which they congregate offer members a friendly spot to enjoy light food and drinks and partake in entertainment opportunities.

These club locations provide an untapped market opportunity for most lotteries. In many states, non-profit veteran and fraternal clubs have not been licensed as lottery retailers and in states where they have, there is still significant opportunity for new products that would increase revenues for both the veteran and fraternal causes and lottery programs. What better use of the retailer commission than to support the local good causes of veteran and fraternal clubs?

For lotteries that are looking to expand their player base, non-traditional retailers offer an opportunity to generate incremental revenue from a different player demographic. And non-profit veteran and fraternal groups are a safe political avenue to expand in. Between veteran organizations such as the Legion, VFW, and Disabled Veterans, and fraternal organizations such as the Benevolent and Protective Order of Elks,

Eagles and Moose and the Knights of Columbus, there is a potential total retailer network of approximately 30,000 locations in the United States.

As a state-level example, the median number of lottery retailers for a US state is approximately 2,950, not including veteran/fraternal clubs, and such a state is likely to have 500 or more veteran and fraternal locations that are not current retailers. Recruiting just half of these vet/fraternal locations would increase the lottery's retailer base by approximately 9%.

California-based gaming company, Diamond Game, is working with these organizations in several states on product solutions geared toward the unique nature of these organizations as lottery retailers. These solutions include matching its ITVM and SST machines in the right configurations to maximize revenue within these locations, for both the lottery and the organization.

“Our LT-3 ITVM and NexPlay SST are perfect for a non-traditional retailer looking to attract players and increase revenue,” said Rick Weil, President of Diamond Game. “As more lotteries look for new avenues of revenue, considering veteran and fraternal organizations makes perfect sense. They have important missions, offer a new and perhaps under-served player base, and are eager to work with lotteries to provide entertaining gaming options to their members.”

As an example of the revenue potential of



the product in the medium-sized state noted above, if Diamond Game's product were deployed in half the non-profit clubs in the state, an additional \$25,000,000 in net revenue would be generated, based on data from existing markets.

Diamond Game designs, produces, and services games, gaming systems, and tickets for various North American Lotteries. Diamond Game's mission is to provide innovative solutions to lotteries seeking retailer and revenue growth.

For veteran and fraternal organizations, Diamond Game currently offers its LT-3 ITVM and is introducing NexPlay™, a suite of products that combine the benefits of traditional self-service sales and ticket checking with a modernized and more engaging interactive video display. The NexPlay product suite connects to Diamond Game's robust central system that facilitates many new, innovative features, as well as provides the data and security lotteries require from their central system providers. The NexPlay™ Self-Service Terminal (SST), via two large HD monitors, offers draw, keno, and instant ticket game sales, animated ticket checking, multi-game functionality, downloadable content, cashless payment options, age verification, and other robust responsible gaming features.

Diamond Game is confident that the LT-3 and NexPlay™ technology will not only drive new gaming revenue for retailers but also increase their core revenue stream. Why the confidence? Just look at the results the Missouri Lottery retailers have seen since the Missouri Lottery allowed veteran and fraternal organizations to install the Diamond Game LT-3 ITVMs in 2013:

- 95% of Veteran and Fraternal locations have experienced increased visits by their members
- 80% of Veteran and Fraternal locations have seen an increase of up to 30% in membership
- 80% of all respondents stated that the ticket dispensers have increased their food and beverage sales up to 60%

For lotteries that are looking to expand their player base, non-traditional retailers offer an opportunity to generate incremental revenue from a different player demographic.

And the organizations have noticed. *"These machines provide entertainment for our members and additional revenue to our [club],"* said Wayne Langbecker, Meramec Eagles No. 3678 in Arnold, Missouri. The Fraternal Order of Eagles is dedicated to helping the people of its communities through outreach and fundraising. And in Maryland, Dwight Reynolds at Woodsboro



American Legion Post No. 282 says *"Members & guests enjoy playing the machines, which is good for our organization as well. Profit is better than we anticipated."*

For the VFW, the revenue earned by the Diamond Game product helps the organization in its stated mission to *"assist worthy comrades, to perpetuate the memory and history of our dead, and to assist their widows and orphans."* There are few missions of higher importance than that.

Tapping into this under-served retailer base, particularly with a product properly-suited to the environment such as NexPlay™, is a win-win for lotteries and the good causes supported by non-profit veteran and fraternal clubs. ■

Visit us at www.diamondgame.com!



JIM ACTON

Lottery Industry Consultant

**“THERE IS NO REASON ANYONE WOULD WANT
A COMPUTER IN THEIR HOME.”**

—Ken Olsen, founder of Digital Equipment Corporation, 1977

That famous quote is often cited when business experts warn companies that they need to look to the future to survive. Digital did not, and the company that held the position of the world's second largest computer company in the late-1980s had disappeared by the mid-1990s.

In the Lottery industry, we've been hearing for years (decades?) that the Internet is the future of the Lottery. Session upon session at industry conferences have been devoted to the topic. And while we wait for more state legislatures to join those in a handful of states that allow their lotteries to sell on line, the Internet HAS changed the Lottery industry. With the widespread availability of wi-fi, the proliferation of Internet-enabled devices and the meteoric rise in social media, Lotteries can now take their message directly to their customers, instead of relying on retailers for communication.

In this three-part series, we'll look internally and externally at the impacts of the Internet. Internally, at how the Internet has forced lotteries to expand their communication capabilities and create marketing plans that work in the digital world. Externally, at how some of the leading companies are operating, and succeeding, with new methods of customer engagement.

THE INTERNET AS A MEDIUM OF COMMUNICATION & ENGAGEMENT

We've all seen the television ads:

- A wife asks her husband if he locked the car, parked at the airport, and he uses his Buick phone app to lock the doors from a remote beach
- A husband is using a fire extinguisher to douse a small blaze and shouts “Alexa ... ask 1-800-FLOWERS to order Tina flowers.”
- A delivery person rings a doorbell, a voice says “hello,” and the delivery man says “delivery for Aaron Parker.” Sitting at his office

desk, Aaron Parker uses The Ring to view the delivery man through the doorbell camera and approve the delivery.

What links all these products? The Internet. Or, more specifically, the Internet of Things, to use a popular reference. Given how the Internet has proliferated our everyday lives, the Internet of Things is perhaps a more apt description, as it refers to how the Internet is now a part of our everyday lives, controlling objects that are important to our daily operations.

How important? As Forbes Magazine recently wrote, “If it has an on and off switch then chances are it can be a part of the Internet of Things.”

And this has significant implications for any entity—such as a Lottery—which interacts with consumers and, most important, relies on those consumers for revenue. Almost all Lotteries have executed the “blocking and tackling” of an Internet presence – websites and mobile apps. But today, players want more. They want an Internet of Things. They want to log in to a lottery's site and receive a customized experience, perhaps an update on the number of top tier prizes remaining in the scratch games they have selected, the amount of drawing entries they have entered into special drawings, and “shop” for the rewards they have now achieved in a player's club.

Bottom line—the Internet allows Lottery to have a dynamic relationship with customers—they know you AND you know them. Powerful stuff. But to quote Uncle Ben in the Spiderman movie “With great power comes great responsibility.”

In the “old days” (1990s!), the only way that Lotteries could know their players was when they won a prize that needed to be claimed at headquarters. Even as the Internet and email became a preferred mode of communication, few lotteries collected eInformation on their players.

“AN ABANDONED PRESENCE IS WORSE THAN NO PRESENCE AT ALL.”

—Marketing Today magazine

What has changed? The advent of Lottery web sites in the late 1990s and early 2000s, growth of second chance drawings in the early 2000s, and the introduction of loyalty programs and players clubs in the past six years—all critical developments.



Missouri Lottery's "My Lottery Players Club" Home Page

Unfortunately, outside of the Lottery industry, what happens online has moved MUCH faster than what is allowed, in most cases, for Lotteries. Consumers can go online, order a pair of shoes, and they will be delivered by noon the next day. Running low on milk? Many grocery stores will deliver online orders the same day. Movie tickets, ski lift passes, wedding dresses, books, a case of beer, contact lenses—there are very few consumer products that cannot be ordered via the Internet.

And that's an issue for Lotteries which, except for a lucky handful, cannot sell their products via the Internet. Everyone is hoping more and more states move in the direction of allowing online sales (iLottery), but this is a glacial movement which will take time.

So for lotteries that aren't allowed to sell via their websites, what are the next steps? Web sites and apps have been created; now what? In subsequent articles, we'll explore how lotteries can herd the power of mobile to their advantage and how the Internet can be fully utilized as a promotional and advertising medium.

Lotteries should be using the Internet—through their web site, Facebook, emails, etc.—to provide the latest, most interesting, relevant, customized, brand-building content possible.

According to the Online Marketing Institute:

- 90% of customers find custom content useful while 78% believe that companies with custom content are interested in building positive relationships
- Content marketing costs less than traditional marketing, 62% less per lead, to be exact

Now that Lotteries have the tools in place to build their online presence and, if they can't offer iLottery just yet, it's time to fully realize the potential. Where to start?

- Offer “logged in/not logged in” web sites. Not Logged In is what the world sees when they come to your web site. Logged In is what your most engaged—and important—customers see when they log into the players club, loyalty program, second chance account, or any other place on the site which offers customized information.
- Make them feel special. These are your best players, the ones that follow your scratch game releases, who know how many top prizes are left, who purchase tickets to ALL your Daily Numbers drawings, who purchase a days' worth of KENO To GO games before work. They need to feel like you care about them. So send them Happy Birthday emails, alert them to Lottery events happening near them, add points to their rewards account on the anniversary of their registration. Small gestures go a long way to building customer loyalty.
- Push to retail. For Lotteries that can't sell online, retail is still king. Use your web site to promote retail sales is critical. If possible, provide promotional emails (BOGO, etc.).
- Update, Update, Update. To quote Marketing Today magazine, “An abandoned presence is worse than no presence at all.” You've taken the effort to create a web site. Don't let tumbleweed take over. If you're still promoting the \$1.5 billion Powerball jackpot, it's probably time to polish the site. Consumers expect web sites to feature the latest and greatest information. If your site looks like no is paying attention to the content, consumers will stop paying attention to you.

The Internet is a powerful tool. But like any tool, you must understand how it looks to your customers, treat it with care, and undertake frequent and proper maintenance. Once the basics are covered, Lotteries will reap the benefits of loyal customers, retail relevancy and—the ultimate goal—revenue increases. ■

A 15-year Lottery industry veteran, Jim Acton has worked on both the Lottery and vendor sides of the business. He started his Lottery career as Chief of Staff at the Massachusetts Lottery, worked at Hasbro as Director of Licensing for Lottery & Gaming, and most recently served as a Vice President at Scientific Games.

Email Jim at: actonjim11@gmail.com

IT IS ALL ABOUT THE DATA

Fivi Rondiri, Corporate Marketing Manager, INTRALOT USA

As more and more lotteries are revolutionizing their presence in the digital world and especially those offering iLottery, it is more and more clear that a good user experience is key for bottom line success. There is no question, design is the focus of our digital conversations.

Yet even with determined focus on design, most digital experiences fall short of user expectations. Of all websites, more than 70% fail to consistently engage users or drive conversions. Same with mobile apps where 3 out of 4 apps aren't even used beyond the initial download.

So what is wrong? Or more importantly, what can we do better? Surprisingly, the answer does not lie with design. It lies with data.

Spotify, the commercial music streaming service, is an example of a company that pays attention to user experience. Spotify was launched in 2008 and since then it has close to 100 million users of which 40 million are paying users. It has over 30 million songs online and every day over 20,000 new songs are added to the database. Users have created over 2 billion playlists and 53% of Spotify listening takes place on a phone. It is clear that without big data techniques and tools, Spotify would not be able to exist.

Spotify really revolutionized the way people listen to music. Spotify is a data-driven company, meaning that data is used in almost any part of the organization. In 2015, Spotify updated its Home start page so as to serve up the "right music day and night" with playlists and music recommendations. This feature uses a lot of data to analyze the user's taste. Data such as user profiles, what music was played and what playlists were made as well as other historical data are analyzed. With millions of users, a user does not have to have a large playlist or extensive profile to receive qualitative recommendations.

Spotify also uses all that data in other, fun and interesting ways. For example, last year, Spotify put its listener data to playful use in a new global out-of-home ad campaign with executions that highlighted some of the more bizarre user habits it noticed throughout 2016:

- "Dear person who played 'Sorry' 42 times on Valentine's Day, what did you do?"
- "Dear person in the Theater District who listened to the Hamilton Soundtrack 5,376 times this year, can you get us tickets?"

- "Dear 3,749 people who streamed 'It's the End of the World as We Know It' the day of the Brexit vote, hang in there."

Without data, Spotify would not have turned out the way it did. With a growing presence in many countries and a growing listeners base more data will be created in the coming years. More data will mean better recommendations and as a result more users and especially paying users.



At ICE Totally Gaming 2017 in London, the full version of INTRALOT's CRM was launched, branded "Pulse"

Good user experience design must be a given. If you don't do it right, you cannot even compete in this competitive digital era. What could really differentiate us though is the personalized user experience through data. Data that will allow us to increase engagement as well as play online.

Beyond algorithms, automation, A/B testing, and analytics, the goal of data-driven design is to develop a better understanding of everyday experience.

As we all know, the reality is that all users are not the same and they won't interact with us in the same way. Data helps us combat assumptions and allow us to move beyond best practices. We should use insights from specific player segments to tailor their user experience. Every segment is unique, not only in a demographic sense, but more importantly in a behavioral sense. Are you someone who likes competition and rewards? Or are you someone motivated by

1 <https://spotifyforbrands.com/us/insights/>

friends and family? Do you respond to text messages during work, or do you catch up on your personal messages at night? These are the kind of questions we should be asking our players.

Most users are willing to share more information with us, only if they feel that they will get real benefits in return. In order to get, you have to give. It is common for websites to ask users multiple questions during the sign-up process. That is not a recipe of success. Instead, for example, we could give a free HAPPY BIRTHDAY ticket to a player that let us know when their birthday is. In this case, the effort seems minimal in contrast to the benefit you get in return. Small, tangible, immediate rewards will allow us to collect more data and therefore further enhance the player's personalized experience.

The most effective sites put user needs first. Many lotteries struggle to balance their users' needs and wants with their business objectives. For example, many websites often require players to opt out instead of in to the e-mailing list. It is easy for a player to overlook the "Sign me up for the newsletter!" checkbox. Next thing they know, they are getting promotional emails that they didn't anticipate or volunteer for. Decisions like these may win the battle but will lose the war. The most effective, high-converting sites serve the user's needs first. If your user experience is engaging, intentional, and easy to navigate, users will be more likely to convert.

So how can you get started with data-driven design?

1) Start analyzing your existing customers

Start with your website's page analytics and site content to get an overview of what people are doing. After that, dive deeper into your players' analytics and demographic data in order to get a better sense of what their personas are. In order to get a 360 degrees of your players, include data from player segmentation studies, focus groups and/or player interviews.

2) Use user personas

User personas allow you to run user tests using close representations of your customer segments. Use user personas to figure out what their journey with your brand looks like. First use them during the design stage so as to understand what they need and then use them again to identify problems as well as areas of improvement. As you refine and make adjustments, user personas come into play again to confirm your assumptions.

3) Embrace A/B testing

In the online world, you should consider your website as a continual work in progress. Keep updating and improving. A/B tests let you isolate specific variables of your user experience and find the most effective options. Run them when you add, change, or delete an element of your interface in order to measure success.

4) Personalize your offering

It is all about being relevant. Triggering the emotion of satisfaction is the direct result of a personalized marketing strategy powered

by relevant data and insights. You need to extract what is relevant and essential for your target audience so as to drive positive perceptions of your brand as well as consumer interest in your offering.

5) Reward your players

As discussed earlier, in order to get, you have to give. Engagement is more important in the digital world than ever. Never forget that relationship building comes before asking. The simple principle of WIIFM (What's In It For Me) can easily be forgotten but it should always be adhered. Successful loyalty programs improve customer engagement by just showing players that they are valued and appreciated.

Data-driven user experience design is a fundamental shift in how we can approach product design and development. While the journey is not easy, the potential payoff is huge in terms of long-term engagement and positive outcomes for your players and beneficiaries.



At INTRALOT, we believe that it is high time for you to meet your players. INTRALOT's Player Pulse, is a cutting-edge gaming CRM product ideal for lotteries that aspire to genuinely be player-centric. It is a solution dedicated to manage registered players' activity and increase their lifetime value through loyalty and other incentive schemes. On the other hand, INTRALOT's Retailer Pulse, is a true retail management system, destined to simplify the management of retailer's lifecycle and to serve the automation of daily operations, can motivate both retailers and players via tailor-made in-store campaigns. On top of these, INTRALOT's Canvas is the intuitive CMS for lotteries that want to grow their business by delivering the optimal online playing experience to their audiences. It combines content management, marketing and personalization features that turn the full offering into a true power-solution. ■





Lorne WEIL

Executive Chairman, Inspired Entertainment, Inc.
(Owner of Inspired Gaming Group)

PGRI Introduction: Following its successful implementations in Europe, Inspired has officially entered the U.S. market. The Michigan State Lottery, platform supplier Pollard Banknote Limited, and Inspired agreed to supply Inspired's world-class Virtual Events lottery products online to the Michigan State Lottery for use in accordance with the Lottery's rules and regulations. We met with Mr. Weil at the ICE Totally Gaming Exhibit in London where Inspired's booth is outfitted with multiple big-screens displaying Virtual Sport matches in all their glory. See the adjacent article for a more detailed description of Virtual Sports.

Paul Jason: *Virtual Sports represents a new concept for Lottery gaming, taking the goal of gamifying the lottery-playing experience to an unimagined level.*

Lorne Weil: Inspired Entertainment is all about creating more excitement, more fun for the players. The incredibly sophisticated and realistic graphics that display computer-created sports games delivers an entirely new player experience. The play-action is as captivating as a real sports match, but it is fantasy, the outcomes being random-generated so it is totally compliant with regulatory requirements that apply to Lottery. That's why we see this as such a great opportunity for government lotteries.

Virtual Sports has been phenomenally successful everywhere that it has been implemented.

L. Weil: In the UK, Virtual Sports represent 15-20% of all the money bet

on sports. And when you consider that every conceivable way of betting on sports legally exists in the UK, the fact that Virtual Sports comprises 15-20% of the turnover in the sports-betting market is amazing. The same is true in Italy and several other places in the world.

If you estimate the size of the illegal sports betting market in the United States, 15% of that is a mind-boggling number. This represents a huge opportunity for government lotteries and the good causes that depend on the ongoing success of Lottery. Of course, Virtual Sports has nothing to do with sports-betting on real-live games, so it does not violate federal or state laws that prohibit sports-betting. And Lottery is the most appropriate channel to deliver this new gaming product for a number of different reasons. Let's point out two of them. One, the demographic profile of the Virtual Sports customer player-base skews

much younger than the typical lottery player. The recreational gaming experience that appeals to the young adult consumer is all about more fun, more immersive action and excitement, and a more social playing experience. That's why I think Virtual Sports is the game that the lottery industry has been seeking to bring in younger players. Two, the land-based component of Virtual Sports has the advantage of being predominantly distributed through the social-setting segment of restaurants, bars, and taverns as opposed to convenience stores which really don't need another product right now.

The need to reach younger players, the need to increase the retail foot-print, expand access to the products, bring in new consumer groups, appeal to new gamified play-styles – these are all vital objectives for Lottery that are being met with Virtual Sports. We are basically overlaying a gamified player experience onto Lottery to make it fun and exciting. When you see the excitement of the players, cheering loudly for their Virtual Sports team and enjoying the sociability of the experience, you realize that random-generated gaming is compatible with all the attributes that the consumer wants in a recreational game.

VIRTUAL SPORTS FOR LOTTERY

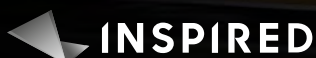
Technology now renders incredibly realistic sporting events on digital media, to the point where it is often hard to differentiate between computer-generated fantasy games and reality. **Virtual Sports** are the gamification of this advance technology - electronic sporting events deployed via desktop computer, mobile, and in retail venues. Ultra-realistic graphics make players feel like they are actually in the stadium, with 'live' commentary accompanying events and adding to the authenticity of the player experience. Inspired Entertainment has even licensed the use of certain brand ambassadors to endorse their premium Virtual Sports products, including NBA Hall of Famer Shaquille O'Neal, who will be the face of all new Rush Basketball.

- ▶ Virtual Sports create a form of simulated sports betting, in both a scheduled and on-demand environment, providing a draw and reveal every 3-5 minutes.
- ▶ Inspired's Virtual Sports products allow Lottery players the opportunity to buy a ticket for a Virtual Reveal - the reveal itself being the software simulation of a sporting event, such as Soccer, Basketball or Football.
- ▶ The Virtual Sports reveal can be presented to players in bricks and mortar retailers, in bars and taverns, on a mobile device, or via a desktop computer.
- ▶ **Virtual Sports are the perfect match for Lottery.**
The random generated outcome of each event is totally compliant with the game logic that applies to Lottery gaming - the most comparable game construct being Keno.

GLOBAL LEADER:

Inspired is renowned as the global leader in the supply of Virtual Sports, offering the widest range of sports and numbers games to more than 30,000 retail venues and more than 200 websites in more than 35 countries. Inspired's customers are many of the largest operators in lottery, gaming and betting worldwide and they also supply Virtual Sports and other digital games to Mobile and Online operators in the UK, US (Nevada and New Jersey), Gibraltar and other regulated EU markets.

Inspired's customers together offer millions of Virtual Sports events per day through both land-based, online and mobile platforms, many of them 24 hours per day, 7 days per week, often concurrently within the same location.



And none of the problems associated with skill-based gaming.

L. Weil: Exactly. Many people are intimidated by the idea of competing with others for real-money in skill-based format. For one thing, they are concerned that professionals playing that sophisticated data-analytics systems and insider information put the recreational player at a distinct disadvantage. Of course, they're right. Skill-based games are won by a professional class of players. Even if there is a large number of unknowns, like in poker and real sports-betting, the professional player only needs an edge to ensure they will win in the end. That is why some 90% of the win goes to 2% of the players in Daily Fantasy Sports. The average recreational player has no chance against the professional class of players who come to dominate all skill-based gaming categories.

There is also the potential for cheating and manipulation of the outcomes in real sports-betting. And two, the professional class makes it their business to find out inside information, like the health of the top players on game-day, that the recreational players have no access to. All these factors contribute to the skill-based game space as being a place where the recreational player should be wary of.

Virtual Sports solves those problems by establishing a totally even playing field. Nobody has an edge. Every player is playing against the same random-generated odds that gives all players an equal chance to win. The Virtual Sports player plays with total confidence that the games are fair, that they can't be manipulated, and that nobody has an edge. Integrity, security, fairness are all fundamental to the random-generated operation of the games. And by promoting entertainment and fun and socializing as opposed to betting to win money, Virtual Spots also aligns with Lottery's values and focus on Responsible Gaming. ■



Ultra-realistic fantasy Tennis, Cycling, Boxing, Football, Horse-Racing, and many more games are available for land-based, online and mobile gaming.

Staying Relevant to Make a Difference

In business, as in most aspects of life, relevancy is important, and in today's world of millennials if you are not relevant, you do not matter—worse perhaps, if you are not relevant, you do not exist.

Historically, by the very nature of our industry, lotteries have relevance to everyone both directly through prize payouts and indirectly by revenue to good causes and/or government programs.

But the emotional connection that makes lottery matter to all adult demographics is lacking. There was a time when jackpots were enough, but then again, there was a time when a one-million-dollar jackpot drove scores of people to the local retailers to wait in long lines for their chance to win “big.” Jackpots are now in the billions of dollars. There is no “Jackpot Fever” at the one-million-dollar mark anymore and just as importantly, there is far less mention of lottery in the media as a consequence. In fact, the Multi-jurisdiction US Powerball game increased its starting jackpot to \$40 million dollars. And even at that, significant segments of the population in many lottery jurisdictions do not engage in the mission of lottery, despite the potential to win prizes and despite the fact that they are morally in favor of supporting good causes.

This is lottery's current delta between relevance and having a substance that matters to people, to players.

In this post-internet age of instantaneous, international interconnectivity, people are even more moved by the uncertainty of world security, the desire for human harmony and civility, and the real and pressing concern for environmental protection. Using the power of the purchase to also advocate for community, for social causes, is increasingly becoming one of the primary criteria in the selection of products and companies considered in a purchase decision. Recognizing and staying true to a cause has been at the core of the success of companies like Patagonia:

“Patagonia Mission Statement: Build the best product, cause no unnecessary harm, *use business to inspire* and implement solutions to the environmental crisis.”

“At Patagonia, the protection and preservation of the environment isn't what we do after hours. It's the reason we're in business and every day's work.”

THIS ... is “Big Community” at its best. As identified during the recent EL/WLA Marketing Seminar:

BIG COMMUNITIES: The strategies and tactics of building and developing communities around lottery offerings ... (this includes) ... using the stories of beneficiaries in marketing operations and benchmarking examples from other industries and new developments in the use of social media.

In conjunction with Big Jackpots and Big Data, Big Communities is the third significant element that can affect the current standing with the large segment of lottery's missing demographics. Ironically, our industry is already the “do-good” industry in the gaming sector, but we are akin to the flower bulb beneath the soil in spring: the gardener knows it's there, is thankful that it will return each year, but is truly awed only during the short blooming season. Lotteries, both individually and collectively, could benefit greatly by showing the world the true splendor of all that is continually flourishing as a result of the lottery business model.

Of course, generally every individual lottery does exactly that presently, but the communication typically relates specifically to the games with some advertising budget earmarked for mention of support to good causes and/or responsible gaming. But what if the industry began to collectively, and individually, leverage the current desire for activism that is directly impacting consumer behavior.

“That's the crux of successful marketing today: activism is in. Our activism is currently mediated by brands,” says Will Fowler, Creative Director of Headspace. *“Brands are allowing people to pat themselves on the back without them personally having to sacrifice anything. It's true. ... We're all feeling the need to right the wrongs of today's ... world. If a brand can allow (people) to carry on (everyday) living and fuel social consciences” ... that's a win, win.*



SOCIAL MEDIA FOR LOTTO



Twitter

I'm supporting kids through Lotto



Facebook

I like kids but I don't play Lotto



Foursquare

This is where you can buy Lotto



Instagram

Here's a pic of a child helped by Lotto funds



Youtube

Watching a video of the Lotto program



Linkedin

I work for that hospital; Lotto helps the kids!



Pinterest

Here's a gift holder for Lotto tickets



Google+

You can search about the Lotto good deeds



Klout

I am buying Lotto to make a difference!

If the question is “What more can be done to elevate the image of and interest in lottery in the eyes of this activist society, in addition to the current efforts undertaken daily by brilliant operators,” the answer may be to consider an additional use of the power of social media.

People talk ... a lot these days, and in a lot of ways, which can be a great thing when the chatter can also serve some kind of greater good—the Big Communities. If lottery were trending because of the good lottery does past the jackpots and prizes, lottery would matter to people in a whole new way. Despite the differences of cultures and countries, people talk because people are people—a mother is a mother, an artist an artist, a teacher a teacher no matter the geographical boundaries. When something touches the heart, it is universal, as can be seen in these few examples of community building or social success among some successful companies.

HAGKAUP: “PLAY FOR GOOD”

Hagkaup is Iceland’s high end grocery and department store and before Christmas they decided to let their customers contribute to a good cause. A piano was put in front of the store in Iceland’s two biggest (possibly only) shopping malls. For each person who played the piano, Hagkaup donated 5000 kr. (around 40 euros) to a charity that supports underprivileged families. In addition to supporting a good cause, the playing enriched the holiday shopping experience for thousands of Christmas shoppers and created considerable social media buzz. By allowing their customers to be part of the giving experience, instead of simply giving the money to charity directly, Hagkaup made the most of its charitable donation.

WESTJET

In the airline industry WestJet is something of a prodigy in social media success. Their Christmas event has for years been the standard that other annual events are judged by. Seeing is believing. Head over to WestJet’s YouTube page, scroll down to the WestJet Christmas Miracle Videos section and pay special attention to their Real Time Giving and 12.000 Mini-Miracles videos. It’s easy to see parallels with what can be done by lotteries. For additional information on the success of the 12.000 Mini-Miracles, check out the Shorty Awards page for 12.000Mini-Miracles.

KLM ROYAL DUTCH AIRLINES

Another airline deserves a special mention here. KLM’s Bonding Christmas Buffet—is a great, well-executed idea that fits well with the social and coming-together mission of many lotteries. KLM is not a one trick pony and their “lost and found service” video has received over 22 million views since it was released in 2014.

DUMB WAYS TO DIE

What a title and what a brilliant idea. Tired of ineffective safety videos that are simply ignored, Metro Trains Melbourne created this gem of a video. They also created a number of follow up videos and apps that have had over 200 million downloads. The “Dumb Ways to Die” song reached the iTunes top 10 singles chart in the first week after the video’s release. There is also a website: <http://www.dumbwaystodie.com/> where you can buy merchandise and learn more. It is easy to envision a similar video on responsible gaming getting widespread attention and really bringing home the message of playing within your means.

Good news has a universally positive effect, but to win and sustain allegiance and respect requires having the capacity to exploit social media, for example, to create and stay connected to a community. Consider Apple’s success in keeping the iPhone in the hands and in the lives of a large number of smartphone users.

When the iPhone was launched it was a revolution. Now, ten years later, the iPhone, and smartphones in a broader context, are simply part of our lives. The way Apple has managed to stay relevant is by employing modern technology at the outset and then constantly evolving and updating it. Apple has released over 10 major iOS releases and 15 different handsets during this time and added functionality that we take for granted today, such as copy/paste, the app store, a front facing camera and much, much more.

It seems to be becoming interesting for lotteries to engage in long-term technology contracts as a way to manage cost and perhaps avoid the pain of protracted procurement processes. This could be a mistake, imagine you bought an iPhone back in 2007 on a ten-year contract and were still having to use it today. With its much slower network connectivity, lower resolution screen and limited memory etc., you simply would not be in a position to take advantage of the plethora of new applications, now available. This example offers an interesting parallel to 10-year lottery contracts. Succeeding in business both now and 10 years from now, in a world that moves as fast as ours, requires the use of the most modern technology that supports constant innovation and an ability to harness new trends. Together, technical superiority and social relevance will always matter in the formula for long-term business success. ■

As a part of the NOVOMATIC Group of Companies, one of the largest integrated gaming groups worldwide, NOVOMATIC Lottery Solutions is a FULL SOLUTION provider, allowing your lottery to offer games to your players through all available channels.

Visit us at www.novomatics.com and at PGRI Smart-Tech in NYC

Following is an edited synopsis of the panel discussion held at Lottery Expo on September 13 in Miami. You can view a video of the complete presentation at www.PGRItalks.com.

—Edited by Paul Jason, PGRI.

PANEL DISCUSSION

Moderator:

Gary Gonder
Chief Branding Officer,
Missouri Lottery

Panelists:

Michelle Carney
Vice President, Marketing,
IGT

Tracey Cohen
Interim Executive Director,
D.C. Lottery and Charitable
Gaming Control Board

Tom Dolan
District Sales Manager,
Florida Lottery

MODERNIZING THE LOTTERY AT RETAIL

Retail is reinventing itself for the modern consumer. CPG (Consumer Packaged Goods) companies are helping them do it, and we can't expect them to look out for our interests. Lottery needs to take the leadership role in this paradigm shift that will end up re-positioning the way products and services are sold at retail. Too, "convenience" has become the modern consumers' priority. That will give rise to a new generation of 21st century convenience stores which should represent an opportunity for Lottery. How can Lottery apply digital technology to enhance the player experience, how can Lottery create more co-promotions to help retailers achieve their own goals to sell more and drive store-traffic, and how can Lottery otherwise align with the modernization of the retail shopping experience?

Even where the ROI is breakeven, the deployment of digital within the stores can also be viewed as defensive, as future-proofing against an increasingly competitive retail environment, and as critical for its long-term branding impact.

Retailers are reinventing themselves for the modern consumer and want Lotteries to take the lead in modernizing the playing experience at retail. Lottery's POS, technology, digital assets, and retail network need to be modernized to keep pace with rapidly evolving consumer expectations. For example, it won't be long before the Mobile is turned into a personal shopping assistant that enables self-service checkouts and the majority of payments to be made with our mobile wallet. There are several new technologies that Lottery may introduce to improve the customer experience and enable Lottery to keep pace with the modernization that is being embraced by its retail partners.

Some corporate retailers have created their own in-store lottery play areas that include express ticket-checkers. Digital signage that enables flexibility in messaging is capturing shoppers' attention and producing significantly better performance. "Enterprise Mass Media" screens and other new digital technology are all producing results. The costs are not insignificant though, so deployment needs to be strategic and the ROI measured and monitored. On the other hand, analyzing digital signage solely by sales lift is short sighted. Even where the ROI is breakeven, the deployment of digital within the stores can also be viewed as defensive, as future-proofing against an increasingly competitive retail environment, and as critical for its long-term branding impact.

Consumer research conducted in Texas and California on digital play stations indicates a significant impact on the willingness of non-players and casual players to take the extra moment to learn about Lottery. The assessment of the ROI needs to factor in the long-term impact of bringing these new consumers into Lottery.

Self-service lottery machines are another excellent modernization technology. These are no longer just vending machines that dispense lottery products. They have become full-fledged entertainment kiosks that get attention and that consumers love to play. Deployment of these new-style play-stations is growing rapidly.

Mobile and tablet devices are dramatically enhancing the interaction between LSRs (Lottery Service Representatives) and retailers. Digital sales tools are enabling Lottery to increase the number and effectiveness of the sales call, saving time and money. More importantly, digital tools deliver far more detailed and comprehensive information that helps retailers

The next step is for lotteries to connect all the touch points, from the retailer website to the sales force automation tools to the Mobile application.

understand the business, how Lottery fits into the business and profit picture, and helps them sell more lottery products. The next step is for lotteries to connect all the touch points, from the retailer website to the sales force automation tools to the Mobile application. All those windows to information should have consistent data and user-interfaces that can be deployed to improve sales in the 20-30 minutes the sales person is in the store meeting with the retailer.

The tools we have now which compare performance to existing games under-values the longer-term effect of acquiring new customers and enhancing the engagement of current players.

Lotteries are implementing Mobile apps to enable augmented reality games with pay-max technology, the first of its kind where players can buy the ticket at retail and then use their mobile phone to have an AR experience. This tool is expected to have especially positive impact on Lottery's ability to engage new consumers. It will be important to design new metrics for measuring the impact and ROI of new technologies like this. The tools we have now which compare performance to existing games under-values the longer-term effect of acquiring new customers and enhancing the engagement of current players.

The Hoosier Lottery just launched a pilot program for proximity-marketing in 95 locations through the Indiana. Players are invited to opt-in and download the Hoosier lottery app. All the marketing and messaging, in the store and also around the store, is geared towards persuading the player to download the Hoosier lottery app. Each week there will be a different promotion that enables the Lottery to measure the effectiveness of the different proximity-marketing promotions. This pilot program is being managed by a cross functional team, including marketing, technology, the lottery, and the ad agency. You must ensure the technology works as intended. Then, you've got to get the message out so that consumers know it is available. And there must

be good offers that get the attention and elicit response from the players. Applying a cross-functional team effort is key to making the pilot successful.

"Tethered wagering" is a technology that enables customers to purchase lottery tickets using near-field-communication digital channel that connects the Mobile wallet or other digital device but only from within the retail location. A small terminal to enable this type of game-play could be placed in every Starbucks and every McDonalds. We could dramatically grow our retailer base overnight.

Rhode Island is launching tethered wagering initiative. It is being tested in traditional retail formats, in social space locations. It is likely to be optimal for a keno or a fast-draw product. As mentioned, tethered wagering holds great potential not just for traditional environments, but also for expansion opportunities in airports or transportation centers, where there's lots of traffic to engage more consumers. Tethered wagering opens up a whole new world of opportunity to expand the retail footprint and enable the player to play through their own device that is connected to a very local terminal.

The discussion of modernization tools, technologies, and strategies is rapidly moving into the action stage. It is none too soon for this to happen. Lottery players and retailers are depending on us to turn the vision into reality! ■

Tethered wagering opens up a whole new world of opportunity to expand the retail footprint and enable the player to play through their own device that is connected to a very local terminal.

Following is an edited synopsis of the panel discussion held at Lottery Expo on September 13 in Miami. You can view a video of the complete presentation at: www.PGRItalks.com.

—Edited by Paul Jason, PGRI.

THE IMPACT OF DAILY FANTASY SPORTS, POKÉMON GO, AND OTHER POP GAME PHENOMENA ON THE BROADER GAMES-OF-CHANCE INDUSTRY AND LOTTERY

Insofar as Fantasy Sports is a form of online gaming and wagering, it may pave the way for states to allow their own Lottery to offer its products online.

How might popular new games impact Lottery? And even if the short-term impact on lottery spend is not significant, how might it reshape the play-styles of the twenty-somethings who we expect to become lottery players in their thirties and forties? How can we ensure that Lottery retains its appeal to consumers whose game-playing options have increased and changed so dramatically over the past few years? Too, as online gaming in other forms increases in popularity and acceptability, won't that cause legislators to look more favorably on Lottery's need to make its products available online? Are there game attributes (that comply with Lottery random logic) of these new games that can be applied to Lottery?

PANEL DISCUSSION

Moderator:

Gregory Smith

Director of the Illinois Lottery
(Formerly Executive Director,
Vermont Lottery)

Panelists:

Shan Daniels

Chief Brand Manager,
Florida Lottery

Larry Loss

Executive Vice President,
Iowa Lottery

Rick Weil

Chief Executive Officer,
Innova Gaming Group/
Diamond Game

The gaming marketplace has experienced the proliferation of fantasy sports and other types of social play in the past few years. Games like Candy Crush, Clash of Clans, World of Tanks, other social games, and also Fantasy Sports are competing with lottery products for the time and attention of players. To what extent do these non-lottery games pose a threat to Lottery?

We might regard them as helpful to Lottery's goals to expand into new game styles and channels. Fantasy Sports may pave the way for the federal government to the prohibition of sports-betting. And insofar as Fantasy sports is a form of online gaming and wagering, it may pave the way for states to allow their own Lottery to offer its products online. It is hard to justify Fantasy Sports, clearly a form of online betting, as posing less risk to consumers than offering lottery products online. Hopefully, given the typically short life-cycles of popular new games, the long-term impact that Fantasy Sports may have on the regulatory environment will likely outweigh whatever negative short-term impacts there are.

Pokémon Go, Clash of Clans, Angry Birds, Farmville, Candy Crush—all of these casual games appeal to a specific part of the brain that engages people and makes them want to continue to play. They incite the player to move into the “super player” category who spends large amounts of money to be king of the hill. It would be socially irresponsible for Lottery to apply these game attributes to excess. But Lottery can make better use of loyalty club programs, second-chance draws, awarding points or coupons to be redeemed for additional plays, generate Mobile pop-ups that promote a new game or jackpot, or otherwise apply some of the tools that make casual games so compelling for the players.

Online social games, even though they are non-wagering games, are also providing insight into the game-styles that appeal to the consumer. Lottery can learn from the success of these games—about consumer behavior, about game design, about marketing, about how to engage the online community, about how to engender online communities of like-minded players and how that drives engagement and sales. Pokémon Go, for instance, has gotten people off the couch and out into stores, which is exactly what Lottery is trying to do. Maybe we should sharpen the focus on just getting people to go into stores, since that

With each new gaming phenomenon, the bar gets raised. The consumer is booting the old for the new and even more exciting.

is a necessary step towards buying the product, at least in most of the U.S. lotteries.

We are also learning about the life-cycle of games in general. They appear to be quite short. They are initially embraced with a level of enthusiasm and media hype that is so overwhelming that one would think they are going to take over the world and leave all other games in the dust. Two or three years later they are replaced by the Next Big Thing. How long will it take for Pokémon Go to fall out of favor? Doesn't seem possible now, but it likely will not be the hottest game forever. These short life-cycles should not give us comfort, though. With each new gaming phenomenon, the bar gets raised. The consumer is booting the old for the new and even more exciting. Clearly, Lottery has a more enduring appeal than any of these new gaming phenoms. But with each passing phase of enthrallment with a new game, consumer play-styles and expectations are evolving. In spite of its enduring consumer appeal, in spite of the fact that nothing can replace the "hope-and-dream" experience of playing the lottery, we should be continually pushing the envelope of innovation to evolve our own games and methods of engaging the consumer.

The game design and value-proposition of casual social games is fundamentally different from lottery gaming. In that sense, social games do not compete directly with Lottery. So it is not our goal to replicate the play-style of popular social games. Instead, we need to leverage the strengths of our own product.

Traditionally, the young adult has never been as engaged as the thirty and forty-somethings. How might the young adult embrace of social games affect their play-styles when they get older and move into the sweet-spot of the lottery-playing demographic? Well, the massive consumer response to the \$1.6 billion jackpot reflects that there is incredibly widespread consumer awareness of Lottery. Millennials were playing along with everyone else. They likely continued to return to and be more engaged by the social games at this stage in their young lives. Just as previous generations were engaged in other things during their twenties. The hope and expectation is that many of the same lifestyle dynamics that attracted previous generations to Lottery will continue to attract current and future generations. Once people move from the young adult singles lifestyle of more free time, higher focus on socializing with friends, not much disposable income but also not many financial obligations or pressures ... into the lifestyle of less time, more disposable income, family obligations and pressures ... that is when the consumer adopts recreational activities that take less time or mental energy and offer a 'hope and dream' respite to imagine what life would be like if we won the jackpot.

Online social games and casual games were not the pop phe-

nomenon with previous generations as they are with today's. But the lifestyle dynamics that cause lottery to gain in popularity as people get a little older are not so different. Even so, consumers' expectations for a fabulous recreational experience is being raised and Lottery needs to innovate in the game design space. But the fundamental value proposition of Lottery will appeal to future generations in spite of the success of whatever new games are taking the young adult market by storm.

The imperative for Lottery is to increase consumer access to the games, make them available in more channels and trade-styles, and to enable all varieties of payment options. We can hope and expect the young adult consumer to be attracted to Lottery as they get older, but we cannot expect them to switch back to cash as their method of paying for anything. They won't do it. And it is too much to expect them to carry cash for the singular purpose of buying their lottery tickets. We need to make our products available for purchase with credit cards, electronic and Mobile wallets and whatever new payment methods and technology become available in the coming years.

The fascinating phenomenon is the amount of money spent on social and casual gaming —with no possibility of winning anything!

There is also the cautionary observation that we are over-generalizing the attributes of demographic sectors. We categorize "young adult" as having lower disposable income or more free time or more focused on socializing with friends. That may be more true of this sector than others, but there would be a large contingent of this sector that does not fit that description. We just talked about how social and casual games have captured the attention of the Millennials. The reality is that social and casual games may be even more popular with their elders. This does not negate the basic idea that lifestyle attributes (amount of disposable income, free time, family status, etc.) tend to impact the game-styles and preferences. And that these attributes can be loosely associated with age. As marketers, though, the business of understanding consumer behavior needs to include much more granular detail and segmentation. As data-analytics are applied with increasing sophistication, further segmentation of player behavior will enable better games to be tailored for narrower demographic profiles.

The fascinating phenomenon is the amount of money spent on social and casual gaming — with no possibility of winning anything! Lottery does not endeavor to replicate the social and casual gaming experience. But as we innovate to make the games more entertaining, the proprietary attribute that Lottery has that others do not —i.e. the possibility of winning a life-changing jackpot is, to use an old-fashioned term, quite the 'killer-app!' ■

Pulse of the Industry



These news stories comprise a small fraction of the gaming and lottery news stories posted every day to www.PublicGaming.com. Too, these stories are the short versions. You can visit our news website and go to the “search” field at www.PublicGaming.com to pull up the complete story. Sign up for our free e-newsletter by just sending your e-mail address to sjason@publicgaming.com.

WORLD NEWS

ARJAN VAN 'T VEER IS THE NEW SECRETARY GENERAL OF THE EUROPEAN LOTTERIES ASSOCIATION

The Executive Committee of the European Lotteries is pleased to announce the appointment of Dr. Arjan van 't Veer as the new Secretary General of the European Lotteries. He will start in his new role on March 1, 2017.

The 48-year-old Dutchman is a very well-known figure within the European lottery community and a recognised expert in the field. Following his law studies, he obtained a doctoral degree on gambling regulation from the Erasmus University Rotterdam. Arjan van 't Veer started his career in the world of lotteries at the Nederlandse Staatsloterij in 1998. He currently serves as the Director of Corporate Affairs at Nederlandse Loterij, the company that resulted from the merger between De Lotto and Nederlandse Staatsloterij. His responsibilities include notably all corporate communications, legal affairs, sponsorships and responsible gaming.

Throughout his career, Dr. van 't Veer has always been active at the international level as a participant and speaker at conferences and

seminars. At the European Lotteries Association, he has been strongly involved in several working groups for many years and finally in 2013 he joined the Association's board, the Executive Committee.

Hansjörg Höltekemeier, the President of the European Lotteries, commented on the appointment: *“We are very pleased to have a recognised expert such as Arjan to fill this role. His sector experience is unmatched, he knows our Association and our members. He is already familiar with our team and our renewed strategy. I am confident that he will be the key driver to reach our targets and to support our sector in challenging times.”*

“I am very honoured to have been appointed for this role. The European Lotteries Association stands before an important crossroads—stakeholders and the general public are changing their attitudes towards gambling, players and games are more than ever technology-driven, regulators are shifting their paradigms. Within the European Lotteries Association, members and suppliers are also getting new roles and responsibilities. Creating value for our members and important stakeholders such as players in the different countries, members, suppliers and regulators will be an important task in my new role,” says Arjan van 't Veer.

THE UK GAMBLING COMMISSION (GAMBLING- COMMISSION.GOV.UK) PUBLISHED A GUIDANCE REPORT DESIGNED TO HELP THE INDUSTRY DEFINE THE TERM “GAMBLING SOFTWARE.”

This has been an issue in the industry since 2015 when gambling software was added to the licensing conditions of the Commission.

Any software designed to be used in online gambling is required to hold a licence.

CORPORATIONS PLACING BIG INVESTMENT BETS ON E-SPORTS

E-sports—the burgeoning business of competitive video game tournaments—is drawing investments from corporations hoping to attract young consumers. The global e-sports industry is expected to explode from \$493 million in 2016 to \$1.1 billion in 2019.

SRI LANKA DLB CONSIDERING ONLINE LOTTERY FOR MILLENNIALS

Development Lotteries Board (DLB) Chairman Romesh Jayawardana says that the DLB is exploring ways to launch an online lottery which will appeal to the new Millennials or Generation Y who are not too keen on purchasing paper-based traditional lotteries.

WLA REPORT: 9MONTH-ON-9MONTH GLOBAL SALES LOTTERY GROWTH UP 4.9%

Edging up from a half-year on half-year increase in sales of 4.5%, lotteries around the world continued to gain momentum in the third quarter of 2016, resulting in an aggregate increase in sales of 4.9% for the period January–September 2016, as against January–September 2015. Nine-month on nine-month sales were up sharply in Africa, and were also up in North America, Asia Pacific, and Europe. Sales in Latin America held steady.

The African region enjoyed the strongest performance over the first nine months of 2016, with participating African lotteries reporting an aggregate increase in sales of 27.6% for Q1–Q3 2016, as against Q1–Q3 2015. Once again, the main contribution to the performance of the African market came from South Africa's Ithuba. The South African National Lottery saw its Q3 2016 sales rise by more than 50% over the third quarter of 2015, the new license holder's first quarter of operations. Morocco's La Marocaine des Jeux continued its previous strong showing, reporting an increase in sales of 19.4% for 9M 2016 over 9M 2015.

Participating North American lotteries reported an aggregate three-quarter year on three-quarter year increase in sales of 7.8%. The Minnesota Lottery, Kentucky Lottery, California Lottery, and the Tennessee Education Lottery all enjoyed sales growth of more than 10% over the first nine months of 2016. For its part, the Florida Lottery enjoyed a record-breaking Q3 2016, with ticket sales exceeding USD 1.44 billion. Overall, sales through the first nine months of 2016 were up 8.5% at the Florida Lottery. Also in the U.S., the Connecticut Lottery Corporation and the New York Lottery saw 9M-on-9M sales increases of 6.8% and 6.6% respectively.

The Ontario Lottery and Gaming Corporation enjoyed the best performance of participating Canadian lotteries, reporting an increase in

sales of 5.4% over the nine months to September 2016.

Participating Asia Pacific lotteries recorded an aggregate 9M-on-9M increase in sales of 4.6%. As in the first half of 2016, growth in the Asia Pacific region was driven by China Sports Lottery, which saw its sales increase by 12.6% over the nine months to September 2016. Over the 9M-on-9M period, sales growth in China was driven by the Guess Lottery game, the sales of which increased by 32.5% over the given timeframes. Elsewhere in the Asia Pacific region, 9M-on-9M sales at Hong Kong's HKJC and Australia's Lotterywest were up 3.5% and 1.1% respectively, while sales of the Takarakuji lottery at Japan's Mizuho Bank contracted over the same timeframes.

Participating European lotteries witnessed an aggregate increase in sales of 4.2% over the period January–September 2016, as against January–September 2015. Leading the pack was Norway's Norsk Tipping, which saw its sales strengthen from a half-year on half-year increase of 10.8% to a nine-month on nine-month increase of 11.8%. Also performing strongly were France's FDJ, which reported a 9M-on-9M increase in sales of 8.9%, and Hungary's Szerencsejáték Zrt., where sales increased by 8.5% over the 9 months through to September 2016. At the Hungarian National Lottery, sales of instant tickets strengthened owing to the launch of several new instant games, whereas sales of numbers games and sports games held steady in the absence of a major numbers jackpot on the one hand, and a dearth of major international sporting events on the other. At Poland's Totalizator Sportowy, 9M-on-9M sales increased by 7.8%, while sales at Finland's Veikkaus Oy increased by 5% over the same timeframes. Elsewhere in Europe, Q3-on-Q3 revenues increased by 8.3% at Greece's OPAP, on the back of higher revenues in the lottery and Hellenic Lotteries segments. The Greek lottery's positive third quarter performance ensured its 9M-on-9M

revenues broke even as a result; earlier, half-year on half-year results had been in negative territory. In Latin America, participating Latin American lotteries held steady, reporting an aggregate increase in sales of 0.1%, again on the basis of revised reporting measures from Argentina's Lotería Nacional Sociedad del Estado. Once again the Argentinian national lottery continued its rapid growth in 2016, reporting a double-digit increase in sales for the nine months through to September 2016, as against the nine months through to September 2015. Offsetting the performance of the Argentinian National Lottery was Brazil's Caixa Econômica Federal, which saw its sales contract over the same time periods. Beyond these results, sales at Chile's Polla Chilena continued to strengthen, growing by 5.7% over 9M 2016, versus 9M 2015, while Mexico's Lotería Nacional para la Asistencia Pública performed similarly, overseeing an increase in sales of 5.3% for the period January–September 2016, as against the period January–September 2015. For its part, Mexico's Pronósticos held steady. Visit world-Lotteries.org for complete results and a wealth of other information as well!

SPAIN'S ONLINE GAMBLING FUELED BY SLOTS

Spain's online gambling market was led by slots in the fourth quarter of 2016.

Figures released by the Spanish gaming regulator showed gains in the online gambling market in the three months ending December 31. Overall turnover increased one-fifth to €2.9b, and operator revenue rose about one-third to €125.6m.

Online sports bets totaled €1.27b, up 7.7% from Q4 2015. Casino turnover skyrocketed 54% to €1.2b. Bingo increased 16.7% to €18.8m. Poker declined 7% to €415.6m.

Sports betting dominated the Q4 revenue standings with €69.8m (+30.6%), ahead of casino's €36m, although the casino vertical's year-to-

year growth was far greater at 58.8%. Bingo revenue was up one-fifth to €2.2m. Poker had a 4.6% gain to €15.2m.

Cash games accounted for two-thirds of all Q4 poker spending, while tournaments represented 56% of poker revenue. Cash games (-9%) and tournaments (-2.7%) experienced spending declines, but tournament revenue was up 16.9% while cash games were down 7.6%.

GERMAN LOTTO AND TOTOBLOCK (DLTB) COMMENTS ON THE CHANGES TO THE STATE GAMBLING AGREEMENT ADOPTED BY THE PRIME MINISTERS

On October 28, the Prime Ministers decided to reorganize the gambling in Germany partially and to put fundamental topics to the test. Michael Heinrich and Torsten Meinberg, the lead manager of the DLTB and also the managing director of LOTTO Hamburg GmbH, explained, *"The responsible and publicly oriented gambling game must continue to be secured in Germany. The lottery monopoly ensures a social and social compatibility of lotteries, is tamper-proof and has proved its worth, protecting the population against gambling. Dangerous online casinos are the top priority for us, and these goals can only be achieved if online casinos are still banned. The changes in the gambling agreement will re-regulate the sports betting area, as well as re-order the transnational tasks of the lucky games. The DLTB also expects a necessary reassurance on the gambling markets as well as an obscurity of further debates."*

The DLTB welcomes the intention of the countries to combat illegal gambling, especially on the Internet more effectively. To this end, Torsten Meinberg explains: *"Companies with their illegal bets on lotteries (black lotteries) are a form of product piracy, do not provide protection against gambling, mislead consumers, circumvent the tax*

obligations in Germany and do not generate any benefits for the common good."

The German Lotto and Totoblock, which in February 2017 dealt intensively with the planned changes at a special meeting, considers a fundamental improvement in the state enforcement to be necessary. The efficiency of the inspections should be increased in the interests of an orderly gambling model. The dynamics of the Internet require a unified, independent online supervisory authority for all legitimate gambling and the comprehensive fight against illegal gambling offers.

The DLTB thinks it would be useful to continue the terrestrial tasks of the lucky-screen view in the existing, but still to be, powerful structure. *"This requires a high level of human resources and financial resources for the supervisory authorities,"* explains Michael Heinrich, adding that *"the supervisory authorities must be able to implement the laws efficiently at all levels."* The League of Gambling should provide for a binding coordination of the highest levels of satisfaction and the supervisory authority responsible for the Internet.

The DLTB is committed to maintaining the ban on online casino games and online poker. The ban is still justified because it is the most dangerous gambling. Gameplay and further economic livelihoods of the citizens are heated by these offers.

Torsten Meinberg emphasizes: *"We do not want a gambling Republic! Online casino games have a high risk of gambling, and a high frequency of incentives is an incentive And money laundering risk is high."*

In summary, the DLTB leaders Michael Heinrich and Torsten Meinberg explain: *"The responsible and publicly oriented gambling game must continue to be secured in Germany. The lottery monopoly ensures a social and social compatibility of lotteries, is tamper-proof and has proved its worth, protecting the population against gambling And dangerous online casinos is the top priority for us,*

and these goals can only be achieved if online casinos are still banned."

About the DLTB: The German Lotto and Totoblock (DLTB) is the community of the 16 independent Lotte companies in the federal states. LOTTO stands for happiness on the basis of responsibility. Our primary goal is to allow the game of luck, but at the same time to prevent the development of gameplay. On a governmental mandate, our actions are not geared towards profit-making but are primarily geared towards the promotion of common good. The players' bets are largely returned to the community and finance numerous projects in the areas of social, cultural and sports.

2017 YEAR OF THE LOTTERY FOR ON-LINE OPERATORS

Online gambling operators are tireless in their pursuit of ways to keep their customers coming back, and 2017 appears to be the year they will focus on maximizing the lottery. The global lottery market is valued at €280bn per year, but online gaming represents only a fraction of that total.

GOVERNMENT OF MOZAMBIQUE APPROVES GAMING AND GAMBLING LAW

The government of Mozambique has approved the regulation of the Gaming and Gambling Law which, in addition to increasing the number of casino licenses to be granted, reducing the distance between casinos from 5 kilometres to 100 metres.

The deputy minister stressed that through this regulation, the government intends to concentrate a larger number of casinos in a small area and gave Macau as an example of concentration of casinos.

"This concentration allows the player to be in a casino and, at his discretion, move to another, either because he is losing or because the other has better security or other conditions," he said.

GEORGIA (EASTERN EUROPE) TO SELECT NEW NATIONAL LOTTERY OPERATOR

The Georgian Ministry of Finance is reviewing proposals from international operators to manage the country's national lottery. Following the privatization of the lottery in 2009, two organizations have managed the draws: first was the Georgian Lottery Company, followed by the postal service. Seeking to improve the lottery's performance, Georgia requested proposals from international operators. The new

operator will be expected to modernize the Georgian lottery. For example, one of the major areas of development in the industry the past five years has been online and mobile betting. Although players have been able to play through Georgia's ebetting portal, it is likely that a new operator will introduce their own online services.

New payment methods also will be considered. Some online gaming operators offer a "pay by phone" method. For example, on the mobile slots site Mr. Spin, players can deposit by phone up to a maximum of £10. The deposit

is charged directly to their mobile phone contract and they don't need to input any personal information.

A new lottery operator is likely to generate several new games to supplement the main draw. Although any gaming options must be approved by the government, many international lotteries are part of a larger portfolio of online options. By coupling the lottery with other online betting options, operators have been able to increase participation and jackpots. ■

NORTH AMERICAN NEWS

ARIC NESBITT TO BE NEW MICHIGAN LOTTERY COMMISSIONER



Aric Nesbitt of Lawton has been appointed Michigan lottery commissioner. Gov. Rick Snyder announced Nesbitt's appointment on Friday, Feb. 17: *"I thank Aric for his continued service to the great state of Michigan,"* Snyder said. *"He has served many years in public service and I am confident that experience will suit him well in this role."* Mr. Nesbitt served three terms in the Michigan House of Representatives after first being elected in 2010. Under term limits in Michigan, he was forced to leave the legislature after his third term. He previously served as legislative director for Congressman Tim Murphy and Congressman Tim Walberg. He earned a bachelor's degree in economics from Hillsdale College and a master's in economics and business administration from the Norwegian School of Economics.

INTERNET GAMBLING ATTRACTS NEW CUSTOMERS TO ATLANTIC CITY CASINOS

Internet gambling revenue in New Jersey experienced significant increases in 2016 and a new study from an industry research group projects even more growth this year. Internet revenue was up 32% last year, and is expected to rise 17% in 2017.

The industry study also addressed the impact online gaming has had on the seven brick-and-mortar casinos still operating in Atlantic City. *"Online gambling is becoming a highly effective tool for Atlantic City's casinos,"* according to the report. *"Increased integration between the online and live casino appears to be driving additional play and visitation at land-based properties."*

Atlantic City casinos have experienced intense pressure from competing casinos in neighboring states, and it had been thought that online betting would take more customers away from Atlantic City. But the report states that online gambling revenue is not coming at the expense of casino revenue. In fact, it said the online product is attracting new customers and reactivating existing ones.

Atlantic City's casinos posted a 7.7 percent gambling revenue gain in January 2017 (compared with the same month last year). Internet gambling generated \$18.8 million for the month.

CALIFORNIA TAKES ANOTHER RUN AT LEGALIZING ON-LINE POKER

In what has become an annual legislative exercise, the California Assembly will consider a bill to legalize and regulate on-line poker during the 2017 session. Last year, a bill that seemed to resolve many of the long-held objections from the state's horse racing industry passed an appropriations committee, but failed to gain approval from the full assembly.

The latest measure—The Internet Poker Consumer Protection Act—was introduced by California Assembly member Reginald Jones-Sawyer. The legislation seeks to balance the demands of numerous conflicting interests within the Golden State's gambling industry. The state's horse racing industry was satisfied by a provision in a bill in 2016 that provided about \$60 million in revenue sharing, but Native American tribes with casinos have not reached a consensus on how the industry should be regulated.

Some tribes do not want a company like PokerStars in the California market because they say the operator gained an unfair advantage when doing business in the state, illegally, before the authorization of online poker.

California tribal gaming generates \$8 billion a year, making it the largest market of its kind in the U.S. Tribal casinos support 63,000 jobs. There are

about 60 tribal casinos in the state, and nearly 100 facilities in total that offer poker. California's online poker market is estimated at \$400 million.

NACS (NATIONAL ASSOCIATION OF CONVENIENCE STORES) REPORT ON LOTTERY SALES

Convenience stores sell approximately half of all lottery tickets sold in the United States. On any given day, a convenience store serves around 1,100 customers a day: 300 at the gas pump and around 800 inside the store to buy drinks, snacks, and other convenience items, including lottery tickets.

Commissions on lottery tickets vary by date but are typically 5% to 6%. That means on a \$2 ticket, retailers make about a dime. Stores that sell winning tickets also receive commissions, and the size of these large jackpot commissions vary by state. In some states, these commissions are capped at a certain level (as low as

\$10,000), while in other states they are a percentage of the total payout, as much as 1%.

Lottery also is a great traffic driver for convenience stores. According to a NACS study, 95% of lottery customers buy at least one additional item inside the store. The overall market basket, or "spend" for items by lottery customers in convenience stores is \$10.35, 65% higher than the \$6.29 spent by non-lottery customers.

Lottery customers tend to be regular customers and are inside the store where they often buy other items. Those in-store sales are critical because stores also have low margins selling fuel. Over the past five years, the net margin on fuels (before expenses) has been 6.2%. After expenses, retailers only make around a nickel per gallon profit selling fuel.

Lottery is legal and multi-state jackpots are in 44 states. It is prohibited in Nevada, Alabama, Mississippi, Utah, Alaska and Hawaii. However, even

in states where lottery is legal, some retailers opt to not sell lottery. Low lottery commissions, combined with the cost of terminals and the need to have these terminals in a spot that could be used to sell other impulse items, are some concerns that these retailers raise.

There is no question that there is an excitement in stores as customers dream of the possibilities of the largest jackpot in history. It gives retailers a chance to shine and enjoy the excitement in their communities. And it's great to hear the conversations in these communities across the country about what people would do to possibly use the winnings—or dream about a better future.

Selling a winning ticket can also garner media attention at the lucky store. <http://www.nacsonline.com/Research/FactSheets/InStoreMerchandise/Pages/LotterySalesinConvenienceStores.aspx> ■

COMMERCIAL NEWS AND BULLETINS



SCIENTIFIC GAMES NAMES KARIN-JOYCE TJON CHIEF OPERATING OFFICER AND PRESIDENT



Scientific Games Corporation announced the appointment of Karin-Joyce ("KJ") Tjon as Chief Operating Officer and President, effective February 13, 2017. Her responsibilities will include oversight of the

gaming and lottery operations and driving the Company's organizational strategy, business development and fiscal discipline.

Tjon will report directly to Scientific Games' Chief Executive Officer Kevin Sheehan, who said, *"We have tremendous confidence in KJ's ability to lead our long-term growth strategy and execution, and continue the strong growth across all of our businesses. Her deep experience in international finance, performance accountability, and culture transformation will further enhance our ability to deliver for our customers, employees and our shareholders."*

She joins Scientific Games after serving two years as Chief Financial Officer and Executive Vice President of Epiq Systems, a leading global provider of integrated technology and services for the legal profession, where she oversaw legal, corporate gover-

nance, risk compliance, and all aspects of international corporate finance.

Before that, during her three-year tenure as Chief Financial Officer and Treasurer of Hawker Beechcraft Corporation, a \$2.5 billion international manufacturer of business and special mission aircraft, Tjon directed the company's administrative, financial and risk management operations, effectively aligning finance with overall business strategy.

Prior to Hawker Beechcraft Corporation, Tjon served for almost ten years as Director, Senior Director and Managing Director at Alvarez & Marsal, LLC, a global professional services firm specializing in business turnaround and performance improvement.

Tjon earned an MBA in finance from Columbia University and a bachelor's degree in organizational behavior and management from Ohio University.

SCIENTIFIC GAMES WINS NEW NORSK TIPPING CONTRACT: BRINGING ENTERTAINING INTERACTIVE CASINO AND E-INSTANT GAMES TO NORWEGIAN PLAYERS

Scientific Games Corporation announced that Norsk Tipping, Norway's national lottery operator and World Lottery Association member, has awarded the Company two new three-year contracts to provide interactive casino and eInstant games. The contracts, which Scientific Games won following a competitive procurement process, may be extended for one additional year. The Company's world-class digital content will be offered to Norwegian players via a single point of delivery through Scientific Games' secure remote gaming server ("RGS") platform.

Scientific Games also provides Norsk Tipping with lottery instant games as well as lottery gaming systems and retail technology. The Company is also collaborating with the Lottery to innovate in areas such as product portfolio management, prize structures and payouts, and retail product display. Åsne Havnelid, Chief Executive Officer, Norsk Tipping, said, *"We look forward to offering more game entertainment from Scientific Games to Norwegians. The instant games, technology, and services provided by Scientific Games have proven successful and helped us in our mission to grow responsibly. Since launching our iGaming program several years ago, Norsk Tipping remains committed to providing the very best portfolios of interactive casino and eInstant products to our players, while executing our responsible gaming principles."*

Bob Hays, Vice President Global Commercial for Scientific Games, said, *"The addition of interactive casino and eInstant content nearly completes a full product offering for Norsk Tipping from Scientific Games. Driven by our advanced RGS platform, our exceptional digital game portfolio will support the Lottery's continued mission to grow responsibly while entertaining players in*

Norway with the best lottery and gaming experiences in the world."

In the Nordic region, in addition to providing lottery systems and retail technology to Norsk Tipping, Scientific Games will soon launch new gaming systems technology for Danske Spil in Denmark. The Company currently provides instant games to Danske Spil, Veikkaus Oy in Finland and several lotteries in Sweden; as well as lottery systems and retail technology to Islensk Getspa in Iceland.

The leading supplier of lottery instant games in the world, Scientific Games provides games, technology and services to more than 150 lotteries globally.



IGT WINS CONTRACTS WITH NORSK TIPPING TO PROVIDE INTERACTIVE CASINO AND INSTANT WIN GAME LIBRARIES AND CUSTOMIZED GAMES

International Game Technology has announced that its subsidiary, IGT Global Services Limited (with International Game Technology PLC, hereinafter "IGT"), has signed contracts with Norsk Tipping to provide interactive casino and Instant Win game libraries and custom games through a Remote Game Server (RGS) as part of a recent competitive procurement process. Norsk Tipping, Norway's state lottery operator and a World Lottery Association (WLA) member, has been a valued customer of IGT, previously legacy GTECH, since 2013.

"Since the launch of Norsk Tipping's iGaming program in 2014, IGT's compelling interactive content has contributed to its ongoing success," said Åsne Havnelid, CEO, Norsk Tipping. *"Thanks to IGT's investment in its interactive solutions, we can continue providing Norwegian players with unique games that they enjoy built on the foundation of Responsible Gaming principles."*

"IGT's extensive experience across commercial iGaming has helped to meet the specific needs of the traditional WLA markets, and has enabled IGT to provide Norsk Tipping with a competitive, customized iGaming portfolio," said Declan Harkin, Senior Vice President and Chief Operating Officer, IGT International. *"IGT was proud to play an integral role in Norsk Tipping's historic iGaming program launch, and this contract will further enhance their successful program with additional entertaining game content."*

The new contracts for the provision of games, which took effect on Feb. 1, 2017, are for three years with the option for an extension of one year. Related contracts for the operation of games will have initial three year terms from the date of regular operation and will be automatically renewed for one year at a time until a maximum of eight years. IGT will provide additional interactive casino and Instant Win content from its game libraries, as well as new games created exclusively for the regulated Norwegian market, through an RGS. IGT will also provide a selection of games through its Nordic sub-supplier Magnet Gaming. The games are expected to be deployed beginning in the second half of 2017.

In a separate contract, executed in September 2016, IGT received a two-year extension until March 2019 of its current contract with Norsk Tipping dated November 2012 for the ongoing provision of the interactive gaming platform.

IGT's extensive game libraries leverage the Company's experience across multiple gaming verticals, including interactive and land-based gaming, to help customers attract new players and retain existing ones. The libraries feature a broad variety of themes and features, enabling operators to select proven game styles for their market while easily introducing new themes. IGT's libraries include widely recognized licensed content, and offer cross-promotion and advertising material to enhance player engagement.

Beginning in January 2014, Norsk

Tipping went live with its successful Instaspill portfolio consisting of IGT iCasino, Instant Win, and Bingo titles, as well as the platform supplied exclusively by IGT.

In addition to Norsk Tipping, IGT's Nordic WLA interactive customers include Veikkaus in Finland and Svenska Spel in Sweden.

IGT HAS SIGNED AN EIGHT-YEAR CONTRACT EXTENSION WITH SYNOTGROUP

International Game Technology PLC subsidiary, GTECH Sweden Interactive AB (with International Game Technology PLC, hereinafter "IGT"), has signed an eight-year contract extension with SYNOT Group to continue providing system software and game content for SYNOT's interactive video terminals (IVTs) in the Czech Republic and Slovakia through 2026.

"Our players enjoy first-class entertainment through IGT's innovative designs and technology," said Miroslav Valenta Jr., Sales Director, SYNOT Group. "With our deep knowledge of players' needs and our long-term experience in the Czech and Slovak markets, we are able to maintain the leading position in the gaming industry in both countries. The system enables a geographically widespread server-based solution, catering to thousands of our players in various locations. We look forward to continuing our partnership with IGT and adding new game content and offerings throughout the next 10 years."

"SYNOT Group is a major player in the gaming machine markets in both the Czech Republic and Slovakia, and we are happy to continue delivering our proven solutions and services in these key markets," said Walter Bugno, IGT CEO, International. "This extension also further strengthens our relationship with SYNOT as we look to explore additional joint opportunities in the future."

IGT will continue providing IVT system software and game content, as well as maintenance and game content enhancements. The system software has six different game suites creating

an extensive game library that offers a wide selection for operators to choose from and lasting entertainment for players. In addition, IGT will provide installation, operational, and technical support, and new games each year.

IGT, as legacy GTECH, has had a strategic partnership with SYNOT Group since 2004, delivering software for its IVT and Amusement With Prize (AWP) products.



NOVOMATIC LOTTERY SOLUTIONS WINS SEVEN YEAR CONTRACT WITH ESTONIA'S EESTI LOTO TO PROVIDE CENTRAL SYSTEM AND PLAYER ACCOUNT MANAGEMENT SOLUTIONS

"The NLS omni-channel solution gives Eesti Loto the ability to create an entirely new player experience by breaking down the barriers that used to exist between channels," said Frank Cecchini, NLS Managing Director & CEO.

After a competitive procurement process, Eesti Loto awards a seven-year contract (Including possible extensions) to Novomatic Lottery Solutions (NLS) for the provision of an Information System to manage its sales in all channels. NLS proposed a truly modern, state of the art technology platform designed to enable lottery sales over every channel. Built around proven, up to date Service Oriented Architecture and making use of an extensive library of APIs the platform enables sales over a wide range of POS devices including existing devices and large-scale retail POS systems.

NLS' advanced lottery platform features the latest technologies that will allow Eesti Loto to exceed its players' expectations and set new, standards in lottery operations and services, both in the short- and long-term. The solution will deliver out-of-the-box all the necessary options to drive new business and offer new Lottery content for play-

ers across all channels—mobile, retail, internet—as well as the flexibility to handle whatever the future may bring.

"The NLS omni-channel solution gives Eesti Loto the ability to create an entirely new player experience by breaking down the barriers that used to exist between channels," said Frank Cecchini, NLS Managing Director & CEO. "Eesti Loto will have the freedom to incorporate best-of-breed services and content; deploy the most appropriate POS devices and deliver a whole new experience to its players. We are extremely excited to be working in partnership with one of the most technically advanced lotteries in the region and are looking forward to working with Eesti Loto to realize the benefits of a truly modern system where technology is not a barrier to growing the business."

NLS' pioneering BYOT (Bring Your Own Terminal) philosophy allows Eesti Loto to utilize existing assets or deploy modern tablet or mobile devices. The solution utilizes NLS' Thin Retail Client, which enables the lottery to use any third-party hardware for its POS. Eesti Loto will deploy this solution across new Linux-based POS systems, as well as Android devices for smaller retailers. This strategy will significantly strengthen its retail footprint by improving the Lottery's instant ticket sales channel and enabling lottery sales at smaller retail locations.

Eesti Loto will also plan to collaborate with its retail partners to roll out the NLS POS Embedded solution thereby allowing supermarkets to offer Eesti Loto's lottery games and instant tickets at in-lane locations within the stores. Under the new contract, which includes two possible one-year extensions, NLS will additionally provide Eesti Loto with eInstants from the extensive NLS portfolio of entertaining games.

The excitement at Eesti Loto was perhaps best captured by the Lottery's CEO, Heiki Kranich, who said: *"This will be a major jump forward! We selected the NLS system and team because they are the most ready to support our inventive team who rely on technology to open doors to new possibilities and maintain Eesti Loto's reputation for*

innovation and technological leadership in a country where these qualities are the norm. NLS provides an advanced, secure and robust multichannel system with player registration methods that will allow Eesti Loto to achieve its commercial objectives as well as further implement our KYC and Responsible Gaming strategy. NLS is future-ready, and so is Eesti Loto!"

NOVOMATIC LOTTERY SOLUTIONS ENTERS LONG-TERM TECHNOLOGY AGREEMENT WITH OPAP

Following a competitive procurement process, OPAP, the Greek betting and lottery group, has selected NOVOMATIC Lottery Solutions (NLS) as its new technology partner for its numerical lotteries business.

NLS will provide OPAP with its innovative and secure Omni-channel Lottery platform for all lottery games, including its popular games Kino, Tzoker and Lotto. The NLS platform will commence full operation in 2018. This process will also include the replacement of the retail system for all OPAP points of sale. NLS will also deliver its comprehensive Player Account Management system to support all OPAP's games in all channels, initially for digital customers and ultimately extending to OPAP's large retail network. The contract is for an initial five-year period with the possibility of extensions.

OPAP is the leading gaming company in Greece with Gross Gaming Revenues of EUR 1.4 billion in 2015, a complete games portfolio from Passives to VLTs and an extensive network of 4,500 retailers. It is one of the biggest gaming organizations in the world and a trendsetter in the WLA sphere.

"We are immensely proud to have been selected by OPAP to work together on this exciting and groundbreaking transformation project. Both NLS and our parent NOVOMATIC are fully committed to professionally delivering to OPAP a full range of high-quality products and services," said Frank Cecchini, CEO of NLS. *"It is proof that our technical ap-*

proach and solutions can fulfil the needs of even the largest and most progressive lotteries in the world."

Commenting on the agreement, OPAP Chief Executive Officer, Damian Cope said: *"We are delighted to be announcing this new partnership with NLS. This is an important step in OPAP's priority of building a world-class portfolio of products and services for our customers. Our cooperation with NLS will be a significant contribution towards the delivery of our 2020 Vision strategy. Leveraging the latest digital and technology capabilities is one of OPAP's stated Strategic Priorities within our 2020 Vision. Our selection of these key partners demonstrates our clear focus on working with the industry's leading providers of modern gaming technology, whilst also allowing OPAP an element of control and flexibility over the fast-moving digital world."*

OPAP GROUP ANNOUNCES NEW STRATEGIC TECHNOLOGY PARTNERSHIPS

The enhancement of digital and technology capabilities and upgrade of core services is part of an investment of more than 100 million EUR

OPAP Group (OPAP), the leading Greek betting and lottery operator, has concluded its technology strategy review and has selected the key organisations with whom OPAP will partner in the delivery of its 2020 Vision. The new partnerships are consistent with the company's Strategic Priorities of "building a world class portfolio of products and services" and "leveraging the latest digital and technology capabilities."

OPAP has chosen Novomatic Lottery Solutions (NLS), a member of the Novomatic Group, as its new technology partner in the field of numerical lotteries, covering Kino, Tzoker, Lotto and Proto. OPAP will migrate to the NLS platform during 2018 and this process will also involve the replacement of all of the existing shop tills. NLS will also provide its Player Account Management System (PAM) to

OPAP and this will be the foundation of customer relationship management, initially for digital channels.

Agreement has also been reached with Playtech BGT Sports for the supply of software licenses and services for self-service betting terminals (SSBTs) and the subsequent introduction of a full sports betting solution for OPAP agencies network. SSBTs initial roll-out will commence in OPAP stores during H1 2017, followed by the introduction of an over the counter sports betting solution in 2018.

The company's digital offering will also undergo a significant improvement and, given the fast-moving and competitive nature of this market, OPAP has selected Betgenius to become its primary provider of an integrated digital sportsbook service. Under the terms of the agreement OPAP will also receive fully-automated prices for around 130,000 events a year for the next two years, including all major football, basketball and tennis fixtures.

OPAP is planning to proceed with an investment of more than 100 million Euros over the next few years, for the implementation of its 2020 Vision, which includes the transformation of the technology role within the organization. Specifically, this will involve migrating to these new platforms, the investment in new SSBTs and the replacement of existing shop hardware. This will also include the necessary upgrade in technology infrastructure for both its retail and digital channels and provide modern, best-in-class solutions for all existing activities, as well as the foundation for future strategies.

In parallel, OPAP will be creating more than 100 new job positions in Greece in 2017 that will support the implementation of its plans, while generating additional indirect job opportunities in the country through its operations.

Commenting on these strategic partnerships OPAP Chief Executive Officer, Damian Cope, stated: *"Leveraging the latest digital and technology capabilities is one of OPAP's stated Strategic Priorities within our 2020 Vision."*

After a long and careful review we have now identified how we intend to do this and with whom. Our selection of these key partners demonstrates our clear focus on working with the industry's leading providers of modern gaming technology, whilst also allowing OPAP an element of control and flexibility over the fast-moving digital world. Our Board of Directors has also approved a significant investment in people, systems, solutions and infrastructure.

"I am pleased to be announcing these agreements with world leading technology providers, each with industry expertise that will help transform the role of technology within our organization and this in turn will enable us to improve existing products, introduce new ones and enhance our customers' experience both online and across our network."

OPAP has previously announced its partnership with Inspired Entertainment for the provision of Virtual Sportsbetting and can now confirm that this product is expected to start roll-out during H1 2017, initially offering the successful Virtual Football to customers, with additional sports expected during 2018.

Kambi

KAMBI GROUP PLC SIGNS A CONTRACT WITH GREENTUBE—NOVOMATIC INTERACTIVE

Kambi Group plc signs a contract with Greentube—NOVOMATIC Interactive, a wholly owned subsidiary of NOVOMATIC, www.novomatic.com, Europe's leading gaming technology group. This follows the MoU with NOVOMATIC Lottery Solutions (NLS) announced in October 2016, where Kambi and NLS launched 'NLS Sports Betting—Powered by Kambi.' Kambi will offer its state-of-the-art sports betting service to Greentube's brands in regulated European markets such as Spain, Italy, UK, Germany and Romania.

Commenting on the deal, Kristian Nylén, CEO, Kambi said:

"We are very pleased to have been chosen to provide Greentube with our fully managed Sportsbook service. This deal is another positive step towards extending the partnership with NOVOMATIC Group. With Greentube's many local licenses, the partnership has great potential to make it an important pan-European Sportsbook player alongside its already successful casino brands."

Thomas Graf, Greentube CEO, commented: *"Adding Kambi's Sportsbook to our online brands will further enhance the appeal of our online casinos and open completely new customer segments for us. We look forward to this partnership and are convinced that it has the potential to be a great success."*

To find out more about Kambi and Greentube, visit Kambi at ICE Totally Gaming at the ExCel, London, stand S2-110.

intralot

INTRALOT SIGNS 10-YEAR CONTRACT WITH IDAHO LOTTERY

INTRALOT announces the signing of the contract with the Idaho Lottery, after an open and highly competitive bidding process which was completed in December 2016 to provide Lottery Gaming System services for the Idaho Lottery. The contract is for a ten year period starting October 1, 2017, through September 30, 2027, with an option to extend for up to a maximum of two additional five-year terms. INTRALOT has been supplying the Idaho Lottery with Gaming systems services since 2007.

The contract value for the initial term is estimated at USD 60m and provides for a secure central gaming system capable of delivering, managing, and accounting for all current in-state and multi-state Draw Games, inventory control and logistics for the full

complement of Scratch Games, and other related services.

Idaho Lottery Director Jeff Anderson said: *"We are very pleased to initiate a new era of cooperation with INTRALOT following a competitive selection process. Our aim is to work together with our partner to further modernize the Idaho Lottery and improve our ability to serve our players and our beneficiaries, Idaho Public Schools and the Permanent Building Fund."*

Mr. Nikos Nikolakopoulos, Interim CEO of INTRALOT Inc. and INTRALOT Group COO, stated: *"We are really honoured to seal today the agreement with Idaho Lottery, allowing us to continue to provide to one of our most valuable customers our leading gaming solutions. I would like to personally thank the Idaho Lottery Management Team for their trust. Our experienced US team will closely cooperate with the Lottery team in the new period to help the Lottery meet its goals for responsible growth and stronger returns for good causes."*



EQUILOTTERY JOINS WEST VIRGINIA RACING UNITED, WILL PURSUE LEGISLATION

EquiLottery has joined West Virginia Racing United as an Honorary Member as part of its effort to bring its innovative lottery game based on the results of live horse racing to the state. EquiLottery, working with this well-established trade organization that represents horsemen and The Jockeys' Guild in West Virginia, will attempt to pass legislation during the 2017 session that allows for a lottery game to be based on a live horse race.

The bill will be a shared effort by EquiLottery and West Virginia Racing United and will propose a tweak to the statutory language unique to West Virginia that currently prohibits the lot-

tery from basing a game on the results of a live sporting event by excluding horse racing from this prohibition. This approach has precedent across the country in states such as Kentucky and Minnesota which expressly allow for lottery games based on the results of live horse racing despite a prohibition against combining lottery with other live sporting events. More details about the bill will be available in the coming weeks.

"We are very happy to count EquiLottery as the newest member of our organization," said West Virginia Racing United President Randy Funkhouser. "Their support of racing in West Virginia through our organization shows EquiLottery is not just an innovative product, but is also committed to being an active part of our local industry. We look forward to the opportunity to work on this legislation together and share

the excitement of live horse racing with hundreds of thousands of West Virginians who are not currently engaged with our product."

Since its public announcement over the summer of 2014, EquiLottery has worked diligently to develop its lottery product based on the results of live horse racing. During that time, this innovative company has structured agreements with lottery industry leader IGT Global Solutions and leading tote provider AmTote International to be able to deliver a cohesive lottery experience. EquiLottery is also developing its IOS and Android mobile app which will allow players features such as watching races live and on replay, scanning tickets and setting push notifications for upcoming races.

Visit Equilottery.com

WILLIAM HILL'S QUEST FOR CEO REPORTEDLY COMES TO END

Major UK bookmaker William Hill is set to promote its Interim CEO Philip Bowcock into a permanent Chief Executive. Mr. Bowcock assumed the Interim CEO post last summer after the company's former head, James Henderson, was ousted following the publication of a profit warning in March 2016.

ONLINE SPORTS BETTING OPERATOR PINNACLE HAS ANNOUNCED ITS WITHDRAWAL FROM POLAND AHEAD OF THAT COUNTRY'S INTRODUCTION OF ITS NEW GAMBLING REGIME.

The new Polish Gambling Act applies a 12% sports-betting turnover tax. ■

The Future of iGaming Under President Donald Trump ... continued from page 30

Vegas Sands—gave millions of dollars in support of Mr. Trump's campaign and the two appear close. Adelson and his wife dined with Mr. Trump at the White House on February 9, 2017. Mr. Adelson backed the RAWA bills, famously vowing "to spend whatever it takes" to stop online gaming in the United States. According to one publication: "Should Congress get a bill to Trump's desk outlaw-

ing online gambling, the odds of him signing it would likely approach 100 percent, given this relationship [between Trump and Adelson]."

In summary, whether President Trump would support a bill banning or restricting online gambling in the United States is unknown, although given his relationship with Mr. Adelson, there is reason for concern. ■

Mark represents operators of casinos, internet gaming and fantasy sports contest operators, and providers of gaming systems, software, equipment and services.

- 1 Memorandum Opinion for the Assistant Attorney General, Criminal Division, "Whether Proposals by Illinois and New York to Use the Internet and Out-of-State Transaction Processors to Sell Lottery Tickets to In-State Adults Violate the Wire Act," dated September 20, 2011 (issued December 23, 2011).
- 2 18 U.S.C. §§ 1081, 1084.
- 3 <http://www.onlinepokerreport.com/23433/jeff-sessions-ag-hearing-online-gambling/> (Online Poker Report dated January 10, 2017.) All internet web-sites were last accessed on February 14th or 15th, 2017.
- 4 The bills were H.R.707, introduced on February 4, 2015 by Representative Jason Chaffetz (R-UT) and its companion bill introduced on that same day by Senator Lindsey Graham (R-SC) – S.2159.
- 5 <http://www.cnsnews.com/news/article/donald-trump-us-should-legalize-internet-betting> (cnsnews dated October 23, 2011, quoting remarks Trump made to the Associated Press.)
- 6 <http://www.forbes.com/sites/nathanvardi/2011/10/20/donald-trump-internet-gambling-mogul/#6d6af8ab5e84> (Forbes online, October 20, 2011.)
- 7 Id.
- 8 <http://dailycaller.com/2011/10/31/trump-family-md-governor-at-odds-over-internet-gambling-bill/> (The Daily Caller, October 31, 2011.)

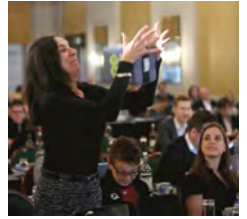
- 9 <http://www.cnn.com/2015/07/21/politics/donald-trump-election-democrat/> (CNN online, July 22, 2015.)
- 10 <http://www.nbcnews.com/meet-the-press/video/trump-in-1999-i-am-very-pro-choice-480297539914> (Meet the Press in 1999.)
- 11 <http://www.factcheck.org/2016/02/donald-trump-and-the-iraq-war/> (Fact-Check.org, February 19, 2016.)
- 12 <http://www.foxnews.com/politics/2016/10/31/adelson-pours-25-million-into-white-house-race-more-may-be-coming.html> (Fox News, October 31, 2016.) See also: <https://www.nytimes.com/2016/05/14/us/politics/sheldon-adelson-donald-trump.html> (New York Times, May 13, 2016.)
- 13 https://gamblingcompliance.com/premium-content/insights_analysis/adelson-not-counting-trump-internet-gambling-ban (GamblingCompliance, February 15, 2017.)
- 14 <http://fortune.com/2015/02/04/online-gambling-bill-adelson/> (Fortune February 4, 2015.)
- 15 <http://www.forbes.com/sites/nathanvardi/2013/11/22/sheldon-adelson-says-he-is-willing-to-spend-whatever-it-takes-to-stop-online-gambling/> (Forbes online, November 22, 2013.)
- 16 <http://www.onlinepokerreport.com/22759/trump-presidency-negative-us-online-gambling/> (Online Poker Report, November 10, 2016.)

The first week of February each year, the industry gathers for two big events in London. First is ICE Totally Gaming—the biggest gaming show in the world; followed by the EL/WLA Marketing Seminar (produced by the European Lottery Association and World Lottery Association).



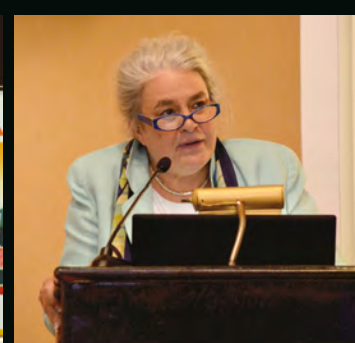
Link to European-lotteries.org to read about the Marketing Seminar. It will be posted to the EL Digital News Magazine on April 6. Paul Jason, editor of EL Digital News, highly recommends it!





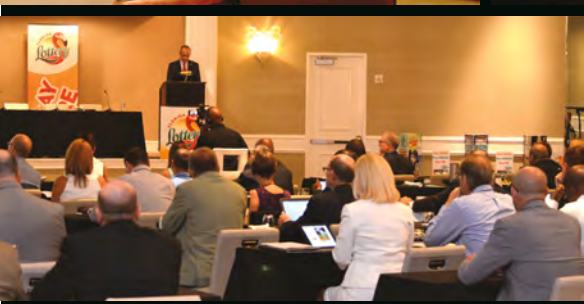


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SPOTLIGHT ON THE LEADERS OF THE GOVERNMENT -GAMING INDUSTRY

It's the collaboration between operators and their commercial partners which makes this industry work. It's that relationship that drives innovation and progress. PGRI endeavors to support and nurture that relationship, confident that together we can all build successful businesses that meet the needs of our stakeholders and customers. The leaders of the commercial community play a vital role in our industry and we are thankful for their invaluable contributions to the exchange of ideas that happens at PGRI conferences, and all industry events and conferences. Their products and services are the result of a tremendous investment in R & D, and their insights and capabilities are informed by a deep experience in all aspects of the lottery business. Following is their story. Please also visit the conference website (www.PGRItalks.com) to see their presentations from PGRI conferences.

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SCIENTIFIC GAMES www.ScientificGames.com/Lottery

An End-To-End Gaming and Lottery Solutions Provider

As a global leader in the gaming and lottery industries, Scientific Games' mission is to empower our customers by creating the world's best gaming and lottery experiences. Our casino, interactive and lottery games are designed to reach players wherever they are, whenever they want to play, and in any channel they choose: retail, casino or digital.

For more than 85 years through our acquired companies, Scientific Games has delivered what customers and players value most: trusted security, creative content, operating efficiencies and innovative technology. Today, we offer customers a fully integrated portfolio of technology platforms, advanced systems, engaging content and unrivaled professional services.

Headquartered in Las Vegas, with 8,400+ employees worldwide, we serve our customers from manufacturing, technology and commercial facilities on six continents.

The World's Lotteries Trust Scientific Games

We blend science with art to innovate the best experiences for our lottery customers, their retailers, and players. Consumer insights from our data scientists, continuous creativity from our game content studios, integrated gaming systems technology, and unsurpassed security help drive our customers' long-term growth and increase returns to beneficiaries.

We are engaging today's players with entertaining games and promotions, and developing solutions with the retailer in mind—all aligned with each lottery's unique business plans and regulations.

Scientific Games leads the global lottery industry by driving performance with a proven portfolio of products, technology, and services featuring:

- Instant, draw and hybrid games
- Licensed brands
- Interactive games and promotions
- Loyalty programs + online rewards store
- iLottery (eDraw and eInstants)
- Sports betting
- Gaming systems technology
- Retail point-of-sale technology
- Mobile apps
- Internet platform + CRM
- Retail development programs
- Managed services ■



INTERNATIONAL GAME TECHNOLOGY PLC (IGT)

www.IGT.com

IGT is the global leader in lottery and gaming. We enable players to experience their favorite games across all channels and regulated segments, from lotteries and gaming machines to interactive and social gaming. Leveraging a wealth of premium content, substantial investment in innovation, in-depth customer intelligence, operational expertise and leading-edge technology, our gaming solutions anticipate the demands of consumers wherever they decide to play. We have a well-established local presence and relationships with governments and regulators in more than 100 countries around the world, and create value by adhering to the highest standards of service, integrity and responsibility. IGT has more than 12,000 employees and \$5 billion in revenues. The Company is listed on the New York Stock Exchange under the ticker symbol IGT.

Lottery—designs, assembles, installs, operates and maintains draw-based lottery systems, lottery terminals and communications networks for governments and licensed operators worldwide. IGT is the industry's leading private lottery manager, with the most extensive and proven operator capabilities. The Company operates one of the world's largest lotteries in Italy, and manages other operator contracts in the United States and Latin America/Caribbean. Additionally, IGT provides printed products and related services, self-service lottery product vending machines, game design/content, marketing services/best practices, field service for retailers, responsible gaming and promotional and interactive lottery capabilities.

Gaming—designs, manufactures, and distributes top-performing games, slot machines, central systems, video lottery terminals (VLTs) and associated software to gaming markets around the world. IGT offers a complete range of end-to-end gaming products for diverse gaming segments, including distributed government-sponsored markets, commercial casino markets and Amusement With Prize (AWP) markets.

Interactive—offers comprehensive solutions for the interactive market, providing a full suite of award-winning products and services for Internet gaming/social gaming. IGT designs, manufactures and distributes Internet poker, bingo, table games, slots and gaming management systems (GMSs). Additionally, IGT provides player services including marketing, portal, player acquisition, CRM, VIP, player support, payment solutions, fraud and collusion prevention, responsible gaming, game management, migration, and trading services.

Betting—offers solutions for the development of real-time operations and computerized systems for the sports betting market. IGT offers trading services, fully managed partnerships or “software only” technical solutions, to create a complete one-stop solution or to integrate new functionality to existing operations. IGT provides secure retail betting solutions, point-of-sale display systems, call center facilities, Internet betting technology, and fixed odds or pool betting options. ■

Marco Sala

Chief Executive Officer, International Game Technology PLC

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DIAMOND GAME

www.DiamondGame.com

Diamond Game designs, produces, and services games, gaming systems, and tickets for various North American Lotteries and alternative gaming markets.

Diamond Game's mission is to provide innovative solutions to lotteries seeking retailers and revenue growth. To deliver on that mission, the patented LT-3 suite of ITVMs was created with lottery needs at the forefront. The LT-3 allows lotteries to expand their retailer base into less traditional and age-regulated social establishments, such as bars, taverns, bingo halls, and social clubs. The LT-3 is currently deployed in 5 North American lottery jurisdictions.

Diamond Game's newest suite of products is NexPlay™. NexPlay™ represents an exciting next step for self-service player activated terminals, as it includes all of the LT-3 functionality, but goes further by offering multi-game features, integration into existing lottery draw games, ticket checking animation, optional cashless payment capabilities, optional age verification functionality, downloadable content, and optional player recognition for loyalty rewards and responsible gaming features.

The LT-3 ITVM and the NexPlay™ suite of products feature secure ticket validation and fraud prevention and a sophisticated accounting and sales tracking system. The footprints of the terminals are significantly smaller than standard ITVMs and SSTs, thus allowing one or more to fit easily in even small venues. Diamond Game's suite of products can be deployed in a variety of configurations based on unique lottery needs, helping generate significant new instant ticket, keno, and draw game revenue.

Diamond Game was established in 1994 and as of May 2015, Diamond Game is proud to be a subsidiary of INNOVA Gaming Group, www.innovagaminggroup.com.

INNOVA Gaming Group Inc. ("INNOVA") develops and grows companies that provide unique games and products to the global gaming industry, with particular focus on state and provincial lotteries. The INNOVA management team collectively has over 65 years of experience in the gaming industry, bringing in-depth knowledge, long-standing relationships with lottery directors, and a track record of significant acquisitions. INNOVA is a public company trading on the TSX under symbol IGG.

Diamond Game is a proud Associate Member of the WLA and NASPL. ■

INTRALOT

www.Intralot.com

INTRALOT, a public listed company established in 1992, is a leading gaming solutions supplier and operator active in **55 regulated jurisdictions** around the globe. With **\$2 billion turnover** and a global **workforce of more than 5,200 employees** in 2015, INTRALOT is a robust corporation uniquely positioned to offer to lottery and gaming organizations across geographies ground breaking, market-proven solutions and operational expertise. In the U.S., INTRALOT has 13 contracts that include online systems and services, warehousing and distribution of instant tickets and VLT/COAM monitoring. Intralot has also performed and currently supply lottery solutions for the last two new lottery start-ups in the U.S. (Arkansas and Wyoming).

Through the use of a dynamic and omni-channel approach, INTRALOT offers an integrated portfolio of best-in-class gaming systems and product solutions & services addressing all gaming verticals (Lottery, Betting, Interactive, VLT). Players can enjoy a seamless and personalized experience through exciting games and premium content across multiple delivery channels, both retail and interactive. INTRALOT handles an average of **\$25.9 bil of wagers per year** and has installed and operates more than **300,000 of its proprietary terminals** around the world.

As member of the UN Global Compact, INTRALOT is a global corporate citizen committed to sustainable development, and is an active proponent of the principles of responsible gaming, possessing the WLA responsible gaming framework certificate.

The company maintains the highest security certifications. INTRALOT is the first international vendor in the gaming sector that has been certified according to the **World Lottery Association (WLA) Security Control Standard** in 2012. Moreover, the Company has been certified with the **ISO 27001** for its Information Security Management System (ISMS) and maintains the **ISO 20000-1** certification on Information Technology Service Management.

INTRALOT contributes decisively to the future developments of the industry being a member of the major Lottery and Gaming Associations around the globe: Platinum Contributor of WLA, Premium Partner of European Lotteries, Top Sponsor of North American Association of State & Provincial Lotteries, Star Contributor of CIBELAE (Lottery Association for South America and the Iberian Peninsula), Gold Sponsor of Asia Pacific Lottery Association, Member of Gaming Standards Association and Gold Member of the Association of Gaming Equipment Manufacturers. ■



LINQ3

www.Linq3.com

LinQ3's secure payments platform transforms existing unmanned POS devices into highly interactive access points for sale of lottery products. By leveraging existing hardware, securing transactional data and communications, lotteries have a unique opportunity to think outside the traditional sales terminals. The LinQ3 solution works in partnership with existing lottery networks, allowing lotteries to efficiently reach a greater market, intersecting and interacting with players in a new way. In collaboration with state lotteries, their operators, and the nation's leading fuel pump and payment kiosk manufacturers, ATM providers, and the payment card industry, LinQ3 has developed the secure protocol for lottery transactions on fuel pumps, ATM's, taxis and other innovative unmanned points of sale. LinQ3 enables lotteries to achieve sales growth at a low cost through new sales channels that reaches new players and occasional players. The LinQ3 solution promotes a new level of interactivity for the player and lottery. A dedicated web interface, 24/7 call center support, auto redemption of low tier prizes, and detailed state reporting and security compliance and responsible play features are just some of the benefits to the LinQ3 platform. Optimized performance is achieved through state of the art processing and data security. It's secure, it's scalable, and it's ready to change the distributional landscape for lottery products.

LinQ3 recognizes that security and integrity is of upmost importance to lotteries. LinQ3 utilizes a state of the art multi-tiered security protocol that ensures transaction data is not compromised. Included in the system is a check and balance that employs internal and external (third party) redundancy and verification.

LinQ3's technology consists of three fundamental features security, reliability and availability, and performance and scalability. LinQ3's data centers are housed in SSAE 16/SOC 1-compliant facilities, which provide a high level of physical security, including onsite guards, multiple forms of verification for access, and visual monitoring. All data center equipment is secured within locked cabinets under recorded video surveillance. Connectivity is provided over multiple carriers to ensure availability if one carrier should have an outage. The primary requirement for processing credit and debit transactions is PCI compliance. LinQ3's PCI DSS (Payment Card Industry Data Security Standard) Tier 1 Status is the highest level attainable in the Payment Industry. LinQ3 combines the key goals of the PCI Data Security Standard and its own internal standards to establishing physical security, network security, and system software security ensuring end-to-end integrity of lottery transactions. ■



NOVOMATIC LOTTERY SOLUTIONS (NLS)

www.NovomaticLS.com

NOVOMATIC Lottery Solutions (NLS) is an energized, full-solution alternative technology partner for international lottery operators. Most importantly, NLS is an inspired team of people, people who share a mission to advance and invigorate the lottery industry. The company's operating principles are to anticipate rather than react to consumer demand, embrace all innovative technologies, question how to surpass the expected and deliver long-term industry resilience and success. NLS does this by delivering games and services that allow for easy integration with any 3rdparty systems and games. The NLS system supports all sales channels simultaneously, creating a truly omni-channel offering while at the same time increasing lottery revenues and returns to good causes. With ISO 27001 certification, WLA Security Control Standard Certification and numerous lottery audits, NLS solutions guarantee the highest levels of security and reliability. NLS is part of the NOVOMATIC Group, one of the biggest global producers and operators of gaming technologies, with revenues of about \$4bn, more than 28,000 employees and activities in 80 countries. NLS was established in 2014 after the acquisition of Icelandic lottery provider Betware and quickly became a major player in the international lottery business:

- Full service retail solutions for lotteries including POS Embedded software and advanced Instant Ticket Vending Machines
- Intrinsic player account management that is truly player-centric
- Open and flexible gaming platform for retail, online, and mobile lottery games
- Portfolio of all classical Lottery games, with full support for instant ticket and eInstant games
- Comprehensive facilities management service ■

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CARMANAH SIGNS

www.CarmanahSigns.com

The retail environment is rapidly evolving. The need to increase sales and appeal to younger players, while delivering engaging and informative experiences, is key for lotteries. Carmanah Signs combines a deep understanding of the lottery industry with globally leading retail optimization expertise that helps lotteries engage with all player segments and grow sales.

A leading supplier to Lottery and Gaming for over 20 years, Carmanah Signs (Carmanah) is the Gaming division of STRATACACHE—the world's leading provider of digital signage network software, hardware, and services. Together, STRATACACHE and Carmanah have over 1.6 million connected media players and 140,000 wireless jackpot signs at retailers around the world.

An active member of the global lottery community, Carmanah serves 51 lottery customers in four continents. Carmanah focuses solely on solutions for the Lottery industry, providing everything from digital signage software and hardware (media players, screens, tablets, networking equipment, and jackpot signs) to services (content creation, scheduling and distribution, network monitoring, and technical support).

Carmanah is a long-time associate member of five global lottery associations (WLA, NASPL, EL, APLA, and CIBELAE), and is an ongoing sponsor and content contributor to numerous Lottery industry events. The team includes professionals with a breadth of experience and deep roots in lottery, including team members from vendor, agency, and lottery backgrounds. ■

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NeoPollard

www.PollardBanknote.com

NeoPollard Interactive LLC (“NPI”) is a limited liability company, jointly owned by two of the lottery industry’s most respected vendors—Pollard Banknote Limited (“Pollard Banknote”) and NeoGames S.A.R.L. (“NeoGames”). The company combines the marketing expertise and extensive worldwide lottery experience of Pollard Banknote with the proven leadership and superior technology of NeoGames in order to develop, implement, operate, and maintain iLottery services for regulated lottery clients in North America. NPI offers a comprehensive and scalable iLottery 360° Solution™ that comprises an extensive portfolio of market-proven games optimized for mobile, tablet, and desktop; a robust and agile technology and operating platform; an independent, MUSL-certified interactive central gaming system for draw-based games; and a complete set of operational services, including customer support, compliance, payments, marketing, CRM, and more. Its mobile-first development methodology delivers the best performing and most adaptable mobile solutions in the industry. Technological sophistication, together with an exclusive focus on the North American iLottery market, and an unrivaled commitment to delivering flexible and integrated solutions, makes NPI the ideal partner to help regulated lotteries drive revenues and maximize proceeds for the good causes they support as they continue along the digital continuum. ■

InComm

www.InComm.com

Leveraging deep integrations into retailers’ point-of-sale systems, InComm provides connectivity to a variety of service providers that allow consumers to conduct everyday business at more than 500,000 points of retail distribution. Whether those consumers are activating prepaid products, paying bills, enjoying real-time discounts through a membership card, purchasing digital goods in-store or adding funds to an online account, InComm is there to provide unique gift-gifting opportunities, cater to on-the-go shoppers, deliver added value through loyalty programs and serve cash-based consumers. With 206 global patents, InComm is headquartered in Atlanta with a presence in more than 30 countries. Learn more at www.incomm.com. ■

Brooks Smith

Chief Executive Officer

Phil Graves

President

Scott Meyerhoff

Chief Operating Officer and Chief Financial Officer

Brian Parlotto

Executive Vice President

Greg Casagrande

Chief Technology Officer

Michael D. Gruenhut

General Counsel

EquiLottery

www.EquiLottery.com

The Next Generation of Lottery Draw Games

Are you looking for new draw game options to increase profits going to the good causes your lottery supports? Trying to expand your player base with exciting new games that reach players on their mobile devices and appeal to all ages including the usually elusive millennial generation? Hoping to find ways to encourage “stickiness” and positive word-of-mouth marketing?

If you answered yes to any of these questions, then it’s time to take a look at EquiLottery, a new live action lottery game based on the excitement of live horse racing. Studies show that EquiLottery allows you to offer a new product category to your players that increases profitability without cannibalizing existing games. This unique offering also attracts new players while creating greater investment from your core players. And by delivering this live racing experience through multiple online platforms, EquiLottery meets people where they are by turning the excitement of a two-minute horse race into a highly relevant daily mobile video experience. ■

Visit our comprehensive website at www.EquiLottery.com to learn more about how EquiLottery works, take a lap with our mobile app and learn more about our player studies conducted with market research leader Ipsos. For more information or to set up a free in-person consultation, contact Founder and CEO Brad Cummings at (502)644-1454 or brad@equilottery.com.



**MARCH 20, 21, 22 AT THE PARK LANE HOTEL,
CENTRAL PARK SOUTH, NEW YORK CITY**

CONFERENCE AGENDA:

Monday March 20

5:00 to 7:00 pm: Opening Night Reception

Tuesday March 21

8:30 am to 5:00 pm: Conference Sessions

5:00 to 7:00 pm: Reception

Wednesday March 22

8:30 am to 1:00 pm: Conference Sessions

12:30 to 3:00 pm: Lunch and Reception

Double Platinum Sponsor: IGT

Platinum Sponsors: Carmanah Signs, Diamond Game, INTRALOT, Linq3, NOVOMATIC Lottery Solutions, and Scientific Games Corp.

Silver Sponsors: InComm and NeoPollard Interactive

Hospitality Sponsors: EquiLottery and NOVOMATIC Lottery Solutions

Tuesday, March 21

8:30 am: Conference Sessions Begin

- **Welcome to the Greatest City in the World!**
Gwen Dean, Director of the New York Lottery
- **Keynote Speech:** Charles McIntyre, Executive Director, New Hampshire Lottery and Chair of the Government Relations Committee, North American Association of State & Provincial Lotteries (NASPL)
- **Panel Discussion: Getting Real about Initiatives that Require Multi-Jurisdictional Collaboration**
Many of the most exciting opportunities for our industry to build a prosperous and sustainable future depend on our ability to forge initiatives that cross jurisdictional boundaries. What can be done to build consensus and galvanize earlier, faster, and more decisive action? How are costs, responsibilities, and authority allocated when the costs and benefits vary by jurisdiction? What are the governance issues that need to be addressed?
Moderator: Wendy Montgomery, Vice President, Marketing & Sales, OLG (Ontario Lottery & Gaming Corporation)
Panelists: Gerry Aubin, Executive Director, Rhode Island Lottery
Kevin Gass, Vice President, Lottery Gaming, BCLC

Jim Kennedy, Executive Vice President, Group Chief Executive, Lottery, Scientific Games

Sue van der Merwe, Chief Operating Officer, Tatts Lotteries, Australia

Jean-Luc Moner-Banet, CEO of Loterie Suisse Romande and President of the World Lottery Association

- **Jay Gendron**, Senior Vice President North America Lottery, IGT

10:15 am: Coffee Break

- **Advancing the Evolution of MUSL: Strategic Initiatives**
Bret Toyne, Executive Director, Multi-State Lottery Association
Wayne Dolezol, Deputy Executive Director, Multi-State Lottery Association (MUSL)
- **15 Modern Technologies Demystified**
Pall Palsson, Senior Product Marketing Director, NOVOMATIC Lottery Solutions
Agnieszka Rylska, Marketing Manager, NOVOMATIC Lottery Solutions
- **Do Something Millennial**
Bill Breslo, Vice President Sales & Marketing, Diamond Game
- **Panel Discussion: Overcoming Obstacles to Modernization**
Lotteries are working hard to enhance their support of multi-state retailers, digitize the retail shopping experience, and modernize in general. A cornerstone to modernization is to work together to standardize business process, procedure, and technologies, across jurisdictional boundaries. Significant progress has been made, and the industry is on the cusp of important breakthroughs. What are the issues, how are they being addressed, and what is the status of initiatives to modernize?
Moderator: Terry Presta, Executive Director, Kansas Lottery and Chair of Retailer Relations, NASPL
Panelists: Bob Beauparlant, Vice President Engineering, IGT
Tom Delacenserie, Secretary, Florida Lottery
Alice Garland, Executive Director, North Carolina Education Lottery
Terry Rich, Chief Executive Officer, Iowa Lottery
Rick Weil, Chief Executive Officer, Diamond Game

12:30 pm: Luncheon in Park View Restaurant

- **Keynote Speech: The Disruptive Impact of Illegal Lotteries Affects Everyone Everywhere**
Jean-Luc Moner-Banet, CEO of Loterie Suisse Romande and President of the World Lottery Association

- **The Future Now of Lottery Retail**

Max Goldstein, Vice President Sales, Carmanah Signs

- **Panel Discussion: Consumers, Retailers, and Lottery Operators all Join Together to Create a Utopia where Everyone's Needs are Met**

What would that look like? What are the consumer shopping trends and expectations that will drive Retailer actions to meet those expectations? And how is Lottery aligning with Retailer actions to meet consumer demand for digitizing the shopping experience, for alternative ways to execute transactions (i.e. non-cash, Mobile Wallet, etc.), for innovation of POS's and in-store messaging and consumer engagement strategies, etc.? Let's have a frank discussion about consumer and industry trends, the limitations of Lottery to align with those trends, how to overcome those limitations or at least isolate and focus on some actionable ways for Lottery to meet the needs of modern retailing and consumer expectations. This discussion is not about the games themselves but about the in-store consumer shopping experience.

Moderator: Jeff Anderson, Executive Director, Idaho Lottery

Panelists: Sean Athey, Vice President System Sales, Scientific Games Corporation

Jon-Paul Bussoli, Vice President, Product Development, Carmanah Signs

Paula Otto, Executive Director, Virginia Lottery

Pall Palsson, Senior Product Marketing Director, NOVOMATIC Lottery Solutions

3:15 pm: Coffee Break

- **Panel Discussion: Progressive Steps Towards Cashless Payment Options**

"Modernization" is the goal. Implementation of Cashless payment options for the consumer is one of the most vital action-items. U.S. lotteries have made significant progress towards enabling Cashless to move forward and deliver the benefits that could be transformational to the industry, and for Good Causes that lotteries fund. Where are we at now and what can we do to bring it across the finish line?

Moderator: Tom Delacenserie, Secretary, Florida Lottery

Panelists: Terry Presta, Executive Director, Kansas Lottery and Chair of Retailer Relations, NASPL

Kathy Pyka, Controller, Texas Lottery

Paul Riley, Vice President Product Innovation and R & D, IGT

Drew Svitko, Executive Director, Pennsylvania Lottery

PGRI Awards Ceremony:

- **SHARP Award for Good Causes** honors the Lottery with the highest percentage increase in net funds transferred to its beneficiaries. Randy Miller, Executive Director of the North Dakota Lottery, will accept the award on behalf of Team ND Lottery which produced an astonishing 54% increase in net funds transferred in FY 2016 over FY2015!

- **Lifetime Achievement Award Recipients:**

Carole Hedinger, Executive Director, New Jersey Lottery

Bill Jourdain, Deputy Executive Director, North Carolina Education Lottery

5:00 pm: Reception in Park View Restaurant

Wednesday, March 22

8:30 am: Conference Sessions Begin

- **How InComm Support Benefits the NASPL API Initiative**
Tony Fontaine, Vice President Business Development Lottery & Gaming, InComm

- **Lottery UX in the Digital Age**
Doug Pollard, Co-Chief Executive Officer, NeoPollard Interactive

- **Regulatory Change Disrupts the Games-of-Chance Industry**
Philippe Vlaemminck, Managing Partner and Head of Gaming Law Practice, Pharumlegal Law Firm, Brussels

- **Panel Discussion: Alternative Facts: Roundtable on Regulatory Issues**

On March 20, exactly two months will have passed since Inauguration Day. There will be a lot to discuss as to the direction of federal actions as re internet gambling and states' rights to determine regulatory and taxation policy. And where the rubber-hits-the-road: How can government-gaming as an industry fight back against the countless Alternative Facts (e.g. DFS and skill-based gaming are not gambling, legalize and tax commercial operators is a good alternative to government-lottery for channeling economic benefit to society/good causes and protecting the consumer in the games-of-chance sector, iLottery cannibalizes land-based sales, etc.)? How can Lottery combat special interests which are influencing the media and legislators at federal and state levels to shape the regulatory dialogue with fake news?

Moderator: Gordon Medenica, Executive Director, Maryland Lottery

Panelists: Mark Hichar, Partner and Head of Gaming Law Practice, Hinckley Allen Law Firm

Bill Murray, Vice President & General Counsel, Northstar New Jersey Lottery Group

Lynne Roiter, Acting President and CEO, Corporate Secretary and Vice President of Legal Affairs at LotoQuébec

Philippe Vlaemminck, Managing Partner and Head of Gaming Law Practice, Pharumlegal Law Firm

10:30 am: Coffee Break

- **Make the Old New—Breathe New Life into Successful Products and Programs**

Gregg Edgar, Executive Director, Arizona Lottery

- **Internet Strategies that Drive Player Loyalty and Engage the Consumer**

Sue van der Merwe, Chief Operating Officer, Tatts Lotteries, Australia

- **Translating Big Ideas into Real-World Products and Revolutionizing the Lottery Playing Experience**
Robert Tercek, Milestone Entertainment

- **PGRI Women's Initiative in Lottery Leadership (WILL)**

Led by Rebecca Hargrove, President & CEO, Tennessee Education Lottery, Vice President of the World Lottery Association

12:30 pm: Luncheon in Park View Restaurant followed by Reception



The regional and world Lottery associations have been working for decades on the development and improvement of detailed CSR rules, processes and certifications. The current draft prepared by the European Lotteries working group is a very forward looking document with an important number of innovative rules which show the societal commitment of Lotteries. While responsible gaming rules are crucial, the current CSR approach pays equal attention to other important societal developments such as environmental issues, gender equality and human rights. Lotteries did not wait for legislation that obligates companies to meet the higher standards, but have been working to set that standard all along.

In the meantime, the EU adopted EU Directive 2014/95/EU. This EU Directive on disclosure of non-financial and diversity information by certain large undertakings and groups entered into force on 6 December 2014, after having been published in the EU Official Journal on 15 November 2014. The Directive 2014/95/EU amends Directive 2013/34/EU on the an-

its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks; non-financial key performance indicators relevant to the particular business.

The Directive has been designed in a non-prescriptive manner, and leaves significant flexibility for companies to disclose relevant information in the way that they consider most useful. Companies may rely on national frameworks, Union-based frameworks such as the Eco-Management and Audit Scheme (EMAS), or international frameworks such as Recital 9 of the United Nations (UN) Global Compact, the Guiding Principles on Business and Human Rights implementing the UN 'Protect, Respect and Remedy' Framework, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the International Organisation for Standardisation's ISO 26000, the International Labour Organisation's Tripartite Declaration of principles concerning multinational enterprises and social policy, the Global Reporting Initiative, or other recognised international frameworks.

The ISO 2600 'Social Responsibility mentioned in the above list is currently being used for the lottery sector for the improvement of lottery CSR guidelines by the EL CSR Working Group. By doing so, the Lotteries not only set up compliance with the new directive on non-financial reporting, but also broaden this to all Lotteries.

The core principles according to the ISO 2600 standard are Accountability, Transparency: Ethical behavior, Respect for stakeholder interests, Respect for the rule of law, Respect for international norms of behavior, Respect for human rights. By implementing those rules, Lotteries show again their commitment to society and their specific role.

In principle the new EU rules also apply to other operators in the gambling sector in the EU. Many companies listed on the stock market have claimed to be responsible and transparent because they need to act in accordance with specific rules. Now these companies will be held accountable to these Directives that require non-financial reporting rules. This will have a far-reaching effect on them. The Directive also provides Lotteries with new arguments to fight illegal operators in the online gambling business. It will become very difficult for operators to be licensed to operate legally in some jurisdictions while operating illegally, or otherwise refusing to comply with the rule of law, in others.

The CSR process initiated decades ago by the Lottery associations is illustrative of the pioneering role Lotteries have always performed in developing standards of the highest level. Lotteries are leading the way towards a more inclusive society whereby the approach is driven by the recognition of important & modern societal values and the respect of the rule of national and international law. ■

The Pioneering Role of Lotteries in CSR

BY PHILIPPE
VLAEMMINCK,
MANAGING PARTNER
AND BEATA GUZIK,
DIRECTOR PUBLIC
AFFAIRS
—PHARUMLEGAL
BRUSSELS
PHARUMLEGAL.EU

nual financial statements, consolidated statements, and related reports of certain types of undertakings. This Directive aims at improving the transparency of certain large EU companies as regards non-financial information, and focuses on other relevant, useful information.

The deadline for Member States to implement the Directive was December, 6, 2016. Following Article 1 of the Directive, the new disclosure requirements apply to large public-interest entities with more than 500 employees. The concept of public-interest entities is defined in Article 2 of Directive 2013/34/EU, and includes companies listed in EU markets, as well as some unlisted companies, such as credit institutions, insurance companies, and other companies that are so designated by Member States because of their activities, size or number of employees.

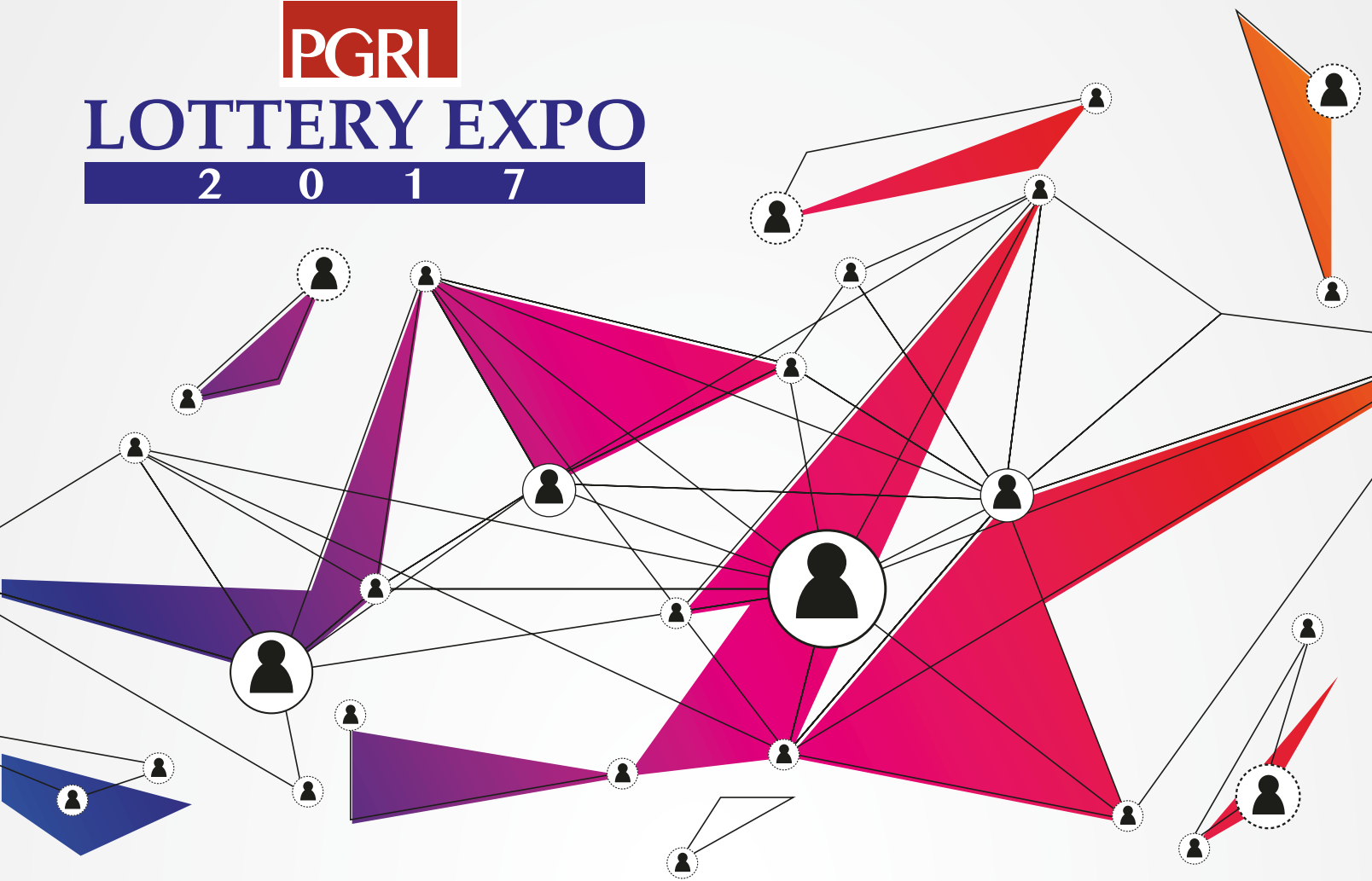
Article 1 of the Directive establishes that companies concerned shall include in the management report a non-financial statement containing information relating to Environmental matters, Social and employee matters, Respect for human rights, Anti-corruption and bribery matters and diversity.

The non-financial statement shall include a brief description of the undertaking's business model; a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented; the outcome of those policies; the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate,

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PGRI LOTTERY EXPO

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Lotteries and Demand-Side Economies of Scale

Network Externalities (also called Demand-Side Economies of Scale): The more people who use a product or play a game or engage in a social network ... the more valuable the product/game/social network becomes to each individual user. It is an effect that Microsoft was the first to unlock in the post-industrial world. Now it is reaching its zenith with the market dominance of Google, Facebook, Amazon, and Apple.

How can Lottery's uniquely massive customer base and network of retailers, nascent digital presence, and enduring brand value be integrated and leveraged to do for its stakeholders what these corporate giants did for theirs? To be explored at Lottery Expo ...

Lottery Expo provides a unique forum for industry leaders to address the challenges and opportunities that face our industry today. We hope to see you there!

**LOTTERY EXPO ...
COMING IN LAST HALF
OF OCTOBER**

Specific dates and venue
TBA soon.

Sweeten Your Sales.

Adding some scrumdiddlyumptiousness
to your instant game lineup could be just the ticket.

