



Dr. Gerhard Rombach

Director General, Sueddeutsche Klassenlotterie (SKL – the South German Classlottery – this lottery is based in Munich and is the largest German Classlottery)

INTRODUCTION BY PAUL JASON: After reading an article about SKL in the European Lotteries Association Magazine (available online at www.european-lotteries.org), I asked Dr. Rombach to talk with me and delve deeper into a couple of themes that I think are very important for lottery operators everywhere. The first theme is the underlying psychology of why we play games. We're all very clear on the human desire for a future that is better than the present. The appeal of the "hope and dream" is so compelling that it's become the cornerstone of most marketing strategies. But what would you do if you were prohibited from pitching the "hope and dream"? This is not a hypothetical question. The German lotteries operate under severe advertising restrictions that prohibit them from doing so much of what everyone else takes for granted as being integral to a successful marketing program. Part of the answer is that you'd get resourceful and search for alternate ways to connect to your customer. That's what SKL has done and they have unearthed some powerful ideas that I think are applicable to lotteries everywhere.

One of those ideas is to leverage the impulse to affiliate with people of like mind. The urge to affiliate and share with others who appreciate us as individuals and identify with people we admire and with causes we believe in is not a new phenomenon. But that impulse to share and affiliate has taken on a whole new level of importance for the next generation of consumers. SKL has endeavored to understand the deeper meaning of this impulse to affiliate and how it can be used to connect with the consumer. One resulting initiative, the SKL Millionaires' Club, has taken on a life and impact that is far greater than was initially conceived. Nothing will ever replace the traditional motives for buying lottery tickets, but the power of Brand Lottery can be extended far beyond the traditional confines of the "hope and dream".

Paul Jason, Public Gaming: *A little background. The genesis of your research and the innovations that came about can be partly attributed to Germany's restrictive advertising guidelines.*

Dr. Gerhard Rombach: Yes. We are not allowed to advertise on traditional media like television, phone calls, or appeal to traditional buying motives like the desire to win a jackpot. Too, we cannot do anything that stimulates the emotions. And lottery is really all about emotional appeal, isn't it? For instance, the name "Dream Catcher" is too emotionally impactful so we renamed one of our new games "Dream Joker". The advertising restrictions are causing us to think of new ideas and ways to connect with our customers. Dream Joker has become a successful moniker that our customers have enjoyed. It has produced a very loyal following for a game that has no cash prizes, only products and life-experiences bought out of our Dream Joker catalogue.

And the SKL Millionaires' Club?

Dr. Rombach: That is one level of a seven point program we have for researching, understanding and connecting with our customers. Most of those program points are focused on research and surveying. We do many of the same things that everyone in our industry does to gain insight into the motivations of our players, differentiating between core players and non-players and all the various demographic profiles. We enlist our selling partners and our own sales organization to be a part of the information-gathering process.

Then somebody suggested we survey our winners, not just for the PR hit when they've won, but to survey them afterwards and on an ongoing basis to learn more about them. Why would we do that, some of us asked. Lottery winners are really not our primary target market, or even a target market at all, right? That evolved into a plan to create a club in order to help our winners deal with the media and manage their assets. Of course, the additional publicity for our winners was also a big PR benefit for SKL. But the concept really took off when the SKL Millionaires' Club evolved into a fraternal organization that now meets at least twice a year, has resulted in friendships and given us a very surprising glimpse into how people really think and behave and what they really want out of life. Being a member of the SKL Club gives them a peer group of people with whom they can relate and learn how to adjust to having a financial windfall.

Our twice a year sessions have two parts. First there is the public part where the press is invited to talk with the Millionaires' Club. Then the members gather for a private visit with each other.

I'm surprised that the winners would want that kind of publicity.

Dr. Rombach: Yes, but remember that all members of the Millionaires' Club won their millions in a big drawing show live on TV. What is so interesting and that we could not have planned or known before we founded this Club was that winners like and need this special sort of community very much. First, for very practical reasons in order to give advices how to relate with the press, their old and new friends and the money. In this sense we developed a winners protection program. Then we found that none of them aspired to change their lives in dramatic ways. But what this Club along with the public relations has done is to help them find what they do want to do, helped them not only be happy for their good fortune but be proud of what they are doing with their lives and their wealth. One of the initial objectives of the Millionaires' Club was to protect the players from making mistakes with the media and their winnings. The result is that they now see themselves as leaders who want to share their lives and goals with others. Together they reinforce the conviction with each that money doesn't change you as a person. Money doesn't change your moral or social values. These are values that are reinforced within the group but are then also broadcast to the public. So we can deliver that special social network of SKL millionaires.

I'll give you an example. Many of the win-

ners actually continue with their jobs, or went back to them after awhile, or continue to live in the same house. One fellow was already retired with a pension. He won 5 million euro. So he did not need to work anymore. But he decided to reopen his business and rehire his former employees. As he's describing his experiences and how he's fulfilling his goals, he turned to the moderator and said "So you see, it's all your fault that I have to work again." But that was his decision, and the money allowed him to return to being an entrepreneur.

This must all have tremendously powerful PR impact and benefit for SKL.

Dr. Rombach: Yes, and in ways that we hadn't anticipated. Now the press has a good story to do on the lottery. They love covering the uplifting stories of our Millionaires' Club. Our mission is to help the winners make a healthy and happy adjustment. But having accomplished that, we then turn their healthy, happy stories into positive publicity for the lottery. It is also a proof of our lottery concept.

We had to find ways to appeal to aspirations other than the 'hope and dream' of winning a jackpot. We didn't have a choice. I would still say that everyone should continue to use all the marketing tools available, and the dream of winning a big prize is still the most compelling driver. But we feel we are tapping into a forward-looking set of motivations that will be increasingly important. The presentations we are hearing at WLA (conference in Brisbane where this interview was held) are all talking about the desire of everyone to affiliate with others, to aspire to be a part of a group with whom you have shared values or interests. For some, those values and interests may not be aligned with those of our SKL Millionaires' Club. But we are finding that more people are relating to higher values and are motivated just as much by the prospect of being the best person they can be as they are by the ability to buy lots of stuff. That last presentation we saw (Bernard Salt at WLA) talked about a turning point when the pop icon of the moment changed from being Paris Hilton to being Susan Boyle, the person who surprised the world with her performance of 'I Dreamed a Dream'. Maybe we can create a Brand Lottery to appeal to those millions of people who aspire to accomplish something like Susan Boyle did more than a Paris Hilton. That's what our research is focused on, finding those emotional 'touch-points' that will connect to the next generation consumer. We are forced to do that because we can't use as many of the traditional promotional tools, but we're also

finding new marketing and strategic opportunities and think we'll be better for it.

To what extent did the need to come up with non-traditional marketing strategies cause you to design non-traditional research models and methods?

Dr. Rombach: We felt we had to focus our attention on basic as opposed to applied research. That would mean trying to understand the fundamental drivers of human behavior without a focus on selling anything, much less selling lottery tickets. And focusing on the consumer without allowing our own ideas to influence the outcomes of the research. In the end we would, of course, integrate our research into the business of increasing sales, but it was important to stay focused on basic research mode before tying lottery into the bigger picture of human experience. Our over-arching objective was to discover emotional touch-points that were different from those that we were not allowed to appeal to. Our initial hypothesis was this: Lifestyles, goals, consumer behavior all change from one generation to the next. There's nothing new in that. There is something new in the magnitude of the differences that those changes have wrought between the current generation of young adults and previous generations. The rate and the magnitude of the changes that have taken place over the last 20 years have created an entirely new landscape of behavioral drivers and emotional touch-points. Technology and new media have changed how we get and process information, how we interact with each other, how we buy things, how we organize our lives and our jobs, how we meet people and make new friends, how we share the story of our lives with others ... it's changed everything, right? We all know that. Our goal was to look beyond the surface for the deeper meaning of these changes, and how we could tap into them and connect with our customer on a deeper level. How can the image and sense of who we are as lotteries become something that complements and aligns with the consumers' self-image and who they want to be? How do those lifestyle changes alter one's view of the world and the role one aspires to perform on that world-stage? We just talked about one of those, the impulse to share and affiliate. Another one is the quest to be actively engaged in life, and not a passive observer. Our entertainment and recreational activities basically need to deliver a higher ROI. The act of buying a lottery ticket needs to deliver more than the momentary dream that this could change your life. That's important, of course, and we want to keep that hope/dream motive alive.

But the consumer wants more. We analyzed the nature of games, why people play games. We analyzed the success of popular programming like the Idol shows, reality programming, game shows like Deal or No Deal. Then we stirred it all up and created a campaign that brought everything together. You can view one of the results at http://www.skl.de/fwd;jsessionid=abchWV2CNihNQbml_Nt0s?to=2_tv_glueck_video_2010.jsp. It's in German of course.

(Watching it online) This is amazing. It's called the Day of Luck and Fortune. But it is like a game show in which athletes are engaged in different activities and the contestants try to predict outcomes. And the viewing audience gets to play along and phone in their guess as to certain outcomes.

Dr. Rombach: We took the concept of Luck and the concept of Fortune to create a special day, actually one day in the first half of the year and one day in the second half of the year, and invented a day of Luck and Fortune. We prepare and celebrate this special day with special advertorials trying to focus on the different issues and meanings of luck and fortune because we think the image of a lottery should not only focus on money. And on that day, twenty lottery winners were brought to Berlin where they participated with four German celebrities and the viewing audience in various guessing games and games of chance. For instance (as we're viewing it during the interview), here we're watching a performer walking across a high-wire tightrope. And on the right side of the screen is displayed his heart rate. The contestants and audience had posted

their guesstimates as to what the maximum heart rate would be and we're now watching to see how high it goes. The celebrity who's next to the real result (e.g. the heart rate was 171) wins a sum of money for good causes. We take also the last figure of this number (e.g. the 1) to evaluate a "lucky code". We have seven games like this. At the end we have a number for the "lucky code" (e.g. 1234567). The SKL player who is closest with his lottery ticket to the "lucky code" wins the million. Our goal was to integrate everything we learned about modern behavior, the desire to compete, to share experiences, to affiliate with people and causes and events like Day of Luck and Fortune because they represent things that will add meaning and value to our lives. We think of it as the philosophical part of luck.

Philosophical part of Luck ... It sure does create a dramatic effect.

Dr. Rombach: We made a special effort to get the attention and interest of the general media. They love it. We engaged for example a famous psychologist to teach people more about the deeper sense of luck or for example flow. They not only love the idea and the television show. They are very interested in our research and ideas on the philosophy of luck. This is an interesting topic to them and SKL is sourced as the think tank for the study of the psychology and philosophy of luck.

Lastly, how are we to interpret the meaning of the recent ECJ judgment that Germany is not in compliance with EU laws?

Dr. Rombach: First, we should explain that Germany is separated into 16 different

Lander, or states. We have a federal government and our federal system and the way the state-owned lotteries operate is similar to the structure in the U.S. and Switzerland. The justification for lotteries to be highly regulated monopolies is to preserve Public Order, protect the public from criminality and the player from problem gambling. The problem is that the electronic gambling machines are not highly regulated. It is easy to get a license to operate slot machines, the oversight is not very good, and you have multiple operators. The ECJ said that this is not a logical way for the markets to be regulated. To control the distribution of lottery more strictly than gambling machines is not consistent with the Public Order rationale for keeping a lottery monopoly. Some people interpret that to mean that the lottery monopolies should be broken up and opened up to multiple operators. But that's not what the ECJ said because the ECJ does not make recommendations. They simply rule on whether a system is compliant with EU laws.

The remedy just has to bring parity or consistency to the ways that the different games are regulated. So Germany could perhaps increase the regulation of electronic games?

Dr. Rombach: I don't know if there are any simple answers. Just that it creates a very big challenge for the German lotteries. It is already the case that we are severely restricted in our advertising. The only thing we do know is that this business will only get more challenging in the coming months and years. ♦