

PLAYING TO WIN WITH COOPERATIVE SERVICES PROGRAMS



The MONOPOLY® Board game has been played by more than a billion people since its inventors took a chance in the mid-1930s and pushed their new game out to department stores. Flash forward to 2013 when the Florida Lottery realized it could land its fiscal year on \$5 billion and played its own Chance Card.

HOT OFF AN UNPRECEDENTED \$1 BILLION

growth over the last two years, the Florida Lottery had just broken the all-time record in the Lottery's history in fiscal 2012 with \$2.8 billion in instant game sales.

"We knew that MONOPOLY™ was such a popular brand that if we pushed out new MONOPOLY scratch game inventory early, we had a chance to hit \$5 billion in total sales for 2013," shared Cynthia O'Connell, Secretary of the Florida Lottery.

"What gave us the ability to know three weeks out that we had a shot to reach that \$5 billion was predictive ordering. The ordering system allowed us to do opportunistic marketing. Point-of-sale wasn't even up yet but we pushed our new \$10 MONOPOLY game out early to our largest retailers. Without predictive ordering, we would not have the opportunity to do this."



The rest of the story – a record-breaking \$5 billion in sales in fiscal 2013, with over \$3 billion from instant games – has landed the Florida Lottery in headlines across the industry and the U.S. Celebrating its 25th anniversary this year, the Lottery will make a more than \$1.4 billion contribution to education in the state.

O'Connell said the drivers behind the recent growth is a year-round marketing campaign focused on attracting a broad player base, and an experienced staff who are intent on delivering the right product mix to more than 13,000 Florida Lottery retailers.

One of the ways the Lottery delivers the right product mix to its retailers is through the predictive ordering system, OrderCast™, which is part of the services the Lottery receives through a Cooperative Services Program (CSP) with Scientific Games. Initially developed with the New York Lottery in 1985, the CSP program was implemented in Florida in 1997. The Florida Lottery reports that over the course of the program, instant game sales have increased 391%.

The CSP program is a full instant game category management program that is customized to meet each individual lottery's needs with a menu of services including game analysis and planning, inventory control,

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inside sales, field sales, warehousing and distribution, marketing services, retailer recruitment, game dispensers – and of course, game design and production.

PASSING GO

There have been so many technology changes since the Florida Lottery began in 1988, to 1997 when we started the Cooperative Services Program with Scientific Games, to today," says O'Connell, who helped launch the Lottery under Rebecca Paul, now Rebecca Paul Hargrove and currently the President and CEO of the Tennessee Education Lottery. "With so many changes, the vendor-partnership relationship is critical to success. So I credit Scientific Games for working with us so closely, for the great give-and-take relationship we have established. When we want to do something they think may not work, we talk about it. And when they suggest something we may not be comfortable doing, but is in our best interest, we talk about it."

An example that O'Connell gave was the six-week launch schedule Scientific Games recently recommended after a comprehensive analysis of the Lottery's instant game sales, launches and schedules that is part of the CSP services the Lottery receives.

"Scientific Games has helped us come to terms with a six-week launch schedule and it's proving to generate sales because it gives us a longer time to promote the game in our retail outlets before we change point-of-sale and go to a new game. And it gives players more time to settle into the game. I can see it working," says O'Connell.

The six-week schedule allows the Lottery to offer Florida players bigger games and better prize structures. "The marketing support and the hands-on support from the marketing and research team at Scientific Games have certainly benefitted us. It's just a partnership that has helped us work," O'Connell adds.

"When we enter into a CSP agreement with a lottery, we do a complete instant product category assessment based on our 15 Determinants of Demand. It's an analytical approach to determine what specific services can help maximize performance and net profits for the lottery. This is our starting point and we discuss it openly as partners," says John Schulz, Vice President of Global Cooperative Services at Scientific Games. "We provide a dedicated, instant game general manager, and in some cases, an instant products person to work onsite at the lottery. And of course, the rest of our team provides support from many different areas of expertise. That's what makes it Cooperative Services; it's not warehousing and distribution like other programs."

With instant product sales up more than 36% in Florida over the last two fiscal years and 2013 instant weekly per capita sales reaching \$3.09, the Lottery is working to create instant games like their Guy Harvey series, *(Continued next page)*

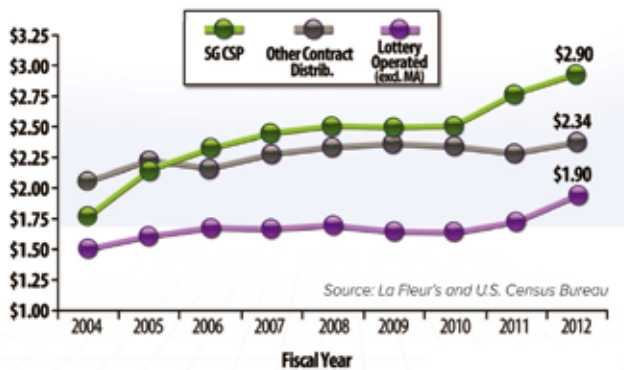


The Florida Lottery's 25th Anniversary Millionaire game and the Guy Harvey collector series were 2013 favorites.

In every phase of the instant product life cycle – from game development to printing, initial allocation and weekly replenishment, to research and sales analysis – the Pennsylvania Lottery works hand-in-hand with Scientific Games to drive the instant product forward. The goal: increase revenue growth to support older Pennsylvanians.

that appeal to a new player. Over the last several years, the Lottery's product development team has worked with Scientific Games to launch the Cash Multipliers family of games, which have consistently indexed high.

Historical Instant Weekly Per Capita Sales



"The Cash Multipliers family of games has been very good; it's really caught on like another game we have called Gold Rush that is also doing very well. Our core players have come to expect these games because they know they win and there are lots of chances to win," says O'Connell. "They continue to attract new players through word-of-mouth as well as advertising. It's a great product category for us and we will probably keep it in stock for a long time."

COMMUNITY CHEST

Currently, nearly two dozen lotteries around the globe participate in Scientific Games' CSP program including five of the top 10 lotteries in the world for instant per capita sales (La Fleur's FY2012).

"CSP has forever changed how our customers can manage their instant product category," says Schulz. "With a CSP partnership, the lottery can choose from a broad range of operational, administrative and marketing functions and assign some of these responsibilities to Scientific Games. This allows the lottery to focus more resources on their organizational

goals and long-term strategies while retaining policy control and final approval of all business decisions."

Another one of the highest performing U.S. lotteries that has entered into a CSP agreement with Scientific Games is the Pennsylvania Lottery, which experienced over 460% growth in instant game sales since the program began in 1997.

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The Lottery's fiscal year 2013 closed with \$2.3 billion in instant game sales, a more than 19% growth over the last two fiscal years. Weekly instant per capita sales for 2013 rose to \$3.46 in Pennsylvania.

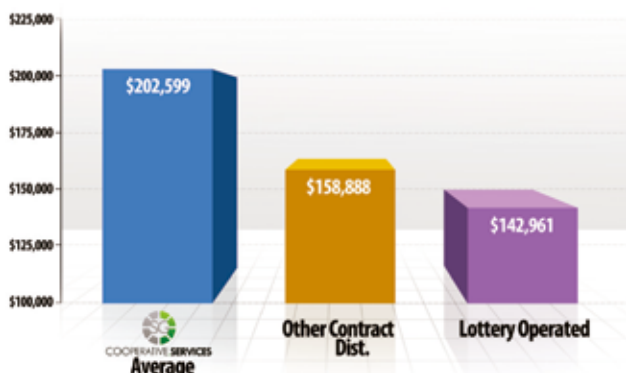


The Pennsylvania Lottery's 2013 favorite instant games were across the board in themes, price points and prizes

"I think that the biggest, overarching driver behind our growth is the partnership approach to how we deliver instant games through the Cooperative Services Program. That cooperation comes on both sides – the Lottery and Scientific Games – from product development, to vending equipment, professional sales staff both inside and in the field, and most importantly getting the fresh, new products delivered to the retailers as soon as possible," says Todd Rucci, Executive Director of the Pennsylvania Lottery.

Rucci explains that he and his staff work very closely with Scientific Games, meeting several times a week to plan supply chain operations and to discuss ways to help the Lottery's more than 9,000 retailers display instant game products in their stores, whether in vending machines or on counters. With next day delivery services, product orders and re-orders can arrive within 24 hours.

2012 Average Instant Sales Per Retailer



"This efficiency has been the biggest reason for the Pennsylvania Lottery to use CSP and it's amazing what we've been able to accomplish," says Rucci. "The partnership is something we hang our hat on: our ability to work together to try and get our products to our retailers and to our players quickly and efficiently." The Lottery has received great feedback from retailers around the state who appreciate that Scientific Games' inside sales team is in touch with them on a weekly basis, at times that meet their individual schedules, and that they have established informed relationships that recognize there may be some stores that sell specific price points or games better than others.

"Different retailers need different products and different allotments of products at different times. So

we're looking at blitz allocations when we launch a new group of games to make sure we serve each retailer and that it's not just a one size fits all," says Rucci. "We're constantly tweaking, looking at each retailer's potential to sell a particular game better than another retailer, for whatever reason that might be. And also making sure that the product is not only there, but displayed properly. If it's not displayed properly, if the retailer doesn't know how to do this, it's not going to help sales. So we're really getting into the granular level of the food chain."

ROLL AGAIN

Besides celebrating a record-breaking year, back at the Florida Lottery's headquarters in Tallahassee, O'Connell's staff is focused on building the retailer base as well as increasing instant game dispensers at key existing retailers with more full-service and instant game vending machines.

"Working with Scientific Games, we are able to help our retailers better understand the price points they should be selling versus the price points that aren't doing well at their store," says O'Connell. "They want to offer the \$1 and \$2 games their customers want, but when we put the \$5, \$10, \$20 and \$25 games in their stores in multiple facings, it gives them and the Florida Lottery the opportunity to increase sales. So we're helping to educate our retailers through the CSP process, and that's good."

At Rucci's command central for the Pennsylvania Lottery in Middletown, Pennsylvania, he and his staff have just wrapped a stellar year but continue to tweak.

"We understand that we always need to be changing and delivering product in new ways for our retailers and players. We're agile, we're striving for even more efficiency and we never want to get comfortable in our own skin because we want to be the best we can be," says Rucci. "We learn through Scientific Games and other lotteries about what new things are working in the industry. The partnership is something we truly strive for, working together to make it work." ■

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