

# Creating Our Future: Part III – New Distribution Channels

(Part three of a three part series on driving revenue growth)

By Steve Saferin, President, Scientific Games Ventures

Last month I talked about improving and enhancing distribution in the existing bricks-and-mortar retail market. This month's focus will be on the new distribution channels: the Internet, cell phones and interactive TV.

Now I could smother you with all kinds of glowing statistics, but all you really need is a pair of eyes (really, one would do) to see the potential.

Let's take the Internet, where a recent Harris Interactive survey showed that nearly three in every four adults are now online.

That's 156 million users, including my 77-year-old lottery-buying mother. That's real potential!

That's also our best avenue for reaching new, younger players. Or, another way of putting it, our future players!

The Internet is also a viable solution for distributing extended play probability games.

It's the ideal tool to eliminate long lines at retail during weeks when the Powerball or Mega Millions jackpot reaches fever pitch.

And, contrary to the thoughts of many in Congress and other interest groups, this can be done from the home with strict age and border control; with daily, weekly or monthly wagering limits...and without credit cards. In fact, the Internet's a far more secure distribution channel than the existing bricks-and-mortar retail channel or the ITVM.

Already in certain parts of Europe, lottery players can play their same numbers automatically and conveniently through their Internet account.

In Berlin, the Lottery is now using the Internet as a medium for selling Instant lottery tickets.

To participate, players must establish an Internet account with the Lottery, deposit funds in the account – for example, by using their credit card or a wire transfer – and then purchase a ticket and scratch it like a regular instant ticket.

I want to emphasize that this does not require the player to purchase the ticket from a retailer (in order to activate an access code), like players must do with Internet-based games being marketed in the U.S.

As we look for ways to attract the players of the future, one of the more promising media channels is the cell phone.

Again, lottery players in some parts of the world are already wired and wagering to win. In Europe, cell phone wagering, at the moment, is mainly done by text messaging.

For about two years now, players in Munich, for example, have been purchasing their Lotto tickets using what's known as SMS, or short message service, technology.

The Lottery, in turn, sends players an automatic notification when they've won a prize. In other words, SMS permits a two-way exchange.

Players in Munich can also configure their Internet accounts to receive an SMS when one of their Internet-placed bets wins a prize.



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This 'alert' is sent whenever they win a prize for any game, not just Lotto.

Mobile telecommunications is trekking a parallel evolutionary path to traditional media. With traditional media, first there was print, followed by radio, then television. With mobile telecom, there's text messaging (akin to print). Sound and pictures – on a mass scale – represent the future.

Finally, there's interactive television, which essentially is any television where information flows not only from the broadcaster to the viewer, but also back from the viewer to the broadcaster.

To run interactive television, you'll need a set top box. Established companies like Motorola, Scientific America and Microsoft are making these devices.

Many people in many industries predict the set top box will become the network gateway in the home. All electronic devices, and perhaps even certain appliances – will be linked to your television. It will be able to record not just every click of your TV remote, but every time, for example, you go to the refrigerator.

As consumers become more aware of interactive TV, its full power will likely be unleashed in the decade to come.

What's more, a healthy percentage of these consumers will be younger. As consumers who've grown up and are comfortable with technology, they'll not only want it, they'll expect it.

Let's say you want to offer your players an opportunity to play at home in real-time. I-TV is your medium.

Want to give your players a convenient way to place their Powerball or Mega Millions bets without leaving the couch? I-TV is your medium.

Here's something to think about. Could this be a viable solution for reaching the growing number of gas-and-go consumers who have no intention of entering the store, but who would play-at-the-pump if given the option?

Of course, for a variety of reasons, not everybody's sold on these new technologies. But make no mistake: these are the 'new channels of convenience.' Each has the power and promise to make lottery play more convenient for the player of tomorrow.

Love 'em or hate 'em, they're here to stay. Just how big a role they'll play in our future – at least here in the U.S. – will depend to a large extent on our government leaders and the legislative paths they choose for us and how well (and cost-efficiently) we are able to integrate these technologies as a complement to the traditional bricks-and-mortar distribution venues. ♦