

An Interview with Dianne Thompson

CEO of Camelot Group Plc. (Operator of the National U.K. Lottery)

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Dianne Thompson

Paul Jason PGRI, (PG): In reviewing press releases, what strikes me is how you seem to proactively make yourself, your strategies, and your agendas as transparent as possible, as opposed to waiting to be challenged to do so. Likewise, kind of a similar thing, you raise the bar on yourself. Of course, this reflects an integrity and serious commitment to CSR. But it also seems to me to be good business strategy.

Dianne Thompson (DT): I think you're absolutely right. Innovation is the core of everything we do. The lottery launched here in November '94. I've been here 11 years now, so I can't take the credit for what was a very, very successful launch. But after a fantastic first few years the lottery in this country went into decline, as most lotteries do around the world after the initial excitement around them dies down. People who understand lotteries said that they thought it would be almost impossible for the UK lottery to get back into growth. The reason being that we operate in a very tight box – that was the way the lottery was set up back in 1994 and the government had a very clear vision of what they wanted our lottery to do in this country and how it should be run and operated. And so the sort of things that many lotteries do, be it sports betting, doing slot machines, rapid draw games like keno, or run the casinos like Sweden does, for example, we weren't allowed to do any of that, we can only do what we would refer to as scratch card and draw-based games. And so we realized that we would need a different approach to try and turn that corner and get our lottery back into growth.

The strategy I lead on and as a team we developed was based on two main planks. The first was building a portfolio of games. When you look around the world, that's what most of the other lotteries have done – of course we're one of the youngest lotteries in existence, so we do have the benefit of being able to see what has worked and what hasn't worked internationally and in Europe. And there's a great sense of co-operation between the various different lotteries which I think is great, and something that really encourages excellence and helps us all learn from each other for the benefit of our players and beneficiaries.

Secondly, we realized that we needed to create new channels of distribution – to give people new ways to buy their lottery tickets to keep us with shifting consumer trends as well as develop-

ments in technology and the way people use technology. And as I said earlier, innovation has been at the core of all of what we've done. We got back into growth in 2003-04 fiscal, and over the last four years there has been a £336.9 million increase in sales – on average that equates to an increase of over £80 million for each of the last four years. And at the half-year, results showed a rise in like-for-like sales of £35.4 million (1.5%) from £2,343.0m to £2,378.4m which we were obviously very pleased to see.

So now we've got a very good range of games, and we sell tickets for draws and Instant Win Games on the Internet, on interactive television, and on mobile phones. Plus we introduced National Lottery Fast Pay a couple of years ago. I don't know if you've seen Fast Pay – it's our world-leading system whereby you can buy your lottery tickets at supermarket checkouts, and now checkouts in other stores, along with the rest of your groceries. Sales via National Lottery Fast Pay rose over 80% from the previous year to £95.3 million in 2006/7 – so you can see that it's really popular with players and lots of our other retailers are keen to have the same systems introduced which we will be working with them on in the future.

To put this all into context, last year over 36% of the sales that we had came from things, that is to say games and channels that we didn't have at the start of the second license, in 2002.

I don't mean this to sound arrogant, but we've got some really great examples of things that we've driven through here – things that we have taken the lead on and that have worked very well. For example, we put the idea for a joint European lottery game in our bid for the second license. Some people said it would be impossible to do, there was no way that France, Spain and Britain with three different time zones, three different languages and two different currencies, would ever be able to create a game together. And of course we did – and today EuroMillions, which is what the game is called, is played in nine different countries across Europe, there are 10 lotteries involved and it has created Europe's largest ever lottery jackpot with a £126 million prize for a draw in February 2006. We launched the game with France and Spain in the first place, and we launched it on time and on budget. It was a big group effort, but I do have to say that we really pushed that forward and were the driving force behind the initial idea and then in bringing the game to fruition.

Fast Pay is a world first. We have the largest Internet lottery anywhere in the world, and four of the top ten FMCG brands

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in the UK. It stands for Fast Moving Consumer Goods. It's a classic way of measuring the size of a brand in the UK, say like Coca Cola or Chocolate bars or whatever. So to have four of the top ten brands in the country in terms of sales is really quite an achievement when you consider some of the massive brands we're competing with. In my opinion you can't run a business this size by being a follower, you have to be a leader. And we've worked very hard to achieve that – driving change in the business is the only way we've stayed in growth, and it certainly is the way I see the future for Camelot – we will continue to push boundaries and drive innovation. We certainly won't be sitting back and resting on our laurels just because the business is in good shape.

PG: On hindsight what you describe seems sensible and, well, pretty obvious. But I would think it is not always so obvious from in front of the curve when you're saying you want to invest resources and shareholder profits on things that haven't been tried and true. The inspiration to innovate is actually a very hard thing to act on, isn't it?

DT: Yes, it is. And of course, we're a private company with five shareholders who each hold a 20% stake. It's been a question of working with them to take some of the calculated risks that we have done. I've been very fortunate that we've got some very good, very supportive shareholders – but to be honest although a lot of the ideas are through ambitious plans and a can-do attitude within the business and our people having really good ideas, we also haven't ever been reckless in our business strategies or in our developments. We will back up any of our ideas about what will work with thorough research, both qualitative and quantitative, to mitigate any risks. But it's by innovation that we succeed – and by definition being innovative means being a leader and doing things that haven't been tested before.

We're amongst the most efficient lotteries in the world in terms of proportion of the pound that goes back to society – that's Good Causes and tax receipts. We rank 4th in the world in terms of total sales, 47th in per capita spend – so we have lots of people playing and spending small amounts of money; and return over 40% of revenue to society. That's not a bad place to be in at all in my view, and we are there because we drive efficiencies through the business all the time. I'm really lucky – I run a company that turns over roughly five billion pounds a year. But we employ less than 1,000 people, so I know virtually everybody who works for Camelot. So we've got the resources of a very big company, but the culture of a very small company, and there's a real can-do culture here, with people who really want us to succeed. It's great.

PG: That is a huge business with a very lean management structure. How do you as a manager allocate your time? Is there a short list of key indices that you follow, and delegate everything else, or do you have to be 'hands on' in everything that happens at Camelot?

DT: I'm not hands on with everything that goes on, I can't be – too much happens on a daily basis for that to be possible. But I do have to know about everything, because not only am I the public face of Camelot, and so an interview like this today you could ask me about anything and I would be expected to know the answer, but also the buck stops with me. I have to be involved in every aspect of the business to know what is going on and to make sure that we're doing things right and taking this national institution – because that's what the National Lottery is in Britain now – in the right direction. But I also have a very, very clear attitude towards delegation. I'm very lucky, I've got a fantastic team of people who work for me. And now, as we've become more successful, it's easier to attract really good talent into the business.

A lot of people are threatened by employing people who are ambitious or more talented than they are. But the stronger my senior team is, and the stronger their teams are in turn, the less I need to worry about every single thing that happens, because I know I can trust them to do a great job. And equally, I trust them to come to me if they think I need to be aware of anything in their areas or they need me to become more heavily involved in a particular project or situation.

My view is that I empower you to do your job, because if you don't take some risks and don't try new things we'd never get anywhere. If you make the same mistake twice however, then I won't be too happy.

But people have to have responsibility to be able develop themselves and develop the business, so we have an open door policy, this is about the only office in the building. We have some meeting rooms of course, and I do have my own office which I have to use sometimes, but most of the time I work outside at one of the open plan desks. People know they can contact me at any time. They can drop me emails or just ring up my PA Linda and say, "Can I pop in for five minutes?" – and if it's convenient then I'll always say yes. So we have a very, very open culture here. And people feel really part of it. We want everyone to know that what they do can really make a difference, we promote that sense of empowerment, and I like to think our people feel that in their day to day working lives here.

PG: I would expect that your successful track record has resulted in your board giving you more freedom and latitude and authority to make increasingly important, perhaps even risky, management and strategic decisions. But I would also suspect that it wasn't necessarily always that way.

DT: No, it wasn't. But it's not quite like that now either. We do have to lead and to try new avenues to continue pushing innovation and to keep the lottery fresh and exciting for our players. But as we were discussing, we only take very calculated risks and will do everything we can to mitigate any potential issues before we even approach our shareholders with our business strategy and game plans.

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But on top of that we are also very heavily regulated here in the UK. We've got literally thousands of regulatory requirements that we have to adhere to. In the very early days our regulator, the National Lottery Commission (NLC) was responsible for regulating something that was unknown because we hadn't had a lottery here in the UK for about 160 years. So, quite rightly, they stayed very tight and very close to us, and everything we did we had to have their permission. Gradually over time, as you say, there's an element of trust that builds up after we established a proven track record of running the lottery in an efficient and responsible way. And so, for example, when we first launched, every single game including each and every new scratch card that we launched, we had to apply for a license for it. Which not only was costly, but also time consuming and very labour-intensive. We have now moved on to what's called a Class License, and so if we're launching a scratch card that's within the parameters of what we normally do, then the Class License covers it. It's only when we're going outside of what we normally do that we need to apply for a new licence again. So I think over time it's evolved, hasn't it, Ben?

Ben Rosier, Head of Media Relations, Camelot (BR): Absolutely. And we're rotating between 40 and 45 new scratch cards a

year, obviously they're constantly being refreshed and that's partly as a result of Dianne's drive to innovate across the business.

DT: Yes. And to go back to where we very first started. 70% of the people who play our games don't participate in any other form of gaming and for them it's a harmless flutter. However we still do operate in a very, very competitive market be it for the pound in someone's pocket at retail or on the Internet, where gaming is more of a common pastime. We give so much money to the Good Causes as well as operating on a different tax regime to other forms of gaming in the UK, so we pay more in tax to the government. So we can't offer the same ratios in terms of prize payout percentages as gaming companies can, but the way we can keep our sales successful is to actually have things on offer that people want to do, to create the games that people really will want to play.

PG: Is prize payout the dominant driver for the lottery player, what are the buyer motives you try to appeal to, and what image are you trying to project?

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