



Camelot Global Services

Paul Jason, Public Gaming: *Camelot seems to have won the hearts and minds of the general public, your political constituents, and the general media. It wasn't always that way, was it?*

Dianne Thompson: No. You'll recall that back in the late nineties there was lots of negative publicity surrounding the National Lottery. Our first order of action was to work hard to change our image. Perhaps it worked out for the best since the maintenance of a comprehensive communications program started out as a top priority by necessity, and remains that way today because it continues to support our corporate mission. Now, surveys indicate that the National Lottery is up there with the British Army in terms of being a trusted institution in the UK. But that's the end result of a really concentrated team effort. And it doesn't happen overnight or by accident. We continue to work very hard to build good relationships with the media and with the Government. That doesn't mean we get positive comments and press coverage all the time. But at least everyone understands who we are, what we do, and that we are crystal clear on our mission to serve the public interest. And that's because we work hard to integrate that fundamental message into all of our marketing and PR communications.

Congratulations for raising £750 million (U.S. \$1.17 billion) for the Olympics!

D. Thompson: Although we raised £750 million through specially-designated games where people play and know that the money is going to London 2012, the lottery actually raised £2.2 billion (that's U.S. \$3.43 billion!) that went directly to support the Olympic and Paralympic Games. It's the first time ever in the history of the Games that significant funds were raised by a lottery to support them.

London and other cities actually bid for the right to host the Olympic Games. I would think there must have been a discussion in which you were asked what the lottery could do in the way of financial support. Was there a commitment to raise that amount of money,



Dianne Thompson

Group Chief Executive Camelot Group
Operator of the UK National Lottery

PGRI Introduction: What a special time to be talking with Dianne Thompson. It is July 30 and the Olympic Games have just begun. And the sun is shining in London!

British Olympic Association Chairman Colin Moynihan explains "What you can say about the funding that John Major and the lottery has delivered is that it has provided a platform for athletes with outstanding talent to deliver personal bests. It has enabled athletes to be surrounded by quality coaching and all the support staff that are necessary to assist that athlete and in some sports the technology, to go through." The UK National Lottery has been linked to the Olympics financially (by contributing over £2 billion to the Olympic & Paralympic Games), culturally (by way of the groundbreaking advertising campaign "National Lottery – Life Changing"), and with the players (by creating 100 UK millionaires, on the night of the opening ceremony of the London 2012 Olympics). The UK National Lottery's support for London 2012 serves to reinforce the special place it has in the hearts and minds of the public.

Consolidating this positive public image has been integral to the long-term brand management strategy that contributes so much to the success of the UK National Lottery. Camelot Group, operator of the UK National Lottery, is also among the most progressive at building the multi-channel approach that represents the future of lottery distribution. One key to increasing land-based retail sales? Sell through multiple channels! The path to success is not always intuitive. Fortunately, there are more and more success stories like this that form the basis for a solid portfolio of Best Practices for everyone to learn from.

and did that actually influence the bid that the UK was able to put forth?

D. Thompson: There was indeed. Tony Blair and the Department of Culture Media and Sport asked how much we thought we could raise. And yes, our commitment to raise £750 million was a material consideration and gave them the confidence to put in the winning bid. The public was made aware of what The UK National Lottery does to support good causes, the media gave us excellent coverage for our efforts, and important people like former Prime Minister Sir John Major publicly voiced their appreciation for what the Lottery does to raise money for the Games. And often, comments like those from John Major are followed with further remarks that recognize the valuable role that lotteries perform in a broader context, praising the concept of lottery itself. So The National Lottery has enjoyed the benefit of great publicity and recognition for its role in raising funds for the Games. And of course, we do what we can to capitalize on the momentum of positive press like this.

There is such a focus on mega-jackpots as being the driver of sales. If the basic promise of lottery is the possibility to “change your life,” then I would think that changing lots of lives with smaller prizes should command as much media attention as changing one life with a giant jackpot. That’s why I am especially impressed by your promotion for the Olympics of creating 100 millionaires.

D. Thompson: We have literally just had the best week ever, with sales of over £200 million in one week. There were many factors that contributed to that, but our 100 UK millionaires promotion was one of the big reasons for this success. On the night of the opening ceremony of the Olympics we created 100 UK millionaires. On that Friday, we had a record sales day.

That is phenomenal. It seems like a takeaway from this is that everyone rallies around someone willing to commit themselves to a stretch goal.

D. Thompson: It is hard to imagine without being here, Paul. It was announced in July 2005 that London had won the bid to host the 2012 Olympic and Paralympic games. The very next day after the announcement, we had a terrible tragedy, the 7/7 London bombings in which many people died. Quite understandably, the entire mood of the country shifted from the excitement of the Olympics to the sadness of the tragedy. There was even concern that in these difficult times maybe we should not be engaging in the celebra-

tion of Olympic sports competition. That is why it is such an incredible feeling to see the spirit of the country now, and we would like to think the whole world, lifted by the experience of the 2012 Olympics.

Yes, people do rally to support the efforts of those who are working hard to make the world a better place. But our commitment to raise £750 million was an informed business decision to embrace a stretch goal. We knew that we would need to get everyone on board, and that the synergy of support from our political constituents and then the media and then the general public would enable us to make it. And from a business point of view, we also knew that the process of reaching out to get that support would yield great publicity for The National Lottery, reinforce the positive image of the Lottery, and further integrate the Lottery into the fabric of popular culture. But for all that this country and the world have gone through, I wish that everyone could get the sensation of what it is like to be here in London right now. Of course, it helps that the sun is shining which isn't always the case in London!

Does being a commercial company give you more flexibility to apply a more entrepreneurial risk assessment model, one that weighs the pros and cons and is able to take a calculated risk to embrace a stretch goal, even when based on incomplete information?

D. Thompson: Yes it does. Firstly, along with corporate social responsibility, innovative thinking is at the heart of everything we do. For example, at the end of the term of our second license, in January 2009, 60% of our sales in that year came from new initiatives, such as EuroMillions, and other channels that we did not even have at the beginning of the licence term just seven years prior. You look at the successful businesses in the commercial world, and they are all reinventing themselves on a continual basis. Creating new products, opening new lines of communication with the consumer, building new channels of distribution to make the products more accessible, etc. We don't see ourselves as administrators of a lottery organization. We're a sales and marketing company underpinned by technology that just happens to be selling and marketing lottery products. And that brings a whole different mindset to it, Paul. Our reward in terms of profit is quite small, just half a percent of sales. Lottery operators are in just as strong a position to take calculated risks as are the commercial companies, like Apple and Virgin and countless others which do so to great

effect. In fact, we owe it to our stakeholders to go for stretch goals just like any well-run sales and marketing company should do. Of course we need to hold ourselves to ever higher standards of corporate social responsibility. And we must comply with a stricter regime of government oversight. But really, all companies are going to be required in time to meet these same standards. So I just think we have the jump on them by learning how to achieve ambitious business goals within a framework that includes these other public policy considerations.

I would add that the serious innovator also employs serious risk mitigation tools. There's no pride in the willingness to take risks. We work very hard to always minimize the risks associated with ambitious business objectives. We may get things wrong sometimes, but we learn from that, we re-assess and revise the business plan, and always move forward. And there's always a contingency plan – Plan B!

The “National Lottery – Life Changing” ad’ campaign is a great example of how you combine a variety of different objectives into your market messaging so that you really optimize your ad’ spend. In this one, for instance, I can identify at least three powerful messages. First, as publicity for the good things that the UK National Lottery does for society. Second, as the player-centric message of how exciting it would be to be a winner. Third, reinforcing for the consumer that playing the lottery is a wonderfully philanthropic activity that supports athletics and other Good Causes. And as a bonus, all your campaigns seem to garner general press that further promotes the lottery and its products. The end result is that players play, the general public likes and respects what you do, and I would think this recommends you to your political constituencies whose opinions can be so influential.

D. Thompson: We all know that people play to win – they don't play to give money to good causes or charity. But there's no doubt that the knowledge that the profits go to a good cause does have a positive effect on the public's view of the lottery, and subsequently the players' desire to play. Look at the lotteries in the U.S. that are closely associated with one good cause. They incorporate that cause into their brand and all their messaging. Georgia and Tennessee are two top performers and everyone knows that their lottery supports education. In Pennsylvania, it's a senior citizen program. Their good cause is a very powerful part of their messaging. I think it's

slightly more difficult for us because we have 13 individual distributing bodies at the moment who are in turn giving money out to a whole variety of worthy projects: sports, charity, art, heritage, lots of different causes that would have a very hard time getting funding elsewhere. And so we don't have one message. In fact, that's why it was particularly valuable for us to launch the 'National Lottery – Life Changing campaign' and be involved in the Olympics because it is so newsworthy and high profile. I do think lottery's role as a public service is a very important message. It's one of the many things that makes lottery different from gambling organizations.

You can think of the communications agenda as being split between the strategic goal of building the overall brand and the life changing potential that lottery represents, and the tactical matter of appealing to the players with an emphasis on 100 millionaires and big jackpots and the information advertising about what's going on and what games are out there and where the money goes.

You have been very successful at developing the multi-channel approach that utilizes the internet and mobile as a sales channel. Sales have been growing the fastest in the internet channel, but they continue to grow in your land-based retail channel as well. How do you, or did you, defuse the anxiety that retailers have that they might lose sales to the internet?

D. Thompson: We engaged our retailer partners from the very beginning. We have something called the retailer forum that enables us to share our upcoming plans with our retailers and get their input into them. The forum is held three or four times a year. We showed them how land-based retail and interactive channels like internet and mobile actually complement and reinforce one another. Sales aren't switched from one channel to another. It just does not happen that way. Last year we had a record year, with over £6.5 billion in sales and everything was up, including our retailer business. We worked very hard with our retailers to make sure their offering is executed as well as it could be in the store. I think one really interesting fact is that the player who plays in both the retail and in the interactive space, spends more money per week than the player who only buys in retail or only buys in interactive. Those multi-channel players are actually more valuable to the retailer than the players who only buy at retail. It's also possible that our retailers became more engaged in our products because they knew the con-

sumer now had alternative ways to buy. The retailers raised their game, paid more attention to the Lottery, improved their POSs, and made sure that they offered the consumer more choices. Of course, that's a good thing for everyone – the consumer benefits as does the operator and the retailer.

What were some of the specific things you did to help your retailers succeed in the multi-channel environment?

D. Thompson: It was frankly part of our third licence commitment to install new terminals, new dispensers, digital media screens, new training, etc. All the stores got a major refresh and upgraded POSs at the time that corresponded to the launch of our interactive channels. That was with the original 27,500 stores. Now we're up to 30,000 stores. Culturally, the UK is not a nation of sellers, we're a nation of servers. Napoleon called us a nation of shopkeepers. So we have invested a lot of resources in training our retailers how to sell, how to up-sell on lottery. We train them on how to ask the simple questions like "have you got a EuroMillions ticket yet" and "you know, the Lottery is going to create 100 millionaires tomorrow and the tickets are only £2?" Just like all lottery operators, Camelot does not have a lot of money to spend on sales promotions. So really optimizing the opportunity at the point of sale is essential.

Are your retailers given any kind of commission for sales transacted between the Lottery and the consumer over the internet?

D. Thompson: No. I do not think we ever considered doing that and would not consider it now. For one thing, don't underestimate the cost of selling over the internet. It does cost money to run an effective i-lottery operation. In fact, it costs more than people think until they actually do it. Lotteries really do not have the margin to afford to be paying retailers for sales they did not make. Also, if you pay land-based retailers for sales that go through other channels, you are actually undermining the retailers' resolve to do everything they can to make the sales themselves. Retailers need to stay very clear on the fact that the way for them to make more money is to sell more products, and we will help them do that. In fact, I will go on record as strongly advising against going down the slippery slope of paying retailers for online sales.

It is the draw games that have been your most successful internet product.

D. Thompson: Absolutely. The key

driver of the internet channel is actually the draw-based games, not interactive scratch-cards. People might play other games at our online website. But they don't go online to play those games. They go online to play the draw-based games.

I should point out that our traditional product mix skews heavily towards draw-based games. We have about 70% of the adult population playing the draw-based games and less than 30% playing the scratch-cards. I would say that is a good thing for two reasons. First, draw based games generate higher margins for the benefit of good causes. I believe you would find that to be true just about everywhere. Instants have higher prize-payouts and so generate smaller margins. So the operator would prefer for the product mix to favor the higher margin products. There's another important reason to focus on draw games. Instants appeal to players who care more about prize-payout percentage than winning a jackpot that changes their life. That is not the sweet-spot for lottery. In the UK, there are numerous options for the gambler who is focused on prize-payout percentages. That's not our market. We feel that it is absolutely critical to keep our draw based games healthy and growing.

And your repeat activity or retention rate once the consumer has registered to play online?

D. Thompson: That's another benefit of the draw-based games. Not only has it attracted some new consumer groups who like to buy online, our retention rate is over 80%. That is very high and it's because our players come on the site to play Lotto or EuroMillions or Thunderball, one of the draw-based games, and they play those on a regular basis. It's not an impulse purchase like Instants tend to be.

Once the player registers, then you have the ability to communicate with them on a regular basis?

D. Thompson: We do contact them upon registration. But the player does have the option to opt out of future communication. But still, it is turning the anonymous retail consumer base into an interactive customer base, and sets the stage for developing a social media and networking agenda. We've got over a quarter of a million fans on Facebook, and over 60,000 fans on Twitter. An example of the influence of social media is the highly emotive "National Lottery – Life Changing" TV ads we did that featured the moving stories of Jack Jennings (The moving TV ad,

'Heroes Return,' hits TV screens on Sunday 4 March 2012 and has been inspired by the wartime experience of Private Jack Jennings. Thanks to money raised by National Lottery players, Jack has been able to return to Burma, where he saw active service during World War 2) and Jenny Meadows (The emotive TV ad, was inspired by the stories of real-life 800m runner, Jenny Meadows, and her mother, Barbara Meadows. Barbara had aspirations of being a runner, but was never able to realise her dream due to lack of funding). They got tremendous attention and people were coming to the site to just view the ads. We expect this kind of social media activity to play a very big role for The National Lottery in the years to come.

The UK market-place in gaming and gambling is the most competitive in the world. Yet you continue to grow and prosper.

D. Thompson: First we do not think of ourselves as being in competition with gambling operators. We focus on serving the lottery customer who has a different set of buy-

ing motives than the gambler. Second, we embrace the process of continual improvement and innovation based on a Best Practices methodology, learning from others and learning from our mistakes. And third, let's not forget that we are in the business of luck! By that I mean that if we work really, really hard, then hopefully the sun will shine on us. On Friday, the EuroMillions jackpot got to £105 million. And then it rolled. Now that is lucky. But as the great golfer Gary Player said "the more I practice, the luckier I get." The key is to do 100 things 1% better rather than trying to do one thing 100% better.

I am looking forward to the World Lottery Summit in Montreal. You are moderating the panel on Corporate Social Responsibility (CSR) on Monday afternoon, September 10. It is interesting that you chair the Responsible Gaming committees for both the World Lottery Association (WLA) and the European Lottery Association (EL).

D. Thompson: You can see where my passion is! I think that the role of our indus-

try associations is to promote Best Practices throughout the community of lottery operators. Security and Responsible Gaming are two areas where the associations have developed truly world-class programs and tracks for accreditation. I would encourage lotteries to use the resources of your industry associations to help you become the very best in our industry. That is the purpose of the WLA and the regional associations. Lots of lottery operators all around the world have become the pre-eminent gaming operator in their market, setting a standard for integrity and performance that will hopefully be expected from all gaming operators. But operational integrity is not just a state of mind. It is the application of management systems that ensure that the organization performs to the highest standards, and builds a sustainable business. The WLA and the EL and all the Regional associations welcome their members to participate in these programs and I guarantee they will contribute to the success of any lottery operator. See you in Montreal! ♦