

INTERVIEW

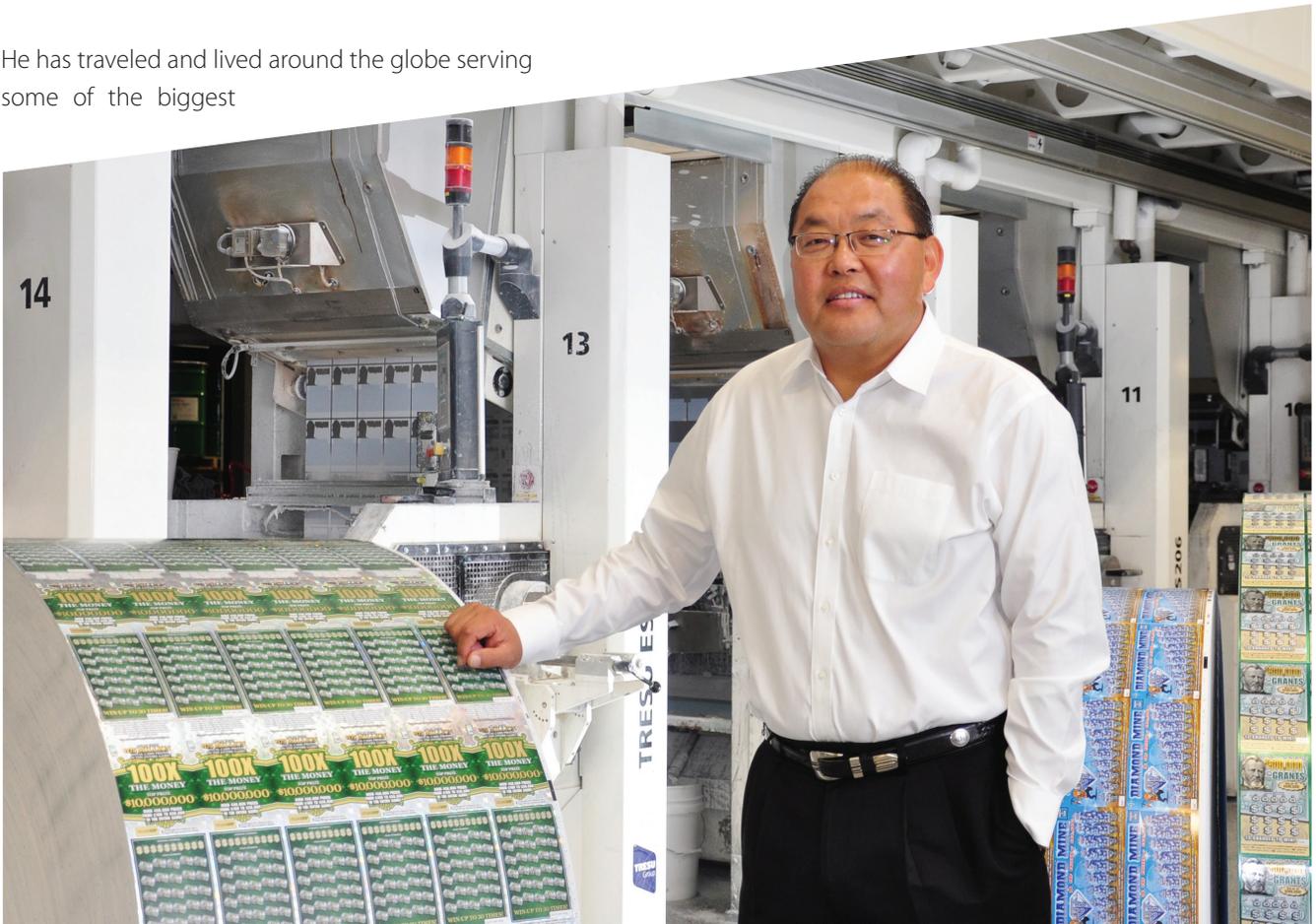
Sam Wakasugi

VP, Global CSP Services
Scientific Games

From his executive office on the second floor of Scientific Games' global lottery headquarters just north of Atlanta, Sam Wakasugi seems like a guy you've known all your life. He's polished and uber professional, yet so approachable you get the impression that you can ask him just about anything. Sam's answers are thoughtful and his stories slowly unwind, spanning across a lottery career that began in the early 1980s and touching nearly every aspect of the business.

lotteries in the industry, including many start-ups. Today, Sam leads Scientific Games' *Cooperative Services Program*—or "CSP"—as many call the company's highly successful approach to instant game management. Integrating game planning, analytics, marketing, inside sales, packaging, warehousing and retail distribution, CSP is used by more than 20 lotteries, including nine of the Top 15 lotteries in the world based on instant game per capita sales.

He has traveled and lived around the globe serving some of the biggest



Sam learned the lottery business from the ground up. At 21, he got caught up in the excitement of Washington's Lottery start-up—one of the coolest happenings in the state of Washington at the time. He applied for a sales rep job, and remembers being slightly surprised when the Lottery hired him. The next thing he knew, he was moving to Walla Walla to sell scratch games, and spending up to eight hours a day driving his car from one end of his large territory to the other. Sam explains that back then, everything was done manually. In a pre-UPS era, logistics meant picking up the scratch tickets at the Lottery's regional office and delivering them in person to 100+ retailers every week. He would hand-write an invoice, the retailer would give him a check, and at the end of each day he would go to the bank and deposit the funds.

Quickly promoted to the Lottery's regional manager, then director of sales for the entire state, Sam moved to Olympia, where he found himself learning how to motivate a team of 35 more senior, and much more seasoned sales professionals who had been hired from the private sector for the Lottery's start-up.

"This experience in my 20s prepared me for what lay ahead because the state government did a really great job training employees who wanted to be managers. A good deal of my operational skills today are a direct result of what I learned back then. I was traveling to six very different regions all around the state, directing a sales staff and helping train retailers. I never expected this to happen," he shares as he explains how it all unfolded.

Also, key to Sam's success has been his dedication to customers: understanding their needs, providing a service and earning their trust—lessons learned early on. In high school, he worked at his father's farm implement store every day during the summer, watching farmers come and go while his father built his business standing next to the coffee machine as customers came into the store. Business always took place at the coffee machine.

"His customers would come in the store to buy tractors and fencing, and my father sold them everything they needed—not what he wanted to sell them. They always came with a need," Sam says. "This is why customer service has always been important to me. Half of the success is the relationship, and the other half is just the desire to help your customers.

I learned at an early age that you have to establish that relationship so your customers trust you."

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Intuitive people skills continued to serve him well. Sam's simple approach to customer service, coupled with extensive lottery experience, propelled him to director roles with the Arizona Lottery, and eventually to Scientific Games where he began Scientific Games launch of the CSP operations for the Florida Lottery in 1997.

Sam is definitely someone who can sit at the table and do business with a lottery because he's also been on the government side of the table. It was through CSP for the Florida Lottery where his knowledge of the instant product deepened.

"I had been a sales rep, a regional manager, a sales and marketing director and a state director, but I still remember standing there in a pile of dirt in Orlando thinking how are we going to do this in 90 days?" he says. "We built a fully operational CSP facility in 77 days."

With the *SciTrak*™ supply chain solution deployed at Scientific Games' new CSP facility, the Lottery embarked upon a great instant game partnership. The *SciTrak* system securely manages game inventory with more accuracy and efficiency than other supply chain solutions, and it allows lotteries to be much more responsive to retail sales volume and player demand. In Florida, automated sorting was added in 2009 with *OrderSorter*™ and predictive ordering technology was added with *OrderCast*™ in 2011.

“Our next generation system, *SciTrak Ultra™*, has made incredible advancements with the addition of predictive ordering,” says Sam. “In just the last five years, instant game sales in Florida have grown 79 percent. The *OrderCast* technology is proving to have a great impact on instant game sales in the jurisdictions where it’s deployed.”

The partnership drove results. The Florida Lottery’s strategic sales and marketing plan and Scientific Games’ *15 Determinants of Demand™* also made a major impact on sales. In 2013, Scientific Games worked with the Lottery to create a six-week game introduction cycle that would offer players bigger games and better prize structures. Today, the Lottery has 13,000 retailers throughout the Sunshine State with approximately 36 new games introduced each year and up to 70 games generally in market – 56 percent of instant sales are at the \$10 price point and above.



The Florida Lottery is perennially one of the highest performing lotteries in the industry, with more than \$3.9 billion in instant



SciTrak Ultra™ is now deployed at Scientific Games’ CSP operation for the Florida Lottery, where instant game sales have grown 79 percent in the last five years. Sam Wakasugi helped the company build the CSP facility in Orlando in 1997.

game sales FY2015 it currently ranks in the Top 10 lotteries worldwide for instant game per capita sales. Scientific Games provides 95 percent of its instant games, which represented 67 percent of the Lottery's revenues last year. In FY2015, the Lottery returned a whopping \$1.5 billion to its beneficiaries – breaking a record for the sixth year in a row for both sales and funding for beneficiaries.

Following the CSP success in Florida, Jim Kennedy, now Group Chief Executive of Lottery for Scientific Games, assigned Wakasugi to service customers on the west coast of the U.S., and work on the instant games business for state lotteries in California, Oregon, Washington, Idaho, Colorado, Indiana, Illinois, Texas and Arizona.

Sam eventually became Vice President of North American Sales, guiding relationships and strategies for the company's instant game customers. He also worked on the UK National Lottery's instant games, as well as several other projects in Europe, Taiwan and Mexico.

And then, Kennedy asked him for a personal favor. Would Sam be willing to go to Beijing for 30 days to help launch instant games for the China Sports Lottery in time for the 2008 Olympics? Wakasugi packed his suitcase for the trip. The launch was a success at an enormous scale. In nine months, the China Sports Lottery's instant game sales went from \$700 million RMB to \$10 billion RMB. By 2011—with the company's CSP best practices deployed in 31 provinces throughout the world's largest country—sales doubled to \$20 billion RMB and the Lottery skyrocketed to the largest instant game lottery in the world. Sam didn't leave China for seven years.

"For a guy who entered this business when the only lottery in the U.S. west of the Mississippi was Arizona, it has been an incredibly exciting experience," he says. "Those Olympic-themed games in China will never be forgotten, but what's even more memorable is that the *Golden Millions* game we launched in 2009—a game

almost identical to its U.S. predecessor—is still the best-selling instant game in China today. It comes down to the simple fact that a good game design, backed by Scientific Games' best

practices in the area of quality, integrity and security, will sell well anywhere in the world."

Now back in the U.S., Sam leads the global CSP business for Scientific Games. Despite his experience working with instant products around the world, he says he still learns something new every time he visits a customer or a retailer. He is still impressed by the sheer magnitude of instant game sales.

"Lottery instant games are an \$80.4 billion consumer product that outperforms most consumer product categories on the planet. It's bigger than the global music and movie industries combined," he says. "Last year, our domestic CSP partners alone created a combined \$1 billion in growth in the category."



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Scientific Games continues to refine its CSP program and drive record growth in instant game retail sales globally. The North Carolina Education Lottery is the company's newest CSP customer, recently awarding the company a new eight-year contract.

One of Scientific Games' most successful CSP customers is the Pennsylvania Lottery—ranked in the world's Top 10 for instant per capita sales with more than \$2.6 billion in instant game sales FY2015. The Lottery has achieved over \$1 billion in profits in each of the last three fiscal years. CSP launched in 1997, and the Lottery focused on fully developing its instant game portfolio and growing its retail network to more than 9,000 retailers.



In 2007, the Pennsylvania Lottery challenged the company to build a solution for future growth up to \$2 billion and beyond. Scientific Games deployed its *OrderCast* predictive analytics tool and fully integrated it into the existing *SciTrak Ultra* system. The Pennsylvania inside sales team now had the game mix insights to help grow profits – not just sales – for the Lottery and its retailers. Since the addition of *OrderCast*, the Lottery’s instant game sales have grown nearly \$1 billion in just eight years.



“We like that our customers view us as more than an instant game supplier. Scientific Games is a company that adds value to their business and helps them meet their goals and objectives—that helps them get to their magic number,” says Sam. “We are aligned with our customers and understand what their challenges are, and we continue to innovate solutions for them.”

He shares a bit more about his philosophy on customer relationships but in the end, he is very candid about what differentiates the company. “Other suppliers want to sell instant games. Scientific Games sells long-term solutions.”

Sam also knows that the instant game is a complex product. “CSP simplifies it for lotteries. It is a very scientific approach, from the data analytics platform we use to the automated sorting and predictive ordering technology. If lotteries want to grow their net profits, CSP is the way to do it.”

Perhaps that’s why instant game per capita sales for all U.S. lotteries using CSP services outpaced the industry by 40 percent in 2015. The program’s operating scale accounts for approximately one-third of total U.S. retail sales. Based on real results achieved for customers, it is currently the most

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successful and effective category management program in the industry.

Research continues to play a leading role in the CSP program Sam now leads. He works closely with data scientists and consumer researchers in the company’s Insights group.

“The more we understand consumer motivations, the better the chance we have to keep existing players and add new players to the mix. There is a large segment of consumers out there who don’t play lottery games yet—but they play other games,” he says. “We haven’t even scratched the surface with consumers.”

As we wrap our conversation, the talk turns to digital media (interactive games). But Sam lives and breathes instant games.

“Digital media is an exciting and growing part of our business—it is a promotional platform that makes all games better. But if you watch players like I do, scratch tickets offer a very special experience. You hold that game in your hand, scratch it, and hopefully put that winner in your pocket. They may be augmented by digital media, but I don’t believe instant games will ever be completely replaced.”

We trust that he knows what he’s talking about.

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