

The Official Publication of the North American Association of State & Provincial Lotteries

INSIGHTS

July/August 2018

TRY ONE TODAY

New
Nouveau
QUICK TICKET

1 **ACTIVATE** the QUICKTICKET for the next draw by tearing it to the bottom.

2 **CHECK** your QUICKTICKET prior to the draw at any lottery retailer.

See label back for more to view your label. Number & Draw Date.

1 **ACTIVEZ** ce billet QUICKTICKET pour le prochain tirage en le déchirant au bas.

2 **VÉRIFIEZ** votre billet QUICKTICKET avant le tirage chez un détaillant de loterie.

See label back for more to view your label. Number & Draw Date.

LOTTO 649
QUICKTICKET
\$4.00
ONE QUICK PICK PLAY PLUS
UN JEU MISE-ÉCLAIR AVEC **ENCORE ENCOURT**

THIS IS YOUR OFFICIAL LOTTERY TICKET.
NOT VALID UNTIL ACTIVATED BY DRAWING.

CECI EST VOTRE BILLET DE LOTERIE OFFICIEL.
NE VAUT PAS AVANT D'ÊTRE ACTIVÉ AU TIRAGE.

Please see label for details. / Voir étiquette au verso.

Signature _____

Check your ticket at any lottery retailer with the barcode below. / Vérifiez votre ticket à un point de vente de loterie avec le code à barres ci-dessous.

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On May 14, 2018, the U.S. Supreme Court overturned the Professional and Amateur Sports Protection Act of 1992, also known as PASPA or the Bradley Act.

This has left the door open for states to adopt laws and rules to allow sports wagering.



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IN GAME (CSM/NOO)				NHL PLAYOFFS 1 2 3 OT F				BEST OF 7(2-2-1-1-1)				2018 WORLD SERIES				NFL CHAMPIONSHIP			
ER PROPS	4617TOT.3'S	26.5EVEN	2457GL KNIGHT	6	OU	-105	2685 CL KNICH	+180	5001 DOGERS	15/1	3001	CARDINALS	75/1						
ARTER ONLY	4618TOT.3'S		2458JETS			-140	2686 JETS	-210	5002	ASTROS	5/1	3002	FALCONS	20/1					
RS 58	OU						2687	CAPITALS	-330	5003	INDIANS	8/1	3003	RAVENS	75/1				
S	-110						2688	LIGHTNING	+270	5004	NATIONALS	10/1	3004	BILLS	100/1				
										5005	YANKEES	5/1	3005	PANTHERS	50/1				
										5006	CUBS	7/1	3006	BEARS	75/1				
										5007	RED SOX	4/1	3007	BENGALS	100/1				
										5008	D'BACKS	8/1	3008	BROWNS	100/1				
										5009	CARDINALS	15/1	3009	COWBOYS	25/1				
										5010	METS	8/1	3010	BRONCOS	25/1				
										5011	BREWERS	70/1	3011	LIONS	30/1				
										5012	BLUE JAYS	50/1	3012	PACKERS	8/1				
										5013	RAYS	150/1	3013	TEXANS	20/1				
										5014	MARINERS	30/1	3014	COLTS	75/1				
										5015	ROCKIES	15/1	3015	JAGUARS	20/1				
										5016	ANGELS	10/1	3016	CHIEFS	40/1				
										5017	BRAVES	30/1							
										5018	WHITE SOX	750/1							
										5019	GIANTS	25/1							
										5020	ORIOLES	750/1							
										5021	RANGERS	500/1							
										5022	MARLINS	750/1							
										5023	THINS	40/1							
										5024	ROYALS	500/1							
										5025	PIRATES	50/1							
										5026	ATHLETICS	150/1							
										5027	PHILLIES	40/1							
										5028	REDS	500/1							
										5029	PADRES	500/1							
										5030	TIGERS	300/1							



General Session

Representatives from the **World Lottery Association (WLA)** and **Global Lottery Monitoring System (GLMS)** will make the case for lottery oversight of this exciting new game and bet type and share best practices.

This panel discussion will also delve deeper into how the early adopters in the U.S. have begun to set up their operations.

From licensing venues and sports book operators, to utilizing a single providers, the options are vast. Thought leaders from various states will share the pros and cons of their respective states' models.

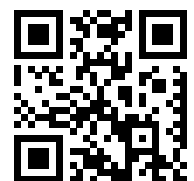
Breakout Session

This breakout session will dig a little deeper on the choices each regulator needs to consider when setting up sports betting operation.

Experts will be on hand to deliberate over questions, such as:

- Which tax rate is mutually beneficial to the state and the operators?
- How do the technical platforms work?
- Which bet types should be accepted?
- Integrity fee or no integrity fee?

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SEPTEMBER 25-28, 2018



FROM THE NASPL PRESIDENT

IN THE IMMORTAL FINAL WORDS OF SOCRATES: "I DRANK WHAT?"

The Buddhist thought behind mistakes – or a “mistake” – is vastly different than our commonly held American belief. As Americans, we believe correct or not correct in each task, each moment is almost a binary state: good/bad, success/failure. A Buddhist would believe that the moment is what matters, and to do your best in that moment and to grow in each succeeding moment. I often tell my boys, it’s only a mistake if you don’t learn from it (their mother might disagree, especially as relates to the raised toilet seat, which mistake appears to occur in an endless loop in my house).

I’ll give you an example: the NH Lottery head of sales and product had designed a \$1 ticket and sent it to our print vendor for production. During one of her all-too-few days off, the proof came back, and due to mix-up she didn’t see it until it was about to go to print. In a panic, she was about to cancel printing the game, because the color was a bit puke orange and not at all what was intended. I suggested that she let the game print, that the universe often affords us gifts in the way of mistakes. It was one of the top tickets we sold that year (and yes, I am fully aware of the irony involved in using Buddhism and lottery tickets). I should note that this is the same person that had an idea for a bacon-scented scratch ticket, which I nearly nixed. It got a ludicrous amount of publicity, even featured on Good Morning America, so I was affirmed in the belief.

When I was hired to be the NH Director, I made a solemn vow to avoid being a color picker. By that I mean a boss that gets so into the minutiae that he picks colors for scratch tickets or makes the staff send photos from an ad set to pick out clothes. Never done either and really tried to avoid micromanaging the people I work with, who know more about their jobs than I ever could. Hire the talent, nurture it and allow the universe to unfold as it should. You’ll be surprised by the results. You can overthink this stuff pretty badly and mess it up. At a conference in Chicago a number of years ago I suggested that it should be almost like a martial arts film, say, Crouching Tiger, Hidden Latex. And then I followed it with a joke I won’t repeat here... but let your imagination run with it...

I often think of some of the best advice I received in this business. I had just started as the General Counsel at the Mass Lottery. I was 32, basically the youngest person in the place, and knew essentially nothing, but certainly wasn’t going to show that to the folks there. Over 400 employees at the Mass Lottery, and I had to exude the confidence I thought a senior manager should. Paul Mandeville, the head of IT at Mass, suggested the best advice I probably have ever gotten – if I could avoid making major decisions, do so, for as long as possible. Not to procrastinate, but to allow myself the time to understand the business and how all the pieces fit into the overall structure of what was, and still is, a ridiculously profitable lottery.

One of my favorite cartoons from my younger days was Bloom County, and one of my favorite strips from that was one where the remarkably precocious youth scientist Oliver Wendell Jones allows himself a rare moment of sanity and realism when he stands on a mound and reluctantly shouts: “The universe is a little too damned orderly to be a big accident!!!” So every so often, I dust that off and remind myself to allow the universe to unfold as it should and not get too hung up on the random odd details that seem to grind us down. If you work in the business, you know what I mean.

Have a happy summer everyone, until next time, I remain

Charles McIntyre
Executive Director, New Hampshire Lottery/
NASPL President



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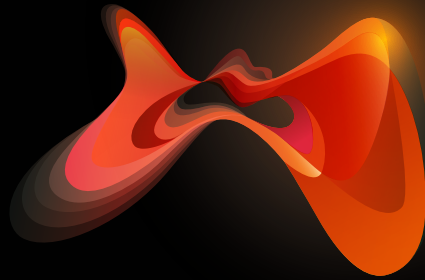
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Arizona Lottery Teams Up with Alice Cooper

In early August, the Arizona Lottery introduced the first-ever, exclusive Alice Cooper Scratchers ticket. The game was revealed on July 25 at a special media-only launch event at Alice Cooper's Solid Rock Teen Center in Phoenix. Solid Rock was co-founded by Cooper to help foster kids and other youths develop their musical, dance and artistic talents that they would not otherwise be able to do. Cooper and music students at the Teen Center took part in an intimate jam session at the event.

"We were first contacted by Solid Rock's Randy Spencer, who was interested in working with us on promotional events," said Arizona Lottery Deputy Director for Products and Marketing Chris Rogers. "We realized there was an opportunity to do something creative with Alice's likeness and we collaboratively decided to do a scratcher ticket." Four months later, the licensing deal was done.

"You know you've made it in this world when you're an answer on Jeopardy or Wheel of Fortune, a likeness of your head is on a PEZ dispenser, or if your face is plastered all over an Arizona Lottery ticket," said Cooper, who is excited about the ticket.

The \$5 rock n' roll themed ticket includes top prizes of \$50,000 and top-of-the-line second chance prizes, such as VIP tickets and pre-show party access to Alice Cooper's Annual Christmas Pudding

Concert, Alice Cooper memorabilia and more.

"We are excited to join this legendary musical artist with this exclusive ticket," said Arizona Lottery Executive Director Gregg Edgar. "The Arizona Lottery is dedicated to supporting vital programs that serve people across the state and we are proud of the work Alice is doing with the Solid Rock Teen Center to provide incredible resources, positivity and excellence for Arizona youth."

There is indeed tremendous synergy in the missions of both the Arizona Lottery and Solid Rock. The latter supports aspiring young artists in need – Cooper is donating a portion of the lottery ticket licensing fees to further benefit his Solid Rock Teen Center. And one of the Lottery's beneficiaries is CASA (Court Appointed Special Advocates), which trains volunteers to speak on behalf of abused and neglected children in court proceedings.

From a production standpoint, Arizona Lottery officials said Alice Cooper's people made the difference in making the deal. "They were really easy to work with and represent a great organization," explained Instant Ticket Product Manager Ivy Gilio, adding that it took about seven months from start to finish. Scientific Games assisted in the development of the ticket and the artwork, and is facilitating the second chance drawing.



The ticket was launched to be in full swing ahead of Halloween. "We've had a huge demand for sample/void tickets and these tickets may become collectors' items with people buying them but not scratching them." ■



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Massachusetts Initiates “National Lottery Day”

By Christian Teja, Communications Director, Massachusetts Lottery

Inspired by the popularity of the wide range of “holidays” that have been established through the power of social media, the Massachusetts State Lottery celebrated Tuesday, July 17, as the first ever National Lottery Day.

“The purpose of National Lottery Day is to celebrate the collective contributions lotteries make to the communities they serve, while offering players and retailers a day of special promotions,” said Executive Director Michael Sweeney.

“As we found ourselves incorporating our products into posts about other social media holidays on a regular basis, we asked, ‘Why not have our own day for lotteries?’” said Juan Di Prado, who joined the Lottery last summer as its first full-time Social Media Director. “We all have great stories to tell and passionate fans who enjoy special offers.”

A core work group that included Sweeney, Di Prado and Communications Director Christian Teja began framing out the National Lottery Day concept. Once the decision was made to move forward, the Lottery chose a July date because it was identified as a time of year that could benefit from a new promotion. The next steps included the development of a logo and working with product managers to construct a slate of promotions that could be executed with relatively short lead time. The result was a series of player



promotions for multiple products that were driven almost exclusively by social media, and all promotions showed measurable success.

On National Lottery Day, all Mass Cash tickets purchased were entered into a drawing for ten \$500 prizes, resulting in a 26.2 percent sales increase in the cash lotto game over the equivalent day last year. Monitor game promotions for the day included the addition of a 2X multiplier to Keno Bonus and a drawing in which 17 non-winning All or Nothing tickets were selected to win a \$1,000 prize. Combined monitor game sales for the day were up 11.4 percent over the previous year.

For instant tickets, an extra incentive was added to a month-long “Christmas in July” promo in which non-winning 2017 holiday instant tickets could be entered into a drawing for 20 \$500 prizes. All tickets entered on National Lottery Day were also entered into a separate drawing for 17 \$100 prizes. After averaging 4,506 tickets entered daily over the first 16 days of the month-long promotion, a total of 15,070 tickets were entered on National Lottery Day.

On social media, Facebook, Twitter and Instagram followers were given the opportunity to enter to win a \$500 prize (one prize awarded on each of the three platforms) by posting

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10:00pm – 1:00am



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a photo of themselves with their favorite lottery ticket, accompanied by the message, "I help support the 351 cities and towns in Massachusetts." These 'call to entry' posts combined to reach over 264,000 people, generate over 1,200 reactions and garner 429 submissions.

Retailers were able to earn entries into a pair of drawings for cash prizes, one by reaching designated sales increments for monitor games and one by selling Season Tickets.

And to keep it all in good fun, a post encouraging responsibly play was made across the Lottery's social media platforms.

"This was an unqualified success for us and the potential is there for it to become much bigger," said Sweeney. "We are hopeful that other lotteries will join us next year and make it truly a national event. We want to explore turning this into a National Lottery wWeek and consider issuing a limited edition National Lottery Week instant ticket for participating states."

His wish may very well be realized. Massachusetts' development of its own National Lottery Day was created independently of an initiative currently gaining traction among lotteries through the work of the North American

"We are hopeful that other lotteries will join us next year and make it truly a national event."

- Michael Sweeney

Association of State and Provincial Lotteries (NASPL). "We applaud what the Massachusetts Lottery has done," said NASPL Executive Director David Gale. "It shows that a National Lottery Day or even Week has the potential to attract players with special promotions and social media activities. We also think there is great potential to use the concept to showcase the good causes that all lotteries support." ■



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Camelot Illinois Releases Fiscal Year 2019 Illinois Lottery Business Plan

On July 10, Illinois Lottery private manager Camelot Illinois released the company's business plan for Fiscal Year 2019, which began on July 1, 2018 and ends on June 30, 2019. A requirement of the 10-year private management agreement between the State of Illinois and Camelot, the annual plan outlines Camelot's business objectives for the year as well as its strategy for managing and growing the Illinois Lottery.

The plan is the framework for an ambitious program as the new private manager for the Lottery begins its first full year of operations. Under the plan, Camelot Illinois will work in partnership with the Illinois Lottery to establish new games and improved experiences for lottery players, as well as growth in revenue to the state.

In Fiscal Year 2019, Camelot is projected to deliver lottery sales of \$3.03 billion, an increase of 3.5 percent over the previous year, slightly more than expectations outlined in the private management agreement. This sales increase is anticipated through 3.2 percent growth in instant ticket sales to \$1.94 billion, and 4.2 percent growth in draw-based game sales to \$1.09 billion. Overall, the plan is projected to result in a financial contribution to the state of \$735 million, up an estimated 5.7 percent over the prior year. By the end of Camelot's contract term in 2027, the company projects the net annual income to the state to exceed \$1 billion.

To achieve this growth, the annual business plan focuses on strategies,

goals and planned activities for marketing and branding, games, retail and iLottery, communications and corporate social responsibility.

"Our first year is a foundation year to establish operational fundamentals and build trust in the Illinois Lottery through responsible, transparent and accountable management," said Camelot Illinois General Manager Colin Hadden. "Our long-term goal is to create an innovative, modern lottery that will attract new players and maximize financial returns to the state in a socially responsible way."

Camelot projects Illinois Lottery expenses to be \$2.3 billion in Fiscal Year 2019, including \$1.96 billion in prizes and claims, \$114.1 million to fund the costs of sales and services, marketing and advertising and vendor fees, as well as \$26.6 million in management fees.

Key highlights anticipated in Fiscal Year 2019 include the transition to a new back-office central gaming system, new computer terminals in all retail locations, new vending machines and the launch of a new website and

mobile app. In the second half of the year, Camelot plans to implement the roll out of a \$15 million investment in point of sale equipment that will transform the presentation of the Lottery in more than 7,600 retail stores across Illinois.

Also planned for Fiscal Year 2019 are the launch of Cash4Life, a draw-based game that will offer winners regular payments for life rather than a single jackpot, enhanced training and support for retailers and initiatives to expand awareness of iLottery to acquire new customers.

The full Camelot Illinois business plan is available on the Lottery's website at www.illinoislottery.com. ■

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Lori Rugle Honored at NCPG Awards



NASPL's own Lori Rugle was one of the recipients of the National Council on Problem Gambling's 2018 awards, presented during the NCPG's annual conference in Cleveland, held July 18-21. The NCPG honors individuals and organizations for their work on problem gambling issues.

Rugle received the Joanna Franklin Annual Award for Direct Service for her work in Maryland. She is an Associate Professor in Psychiatry at the University of Maryland School of Medicine, and before becoming NASPL's responsible gambling specialist last fall, she served as Program Director for the Maryland Center of Excellence on Problem Gambling. "I am so grateful for this award," exclaimed Rugle. "Joanna Franklin was my dearest friend and her example of service has been a guiding star in my life and work."

NCPG honors communications efforts in the areas of problem and responsible gambling, and this year's winners include the New York Council on Problem Gambling on behalf of the New York Responsible Play Partnership. The Partnership, which includes the New York State Gaming Commission and its Lottery division, won for the Holiday Responsible Gaming Campaign.

McGill University International Centre for Youth Gambling Problems and High-Risk Behaviors, which is one of the sponsors of the Holiday campaign, won the NCPG award for Corporate Newsletter.

Other communications awards went to MGM Resorts International (Corporate Social Responsibility), the California Office of Problem Gambling (Multi-Cultural Communications - Corporate), the Maryland Center of Excellence on

Problem Gambling (Public Awareness - Corporate), and Russell Herder (Website - Corporate).

Two individuals were honored for their lifetime efforts in the field. Maureen Greeley, Executive Director of the Evergreen Council on Problem Gambling, was given the Monsignor Joseph Dunne Lifetime Award for Advocacy. Early in her career, Greeley was on the staff of Washington's Lottery. The Lifetime Research Award went to Dr. Richard Rosenthal, the founder of the California Council on Problem Gambling, who is currently a Clinical Professor of Psychiatry and Co-Director of the UCLA Gambling Studies Program.

The remaining award winners include national council affiliates and individuals working with those affiliates, researchers and other problem gambling programs. ■

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Jeff Cavender

Director of Marketing
and Sales, Vermont
Lottery

Mary Cassani

Financial Manager,
Vermont Lottery

Making A Difference

Mary Cassani, Financial Manager, Vermont Lottery

Jeff Cavender, Director of Marketing and Sales, Vermont Lottery

At a small lottery, staff members are used to sharing responsibilities and pitching in whenever necessary. That experience proved invaluable when an unusual series of circumstances left the Vermont Lottery without an Executive Director for more than a year, from October 2016 to November 2017.

First, a new governor was elected and the search for a new Executive Director – begun when Greg Smith resigned – was put on hold. That new governor then issued an executive order to merge the state's lottery and liquor operations. Finally, three of the five lottery commissioners left their positions (one joining the governor's cabinet) – the commission served in an advisory capacity and kept an eye on lottery operations. By late spring 2017, new commissioners had been seated and educated in basic "Lottery 101," and the search for an Executive Director began anew. Top FBI agent Danny Rachek was named to the position in August, but didn't actually start the job until last November. Meanwhile, the executive order to merge lottery and liquor was rejected by the Vermont House, and a legislative task force was created to study the merger.

All this time, the Vermont Lottery had to keep on rolling, conducting business as usual with the added responsibilities of testifying before the task force – political responsibilities in particular are often in the hands of an Executive Director. Stepping up to the plate in the absence of such leadership were three Lottery staffers – Financial Manager Mary Cassani, Director of Marketing and Sales Jeff Cavender and Director of Security Mike Ferrant (who has since left the Lottery). They worked tirelessly to keep the lottery going while spending numerous hours at the State House. Despite the challenging circumstances, they kept morale up throughout the small office and

managed to increase sales and revenues to education in the process – and they are understandably proud of those results.

"Both Mary and Jeff were a tremendous help to me as I moved into my role as Executive Director," said Rachek. "I continue to rely on their experience and historic knowledge of the industry as the Vermont Lottery moves forward and builds on our success. They were put in a difficult situation, to assume additional responsibilities and pressures without a formal appointment or promotion, but really thrived in their new roles. The staff responded well to their leadership. Vermont and the Lottery is lucky to have them!"

Keeping the Lottery's staff energized was perhaps the most important achievement. "We made sure communication was wide open, so that everybody on staff knew what we knew," said Cavender. "We kept the team focused and kept morale up, and I'm proud that we didn't lose anyone along the way." Added Cassani, "Everyone was calm because we were calm. It helped that our personalities all meshed – there was no conflict, no one was competing with each other. We were blessed."

That meant that the organization continued to run as smoothly as it always had, delivering results that included increased sales and revenues. After all, with a staff of just 20 full-time employees, everyone is cross-trained. "We do everything together," explained Cavender, from ticket art to developing promotions and customer events. "I don't ask anybody on the team to do something that I wouldn't be willing to do myself, and I try to infuse an element of fun in everything we do." He even has F-U-N spelled out in building blocks on his desk!

They would play on each other's strengths as they handled the added responsibilities of dealing with the legislature and the task force assigned to the merger. Cassani would address

finances and related issues, while Cavender would explain how the marketing budget kept the Lottery true to its mission of raising money for education.

And without an Executive Director, they kept each other in check as well. With every crazy new marketing or promotional idea, Cavender would look to Cassani and she'd grill him on what the end goal was. "She'd always ask what I was trying to do for our customer. If I thought something would work, she'd figure out how to fund it."

All that extra work for the legislative task force resulted in a new bill to create the merger – a bill that failed to pass in the regular session this spring. Due to a budget impasse, however, a two-week special session was called in June. During such special sessions, Cassani explained, new bills cannot be introduced but bills that had been discussed during regular session could be brought up again. "So the liquor and lottery merger resurfaced in the special session and it passed," she said. "If they had passed the budget in the regular session, there would be no merger."

As a result, effective July 1, the Vermont Lottery Commission was disbanded, replaced by the Department of Liquor and Lottery with an oversight board yet to be seated. Exactly what that will mean in terms of ongoing lottery operations has yet to be determined; there will eventually be some combination of responsibilities as liquor and lottery come together.

Cassani and Cavender are clearly no strangers to uncertainty, and together with Rachek (now with the more cumbersome title of Deputy Commissioner of the Lottery Division of the Department of Liquor and Lottery) they will see to it that the Lottery continues to provide needed revenue to education in Vermont. After what they've been through, they wouldn't have it any other way.



Mary Cassani

Hailing from Saratoga Springs, N.Y., Cassani comes from a big family – she’s the second-youngest of 10 children. She met her husband Michael at Adirondack Community College and they’ve been together for 32 years. He is originally from Vermont, and after college they moved to his home state. A few months after settling there, she found a job at the Vermont Lottery as an accountant. After more than four years at the job, she decided to take a little time off to be a stay-at-home mom to two sons.

She would return to the Lottery 11 years later when recruited for the position of Financial Manager while working at the Vermont Chamber of Commerce. Lottery must have gotten into her blood – she’s now into the fifteenth year of her second stint at the Vermont Lottery.

Cassani and her husband are both big baseball fans, and are trying to visit as many major league baseball stadiums as possible – they are up to 10 so far. While she doesn’t have a favorite team, she enjoys watching the Boston Red Sox defeat the New York Yankees.

They also love to travel, with recent adventures to Italy, Mexico and Hawaii. With her sisters, Cassani is heading to the U.K this fall, visiting England, Wales, Ireland and Scotland.

Why did you decide to come back to the Lottery?

I feel I have a penchant for taking positions where things are kind of messy, or at least not up to my standards – I like to “fix” things. It was kind of like that when I came to the Lottery, both for the first time and again on my return. I felt I could make improvements. What I really like about the job is knowing things are recorded accurately and the right amount of money is sent to the Vermont Education Fund. There’s no room for doing drafts and fixing them later – it’s all about doing things right the first time.

The Tri-State Lotto Commission was the first multi-state lottery organization in the U.S. Is there any special challenge on the administrative side of such an organization?

Over the years, our member states have sort of all moved in different directions, each doing our own thing. So the difficulty is in keeping Tri-State together so we stay on track doing projects that still fit within the scope of our original compact. That has been the big challenge, and we do constantly look to do new things together.

Running the Lottery’s administration and financial services is critical, but not really fun and glamorous. What gives you the most enjoyment from your job?

As mentioned I do like making sure our beneficiary gets every dollar they are due. But I also enjoy celebrating with our winners. We have a small office so I always get to hear when winners are excited when they are at the claim window. It’s all about the people – there’s nothing like it. And of course, I do interact directly with big winners, especially with our Tri-State Megabucks jackpot winners where there is an annuity option and I can help them through it. It is particularly gratifying when a big winner had been down on their luck and the win lifts them up. I remember one woman with three children whose husband had passed away from cancer a few months before her win. All she wanted to do was take her kids to Disney World – a place she and her late husband had always wanted to take them but never got a chance. It was a dream come true that she could make that trip. Stories like that are just so meaningful. ■

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Jeff Cavender

Born and raised in northeast Ohio, Cavender is a self-described “long suffering Cleveland sports fan (is there any other kind?)” He’s been a Vermont resident since 1989 and is a relative newcomer to the lottery industry. He joined the Vermont Lottery as Director of Marketing and Sales in 2013. His background is in the music and video industry, having worked for Blockbuster Video and various music and video wholesalers and distributors in sales and marketing management roles. Most recently, he served as head of the distribution arm for Rounder Records (headquartered in Cambridge, Mass.), overseeing sales and marketing responsibilities for the label’s video and children’s music initiatives.

Music continues to dominate his personal life, as he shares his love of music with his wife Karen and two adult daughters. They were scheduled to see Pearl Jam at Chicago’s Wrigley Field in mid-August.

What made you want to join the Vermont Lottery?

I had been trying to purchase my own business (local movie theaters), but the deal just wasn’t going through. So I started casually looking to see what else was out there and I saw the lottery ad. I had never thought about lottery tickets needing marketing, and I had never worked in the public sector. But

I thought, “why not?” Somebody has to do it; it might as well be me. Then director Greg Smith was himself new to the lottery industry, and he hired me. And we propelled the Vermont Lottery forward.

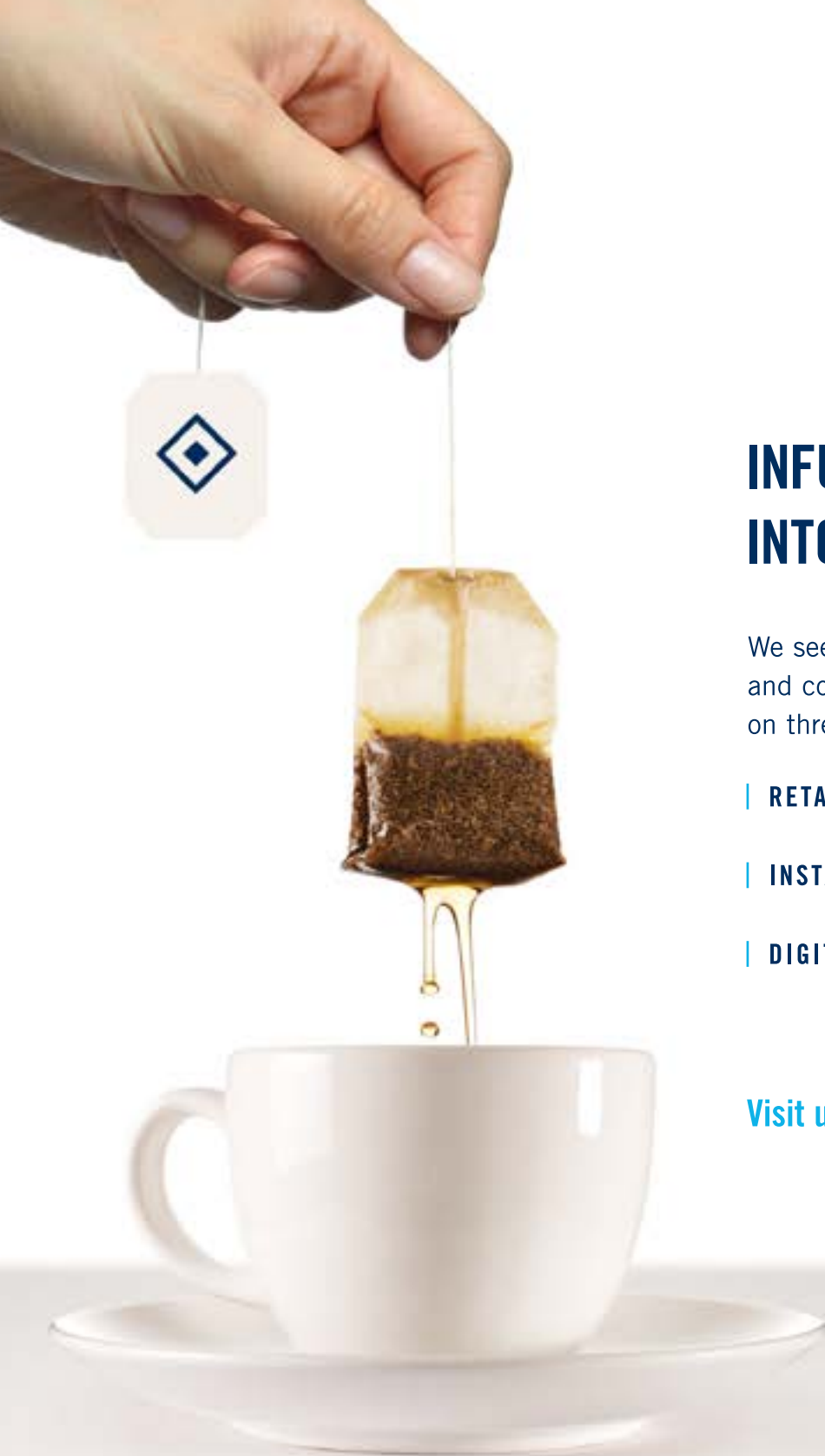
Did you apply anything from your previous career in music and video to the marketing and promotion of lottery products?

They are very similar in terms of each having a release schedule. It’s always about getting the right product in the hands of consumers and getting it there in a timely manner. But in music and video distribution, there were more defined roles and teams of people doing just one thing, whether it be marketing, sales, publicity, media or customer appreciation. Their whole mission was to make customers feel good, something you don’t often see today. With our small staff at the Lottery, we don’t really have people who specialize in doing only one thing – we take everyone’s ideas to see what would be best for our customer base. But either way we try to get behind the product and make sure we hit all the points and maximize everything we can from a sales and distribution standpoint. I do think that my non-traditional music and video background, and not having any idea or preconception about the lottery business and the marketing and selling of lottery products, has helped

in what we’ve been able to accomplish here in Vermont – record overall sales and instant ticket sales increases of 25 percent.

You were in an industry that was severely disrupted with technological change. Does that give you any insight on what threatens to change the lottery industry?

I certainly saw the change from vinyl, 8-track and cassettes to CDs and from movies exclusively in theaters to video tapes to DVDs. It also went from movie rentals in stores to delivery by mail to video streaming. It was always about building a better format for delivery and to make it easier for the customer. It does give me pause as far as what might be coming around the corner in the lottery industry. But with lottery, it’s not so much about improving the format as it is about adding choices of what to play. I think people will always like that physical feel of scratching a ticket or getting that piece of paper for a lotto jackpot. But our choices are expanding – pulltabs, different kinds of draw games, and perhaps now even sports betting. The barriers are dropping; we just have to strike the right balance between responsibility and profitability in order to produce results that our legislators can support. ■



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RISKY BUSINESS

STEPHEN WADE, PRINCIPAL, LOTTERY MANAGEMENT CONSULTING, LLC.



Risk is a word of warning. It can arouse anxiety and fear of loss. This emotional freight tends to make us back off from anything called risky.

Risk also has a sense that conveys an upside. I feel that the way risk is used in formal financial theory, tracing back to the 1950s, recognizes a profound truth: risk enables both the fear of losing and the thrill of winning. Risk is defined statistically in financial theory. This definition has nothing to say about emotions. Rather, it says something like, "the less predictable the yield from your investment, the riskier it is." Sometimes a risky asset disappoints; sometimes it yields more than we had any reason to expect.

In the lottery business, we manage assets (games) that have different degrees of risk. At one end we have the extremely risky multi-state games, Powerball and Mega Millions. Risky is not pejorative here, it is merely honestly descriptive. Yields can vary a lot from one year to the next. We never experience the long-term yield of these games, because every few years we change their rules. The long-term yield is in fact a difficult concept, because even if the games do not change, there is no assurance the

players will remain the same.

Near the other end of the risk spectrum, we have the small draw games that produce much the same sales and profit year after year. Most jurisdictions have a few of these. Some lottery jurisdictions earn most of their yield here.

Somewhere toward the low-risk end are the instant games. Here, risk arises because a particular game may fail to reach its sales goal, while still paying its top prizes. Alternatively, it may sell through while the big prizes go unclaimed. The risk associated with any single instant game is generally not all that important, because there are so many instant games in the market in most places.

The instant portfolio illustrates a key insight from economic theory: the important thing is the risk of the portfolio, not the risk of any particular asset. To the degree that the lottery's yield comes from small draw games and instants, it is less risky. But along with lower risk comes lower potential for big gains.

Economic theory talks about the risk tolerance of the investor - that is, the ability to accept variations in yield over time. Lottery managers tend to welcome the upside risk of Powerball

and Mega Millions, because these games have the potential to produce 'bonus' years; we count on less volatile assets to make the downside risk of the big games tolerable.

Unfortunately for lottery managers, it is not only their own risk tolerance but also that of their beneficiaries that matters. The beneficiaries are generally risk-averse, and at the same time hungry. They want whatever we can produce now, and there may not be any sort of 'buffer' to absorb one year's bonus in order to protect against another year's shortfall.

In the absence of an actual buffer, and with pressure to increase the yield to beneficiaries, what tactics are potentially available to protect beneficiaries from risk? One approach might be to focus more attention on developing games that are not inherently risky - draw games offering smaller top prizes, for instance. Another might be to work for better profitability of the instant games.

However, since the appeal of really big prizes has been demonstrated many times, it is worth asking whether there is any way to make offering really big top prizes less risky. Remembering the insight that it is the risk of the portfolio that matters, I

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suggest that we consider the effects of diversifying our holdings.

Lotteries saw some benefit when, in 2010, they agreed that both Powerball and Mega Millions, rather than one game or the other, could be sold in each U.S. jurisdiction. Sales from both games together have been less variable year-to-year (and also larger) than from one alone. Statistical theory teaches that having the same volume of sales running through a greater number of games lowers year-to-year variability. As a rule, this works roughly according to the square root of the number of games: having four games would give half the variability of having only one. Each additional game added has a smaller beneficial effect.

Another approach to diversification has been shown by an unlikely teacher: the 'synthetic' lottery, of which Lottoland is the best-known example. Lottoland diversifies its risk portfolio by going right outside the lottery realm and working with commercial insurers.

Lottoland is a name that carries negative emotional freight in the lottery world, where it is known, first of all, for appropriating the best-known games of state-sponsored lotteries for its own profit. But if the Lottoland incursion teaches state lotteries something new about risk management, it may be doing us a favor.

The basic lesson from synthetic lotteries is that having a huge playing population and correspondingly large cash flow is not the only way to provide for paying multi-million-dollar prizes in a lottery game. We can address the possibility of paying a big prize at a financial loss in the same way we address the possibility of a house burning down: we pay a premium to an insurer in exchange for a guarantee to cover the cost of the adverse event. It is the insurer's business to assemble a diversified portfolio of risks, and to charge an appropriate premium for each little part.

Why would an insurer want to take on the risk of a big lottery game? Perhaps mostly because the risks



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in our honest games of chance can be perfectly understood in principle, simply from the way the games are defined. There is no perfect math governing the risk of fire, and yet insurers work from empirical evidence to address the likelihood of your particular building burning. Lottery business may also appeal to an insurer, because no one insurer needs to be asked to take the whole risk of a game – rather, each may have a certain appetite for this kind of thing as a part of its diversified portfolio.

Why would a lottery want to consider paying another party to help it address the possibility of being “caught short” when paying a big prize? Because this frees the lottery from the Tyranny of Scale.

I must admit I am indebted to my friend M., the lottery-enthusiast economist, for that expression Tyranny of Scale. It happened like this: We were sitting in a bistro in Seattle, catching up on what we each had been working on. I was telling him about this very article that I was writing, and how I was hoping to wind it up.

“You see, the problem is I may have started out sort of pedantic, with the definition of risk and all, and people don’t have a lot of patience with that sort of thing. I want to get to why you don’t have to be a big monopoly in order to pay big prizes, if you go the insurance route. It’s really profound in a way. I’m tempted to get all historical and talk about how, back in the day, it looked like the only way to make a big game work was to set up a state

monopoly to run it. But that would be a digression. I just want to emphasize what it may be worth now.”

“You need something like that sign over there,” said M. He nodded to a placard on a side wall. The placard was placed over framed awards and notices won by this eatery, a popular leader in the Seattle “slow food” movement.

“Well, that’s the slow-food attitude for sure,” I acknowledged. “But actually, this place delivers pretty well on all three points, doesn’t it?”

“Yes, I’m happy with it too,” he said. “But my point is that the sign shows the constraints they work within. And they have managed to make tradeoffs within that box that produce something we like.” While I considered how slow would be too slow, M. pulled out a pen and wrote on his napkin:

“Here’s the box lotteries have been in. If you want predictability, you have to keep the prize relatively small. But ‘small’ does not mean the same amount of money when you have one million players as when you have 10 million, or 100 million. So, with a bigger population, you may feel safe offering very long top prize odds on a big prize. If you risk a big prize, even with a small population, you may lose money some years. The yield becomes unpredictable over any reasonable amount of time. And a start-up is just a crap shoot. That’s what I would call the Tyranny of Scale. But, if you choose to make your yield predictable by going to the insurance model – that is, you give up some of the upside

by paying premiums, in exchange for protection from the downside – then you don’t have to worry about the size of the playing population. You escape the Tyranny of Scale.”

“But doesn’t that add a cost of operation?”

“Sure. And wouldn’t the benefit be worth something? You would probably have to do a competitive procurement for the insurance. Might get enough competition going to get a good price.”

“Do you mind if I use your Tyranny of Scale in the article?”

“Don’t you think that’s a little florid?”

“Yeah, but I can put that on you, so no harm done. And I’ll keep that napkin too, if you don’t mind.”

So it was that M. provided me with the ending of this article, for which I am again indebted. To make the implication completely clear: With insurance-backed prizing, the size of the player population can become irrelevant. This is especially important when considering a new game which, although it may grow in popularity, is initially unknown. The player population must grow from a small start. With the conventional approach that M. sketched on the napkin, the early development of a new game can easily produce a financial loss. If the lottery is not provisioned to cover the loss, the random occurrence of an early top prize award may lead to the accidental death of the game. Why not pay a little for relief from that risk? This is the value proposition of insurance in the lottery industry. ■



Andrew Davis at NASPL!

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Using Research to Bring Fast Play to Life

By Chris Rogers, Deputy Director: Products and Marketing; Karla Henriksen, Draw Games Product Manager; and John Turner Gilliland, Public Information Officer, Arizona Lottery

What's the difference between a modestly successful and a wildly successful draw game? The Arizona Lottery is discovering it is research, technology and gut instinct. Since the sale of our first game, the "Scratch It Rich" ticket in 1981, the Arizona Lottery's game research methodology has become more extensive and sophisticated, currently focusing on both qualitative (focus group) and quantitative (survey) research. This focus on both research tracks when launching products ensures that the data we get from focus groups informs the surveys used to give our games their best possible chance of success. It's that ever-evolving process that has helped to transform the newly-launched Fast Play line.

Fast Play was first introduced to Arizona Lottery players in 2007 and it ran for four years. During that time the line brought in \$7.5 million. In 2017, the Arizona Lottery conducted detailed focus-group research into what players found to be the most appealing and exciting elements of Fast Play. We then surveyed people in our key player demographics to discover what we could improve. Using the research conducted in partnership with BLJ Marketing and WestGroup Research to help guide us, we implemented the new Fast Play line in February 2018 with easy-to-understand play styles. Supported by aggressive marketing and

in-store promotional campaigns, game sales surpassed \$8 million by the end of fiscal year 2018.

Before we look at the ways in which both qualitative and quantitative research helped the Arizona Lottery redevelop this game into a strong money-maker, let's talk about the game itself - how to play and how to sell it to players.

Fast Play builds on two play styles that focus groups told us would appeal most to them: ease of play and casino-themed games that players already understand how to play, like slot machines. To that end, we launched several games, including the popular "Cherry Twist" Progressive game, where players match three slot machine-styled symbols in a row to win the progressive jackpot or, like in a casino, a single "cherry" can win as well. The more whimsical "Piggy Bank Bucks" game builds on the players' stated desire for an easy-to-play game by simply matching one of two numbers from a field of five. All six Fast Play games play the same way: no scratching and no numbers to pick. The lottery terminal guides the retailer or player through the purchase process from start to finish.

Focus Group Insights

The new Fast Play game mix is a direct result of research targeting players who like to win instantly without taking the extra time to play a Scratchers game. Players told us in



the focus groups that they would try these new games almost immediately and many would add them to their play portfolio, increasing their average ticket. Players were intrigued by the new gameplay, excited by multiple wins on a single ticket and the prospect of a large progressive jackpot (unavailable in Scratchers games), and confident that the ease of play would help them. Retailers were pleased as well, telling us in the focus groups that the new vending machines we tested from Scientific Games (coming to market later this year) were easy to use, with both Fast Play and traditional draw games available for purchase.

Retailers said their biggest concerns were that lines could form as Fast Play players continually purchased multiple tickets for consecutive draws and that the new vending machines

Cherry Twist Progressive



Participants really liked the Progressive Jackpot aspect of the game. It made the game more exciting and differentiated it from the regular Scratch games.

"The progressive feature is very appealing." (Frequent Scratchers Players)
"It's easy to play plus it has the progressive feature." (Supermarket Retailers)

Participants liked the 8 games on the ticket. It provided them with lots to do while playing the ticket.

"It has the most chances to win on one ticket." (Occasional/Infrequent Scratchers Players)
"It has 8 chances to win." (Frequent Jackpot players)

The name and look of the ticket reminded participants of slot machines. It made the game look more exciting to play.

"The ticket is more like a casino game." (Frequent Scratchers Players)

Some of the symbols were harder to read than the others. For example, the auto win symbol (e.g. cherries) was not easily distinguishable.

"I find it really hard to see some of the symbols." (Frequent Jackpot Players)
"I didn't know that was a cherry symbol. I wasn't sure what it was." (Occasional/Infrequent Scratchers Players)

Possible improvements: Participants did not provide any suggestions to improve the concept

might be a bit bulky for smaller convenience stores. Those players who had concerns worried that new players might take too long to play, causing lines to back up, and that unscrupulous clerks might withhold winning tickets and only sell losers to players. As we have yet to deploy the new vending machines, we don't know if concerns about lines of customers impeding other players and retailers' patrons will be realized. Retailers' concerns about the size of the new machines may limit their deployment to larger stores and supermarkets. As for security, the Arizona Lottery has several procedures in place to protect against hacking or unfair retail practices that might hurt players. We also continue to work with Scientific Games to mitigate the potential problems that were revealed in the focus groups and in the survey.

The Arizona Lottery used the focus group research to develop a survey

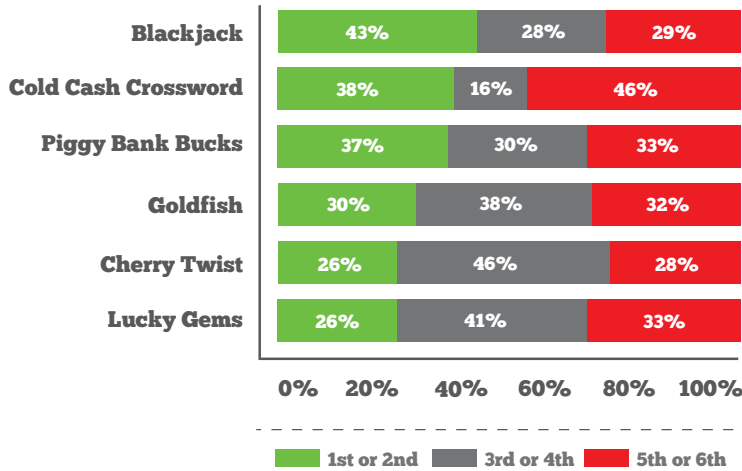
targeting hundreds of Arizonans in our key demographics to determine if those insights were reflected in the opinions of the larger player population. The survey confirmed what the focus groups said about players' readiness to try a new kind of game that was easy to play and offered good perceived value-for-money, with bonus plays and multiple wins on a single ticket. This effort led directly to the implementation of four new initial Fast Play games, now numbering six, ranging from \$1 to \$5, that are easy to play and remind players of the excitement, ease and potential immediate reward of a casino game.

Secondary quantitative research gathered from Nielsen Prime Lingo showed that the crossover between casino players and Arizona Lottery players is significant. Focus group research revealed that slot-themed games are more appealing to lottery players, who also frequent casinos,

with less intimidating game play from the outset; however, non-card players found blackjack (which ranked higher in the research than some other games) difficult to understand. This led to our decision to initially exclude blackjack from our Fast Play game portfolio. The research also showed that "Cold Cash Crossword" had a much higher positive rating in focus groups than "Cherry Twist Progressive" or "Piggy Bank Bucks," but it also had higher negatives from players in the focus groups, so we went with games that were less likely to drive away players.

The research also confirmed the lessons we learned through the original iteration of Fast Play. Back in 2007, the year Fast Play was first launched in Arizona, players had to go through a complicated process of scanning game-specific cards mounted on the vending machines in order to play the correct games. This was confusing for players. The

Overall Ranking of Fast Play Games



Respondents were also asked to rank all games tested in order of preference, and the chart at the left shows rankings segmented by 1st/2nd, 3rd/4th, and 5th/6th combined.

Overall, Blackjack is the highest-ranked game, with 43% choosing it as their first or second preference.

Although Cold Cash Crossword also received a high proportion of 1st/2nd rankings, it was also rated lowest by an even higher proportion (46%).

Listed above are the various games you have rated; place them in the order of your overall preference (1st through 6th)

new vending machines are exponentially easier for players to operate. The focus group research on these machines was overwhelmingly positive, likening them to a casino gaming experience.

Finally, when we were researching how best to reintroduce Fast Play to the Arizona Lottery's mix of games, players and retailers alike told us that the key link in the chain of success would be education - educating retailers about how best to sell this game and drive business into their own stores, and educating players about how these games are different from Scratchers yet similar in ease of play.

Keep the Human Element

While research is very important in game development, it is not all-important - we must also account for the "human" factor. The Arizona Lottery recognizes that the numbers can only tell us so much about how well any given new game will do in the marketplace. It takes a close working relationship with retailers and our own sales force at every phase of development to give games the

best possible chance of success with players. That "human" factor is equally important when weighing the research to determine whether you guide it, or you let it guide you.

If there's anything that this process has taught the Arizona Lottery about the relationship between research and games development it's this: Data is important when you make decisions about product launches, but it is just one information point. Your gut is also an information point and the "human" factor is important. It pays to rely on the knowledge and expertise of your staff and retailers, as well as the research data, at all stages of game development. ■



Chris Rogers, Deputy Director: Products and Marketing, Arizona Lottery



Karla Henriksen, Draw Games Product Manager, Arizona Lottery



John Turner Gilliland, Public Information Officer, Arizona Lottery

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GAME CHANGERS



Oregon Lottery's Research on Responsible Gambling/Problem Gambling (RGPG) Awareness Messaging



Third in a series of articles exploring the components of NASPL's new Responsible Gambling Guidelines.

By Lori Rugle, Responsible Gambling, NASPL

So far in this series on core sections of NASPL's Responsible Gambling Guidelines we have looked at retailer and employee training. This article will focus on the area of RG research on public awareness messaging.

As the second item in NASPL's RG Research and Evaluation Guidelines suggests (see box on opposite page), a good place to start with research is to learn what evidence-based practices and standards currently exist in the field. I therefore did a review of the scientific literature on effectiveness of problem and responsible gambling public awareness messaging and confirmed my impression that very little has been published on this topic. While I am aware of anecdotal information from conference presentations and personal conversations of how some lotteries have used focus groups and/or stakeholder feedback to develop RGPG advertising, there has been little systematic evaluation of the content of RGPG awareness campaigns.

Additionally, what information has been gleaned has not been widely disseminated. Indeed, in my preliminary review of the scientific literature, I found a grand total of three studies in the past 15 years that even began to address this topic.

Only one of those addressed the content of messages, while the other two simply evaluated outcome of messaging without considering the messages themselves. This certainly reinforced my impression that most organizations – including lotteries and problem gambling advocacy and treatment agencies – were generally “flying in the dark (without instruments)” when it came to developing effective RGPG awareness messages.

That is why I was so pleased that the Oregon Lottery's Stacy Shaw, Director of Corporate Social Responsibility, and Laura Sofro, Research & Analytics Manager, were willing to take the time to share their research on RGPG message testing. Before describing this particular research project, it is important to note that the Oregon Lottery has built RGPG into their Corporate Social Responsibility Charter under the following two specific categories:

Keep Lottery Entertainment, Entertaining. “The Lottery is committed to supporting customers in positive play behaviors ... We will continue to evolve and enhance our efforts to promote education, awareness and understanding of healthy gambling choices, and to provide tools that encourage

healthy behaviors. We will work collaboratively to ensure that all stakeholders have a shared understanding of and a commitment to effective responsible gambling practices.”

Promote Help and Hope. “The Lottery is committed to ensuring players and their families know how to access help for gambling issues, and that they understand treatment is free, confidential and effective. We will continuously seek new channels and methods of communicating that help works.”

These two categories emphasize the need to address the continuum of adults from those who play the lottery and gamble non-problematically to those who have serious gambling problems and may need professional help.

Oregon Lottery RGPG Message Testing Research

Before specifically describing the methods and findings of this research project, I think it is important to highlight several aspects of the process involved in developing, implementing and interpreting the results of this research that depict core RG strategies. One thing that immediately struck me about the



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Oregon Lottery's evaluation of their RGPG messaging was that this project brought together their research, corporate responsibility and marketing divisions to work on this joint RGPG project. This clearly demonstrates a commitment to integrate RG considerations throughout the organization. Additionally, the inclusion of RGPG stakeholder groups at the beginning of the project was key to obtaining critical insights. It has been my experience that often stakeholders are involved in only the final stages of research or marketing projects, which limits the impact of feedback they can provide. Finally, RG expert input was included to assist in evaluating and interpreting feedback from all stakeholder groups. All of these components combined to make this a model for RGPG research.

Using an independent market research firm, six focus groups were conducted. Sofro reported that the Lottery was specifically interested in how individuals who gambled non-problematically as well as those who gambled problematically would perceive RGPG advertising. Therefore, participants in the focus groups were recruited from either the Lottery's traditional player panels (moderate and frequent players) or from treatment programs. Those participants who were recruited from treatment programs had completed treatment for gambling disorder and/or were deemed by independent, qualified problem gambling treatment provider staff to be stable in their recovery. It is important to recognize that obtaining participants in recovery was made possible as a result of the trusting relationship the Oregon Lottery had built over time with key

stakeholders in the treatment and recovery communities.

An array of ads was presented in each session. Individuals who exhibited moderate gambling (gambled at least monthly, but not weekly) were shown only the RG-focused ads. Those who were classified as frequent gamblers (gambled at least weekly), were shown both the RG- and PG-focused ads. Those who were classified as problem gamblers (based on recruitment from treatment programs) were shown only the PG ads. Several key insights were derived from these focus groups.

Recall and Impact of Advertising

One positive finding was that participants had been familiar with the ads and were able to recall much of the advertising that had previously been aired in the media. Those individuals self-identified as in recovery from a gambling disorder were especially aware of the advertising, but thought it should be more "hard-hitting." That is, they felt it should convey the devastating impact that a gambling disorder can have. Participants suggested feelings of isolation, being out of control, hopelessness, and loss of family, friends, job and financial stability should be highlighted.

The problem gambling group believed that people who have not experienced gambling disorder do not view it like other addiction and mental health disorders. They felt people "don't understand the depth and darkness associated with it." However, it is also important to convey a sense of hope that others can relate to and to decrease shame. Furthermore, this group cited YouTube as a source they had

Key RG Research and Evaluation Guidelines Summary:

Lotteries are encouraged to:

- Develop a clear process for regular evaluation of lottery responsible gambling strategies and practice.
- Consult with stakeholders and experts to be informed of evidence-based best responsible gambling practices and identify applications for the lottery.
- Work with stakeholders (including researchers) to share lottery data (marketing, player demographics etc.) to inform RG and public awareness activities and initiatives.
- Be informed and incorporate research on evidence-based RG practices into emerging technologies/equipment and games.
- Include impacts of advertising messaging on at-risk or vulnerable groups (individuals at risk, experiencing or in recovery from gambling problems).
- Invest in and support research designed to inform RG programs and problem gambling resource awareness. This should include:
 - Impact and prevalence surveys.
 - Awareness tracking.
 - Effectiveness of awareness messaging.

...within the smaller, focused sample of Oregonians participating in the RG focus groups, most participants expressed surprise that free treatment was available for gambling disorder.

used when considering treatment. They felt it could be an impactful vehicle for visually communicating the depths of gambling disorder and how to get help.

Impact on Family/Friends

This group also emphasized that the message of how problem gambling affects family and friends has a strong impact. This theme was consistently a “hot button message.” While the Oregon Lottery already had messaging on this theme, it was recognized that there was more opportunity for emphasizing the loss of precious time with children and family. Targeting family and friends was seen as an effective approach because this community is often influential in helping a person with a gambling problem to seek treatment.

Treatment: Free, Confidential, What to Expect

The Lottery’s quantitatively robust, annual tracking survey conducted with a Census-proportioned sample of adult Oregonians found that 65 percent are aware of free problem gambling treatment services. However, within the smaller, focused sample of Oregonians participating in the RG focus groups, most participants expressed surprise that free treatment was available for gambling disorder. Some didn’t even believe that it was true. This certainly revealed an opportunity to find new ways to convey this critical message to segments most closely impacted by this resource.

Participants felt that the issue of confidentiality was a bonus and helped address feelings of shame associated with having a gambling disorder. They

also felt that it would be helpful to provide more information about what to expect once they reached out for help (e.g., what happens next; a range of resources/support – not one size fits all; etc.).

Demonstrating Practical RG Measures Works Well

Frequent and moderate gambling group participants confirmed that highlighting the specific RG messaging (set a limit on time, set a budget, etc.) across ads had resulted in a very high, widespread recall. Participants recognized this as an effective tactic because it provides specific RG strategies that most people can easily relate to.

Be Careful When Showing Gambling Activity

When gambling activity was a focal point of the ad’s visuals, individuals who were frequent and recovering problem gamblers reported focusing on the gambling activity rather than on the RGPG message. They felt that while briefly showing gambling in the background or abstractly can provide important context that strengthens the RGPG message, it is important to avoid lengthy visuals of gambling activity.

Media Considerations

The Oregon Lottery’s current media channels for RGPG advertising should also be considered. This includes TV, bus, radio, outdoor, print and digital advertising (including YouTube), plus advertising on ATMs in bars and stores where lottery tickets are sold.

Considerations for Future Advertising

What works:

- Keep it simple: use short, engaging and direct stories.
- Convey the negative impact and emotional toll on family, friends and the workplace, along with the loss of valuable time.
- Connect with the emotional desperation of addiction.
- Take a more hopeful approach.
- Use straightforward analogies.
- Provide tangible strategies for responsible gambling.
- Show widely relatable situations and convey “Oregon-ness.”
- Capture initial attention through sound, visuals, relatability and/or pace.

Things to watch out for:

- Involved stories or analogies that ask for too much concentration or time from the viewer.
- A tone that is too light hearted.
- Humor that overshadows the message.
- Action and voice-over that compete for the viewer’s attention.

This RGPG research project not only exemplifies critical elements of NASPL’s RG and Advertising Guidelines, but also presents very practical information for continuous improvement measures regarding RGPG awareness messaging. Many thanks again to Stacy Shaw and Laura Sofro and to everyone at the Oregon Lottery for their dedication to putting responsible gambling at the heart of their organization. ■



United we can stamp out Fake Lotteries

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FAKE LOTTERIES

PROBABILITY AND THE ODDS OF REPEATING NUMBERS

By Helena Pereira,
Marketing Director, Szrek2Solutions

SHOULD WE QUESTION THE VALIDITY OF A LOTTERY DRAW IF THE SAME WINNING NUMBERS ARE REPEATED WITHIN A COUPLE OF DAYS OR WEEKS?

Sooner or later you may need to explain the outcomes from your draws and deal with customer and stakeholder disbelief. Showing the proof of integrity is crucial for digital draws.

Given enough opportunities, the seemingly impossible becomes plausible. The law of large numbers guarantees stable long-term results (e.g. the average of one billion tosses of a coin will be close to 500 million heads), but it also allows for unlikely short-term occurrences (e.g. a string of 100 consecutive heads). There are so many lotteries around the world drawing numbers each day that at some point we will come up with a draw in which the random numbers will repeat themselves on a proximate or consecutive day. Consider also how our attention works and how our media functions: When something unusual happens, much more attention is brought to it. We do not write about lottery draws having usual outcomes!

Consider, then, situations when the same identical string of numbers replayed itself for a lottery draw. On September 6, 2009, the Bulgarian lottery's winning numbers were 4, 15, 23, 24, 35 and 42. On September 10, the Bulgarian lottery randomly selected the same winning numbers 4, 15, 23, 24, 35 and 42, although the numbers appeared in a different order. "This is happening for the first time in the 52-year history of the lottery. We are absolutely stunned to see such a freak coincidence, but it did happen," a spokeswoman was quoted as saying in a September 18 Reuters article that year. This "freak coincidence" is actually the Improbability Principle at work. Lottery games are taking place regularly all over the world, hence creating numerous opportunities for numbers to repeat. Frequent lottery draws over time allow for repetition of outcomes.

In Israel's Mifal HaPaysis state lottery, the numbers drawn on October 16, 2010—13, 14, 26, 32, 33, and 36—were exactly the same as those drawn a few weeks earlier, on September 21. The North Carolina Cash 5 lottery draw produced the same winning numbers on July 9 and 11, 2007.

In 1986, when our founder, Walter Szrek, worked at GTECH (now IGT) there was a similar situation that occurred at the Rhode Island Lottery: The same draw outcomes for a 4-digit game repeated themselves (1-9-1-0). The software director at GTECH asked what the probability was of the same 4-digit number coming up twice in a row; one university statistician responded that it was a 1 in 100 million chance, because the probability of this specific 4-digit number occurring twice was $1/10,000 \times 1/10,000$. Walter reasoned differently, asking

TABLE 1:
Probabilities of Recurring Numbers

Q1	Probability of 1-9-1-0 occurring on a given day	1/10,000
Q2	Probability of the same number occurring on subsequent days	1/10,000
Q3	Probability of 1-9-1-0 repeating itself on subsequent draws	$1/10,000 \times 1/10,000 = 1/100,000,000$
Q4	Probability of ANY NUMBER occurring twice in subsequent draws over 8 years	Using Wolfram's Calculation*, the end result is .2534

* For calculations of probabilities over time (Q4 in the chart), we use Wolfram's calculation of the probability of exceedance at www.worframalpha.com. Three fields need to be filled, and these can be interpreted as follows: (i) Number of times exceeded is the number of times the outcome occurs; (ii) Observed time period is the number of possible occurrences; and (iii) The prediction time period is the number of draws or time period over which a probability is estimated. To calculate the probability of the same numbers occurring on subsequent draws over the lottery's eight-year lifetime, we estimate: i) "1" occurrence of a certain 4-digit combination entails ii) "10,000" different possible combinations ($1/10 * 1/10 * 1/10 * 1/10$), which iii) can be estimated over a period 2922 days (eight years).

what was the chance that any same number combination – not the specific combination – repeated itself in a short time period. Leonard Stefanski made the same point in his analysis of the North Carolina Cash 5 coincidence in the *The American Statistician* (May 2008). His analysis would be of interest to readers with more mathematical inclination.

For a given day, the probability of having a specific combination is 1 in 10,000. The probability of any 4-digit combination occurring on subsequent draws is also 1 in 10,000 (the probability of the first



draw combination occurring again). But what is the probability that this same number combination repeats on subsequent draws at least once during the lifetime of the lottery? In this case, the probability of the same number combination repeating itself was estimated at over 25 percent for the lifetime of the game (which was eight years old at the time).

The theoretical chances of repeated draw outcomes discussed above assume the ideal world, where the draw devices used to generate random numbers do not interfere with randomness and all possible outcomes are equally probable. Now, it is possible that mechanical machines can have some differentially weighted balls and so all outcomes are not equally probable. An infamous example involved the Pennsylvania lottery scam in which insiders managed to substitute some of the balls for heavier balls. Today, most lotteries adopt procedures in which they verify the weight of mechanical balls prior to and after a draw. In the rest of the article we focus on repeat numbers generated from electronic draw machines which are generally less transparent than mechanical draw machines.

Electronic draws using RNGs

The industry has seen cases in which the draw numbers were repeated because of hardware or software problems, including Arizona, Delaware and Kansas. Hence, the coincidence of repeat lottery outcomes needs to be viewed with more care when it comes to electronic drawing machines.

The problems in electronic draw machines are not confined to repeating lottery outcomes. Even if the numbers are not repeated, hardware or software problems could result in the draw results becoming non-random, such that not all draw results are possible or have the same chance to occur. This is important because for a game to be fair all draw outcomes

LIKELIKE, WE SHOULD DEMAND PROOF OF INTEGRITY FOR EVERY DRAW, EVEN WHEN THE NUMBERS DO NOT REPEAT AND "SEEM RANDOM."

must be possible and must occur with the same probability.

The need to have fair outcomes has led to the practice of certifying electronic draw machines – testing random number generating systems and the data they generate to make sure that the outcomes display random properties. However, certification only guarantees that electronic draw machines generate random numbers when they are functioning properly and when there is no interference, say from an intruder. Pre-and post-testing were introduced to check that the hardware works properly during the draw. However, it is possible that both the pre-and post-testing produce results that “look random” without actually being random. One example is that the results could come from a limited range of generated numbers, which could be a result of a system configuration error (e.g. exclude 0s or not allow for repeat digits). It is also possible that non-random results are caused by draw system hardware or software errors or occur because of an undetected draw system seeding device reset.

Since we cannot tell if the draw outcomes are random by observing them, we must always be aware that there could be a problem that is not visible. We should always verify each draw to make sure the results were randomly generated, legitimate and did not experience any draw system problems or fraud.

As we look at repeat numbers that occurred by chance, and other sets of draw outcomes that were a result of a problem or manipulation, we realize that proof of integrity is the most important baseline the lottery industry can offer to the public. When we see repeat numbers in draw results, we

question the legitimacy of the draw and demand proof of integrity. Likewise, we should demand proof of integrity for every draw, even when the numbers do not repeat and “seem random.”

Besides testing and certification, a reliable verification method needs to be used to guarantee the integrity of the electronic draw. More specifically, to prove the integrity of an electronic draw, a lottery needs to be able to guarantee (i) that there were no hardware or software errors and (ii) that there was no interference with the draw. To satisfy these requirements, the draw system must first fulfill some important design criteria, such as “only use a valid RNG seed and do not allow for the generation of outcomes from a corrupted seed or defective hardware.” Furthermore, the lottery must also be able to detect any intrusion to or manipulation of the draw system.

Szrek’s Trusted Draw is one example of a system that guarantees proof of integrity and provides full transparency into the draw. If the same numbers were authentically drawn twice, these types of systems can prove their validity independently, and there is no doubt of the correctness of each individual outcome. On the other hand, if the outcomes were invalid due to a hardware problem, software problem or insider fraud, the system will immediately detect the anomaly. Lotteries using these types of independent systems will not experience draw problems due to hardware/software glitches and will not have any undetected fraud. They will be able to show all stakeholders that their RNG draws are correct and valid. ■

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OKLAHOMA LOTTERY

Big Bang Success in Oklahoma

The Oklahoma Lottery's ambitious strategy to relaunch its instant product paid off in FY18, with an 82 percent increase in instant sales and a 19 percent increase in profits to education.

By Patricia McQueen



Last summer, the Oklahoma Lottery made an unprecedented move: Finally given legislative relief from a crippling profit mandate, officials decided to swap out the Lottery's entire instant product line at once – replacing all games with new ones reflecting higher levels of payout.

A year later, the Lottery – and the state's Education Trust Fund – are smiling at the results. Instant ticket sales were up 82 percent and draw game sales were up 11 percent, for a total sales increase of 46 percent, to

\$221 million. Importantly, revenues to the Lottery's beneficiary increased by \$10 million to \$63 million, or about 19 percent.

Those big numbers came while players were rewarded with 67 percent average instant payouts in FY18, compared to a paltry 57.6 percent the previous year.

One key to the profit improvement was a strategic effort to balance price points, enhancing \$1 and \$2 price points enough to offset the higher payouts on the \$3, \$5 and \$10 games (\$10 being a new price point in FY18).

Compared to the previous year, FY18 sales of \$1 games were up 40 percent; \$2 games were up 65 percent; \$3 games were up 43 percent and \$5 games were up 20 percent.

Good jackpots in the national lotto games also helped, and all draw games benefited from the "more winners" campaign.

Prizes and Games

While the entirely new instant product line introduced in July 2017



had increased average payouts across the board, the initial strategy also focused on adjusting the prize structures to deliver on the promise of more winners. That meant a focus on low-tier prizes.

Another key change was to remove free tickets from the prize structures. "All of our price points had free tickets before, and we knew players hated them because our payouts were so low," said Marketing Manager Brandie Reisman. For the most part, players saw a free ticket as just another chance to lose.

For FY19, prize payouts at each price point have been bumped up another one percent. That additional prize money has primarily been added to mid-tier chatter prizes – perhaps \$50 prizes on a \$2 ticket. This strategy continues to build on the idea of "more winners" – now it's even better wins and bigger wins.

"We will continue to make product adjustments and increase where needed, and will monitor them closely," said Reisman. The last thing the Lottery wants to do is increase the payouts too fast, only to have to drop

"But after 10 years of bad products, it's just going to take time. It shows we are moving in the right direction."

them back down again. "We worked so hard to get all these players back."

Sales have been so strong that they've had the luxury of taking a few risks – to learn what works and what doesn't. For example, the release of Oklahoma's first-ever \$5 Crossword game. "We had to make sure our sales staff explained to retailers that this game probably isn't for our typical \$5 players – that it needs to be promoted to our extended play players" who are used to the \$3 price point.

As for licensed products, there needs to be a strong value proposition

in order to go that route, no matter the brand. One seen to have potential is Golden Nugget, from Alchemy3. The Lottery will launch a family of Golden Nugget games later this year. "We're excited about that one and will be doing some promotions" along with the game release.

While sales were a slam dunk in FY18, there is more work to be done to win back consumers for the long term. Baseline research conducted before the instant game relaunch wasn't pretty – 84 percent of respondents were dissatisfied with their winning experience. "That's a really high number," lamented Reisman. "It is going to take us a long time to overcome that." And sure enough, a year later, new research showed only a minor improvement. "But after 10 years of bad products, it's just going to take time. It shows we are moving in the right direction."

All Out Advertising

Continuing to get the word out with an ongoing advertising blitz will certainly help. After years without



WINNING ROCKS!

OKLAHOMA LOTTERY



any television advertising at all, the Oklahoma Lottery made a big splash back into the medium with the new campaign. One big focus was on sports – specifically during every live local broadcast (on Fox Sports Oklahoma) of the Oklahoma City Thunder games. The Lottery has had a sponsorship arrangement with the NBA team for the past decade, so it was a no-brainer to add TV ads to the mix.

“Sports is one of the few things left that people still watch live and can’t fast forward through the commercials,” explained Reisman. That combined with the strong brand and existing relationship with the team made it a perfect place to advertise. The Lottery even received additional spots, such as in a pre-game show or during rebroadcasts, because of the long-term partnership. “They really gave us a lot of added value with that buy, and that helped us get the message out there as well.”

Although the Lottery has always maintained a radio presence, some of the messaging changed with the new emphasis on winners. Rather than longer spots on products or promotions, numerous shorter spots were utilized for winner awareness – things like “John won \$10,000 playing Powerball with the Oklahoma Lottery” or “The Oklahoma Lottery has paid out \$xx this week.” Short spots that really call attention to winning – not limited to just instant games – to go along with the new tagline ‘More prizes. More Winners. A Better Lottery.’

“We really wanted to deliver on that promise,” said Reisman.

Additional winner awareness campaigns came through digital media. For the first time, the Lottery used digital billboards that could

quickly display winners as they would claim prizes. “We bought some backdrops and some props, just to make a fun experience for our players.” Winner photos would be transmitted to digital billboards – “John won \$10,000” – so no matter where residents were, they would see or hear winner awareness campaigns on all advertising platforms and social media. All of that combined to drive sales of all lottery products.

Keeping the Momentum

And Reisman is looking forward to continuing the growth. Two key laws passed this year will help the Lottery build on its current momentum when they take effect November 1. One allows debit cards to be used for lottery purchases instead of just cash. “This is going to be a convenience we will be able to offer our players, which I think is going to be game-changing for us.”

The other law allows players to enter second-chance drawings via online means. The Lottery had been doing that years ago, until an Attorney General opinion that such activity constituted online gambling. Since then, all entries had to be sent in by mail. “Although I don’t see that as a big initiative that will increase sales, it is at least a step for us to engage with our current players.”

To that end, the Lottery is building a player database platform to be ready when online second-chance entries begin, and also anticipates launching a loyalty program at some point in the next year or two. To build a digital presence essentially from scratch, a

recent hire was an in-house developer to work on these projects – building the customer database, adding modern features like ticket checking to a very basic existing app and adding the loyalty club. With all that going on, and more in the pipeline, “it will be more fiscally responsible for us to handle that from a staff perspective rather than contract out projects to vendors,” said Reisman.

All this activity has done wonders for Lottery staff. “It’s really exciting for us. Rollo [Executive Director Rollo Redburn] jokes about us now being a ‘real lottery’ but he’s right. We were a lottery in name, we had tickets, but our products weren’t even close to industry averages on payouts.” She added that with tremendous competition from a tribal gaming industry in the state, it was tough to compete for entertainment dollars with such low payouts. “And now we are competitive, even higher than industry averages in some cases. We’re okay with that!”

The downside, if there is one, is that everyone is very busy! “It has been a lot of work, but in a good way. I think everyone sees the opportunity.” And that includes opportunities for professional advancement and growth within the agency. “We were running lean for a really long time, and now we have plan going forward with a lot of projects to support.”





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FOCUS ON: TECHNOLOGY- DRIVEN SOLUTIONS

Technology can drive companies to work faster, smarter and more efficiently. While a common consensus is that lotteries lag other consumer industries in this regard, numerous recent initiatives are trying to move the industry forward. Key among them are in-lane sales, cashless acceptance, business analytics for better customer understanding, instant ticket management and digital marketing at retail. These topics and more are explored in the following pages.



THE LOTTERY ECOSYSTEM

Technology in all its glory drives the solutions lotteries seek in order to operate efficiently and to stay relevant to today's consumers.

By Patricia McQueen

Technology is the great enabler. It allows consumer industries to move faster and smarter, to understand their customers like never before through advanced data mining, and to meet those customers everywhere they exist.

It's what the lottery industry is banking on to reach new or infrequent players at the point of purchase. It's what will drive the development of new products and player experiences. It's what will enable them to build relationships with consumers across multiple channels.

The question is, however, just how much the lottery industry needs to do in order to catch up to what other industries – and their consumers – already experience and expect.

"Channels are proliferating and the power is in the hands of the consumer, and all companies are struggling with how to deal with that," said Kathy Stromberg, the Oregon Lottery's Corporate Affairs Officer. "It's not about us promoting our brands as much as them engaging us on their terms." She pointed out that most consumer companies were trying to make this transition 10-15 years ago, so lotteries are that far behind when it comes to the customer experience. "The customer journey is no longer siloed – it has to be integrated, and that has a big impact on technology and how we structure and think about

data. We all need analytical skills in our organizations to deal with all that data. Marketing and IT teams have to collaborate like never before."

Collaboration is the keyword of the day, and the lottery industry is trying hard and has made significant advances despite its very nature – individual lotteries subject to the rules and regulations of individual jurisdictions. NASPL has been leading the charge in two major technology initiatives the help address a big industry problem – attracting large chain retailers that cross jurisdictional boundaries. Retailers that can't understand why, in order to sell lottery, they have to add a second system to their stores and why there is no consistency from lottery to lottery.

The first NASPL initiative is the XML Technical Standard, which seeks to provide some of that consistency, including consolidated accounting reports. That continues to be a work in progress.

The second is the NASPL Lottery Standard API, the first version of which was released a year ago. While the API project is widely talked about in relation to enabling lotteries to sell products in multi-lane retail environments (see article beginning on page 56), it is much more than that.

"It's really about getting into the retailer's EPOS (electronic point of sale) system and then from there

into the digital space," said Terry Presta, Executive Director of the Kansas Lottery, who has been leading the NASPL Retailer Modernization committee. He likens it to a railroad infrastructure – "If we can hook up enough stores nationwide, then all sorts of things can travel over this railroad." It could eventually eliminate the retailer's need for a dedicated lottery terminal. "That dual system is a nightmare for retailers," he said, adding that the gasoline convenience store industry was able to make a similar transition away from dual systems years ago and never looked back.

Successful companies are those that take the long term view, noted Presta, and that's exactly why the API effort is so important. "It took a lot of effort and capital to build the transcontinental railroad, and 150 years later, we've still got product running over that railroad. It's all about taking the long term view to maximize your success."

Just by getting into the retailers' EPOS, the API will give retailers more control over the lottery category. "If they get more control, the best retailers will sit around all day and figure out how to sell more of our product, instead of us trying to tell them to sell more product."

TECHNOLOGY-DRIVEN INNOVATION

While attracting more retailers is critical to the lottery industry, equally important is attracting consumers dazzled by a myriad of slick experiences with other industries.

“When we look at technology, we are not just looking at what is happening with the lottery providers – we also are looking at what else is going on generally in all markets,” said Kristin Root, Vice President, Information Technology, for the Atlantic Lottery (AL). What is the customer experience at Starbucks, at Walmart, at Amazon? Those experiences impact what people expect from their entertainment options, including lotteries. “Right now the bar is being set by all the experiences that our players are exposed to, and we are finding that the lottery providers aren’t always offering all of those experiences in their solutions.”

To find the optional solutions, AL plays the role of the integrator – putting all the bits and pieces together. By combining components from traditional lottery vendors with those from others – especially companies specializing in web, mobile and retail technologies – AL gets the flexibility it needs to choose what is important. “It allows us to get at the best technology to deliver experiences that are relevant, and gives us the flexibility and capabilities that we need to meet the experiences that players are asking for,” said Root.

Before AL chooses any technology, there is one important first step. “We try to figure out what the problem is we have to solve with the player in the first place, then we look at whatever solutions are available to us.” With a really big project, there might be 20 to 30 different vendors involved. “We want them to come along on this journey with us – to partner with us as we ask them to go faster, to think differently, to offer more creative and relevant solutions. And we provide

the oversight to make sure all of that comes together in a way that’s a highly available solution with security and integrity.”

The integration layer is what allows AL to work with numerous vendors, to make sure all the pieces of the puzzle come together to deliver what the customer needs. “From a technology perspective, the integration layer is the key to success.”

She emphasized that “the lottery vendors continue to effectively provide the complex systems that deliver lottery products with absolute integrity, but we are augmenting the actual interaction with the players, because the bar has been raised in terms of their experiences elsewhere.”

Along with its goal to find the best available technology is AL’s focus on innovations that also aim to meet consumer expectations. AL has created its own Innovation Outpost, a

project can be developed quickly in isolation and optimized to meet customer needs before being formally launched and integrated into the Lottery’s primary systems, often a more costly and time-consuming endeavor.

“Ten years ago, you would have had to build a whole project end to end and then maybe find out a player didn’t like it,” said Root. “Now we can make a lower investment and find out what players like and don’t like.” Landry is proud of the Innovation Lab’s success. “We have a whole roster of initiatives we want to launch and we can’t wait to get them to market.”

Loto-Quebec is another organization that has established a corporate culture of innovation. Its Innovation and Business Intelligence hub includes members from each of the lottery’s different sectors, and focuses on strategic surveillance, looking for new opportunities. “It has

“WE WANT THEM TO COME ALONG ON THIS JOURNEY WITH US – TO PARTNER WITH US AS WE ASK THEM TO GO FASTER, TO THINK DIFFERENTLY, TO OFFER MORE CREATIVE AND RELEVANT SOLUTIONS.”

– KRISTIN ROOT

team of six employees – outside hires – housed inside a startup accelerator facility with other startups. “Their job is to build what we call minimum viable products,” explained Jean-Marc Landry, Vice-President, Innovation and Renewal.

Projects are developed using the ‘build fast, build cheap’ (or ‘fail fast, fail cheap’) concept, using design thinking to move a project along with customer interaction at every stage. Iteration after iteration, customers provide feedback that allows the team to best meet their needs. “We have an agile front-end development team in our IT group, so we can really run sprints and make changes quickly,” said Landry. The beauty of this process is that a

allowed us to develop a common vision for strategy and innovation, making for coherent initiatives that converge among sectors and foster efficiency,” said Isabelle Jean, President of Lottery Operations and Vice President of Public Affairs.

The new structure helps to better understand market trends and changes in customer behavior; to identify opportunities to collaborate with others; to increase efficiency and convergence; to realize the most attractive opportunities; and to identify and adopt best practices while establishing innovation as a core value throughout the organization.

DATA DRIVEN RESULTS

These innovation models rely heavily on data – perhaps one of the most valuable tools that the latest technologies provide. Taking that raw data from the gaming system and running it through sophisticated business analytics software means lotteries can understand their customers like never before.

The Arizona Lottery hopes innovation will help it meet its goal of reaching \$1 billion in sales and \$250 million in returns to the state by the end of FY2020. A new gaming system from Scientific Games will help, a new draw game called Triple Twist will launch at end of this year, and the Lottery developed its own in-lane solution called QuickCard™ that Executive Director Gregg Edgar hopes will provide a solid revenue source. (For more on QuickCard, see the article beginning on page 56.) Sports betting could be in the mix if the state can come to an agreement with the tribal casinos.

Because of the nature of the lottery industry – lotteries don’t compete with each other – information is freely shared and Edgar has been taking advantage of that. “We have been very aggressive in our outreach to other states, trying to learn from them, including how they approach the development of new products,” he said. “There are some fascinating opportunities out there.”

Above it all, data will be key. Looking for a fast way to implement a full-featured business analytics program even before a new back office system was installed, the Lottery chose Qlik to help it make data-driven product solutions. “I really feel that it has transformed the way we look at our products,” said Edgar. The web-based system can drill down to ticket-by-ticket results in realtime and is accessible by every employee. Lotteries know they have the data, but the key is “taking that data and putting it in the hands of the front-line

employees so it becomes actionable,” said Edgar.

Another lottery operator hoping to build big things from big data is Camelot Illinois, which took over the private management contract of the Illinois Lottery in January. Its new INTRALOT gaming system will be installed later this year. “The thing I’m most looking forward to is the big data platform,” said General Manager Colin Hadden. “Using the latest data mining techniques and tools to market effectively, to analyze how effective our programs are, and in some cases drive some one-to-one marketing messages, building customer engagement.”

“Content is king, but data is the empress,” said IGT’s Paul Riley, Vice President of Innovation and Lottery Transformation. “Data is what drives our business.” And that means providing data to retailers as well as to lotteries’ product, retail and marketing teams. IGT has been aggregating retail lottery data from more than two dozen lotteries across the country – not all of them IGT customers – in its Retail Market Insights program.

“We can analyze that data for cross-jurisdictional insights.” For example, with similar products, why would a chain store in one jurisdiction have significantly different performance than one in another jurisdiction? Finding those differences – and exploring why they exist – may lead to insights that would benefit all lotteries and their retailers.

CASHLESS TAKING HOLD

While not strictly a technology solution – although adding the option to vending machines in particular does require a technology upgrade – cashless transactions have the potential to transform the lottery industry. It’s about time, considering that fewer and fewer consumers carry cash, which has been the historical medium of choice for lottery purchases. Most lotteries are now able to accept at least debit cards for lottery purchases; Oklahoma is the newest lottery to add that option, with a new law taking effect in November allowing the use of debit cards for the first time.



The Ohio Lottery added a cashless payment option to its vending machines last winter, retrofitting more than 7,200 machines statewide.

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In some of the early adoptions of cashless transactions, Riley noted that there is evidence of an increased number of transactions and larger transactions. “We are seeing what we anticipated – adoption by consumers of cashless, and the right-size transactions that make it economical for the lotteries to offer it” in the first place.

In the largest single project to date, the Ohio Lottery added cashless payment options to its vending machines last winter, retrofitting more than 7,200 machines statewide in a very short period of time. They include traditional ITVMs in grocery stores and similar retail environments; different types of interactive touch and play machines primarily in the bar, tavern, and veteran and fraternal hall environments; and machines primarily deployed in bars and taverns for keno and other games.

The machines accept debit and credit cards, plus Apple Pay and Google Pay. After 35 weeks of operation, cashless methods of payment were proving most popular on traditional vending machines that dispense instant tickets. The Lottery originally planned to install all the devices first, then activate them as a group once they were all installed. As they went along, they learned it was best to install and activate the devices on the same day.

The only difficulties involved some reporting challenges due to the timing issues with the payment processor, and the adoption of MCC code 7800 by financial institutions – a small percentage of purchase have been declined or improperly treated as cash advances. “We still need to resolve all issues to execute the best program for our players,” said Ohio Lottery Director Dennis Berg. “The hardest part is behind us, and now we can focus on future strategies to improve our customers’ cashless experience.”

Recognizing the importance of accepting noncash payments for lottery tickets, the Michigan Lottery

has had a retailer incentive program in place for several years that encourages retailers to go cashless. To participate, retailers must first meet the sales and other goals specified in the Lottery’s quarterly incentive program. If they meet those goals, they are eligible for a one percent bonus commission on sales; if they meet those goals and accept noncash payments as well, they receive an additional one percent bonus, for a total of two percent.

At this writing, roughly 47 percent of the Michigan Lottery’s 10,600 retailers accept noncash payments. An interesting statistic is that during its current fiscal year (ending 9/30/18), year-to-date sales among retailers accepting noncash payments are up 8.2 percent; compared to an increase in sales of just 1.3 percent for cash-only retailers. “Our view is that those figures reflect what’s going on in the world in general, in that there are more and more people who prefer to use cashless,” said Director of Public Relations Jeff Holyfield. That said, because Michigan’s cashless incentive program is combined with a sales incentive program, it’s likely also true that those retailers going cashless are stronger performers in the first place.

A DIFFERENT MODEL

The Massachusetts Lottery knows all about strong performance – its retailers sell more instant tickets per capita than any other lottery. It has done so with seriously aging technology, something that is currently being addressed. You see, Massachusetts is in the midst of a massive technology replacement project, one it hopes will set itself up well for the future. Currently the only American lottery that still owns and operates its gaming system, one of the goals for the project is to segregate the gaming system itself from the terminal hardware at retail.

“We want to be a little more flexible and nimble, and have the ability to pick and choose what we want

from the appropriate vendors,” said Director of IT Paul Mandeville. After all, he explained, the retail agents are the Lottery’s customers. “If one agent wants a certain type of terminal, we want to be able to provide that” no matter which company makes it. Agents might want a smaller footprint terminal, for example. Others might want a larger screen to make it easier to use. A wide screen terminal display may work better in certain environments than a more traditional aspect ratio. Within reason, the Lottery wants to accommodate those needs, and it might mean shopping around.

But Mandeville has found the process to be quite difficult – it’s not like simply having different devices and loading a device driver for each one. Each company has developed its products to work with its own systems and there is no standardization across vendors. He credited the companies on working with the Lottery and with each other to make it work. “It’s complicated, but it is something still worth doing. The world is changing and the customer should be able to choose. I think it puts us in a better business, financial and technology position.”

One thing that surprised Mandeville to some degree is how the vendors’ terminals are hardware specific. “If the world is going to internet wagering, why aren’t the terminal applications a little bit more software-centric than hardware-centric?” Once everything is up and running in Massachusetts (the new IGT central system should be ready next year; about 75 percent of the terminals have been replaced to date), he hopes to find ways to reduce that reliance on agent hardware. “Why not run the system on a tablet, on a browser, within a cash register or other point of sale device?”

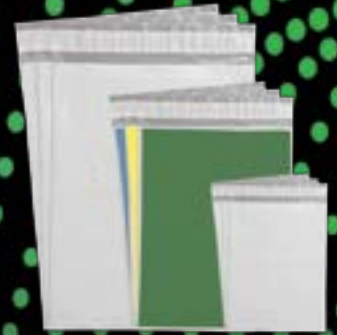
And speaking of online wagering, he anticipates that will come to Massachusetts eventually. “The internet will change everything and we want all options available to us. The



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– DAVID OH

new technology hopefully allows us to do whatever we want to do in the future – things that we haven't even thought of yet."

SEEKING TECHNOLOGICAL CLARITY

The Oregon Lottery is in the midst of a strategic planning process that seeks to explore the possible paths it can take with respect to technology initiatives, from conducting business as usual with a single lottery vendor to exploring other alternatives with varying levels of insourcing. The Lottery engaged Gartner Consulting to help it through the process, to gain a broad perspective of the technology that's available. "We wanted to learn what the similarities are between the lottery business model and other consumer products and entertainment business models," said Oregon Lottery Chief Gaming Operations Officer Farshad Allahdadi. "Especially business models that are based on mobile and mobile transactions."

"Technology is so pervasive in society now," said David Oh, a strategy consultant working with Gartner and the Oregon Lottery, who had previously guided the Alberta Gaming & Liquor Commission to its own digital technology transformation. "Imagine what society was like just 11 years ago, before the iPhone launched in 2007. The digital world wasn't available to us as easily as it is today. In the past, organizations innovated linearly, innovating by building on what they had. Today, we are living in a world where change is exponential and

organizations are challenged to adapt." Now, things move fast – successful companies integrate everyday life with the digital world, and there's instant access to everything. "The challenge that companies face every day has nothing to do with the technology, but how they as organizations adapt their own way of operations to be able to take advantage of these new technologies."

That is what the Oregon Lottery is trying to do. "[It] is trying to implement a private sector methodology inside of a public sector organization," explained Oh. "It's about how to get a customer-first mentality, how to bring in marketing, analytics, technology and digital expertise to really understand what the customer journey needs to be."

Oregon has looked intensively at the Atlantic Lottery, primarily because of similarities with the product mix. That, plus their online, mobile and sports betting experience, means they are in a space where Oregon hopes to go.

"What we have learned is that there is some core development and core architectural work that lotteries have to retain; we can't outsource everything," said Allahdadi. He doesn't know where the exact mix will end up, but he knows the Lottery should own the systems architecture and the data, and should own and manage the technology integration. "These are the core pieces of this evolution that you just can't farm out and still retain the optimal management of the lottery. They are skillsets that we need to develop over time. We have to position this as an investment, that it

will deliver value and ultimately profit back to the citizens of Oregon if it is done well."

A big problem as he sees it is that it is typically not easy to get the traditional lottery system vendors to work with each other directly – as the Massachusetts Lottery discovered, their ecosystems are designed to work best with their own products and only their own products. "What we are looking at is to potentially have a neutral integration layer that can talk to any number of vendors independently," explained Allahdadi.

"I couldn't really care less about technology," said Allahdadi. "It is what the technology delivers that is important. Our philosophy is to put the customer first, and right after that is being digital-minded." And digital isn't just online and mobile content and player interaction, it's everything from digital POS material to vending machines with digital displays. "It's a way of enhancing the player experience."

He'd like to keep players engaged by having player accounts that connect through any channel – using a kiosk in a retail location, or Bluetooth to access an account within a store, or using an account while playing a VLT, or sending VLT winnings to buy Powerball tickets. "Those are the kind of whiz-bang things that are interesting to me. Whiz-bang things always have to serve that strategic purpose of player convenience and the experience that it delivers."

The biggest benefit to lotteries if Oregon is successful in challenging the current paradigm is speed to market. "If a company can build that integration layer for a lottery, it can essentially become a common platform that can be leveraged by other lotteries as well," said Oh. "That core platform allows the creation of a complete digital presence, as every piece of technology from there forward plugs right into that platform." All of that brings speed to market, which in turn leads to new choices

INTEGRATING SPORTS

of games and experiences. “As the lottery has more organizational capacity to do things, it will start to get into the world of more creative and more interesting product categories that don’t even exist today,” said Oh.

ALL ABOUT THE CUSTOMER

What all these experiences boil down to is that technology is the great enabler. Investment in technology provides the biggest potential in the “integration of our traditional lottery retail world with the online world,” said Walt Eisele, Chief Technology Officer, Lottery, for Scientific Games. “Being able to responsibly bring lottery products and experiences into interactive channels is key, and tying those worlds together is really where technology plays a key role.” That goes back to the consistent experience across channels, whether it be products, sales, second-chance drawings, etc.

He encourages lotteries to invest in that interactive world, even if it starts with something as simple as a second-chance entry mechanism. “It allows lotteries to interact with players in a very relevant way; it’s good for player engagement; and it starts to build that database of information” that is so valuable to every consumer product category.

And through it all, lotteries need to “start from the customer experience,” said Nick Papadoglou, INTRALOTS’s Vice President and Chief Commercial Officer. “You need to think about what the consumer wants to do and how that consumer wants to do it.” While he’s a big advocate of the NASPL Lottery Standard API for in-lane sales and beyond, there also needs to be multiple solutions to satisfy not only the consumers, but the retailers on which the industry depends. “There is no one size fits all solution.” ■

It’s no surprise that Arizona, Massachusetts and Oregon – and almost every other U.S. lottery – are all thinking about sports betting. After all, lotteries are well positioned to add sports betting to their product lines, something that suddenly became possible when the U.S. Supreme Court declared the Professional and Amateur Sports Protection Act unconstitutional in early May.

“It already feels like a year ago,” said Charles Cohen, IGT PlayDigital Vice President, Sports Betting. “There are states talking about legislation today that we never even imagined would be thinking about it. It’s pretty clear already [from the limited experience in New Jersey] that there is real demand for this amongst the public, and there’s no reason to think that lotteries can’t, or shouldn’t, or couldn’t, capture some of that action.”

Lottery systems that are capable of handling millions of transactions in a matter of minutes should have no problem with sports betting, admittedly a complex product of its own. But unlike a lottery system, where there might be two or three dozen “events” a week (lottery draws), in the sports world there could be hundreds or thousands of possible bets at any given time. Each of those have to be offered with 100 percent accuracy, in real time. Just like traditional lottery products.

One challenge is more from a financial perspective – accounting rules to handle situations where there may be parlay bets on events that could take place a few weeks, or even months, after the initial bet was made. Revenue recognition and other issues “are the sort of multi-faceted details that sports betting platforms are designed to solve,” said Cohen. “You will need the right accounting rules.”

Exactly how sports betting will progress across the country remains to be seen. Nick Papadoglou, INTRALOT’s Vice President and Chief Commercial Officer, thinks that self-service machines will do very well with the product. After all, the U.S. has a strong tradition of sports bars and pubs, unlike many European countries where there may be betting parlors or a strong online presence. For potential players who want to stay anonymous, who don’t want to register for online or mobile play, self-service machines offer a convenient way to make a few bets. “As we have seen in other countries, not everyone wants to [register].” Self service will help open the market, and will be successful “because of the nature of this country and its culture.”

Because there are all those possible bets, lotteries need to make sure they understand what players they want to attract and what value propositions to offer those players, advises Walt Eisele, Chief Technology Officer, Lottery, for Scientific Games. And whether a lottery decides to offer sports strictly through online and/or mobile, at specific venues, across the entire retail network, or a combination of the three, there are “some really cool experiences lotteries can provide players with right now that can be integrated with their existing systems technology.” They can encourage sports bettors to try traditional lottery products for the first time. “Sports will help lotteries grow to the next level from the perspective of touching a new type of player - I guarantee there will be new players enjoying new types of products and contributing to worthy causes.”

For those lotteries that may not be ready for full sports wagering, or whose jurisdictions aren’t quite there yet, there are other products such as Inspired Entertainment’s virtual sports packages or EquiLottery’s unique products. The latter take live sporting events – initially horse racing, with a pilot of Win Place Show scheduled with the Kentucky Lottery next spring – and turns them into a game of chance. Selections are made by RNGs and the “draw” is the live sporting event. “There are still games of chance players who don’t want to learn all the statistics, the point spreads, etc.,” said Founder and Chief Executive Officer Brad Cummings. The NASPL Lottery Standard API, if it gains traction, would help more easily integrate these types of new products into a lottery system. And he’s marveling at the possibilities of turning major sporting venues into lottery retailers – how many people attending a NASCAR event at the Kentucky Speedway, for example, might pick up a ticket at the event to take their chances? “I think maybe we’ve stumbled onto something here.” ■

IN-LANE INROADS

Several in-lane solutions are in play, or soon will be, around North America, solutions that could potentially capture a whole new group of impulse lottery players.

By Patricia McQueen



American lotteries are starting to make progress with in-lane product offerings on several fronts. A great deal of work has gone into developing the NASPL Lottery Standard API, which enables lottery integration into a retailer's point of sale system. Other solutions are utilizing the technology that has

driven the highly successful gift card industry; initial programs are being fed through the Blackhawk and/or InComm networks.

These efforts should not be seen as competing, noted Kansas Lottery Executive Director Terry Presta, who has spearheaded the NASPL API effort. "Lotteries should determine which one

they think the consumer will like the best, and there's nothing wrong with trying different solutions."

The British Columbia Lottery Corp. pioneered in-lane sales in North America when it launched Lotto Express in 2012. The program provides light and moderate players a convenient purchase option as they go



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through the grocery checkout lanes of their favorite stores. There are currently 11 participating grocery chains, offering a total of nearly 2,100 lanes at some 260 individual stores.

Players can choose from Canada's two national games, Lotto 6/49 and Lotto Max, with or without the add-on Extra. In each checkout aisle, consumers simply tear off a purchase slip/voucher for the game of their choice and a quick pick ticket gets added to their purchases. The consumer may also simply request a ticket from the cashier. In either case, the tickets are printed on a secure intelligent printer using special lottery-specific paper that doesn't fade. The printer is the only extra hardware required; Lotto Express integrates with the retailer's software, so the tickets are sold through the regular retail register.

Digital jackpot signage was added to the checkout lanes beginning in 2015, enhancing consumer awareness,

and the seamless experience for players continues to drive overall lottery sales growth at the participating retailers.

Ontario Lottery and Gaming (OLG) is currently implementing Lotto Express as the multi-lane solution for Loblaw's banners; another in-lane product for OLG is Quick Ticket, the preferred solution, which is a pre-printed ticket that is activated by the Blackhawk Network and retailers' POS system. More on Quick Ticket later.

API JUST THE BEGINNING

Presta, a former retailer, has been spearheading the NASPL API effort, which culminated in the first version released last summer. Since then, the API working group has been trying to retail chains for beta testing. In June, the Kansas Lottery announced it will launch an in-lane trial in supermarkets using the API together with the Abacus

Fusion platform from Abacus Solutions International Group; it will integrate the Lottery's new Scientific Games gaming system with the retailer's new Electronic Point of Sales system (EPOS). The trial is anticipated to begin sometime next year, after the retailer upgrades its EPOS.

While there are other in-lane solutions either in market now or in the works, the API solution has certain advantages. "If you go with the API, you can print the lottery ticket on plain receipt paper," said Presta, indicating that's the only in-lane solution where that is possible.

But in-lane is just the tip of the iceberg when it comes to utilizing the API. "I try to stress that people shouldn't get fixated on this as just an in-lane solution. It's really about getting into the retailers' EPOS" and eventually eliminating the dedicated lottery terminal. "And if we ever want to get into the big box retailers who are way past the lanes, like Amazon





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and others, we need to be in the digital space with them with an API no matter what the distribution method. That's why the API effort is so important. I think it has the most potential success in the long term."

Brendan McCarthy, Head of Sales, North America, for Abacus, thinks the biggest potential for in-lane sales will come from "reaching non-involved customers during a big lottery jackpot, where it's an incidental purchase. It could become very big, because there are a lot of people who are never presented with lottery." He noted that an API-enabled transaction requires no service charge and no player registration to complete the play. "That's the way we think it should be as an industry."

The other main goal is to attract retailers that lottery isn't serving today. Presta noted that Dollar General has been talking about possibly getting involved through an API effort also involving the gift card process. "For Kansas that's a big deal, and we are talking with them as well. They have 256 stores in Kansas, and we have a hard time adding new stores." Across the country, Dollar General has more than 14,000 locations in 44 states. "That's a big one not selling lottery right now."

McCarthy believes the industry just needs to keep reaching out to different retailers. "The API does require a little bit of work by the retailers," and that can make it difficult, but it will be worth the effort. Abacus has focused on completing integrations with the EPOS systems themselves – Toshiba and NCR dominate the EPOS landscape in America. "We are already in the latest Toshiba system, so lottery is already built into the EPOS; it just has to be optioned and configured. The software knows what to do when a lottery ticket gets scanned." He added that Abacus is still working out details with NCR.

LOTTERY CARD GOES LIVE

While the API is still a work in progress, some of the alternative solutions are up and running.

The gift card concept from Linq3 using the Blackhawk Network launched two pilot programs in July, one in Georgia and the other in Ohio. Participating retailers include Target – lottery's first inroad there – and grocers such as Kroger, Publix and others. Players pick

**"THE SOFTWARE KNOWS WHAT TO DO
WHEN A LOTTERY TICKET GETS SCANNED."**

– BRENDAN MCCARTHY

up a Lottery Card of their choice in the checkout lanes of these retailers; available are Powerball and Mega Millions quick pick options in \$10 and \$20 denominations. An 89 cent service fee that covers financial network costs is added to the purchase.

Requiring virtually no new IT integration, since it uses the stores' existing Blackhawk interface, the Lottery Card is activated by the purchaser by sending a text message with the card's code. The quick pick numbers for the next drawing are then sent automatically to the player's phone; everything is done electronically. Low-tier prizes are paid automatically through PayPal.

Linq3 is working with these retailers in the development of comprehensive integrated marketing plans designed to apply the best practices of retail marketing to lottery products. "Lotteries have never really benefitted from that in the past," noted Chief Marketing Officer Mark Smith. The five key areas are product placement; product signage;

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in-store marketing (including signage in other areas of the store); promotion (staff incentives, fuel point programs, coupons, etc.); and digital marketing. The latter, which includes database marketing and social media, "is a huge asset to lottery," said Smith.

The Kentucky Lottery should be the third to offer the Lottery Card with an expected October launch, and President and Chief Executive Officer Tom Delacenserie is excited to be working with Kroger and to benefit from the chain's "world-class marketing package" for the product. In fact, it was Kroger that initiated the conversation with Delacenserie; for them it made sense to add Kentucky stores to the program since the company's headquarters is in neighboring Cincinnati. Kroger currently sells Kentucky Lottery products at its customer service counters and through vending machines.

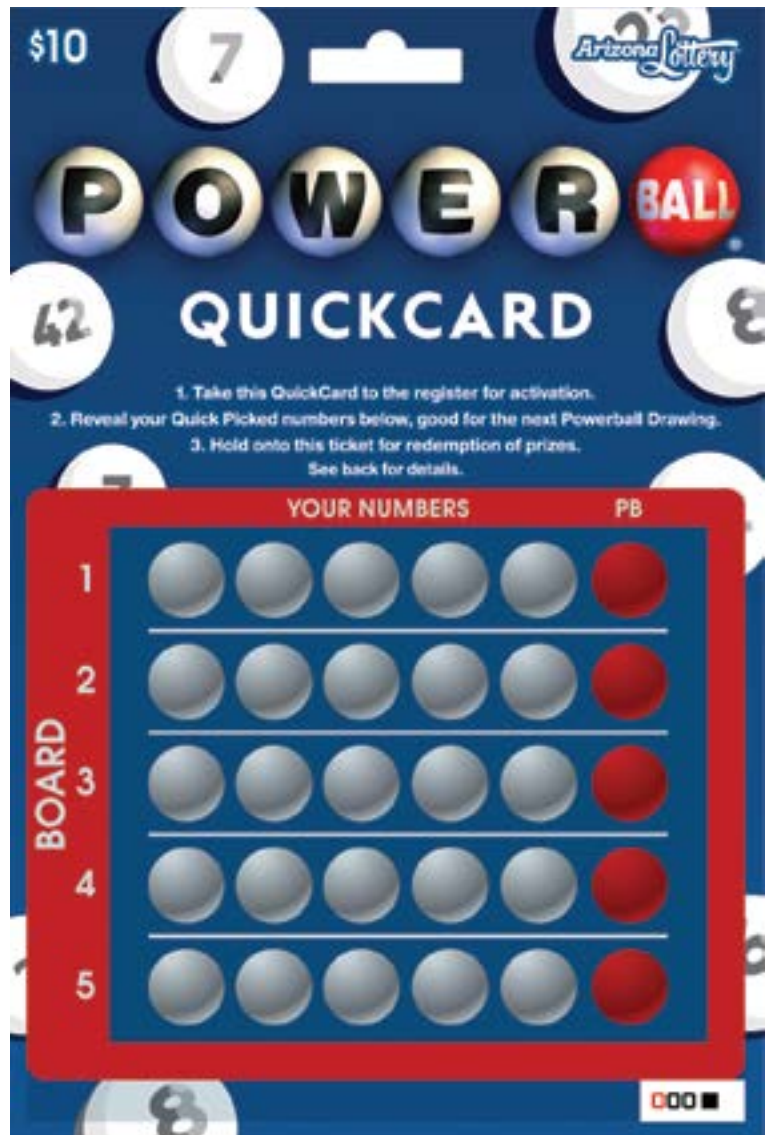
"I've been a fan of in-lane sales for a long time," said Delacenserie, who is looking forward to the Lottery Card launch. He's also a big supporter of the work NASPL has done on the API standard and hopes that will fall into place before long as well. "My whole goal is to get in-lane, and I don't think you can give the consumer too many choices. At the end of the day, the consumer will decide what is preferable."

He added that lottery is one category that will actually bring consumers into a bricks-and-mortar store. "The more we can offer to retailers and the more attractive lottery is to purchase, the more people we can actually bring into the store and it's a win-win for everybody."

Although Smith thinks the Lottery Card as currently implemented is the sweet spot because it involves the ubiquitous mobile devices in everyone's pocket, the company is developing an alternate version that doesn't require the mobile element. "It will be sold the same way, through the gift card rack, but it will meet legislative requirements in jurisdictions where the mobile element isn't allowed."

ARIZONA'S OWN CREATION

An in-lane solution without a mobile phone requirement – which was deemed to be a violation of Arizona law – was the driving force behind the Arizona Lottery's development of QuickCard™, for which it has applied for a U.S. patent. The product is



the end result of an RFI for in-lane services that the Lottery issued last December. "We wanted to get a better understanding of the vendors' capabilities," said Executive Director Gregg Edgar, adding that the responses provided the Lottery with a lot of information.

"What we learned is that we needed the simplest solution possible, so we developed the QuickCard," said Edgar. It will be a standalone card resembling a scratch ticket – latex covers five or

ten boards with quick pick numbers already populated on the card. The consumer takes the card off the in-lane display and it is scanned at the register, activating the numbers for the next drawing and turning it into a bearer instrument. Initially Powerball and Mega Millions QuickCards will be offered, but Arizona's own lotto game, The Pick, could be added at a later date.

The Lottery is working closely with MUSL's security and integrity committee to ensure that the

A close-up photograph of a person's hands holding a white smartphone. The phone's screen displays a vibrant, cartoonish game interface with a green field, a blue sky, and various colorful elements. The person is wearing a blue and white patterned sweater and red shoes. The background is a blurred outdoor setting with a wooden ramp.

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card maintains MUSL's high security standards. The card has the same trappings as a regular Powerball or Mega Millions ticket, but blends the added security of a scratcher ticket and the gift card network that is utilized.

"Our efforts are focused on developing an extremely secure product that will ease the purchase process for players at grocery."

The goal is for the cards to use whatever networks exist at a participating retailer, whether it be Blackhawk, InComm, Abacus or in the future the NASPL Lottery Standard API. Edgar thinks that ultimately the API will be adopted by lotteries and retailers across the country, but "we cannot wait for the establishment of that in-lane groundwork. The reality is that the Blackhawks and InComms of the world are decades ahead of us in getting their APIs developed, so we need to buy that capability now."

Edgar is actually glad that Arizona had to find an alternative to the existing in-lane offerings. "It forced us to look at it and simplify the whole process. All the solutions we were offered with our RFI were too complicated for us. We needed a paper ticket. QuickCard is very simple for the

player, simple for the retailer and easy for the Lottery." He thinks the concept can be applied to instant tickets as well.

There are \$10 cards (five plays) and \$20 cards (10 plays), each good only for the next drawing. The Lottery will absorb the network fees, thinking that sales volume will make it worthwhile.

The Lottery has a commitment with Fry's, an Arizona supermarket chain (a division of Kroger), and Albertsons. Similar to Georgia and Ohio, Edgar hopes to launch with Target through Blackhawk's connection. And because the Lottery just started adding vending machines at Walmart Supercenters, he also would love to offer QuickCard in addition to vending there, but much more work is to be done to secure that relationship.

Edgar is pushing to launch QuickCard this fall, preferably in time for the "fall reset" – when stores gear up for the holiday season in late September/early October, though security will be the first priority and the launch may be delayed until late winter.

"I think the potential for QuickCard is huge," said Edgar. "Lottery is an impulse buy for a number of folks.

The grocery industry cites statistics that only five percent of grocery shoppers ever go to the customer service counter, so only five percent of their customers have seen our product. It seems straightforward that if we can get to where 100 percent of shoppers see our product, we will get a significant sales lift."

In baseball parlance, said Edgar, "We're not focused on home runs, but rather on solid singles and doubles. We expect in-lane sales to be a solid double."

ONTARIO'S QUICK TICKET

Yet another product has been rolled out in Ontario. In addition to offering BCLC's Lotto Express in-lane system at Loblaws, as noted earlier, OLG also launched Quick Ticket at several key account banners, its own version of a card using the secure Blackhawk Network. OLG had a defined balance gift card product at many of its key accounts, and "our new business development team saw the opportunity to leverage the relationship that Blackhawk already has with those stores with this new product," said Adam Caughill, Director,



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Business Development, for OLG's Lottery Sales & Marketing group.

Quick Ticket, which started rolling out in Metro and Food Basic grocery stores in June 2017, is essentially a pre-printed ticket that is displayed underneath jackpot signage in each checkout lane. The customer takes a ticket and presents it to the cashier along with other purchases. "Scanning the ticket activates it, and the numbers associated with that activation are printed on the customer's grocery receipt." The actual ticket, however, is still the live lottery ticket which became activated once scanned. The customer's lottery numbers can also be retrieved using the terminal, the app or the customer facing website noted on the ticket. The two product offers currently available are single-draw Lotto 6/49 and Lotto Max, each with the Encore add-on, at a price of C\$4 and C\$6, respectively.

Interestingly, the jackpot signage in each lane for the two national games has triggered sales increases for OLG's other products at the customer service counters and kiosks in the stores. "There's an insight there," said Dante Anderson, OLG's Director, Lottery Marketing. "The signage

[in the lanes] prompts people to start thinking about it and to act on it, before they get to the moment of truth" as they pass a kiosk or service counter.

Quick Ticket is on a positive trajectory, and OLG is certainly pleased about that. "Every time we see positive results we are very happy," said Anderson. "Because this type of expansion is a necessity for our business to grow and reach new players."

FUN AND SIMPLE

Industry vendors would agree, and have worked long and hard on the API project, and are still waiting for the industry to embrace the technology. They see the potential.

"In-lane sales can attract new players who don't want to go stand in line at the customer service counter to buy lottery products," said Walt Eisele, Chief Technology Officer, Lottery, for Scientific Games. Many people want things to be "quick and frictionless, and unless there's a perceived value to them, they generally won't do it." But if they think something looks like fun, they might do it. "There needs to be a cool factor as well, and

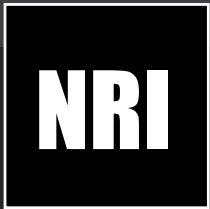
I think there are a lot of ways to do that. At the end of the day we are selling a draw ticket; you can spice it up with a little bit of marketing or provide extra messaging to the customer at checkout. All those things could really help propel this into something meaningful."

"Anything we can do to be more conformant or make our products simpler for retailers is huge," said Paul Riley, IGT's Vice President of Innovation and Lottery Transformation. "We have a complex product offering, and it's a whole separate infrastructure – it lives outside of everything that they do. Initiatives like the NASPL standard API and selling in-lane are transformative, however it takes place."

He added that the Linq3/Blackhawk solution that has just recently been deployed in Target stores is a significant step forward for the industry. "It's important because it ties into this general trend, and it's already integrated into their point of sale."

"We need to keep it simple for the consumer," added Nick Papadoglou, INTRALOT's Vice President and Chief Commercial Officer. Any solution should be explored through the consumer's eyes, and should keep things fairly close to what they are used to, or there won't be any adoption. Older generations are likely more comfortable having paper tickets, while younger consumers are probably happy with an electronic ticket of some sort. Papadoglou noted three methods of in-lane sales are currently offered in Ireland, including using a small footprint POS device that sits next to the store's register. When coupled with a jackpot sign, the customer knows to simply ask for a lottery ticket; instant tickets can be sold this way as well. "At the end of the day, you have to have multiple solutions" so the retailer can choose what works best in their stores. ■

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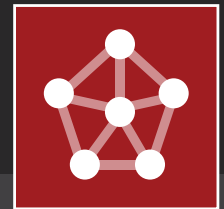
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INSTANT DELIVERY

America's leading lottery product line presents a number of operational challenges, but lotteries and their vendors continue looking for ways technology can help mitigate those challenges.

By Patricia McQueen

Instant tickets are instant only from the players' perspective; after all, they just want the prize, and they want it now. For lotteries and retailers, the instant product line is labor intensive and not easy to sell in many types of venues. Inventory has to be managed and tickets actually need to be in the dispensers so players can see them. Efforts to sell lottery products in-lane (see story on page 56) have primarily focused on draw games, yet instant games in the United States accounted for 64 percent of traditional lottery sales last year.

Advancements in vending machines – including sleek new models and cashless capabilities – can certainly help instant ticket sales, and they offer other products as well. They can introduce lottery into new trade styles, like the shorter models recently designed for the Walmarts of the world. But there must be more.

There's no doubt that a critical need in the lottery industry is to grow the player base in order to sustain the growth lotteries have enjoyed for decades, much of it driven by the instant ticket product line. "The player base is flat, and you can't keep growing sales from the same player base," noted Doug Pollard, Co-Chief Executive Officer of Pollard Banknote. "You have to find new ways to reach new people, and technology can help with that."



Wouldn't it be nice for a consumer to just pick up a couple of instant games when going through the grocery or big box store checkout lane? Certainly. "But the reality is that there are concerns around security and integrity of the instant product," said Walt Eisele, Scientific Games' Chief Technology Officer, Lottery. "Retailers can't allow customers to have access to a ticket without purchasing it, even if it's not active."

INNOVATION WITH SCIQ

Enter Scientific Games' impressive new retail technology called SCiQ™, introduced at the NASPL conference last fall. An intelligent instant game ecosystem, SCiQ takes instant game

sales to a whole new level. For the first time in the lottery industry, there is unit-level technology that provides inventory control, security, merchandising and simplified accounting functions for retailers, while adding customer-friendly features that, depending on the options selected by a lottery, can speed the consumer purchase and even offer the ability for a player to "advance order" the specific games desired before even getting to the retail store.

For lotteries, the system provides a wealth of data never before available. "When I was with the New York Lottery five years ago, there was always the question of how to figure out sales," said Randall Lex, Scientific Games' Vice President of Retailer Solutions. After

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code on their phone and the machine dispenses exactly the products the customer ordered. "The transaction is quick and easy, so the advantages to the consumer include speed of service, integrity, trust and confidence," explained Lex.

The first field testing of SCIQ began in Maine in October 2016, and after refining the technology and conducting additional tests the following spring, the system was rolled out to additional locations beginning in the fall of 2017.

"We jumped at the opportunity to test Scientific Games' latest innovation in instant ticket technology," said Maine Lottery Director of Lottery Operations Mickey Boardman. "The ability to track instant ticket sales in real time, provide a higher level of security for retailers, improve inventory management to minimize out of stocks and provide players additional game information was exciting and something that retailers are desperately looking for." Something as simple as providing the next ticket

number has been well received by players, and saves both the player and the clerk valuable time.

Boardman noted that although SCIQ is configurable based on space requirements, its size still does create some challenges. "They will not be suitable for all locations. I think the placement of these units will be similar to vending machines, where you evaluate the location and determine if it's an appropriate fit."

He is certainly encouraged by the tests at four Big Apple locations, part of a local convenience store chain. Encouraged enough to expand the pilot program to as many as fifty locations in order to build a larger sample size. Cost is the big question, so "we are expanding the pilot program to obtain more data that will allow us to complete a more comprehensive cost benefit analysis," he explained. "We believe this will be most beneficial to the retailers and may look at cost sharing agreements with retailers who are interested in the product."

IN-LANE OPTIONS

Given the dominance of instant tickets in the United States in particular, it would seem necessary to work on solutions that would allow their sale in-lane. "I applaud all of the work that is being done on retailer system integrations and on APIs, but it is mostly geared up to sell lotto tickets," said Pollard. "The mistake in that is that the instant category has been the growth engine for North American lotteries. I think there's a lot more value in trying to figure out how instant tickets are going to evolve. Our products haven't evolved much since they were created in the 1970s, so we do have to recognize that sometimes to make our product work in new channels, we will have to evolve a little bit."

One step towards change is to utilize single-ticket activation, something that has been done successfully in Europe. The player picks up a ticket or two in the checkout lane

and adds them to the grocery purchase. The clerk scans the ticket, which triggers the purchase and therefore the ticket activation. With proper systems integration, it can be a fairly simple one-step process, explained Pollard. But it's a system still fraught with complexity – and requiring additional up-front work by a retailer – and that may be one reason why single-ticket activation hasn't taken off in this country. "We are always trying to make this easier for retailers, not harder."

A more evolutionary change in the product itself, one that would allow sale in multi-lane environments, is along the lines of the gift card concepts being introduced for draw games. ScanActiv is Pollard's entry into the mix. The tickets themselves can look very much like any instant ticket on the market today, with all the bells and whistles designed to attract attention. They could hang in the checkout lane next to similar cards offering plays for Powerball, Mega Millions, Lotto 6/49 or Lotto Max. Like those cards and any other gift card, a ScanActiv ticket would have no value until purchased and activated at the register.

In Pollard's implementation, once purchased, the player scratches the latex to reveal an access code, not the usual symbols and numbers on the play area of a traditional instant ticket. The player then submits that code – ideally via text, said Pollard, but maybe through the use of a QR code or other means. That sends the reveal, what you'd normally see after scratching a regular ticket, to the user's phone in digital format. If the ticket is a winner, the player can scan that reveal at any lottery retailer (or lottery offices, for larger values) to claim the prize.

Although space limitations in checkout lanes likely limit the number of different ScanActiv products on sale at any given time, there could certainly be multiple offers – the different price points, play styles and game themes that have made instant tickets so popular. "This relies on technology for the reveal, but as much as possible it looks like an instant ticket," said Pollard. It can even incorporate second chance

"SCANACTIV IS TRUE TO THE IMPULSE PURCHASE, IT'S SIMPLE AND RETAILERS UNDERSTAND THE PROCESS."

– DOUG POLLARD

drawings and other features designed to gather player information.

"ScanActiv is true to the impulse purchase, it's simple and retailers understand the process. It looks like a regular ticket. And for players, it can still be an anonymous transaction if they so choose. To me, it works and is worth trying."

PUSHING THE ENVELOPE

All these concepts look for ways to make instant tickets easier to sell at retail and even easier for the consumer to buy. But there's another option. In a world where consumers order virtually everything online for easy home delivery, Atlantic Lottery has created a home-delivery service for instant tickets.

The Winvelope pilot is a result of its design thinking innovation lab (see page 49), which allows the Lottery to develop and test solutions in a small environment conducive to numerous iterations based on customer feedback. The subscription service "is really about convergence and the idea of omni-channel – digital isn't just digital, it's everything," said Jean-Marc Landry, AL's Vice President, Innovation and Renewal. "Winvelope is a really slick online system that is age controlled and verified," he explained, adding that the pilot has provided the Lottery with "a ton" of information about its customers.

The pilot launched in the Spring of 2017 and players may choose

from prepackaged ticket selections on various themes or choose their own ticket mix. At this writing, 18 prepackaged selections were available, ranging from the \$21 "Simple Pleasures" (eight tickets) to the \$90 "Life Changers" (five tickets) and "Multi-Millionaire Maker" (three tickets); players can also buy "The Works" – \$99 for 18 tickets. Orders value at \$40 or more receive free shipping.

MOVING FORWARD

Clearly the lottery industry is trying to address the challenges associated with selling instant tickets. It's not always easy, and it's hard work creating new technology. "We've done years of research with retailers and invested millions of dollars developing SCiQ to help make lottery products easier to sell," said Eisele of the efforts to minimize the pain retailers have in dealing with instant tickets. "Because this is an area where technology in the lottery industry does need to advance and play a very strong role in making these things possible."

He advised that any potential solutions should always focus on the player journey. "If we put our heads together as an industry, these are all problems that are all definitely solvable. We are going to have to figure this out, because lotteries are under increasing pressure to return more profits to their beneficiaries." ■

DIGITAL MARKETING TOOLS

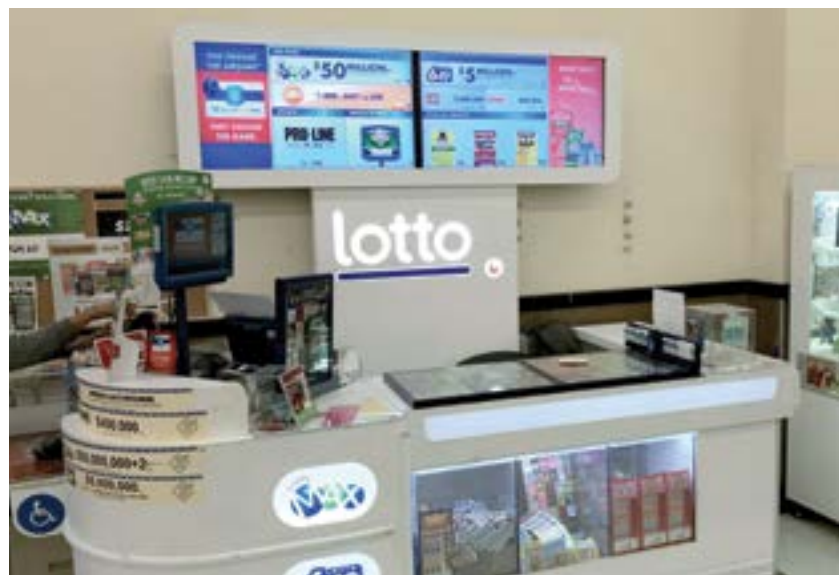
Lotteries have various options to build awareness of lottery products among consumers at retail and beyond using the latest in digital marketing; the technologies also enhance ease of use, a critical factor in reaching casual or even non-players.

By Patricia McQueen

Sign, sign, everywhere a sign. The 1971 hippie-era song by the Five Man Electrical Band earned gold as a protest against the ills of the day. Fortunately, the proliferation of signs in today's consumer-centric world aim to help more than hinder – at least when done properly – and lotteries may see gold as a result.

“Digital signage is especially effective at stimulating impulse purchases, making it particularly suited to lottery products,” explained Maxwell Goldstein, Vice President Sales - Americas, of Carmanah Sighs, the Gaming Division of STRATACACHE. He added that evidence has shown that adding digital signage across a retail footprint typically increases sales of highlighted products by three to seven percent.

By operating in real time, digital signage messages can change almost instantly based on the needs of lottery marketing programs. As a result, lotteries should not under-appreciate the value of digital signage at retail, advised Paul Riley, Vice President of Innovation and Lottery Transformation for IGT. “Our industry has had this asset for years, and it’s valuable real estate for lotteries to promote awareness of their product, winners and jackpots.” With more and more retailers turning to digital signage and perhaps eyeing



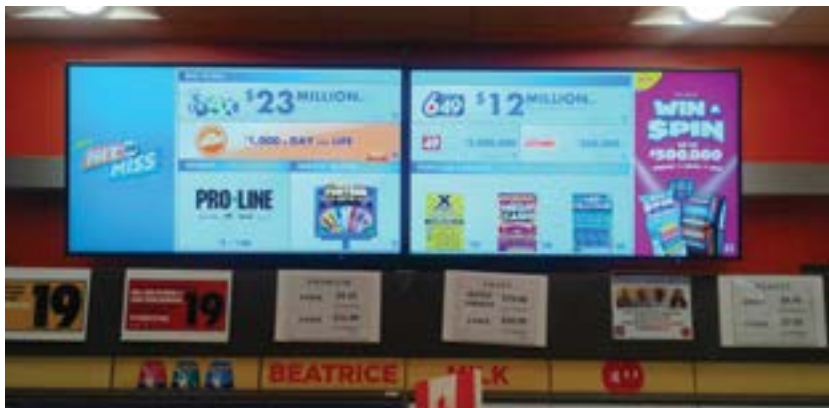
the desirable space lottery signage inhabits, lotteries should protect their turf. “Lotteries have to nurture this asset.”

And as more lotteries explore in-lane sales options (see article beginning on page 56), digital signage takes on added significance. Ontario Lottery and Gaming (OLG) has learned that placing jackpot advertising on digital signage in-lane has not only helped increase in-lane lottery purchases (currently limited to the two national games), but it has even

increased sales of all lottery products at the customer service counter in those locations where in-lane sales are offered.

MENU BOARDS

A step beyond digital signage is the digital menu board, a technology increasingly used in retail venues, especially quick-service restaurants, but just beginning to find purpose for lotteries. “There is clearly a place for them but it depends on the venue,”



said Walt Eisele, Scientific Games' Chief Technology Officer, Lottery. "With the depth and the breadth of the products lotteries offer, [menu boards] are a way to not just advertise lottery, but to explain the games and make players comfortable with them." And when they are more comfortable with the games, consumers are more likely to try something new.

That was the hope of OLG, which has learned a great deal about digital menu boards since it began testing the technology in the field about a year ago. "They were our starting point for implementing digital technology at retail," said Dante Anderson, OLG's Director, Lottery Marketing. "We undertook this as a pilot program with the intent of improving shopability for the customer," he said, adding that the customer is the center of everything OLG does.

About 200 of the boards are currently in test sites, including independent convenience stores and key accounts of various trade styles. While sales performance at the independents has been somewhat mixed, some other pilot installations have been positive.

The early thinking is that at independent c-stores, sightlines and placements are more difficult, and customers in these locations are more likely to be experienced lottery players to begin with, and therefore less influenced by information on the boards. "Our goal with these boards

is to reach the more casual players, the ones more intimidated by lottery," explained Anderson. "We want to help them navigate lottery offerings before they reach the register."

So perhaps it not surprising that OLG hit the jackpot, so to speak, with the menu boards in their kiosks at selected key account stores. "We have seen a significant lift in sales, and I think a lot of that stems from the traffic flow and enhancing our presence in these locations. It's really encouraging for us to see that it is working in some applications."

At mass merchandise stores, lottery kiosks are located in the front area of the stores, adjacent to other dedicated services and retailers. Two 55-inch screens are clearly visible in the kiosks as foot traffic flows from the general checkout lanes to the exits.

The experience to date would indicate that the menu boards don't necessarily have to be located above a checkout register. "There are probably key points of intersect with the shopper's path where the boards can be as effective as at the register," said Anderson. OLG will continue to build its knowledge as other key account convenience stores implement the boards as an extension of their retailer modernization strategies.

OLG has also learned quite a bit about content. Players don't like a lot of animation – it interferes with their ability to focus on specific items listed on the board. There is considerable static content in the middle of the boards as implemented to date, showcasing the two big national games, certain Ontario-only games, sports, and selected instant games – popular games, for example, or those new to market. On either side, message boxes change content more often, typically featuring current promotions or jackpot messaging.



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DIGITAL PLAY STATIONS

Digital signage moves to a whole new level when incorporated into a screen with touch technology, as presented in the form of digital play stations for retail use. Among its other initiatives, OLG is exploring the potential of digital play stations for lottery operations as part of a bigger plan to totally refresh the retail experience with the goal of eliminating customer pain points – such as the intimidation consumers unfamiliar with lottery feel when faced with a confusing array of product offerings and complex selection slips.

“Digital play stations open up virtually limitless player experience options,” said Carmanah’s Goldstein. “Proximity sensors can trigger interactive experiences, inspiring a younger demographic of players, offering instant gratification, and educating new players on how to play. Multi-lingual communication, multiple product categories, and complicated sports betting information all become straightforward and clear.” Where

desired, these stations can even integrate cashless payments, send ticket “orders” automatically to the retailer’s register or lottery terminal for payment or simply print those orders on a voucher with a bar code to be scanned at the register/terminal.

For OLG, player education – on topics such as available games, how to play and even responsible gambling – is one of the most useful features of these units, but their potential goes well beyond that. “We want to make the whole buying experience a lot more simple and seamless, even for the most average player,” said Anderson. He likened the ability to set up a lottery “order” to the self-service kiosks used by McDonald’s and other quick service restaurants. “You can customize your lottery order quickly and easily,” and it’s highly desirable to keep it paperless and just automatically send the transaction details to the store register, where the player can complete the purchase and receive his/her lottery tickets.

There is also considerable upside in the convergence of retail and digital channels, perhaps using the digital

play stations to cross-promote OLG’s online games with its traditional retail products. “Retail is 95 percent of our lottery revenue right now, and we want to capitalize on that traffic by introducing retail players to our online-only games, bridging that gap between retail and digital.”

In its tests to date, OLG has learned that consumers across ages and experiences appreciate the ease of use provided by the stations. “The concept has been very well received by all demographics, by lottery players and non-lottery players alike,” said Anderson. “Given these test results, he’s excited about the potential of introducing the stations to market.

The Texas Lottery has been testing digital play stations in the field on a limited basis since September 2016; 10 units are currently deployed statewide at a mix of convenience and grocery stores. There have been several iterations since the initial launch, noted Brand Strategy Coordinator Andrew Leeper, as the Lottery tests various content schemes and retail trade styles. Their use has been strictly informational to date, “with the intent



to drive awareness and education at retail.”

The first phase focused on how-to-play education, and also included fun consumer games like an interactive Magic 8 Ball that would tell amusing fortunes like the original 1950s toy. The second content phase concentrated more on scratch ticket data such as prizes remaining, along with jackpot information. Results of these tests are still being evaluated.

DRILLING DOWN

In-store digital signage and other digital point of products take on even greater importance when combined with the latest in sensor technology. INTRALOT will be doing a lottery test using STRATACACHE’s Walkbase system. Walkbase sensors locate an individual’s Wi-Fi enabled device in real time. When a new consumer is identified for the first time, the sensor assigns a unique ID to that device that ensures the consumer remains anonymous. Every aspect of the customer’s experience can be anonymously analyzed, customized and mapped – from moving throughout the store to what’s being viewed and ultimately what triggers a sale. That behavior is tied to their online ID, and every time that customer enters the store, more data is gathered about that customer’s retail behavior.

When combined with cameras, the system can even identify basic demographics such as gender and age

range. And because it all works in real time, it’s possible to trigger a content change on digital signage while the customer is still in the store, tailored to the known interests of that customer.

Walkbase is fully compliant with both U.S. and European consumer privacy legislation, as all data is collected anonymously and no action is needed by the customer. That said, a lottery could incorporate the system into a mobile app, with the customer choosing to receive messaging directly on their phone, again tailored to the individual based on insights learned by the system. That functionality adds a whole new level to the concept of reaching customers in a direct and meaningful way.

“We can measure a lot of things by using these sensors that measure foot traffic,” said INTRALOT’s Vice President and Chief Commercial Officer Nick Papadoglou. While sensors can be incorporated into digital signage, INTRALOT’s test will place sensors in vending machines. Not only will it help determine optimal machine placement, but it can even drill down to indicate what screen content attracts customers. “Today we measure only the selling rate [of vending machines], but we want to see other things as well,” he said, adding that all of this data should help lotteries better understand their customers for increased effectiveness of things like promotions and loyalty programs. “Hopefully it will help increase sales for the lottery.”

WINNER AWARENESS

While these most recent digital advances are state-of-the-art efforts to make things easier for the consumer and potentially expand the player base, or to help lotteries better understand their players, one of the first benefits of digital marketing tools came from winner awareness messaging. While in-store advertising displays now often include winner information, the impact reaches a whole new level through the use of digital billboards.

An early adopter of this technology was the Iowa Lottery. “We have been celebrating our big winners by displaying their photos on our digital outdoor advertising and our regional office digital on-premise signs for almost seven years and our winners have loved it,” said Vice President of Sales and Marketing Teri Wood. In fact, at a time when many big winners are reluctant to receive any publicity, many of Iowa’s winners can’t wait to see their own image larger than life.

Photos of winners are sent almost instantly to in-store Lottery InMotion screens, and can appear on selected outdoor billboards the same day. “We have found that the quick and timely disbursement of these celebratory winner messages provides extended reach and awareness of our in-store messages.” ■

WHERE ARE YOU GOING?

SEPTEMBER 25-28, 2018



2018 CALENDAR

September 25-28, 2018

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Cleveland, OH

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October 22-24, 2018

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New York City, NY

November 18-22, 2018

World Lottery Summit 2018

Buenos Aires, Argentina

December 2018

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December 3-6, 2018

La Fleur's 2018 LotTECH Connect

AT&T Executive Education and
Conference Center
Austin, Texas

Hosted by the Texas Lottery

2019 CALENDAR

March 2019

*NCPG Problem Gambling
Awareness Month*

April 15-18, 2019

NASPL Lottery Leadership

Hyatt Regency Cleveland
Cleveland, OH

Hosted by the Ohio Lottery

May 13-16, 2019

La Fleur's 2019 LotMKT Trends

George Washington University
Washington, DC

Hosted by the DC Lottery

June 17-20, 2019

*NASPL Directors Meeting
& Dialogue*

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Williamsburg, VA
Hosted by the Virginia Lottery

July 29-August 1, 2019

*NASPL Professional Development
Seminar*

Arizona Grand Resort
Phoenix, AZ
Hosted by the Arizona Lottery

December 2019

*NCPG/McGill University RG Lottery
Holiday Campaign*

2020 CALENDAR

March 2020

*NCPG Problem Gambling Awareness
Month*

April 20-23, 2020

NASPL Lottery Leadership

Drury Plaza Hotel
Pittsburgh, PA
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June 15-18, 2020

*NASPL Directors Meeting
& Dialogue*

Westin San Diego
San Diego, CA
Hosted by the California Lottery

July 20-24, 2020

*NASPL Professional Development
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December 2020

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