

FEATURE INTERVIEWS



MAY SCHEVE REARDON



PAULA OTTO

PANEL DISCUSSIONS

States vs. Federal Government: Who Determines Regulatory Policy in the U.S.?

On Governance of the Multi-State Games and the Challenge to Meet and Exceed Rising Consumer Expectations

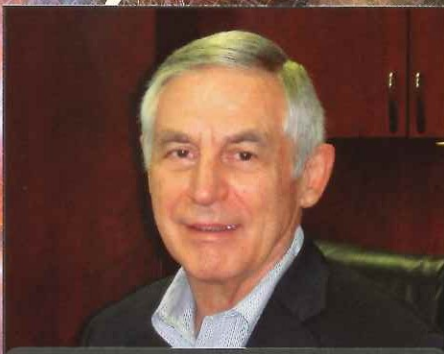
Connie Laverty O'Connor
Recipient of the Rebecca Hargrove Award for Mentorship



JAYMIN PATEL



JIM KENNEDY



TOM LITTLE

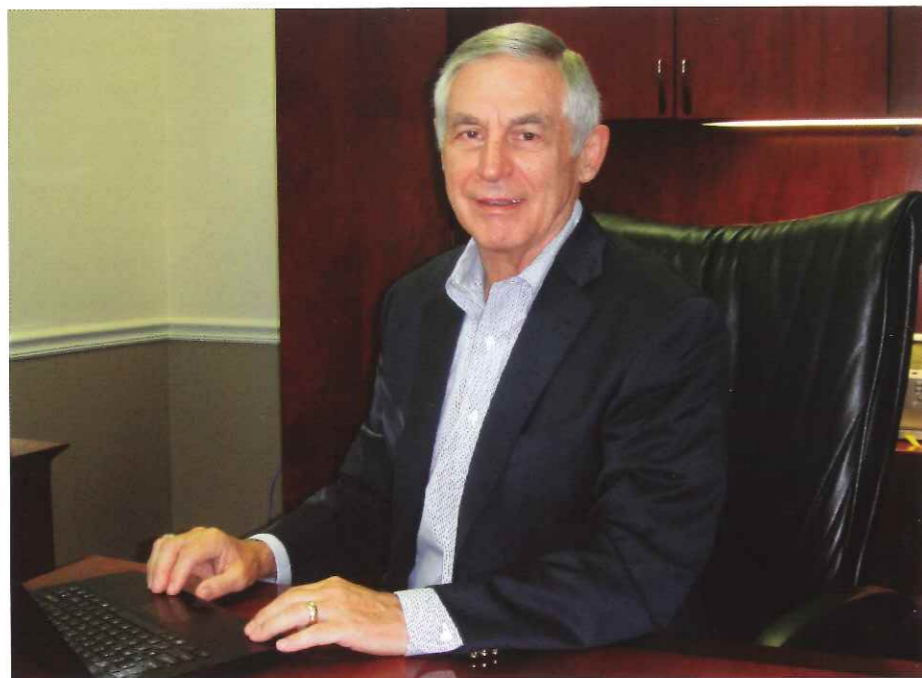


September/October 2014

PUBLIC
I
N
T
E
R
N
A
T
I
O
N
A
L
G
A
M
E
S
TM

Intralot

Tom Little President and Chief Executive Officer, INTRALOT Inc. USA



Paul Jason, Public Gaming: *There is much talk about the "omni-channel"—making lottery products available to the consumer on all varieties of devices, media, and venues.*

Tom Little: It was not too many years ago that lottery products were only available for purchase at land-based retail stores. Now, almost all lotteries in Europe, Australia, Canada, and the rest of the world make the product available for purchase online. U.S. lotteries are beginning to do the same as well. Multiple channels of distribution, and providing a variety of ways for the customer to interact with the brand, came to be referred to as the "multi-channel" model. That multi-channel approach has now been taken to a whole new level. The "Omni-Channel" model is not just about making the products available through more and more channels and devices and media. It's about creating what we call the Universal Gaming Experience. It's not enough to just make the products available through multiple channels. It is about creating a seamless user experience, enabling the players to migrate from one channel to another, from one game to another, and not be frustrated by confusing interfaces and login protocols and other barriers that make it inconvenient for the con-

sumer. Just on a logistical level, we want to make the interface to all access points be user-friendly. Login procedures and knowing how to access the game and play the game or purchase the ticket should be easy and intuitive. The methods of playing or buying the games should be identical, or at least similar, from one channel to another.

Further, the customer wants to feel a singular connection to the brand. Lotteries are offering a larger variety of games than ever, the games are more interesting and engaging (and that can mean more complicated), and the portfolio and complexity of the games will increase even faster in the future. It will be so important that we develop a brand strategy that reinforces an emotional connection with the consumer, and not allow that connection to the brand be diffused by complexity and inconvenience. That is what the Omni-Channel is really about. More and more games made available through more and more channels can get complicated. The customer does not like complications. The customer likes easy and intuitive. That's what we have to deliver.

For instance, INTRALOT offers central determinate games (server-based gaming) at retail with our TAPP IT™ games. As we build out this technology to be implemented on other devices, it needs to provide a

player-experience that is fun and readily understood with an easy learning curve as the consumer migrates from smart-phones to tablets to TAPP IT™ and other self-serve in-store deliver systems. Essentially we will provide a single user interface for any device the consumer wants to use. In addition, we need to build in the ability for the operator to integrate the retailer in whatever ways fits their strategy, i.e. commissioning and cross-promoting and other agendas that we may not even know about right now. We have great game developers that are integrating with us through our API so that retailers and consumers alike can readily embrace a migration process to more sophisticated, and entertaining, games and channels. Omni-channel is about enabling all this to happen such that the high-tech back-office technology appears simple and user-friendly to the player and retailer. Of course, this process is all being implemented in partnership with the lottery partners, which we serve, the retailers that sell lottery products, and the consumers who buy the products. Together we are evolving this business to position government-gaming operators to be the gaming destination of choice for the next generation of consumers.

Are there ways to integrate a social networking experience into the lottery playing experience? Why can't we create an easy path-way for the player to post his "like" for Lottery on Facebook? Post that she just won \$50 and is buying her friends drinks tonight and such? And maybe loop in the retailer in some way?

T. Little: We already can create an easy path-way for the players to post their "like" for Lottery on Facebook or post that he/she just won \$50 and is buying their friends drinks tonight. There are a number of different ways to directly interface with Facebook and other social media channels. We believe the best way is to design games that have some sort of life after the ticket reveal or the drawing. More specifically, add value to the losing tickets after the reveal. The winning tickets already deliver value. So, in effect, our job is to create good losing tickets. Players could perhaps accrue points for their losing tickets to be redeemed in some way. Or why not create a social media Zynga-like game—losing tickets could be used as currency to buy virtual goods. That would cost Lottery nothing, other than the game development and maintenance cost. And it

could add a very interesting component to the game. After all, the vast majority of our players end up with losing tickets. We need to focus our resources on enhancing the value to the consumer experience of purchasing losing tickets. The social networking that you refer to is already being done. Play that goes through the web enables the game results, player comments, etc. to be linked directly to social media sites.

One obstacle is our inability to enable Retailers to understand how and why the Omni-Channel approach will benefit them.

T. Little: The biggest issue facing the lotteries when it comes to integrating the Omni-Channel approach with brick & mortar retailers is communication. For example, NACS (the Retailers' Association), in a recent debate, said that one of the reasons that they were against play on the Internet was because of underage play. Another reason was that they were worried about out-of-state play. These types of issues have already been solved from a technical standpoint to assure that they don't happen. Games of chance in general, and that includes lottery tickets, have been sold online for many years almost everywhere else in the world without incident. The technology to prevent underage play and out-of-state play is proven to work. Of course, the people at NACS know this. They just hope that the disinformation can create concern on the part of the legislators they are trying to convince to prevent Lottery from being sold online. Retailers are understandably worried that they will lose business and commissions. They should not be because the Omni-Channel approach draws in more consumers, drives more store traffic, and benefits retailers. John Kennedy said "A rising tide lifts all boats" and that is what the Omni Channel approach does for lottery products, lottery operators, and retailers. This has been proven over and over again with lotteries that are able to sell on the internet. NACS rebuttal to that is that they might have had larger increases in their land-based stores without internet sales taking place. That is a convenient argument since there is no way to prove or disprove it. The thing is, that there are many ways to integrate the retailers into an Omni-Channel model. Commissions can be shared and lottery websites can be an incredibly powerful medium to promote retailers and drive store-traffic. When you consider the increased store traffic that lottery online promotion

would drive, the net result for retailers is unequivocally positive. Many retail stores are employing an Omni-Channel approach already, and so we should be able to engage their support. We have internet solutions available for implementation in the retail stores right now. For example, some of our lottery operator clients have our self-service Multi-Purpose Next Generation (MPNG) machines and are selling our TAPP IT™ interactive games at land-based retailers. We could enable players to play the same games online for fun and come into the store to play for money.

For the entertainment non-money games we can provide retailer promotions to drive players back into the stores. Another option is for players to get a ticket at the store that they then play at home, on their home computer or tablet or smart-phone. Another idea would be to be able players to "top up" their e-wallets at the store and then allow them to play on the Multi-Purpose machines at the store or anywhere that they can get online.

A problem is that retailers who are moving towards the Omni-Channel model are not including Lottery in their planning process. The first thing we could do is to identify retailers who are already thinking about how to evolve their businesses to appeal to and connect with the next generation of consumers—the early-adopters of technology and business process trend-lines. These are the ones who will understand the benefits of integrating lottery into their planning processes. Think about it: Lottery has a massive consumer connection, really unlike any other product in the world. Retailers know this; they know that Lottery drives store traffic. The retailer who is already thinking about the Omni-Channel as it applies to their business will quickly grasp the reach and impact of Lottery's website connection to the consumer, and how it could be leveraged to drive new consumer groups into the store.

As an industry, we have not always treated our retailers as a true partner. If we want them to treat us as partners, we need to treat them as partners. By fully engaging with our retailers on every level, we will become a part of the process that includes Lottery in an Omni-Channel approach. Instead of being an Omni-Channel strategy that just serves the interests of Lottery, it will be a joint effort that is mutually beneficial for both Lot-

...continued on page 68

brand, in order to do that.

Now that Mega Millions and Powerball are both sold in all lottery states, why is it still necessary to have two separate management groups for those two games? Why not reconstitute as one single management group?

P. Otto: The MUSL model is quite different than the Mega Millions model. There are Mega Millions directors who feel strongly that the volunteer system and limited budget that we operate under works well and there may not be a reason to change it. MUSL is an organization with three times as many members as Mega Millions and MUSL

serves its members well. There are material differences between the two different decision-making models. I would not say that one is better than the other. But I would say that it may be difficult to reconcile those differences to the satisfaction of all forty-five lotteries. I think it's time to look toward a new "third" model of governance.

As we just discussed, the challenges of getting forty-five lotteries, the vendors, and the stakeholders to all agree on every single point of action is difficult. Those challenges will continue to exist, though, regardless of the governance structure. I think the U.S. lot-

tery directors have done quite well at shepherding this industry along, and working together to build the national games into the \$8 billion dollar revenue stream it is now and the foundation for even more growth in the future that it represents. We will continue to discuss ways to enhance the process of game management and innovation. And that will include discussions about governance. In the meantime, we will collaborate and work together as we have always done, and continue to innovate and bring new games and promotional strategies to market that will drive sales and net profits for Lottery beneficiaries. ♦

Tom Little Interview ... continued from page 45

tery and Retailer. By working with retailers on their terms, by including retailers in the lotteries' strategic planning process so retailers have more advance notice of new game launches and promotional campaigns, by melding the ideas and objectives of retailers and lotteries, we can create the alignment and synergies that will produce an outcome that is beneficial for everyone, including the players. As an industry, lottery operators and their suppliers could also help retailers implement new technologies such as NFC (near field communication) or mobile applications that can tell players about specials that are being run in a store where they are near. The concept of leveraging technology and innovation to connect with the consumer wherever and whenever the consumer wants is something that will help retailers build their entire business. Helping retailers accomplish their broader, even non-lottery objectives, will put us into the true partnership role that will secure the inside track for Lottery as retailers think about their strategic priorities. Lottery is in the great position to help retailers understand how and why the Omni-Channel model will help their entire business, and then to help them implement it.

How can we defuse some of the systemic distrust and skepticism on the part of retailers—how can we break through the discord to forge a more cooperative, mutually supportive relationship with retailers?

T. Little: Instead of thinking about how to convince retailers to do more things to help Lottery, we could engage as true partners and focus on helping retailers accomplish objec-

tives that are important to them. Lottery is just a part of their business. Fortunately, the Omni-Channel model and connecting with the consumer on all levels and through all media and channels are objectives that apply to their entire business. Let's help our retailers figure that out.

Of course we want the end result to be an increase in lottery sales. But the technological tools and strategic insights that apply to our lottery-specific goals also apply to the retailers' broader goals of positioning their business for long-term sustainable growth. Let's leverage that to the advantage of both Lottery and Retailers and help each other accomplish mutually beneficial objectives. This could even open the door to new forms of collaboration in which the retailer literally invests more for the privilege of applying Lottery's technological know-how to their big-picture goals of connecting with the consumer who buys all varieties of product from their stores. That "investment" could take the form of just more focus and consideration for Lottery when it comes to POS's and promotional profiles. It could take the form of better engagement on cross-promotions that will drive lottery sales. The point is, we need to think out-of-the-box and see how a broader perspective on our part will yield huge benefits when it comes to engaging retailers and optimizing sales of lottery products.

The big chain stores seem to want self-service vending machines. But many lottery marketing exec's are concerned that the lottery player wants the personal-touch of a retail clerk. What do you think about

the future of self-service vending machines?

T. Little: The personal touch of good retailers sets retailers apart from other channels and the impact of that can't be overstated. However that approach does not fit in the business model of the big-box store, and other types of retail outlets. Self-service is the obvious solution. Self-service vending is becoming an art. We are developing technology that makes the self-service experience very exciting. We think our ITVM, DREAMTOUCH™, is an example for how self-serve can be used as a promotional tool, a vehicle to excite and engage the consumer. The personal touch of the retailer will always be the most powerful selling method. But we need to develop additional solutions like DREAMTOUCH™, that both appeal to the consumer and fit into the strategic objectives of our retailers.

More importantly, we need to reframe these questions from being an either-or proposition to being a both-and solution. That is our focus at INTRALOT. We have developed, and will continue to develop, an entire spectrum of solutions that fit an entire spectrum of needs and markets and distributional venues and media. It's not about self-serve or personal selling, or internet versus land-based ... it's about the Omni-Channel model which gives the consumers the option to interact with the merchant on whatever channel or medium or venue they choose. The beauty of this fact is that it's not just for the benefit of Lottery; it is clearly the direction that retailers need to go to fulfill their own mission and build their own businesses to succeed with the next generation of consumers. ♦