

**A Fresh Look at Lottery
in the Mountain State**

**Vendor
Contracting**

**Sports Betting:
Opening the Floodgates**

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

INSIGHTS

May/June 2018



25 Years of HOPE

The Georgia Lottery is celebrating its silver anniversary this year, and its record of success has had a tremendous impact on the lottery industry.

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- He is the President of Convince & Convert, a consulting firm that helps the world's most iconic brands like The United Nations, Nike, 3M, and Oracle use technology to win new customers, and keep the customers they've already earned.
- A New York Times best-selling author of five books, Jay is the host of the award-winning Social Pros podcast.
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SEPTEMBER 25-28, 2018



FROM THE NASPL PRESIDENT



ANONYMOUS

“I would venture to guess that Anon[ymous], who wrote so many poems, was often a woman.”

Virginia Woolf, A Room of One's Own

Well, I can submit that in the case of the New Hampshire Powerball winner of a \$560 million jackpot, Anonymous is indeed a woman and that she resides in the town of Merrimack, NH. That's all I can say; if I said anything further I would be in contempt of court. (Which oddly I no longer fear, as I live in that position every day of my life since my wife became a judge; I find it to be almost soothing.) I know Anonymous' name, where she lives and all other good things that we'd want to make sure of – she's not an employee of mine, or of our gaming vendor, or of the Multi-State Lottery Association (MUSL), and the ticket cleared all the security measures and was presented as pristine at our offices.

Obviously Virginia Woolf was not commenting upon our winner, but rather the inequities of her time that a woman's writing – regardless of talent or merit – would be inequitably discounted due to gender.

New Hampshire's motto is Live Free or Die, and we're not kidding. Self-determination is a way of life here, and property and family are paramount. My business is my business and not yours. The right to privacy, in all its facets, is celebrated in the Granite State. Therefore, it is not surprising that a judge, applying weird contortions of law, would submit that the public records law does not apply to the winner – or more accurately – the winning ticket.

But this got me thinking. (I realize now that you are all scared!) We have two very strong, very defensible positions on either side of this debate. So I seek to analyze it.

Continued on next page



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Because Real Counts

FROM THE NASPL PRESIDENT

An old probate lawyer joke goes, “Where there’s a will... there are relatives.” Truth on lottery winners is not far off. I’ve had to give the same warning to several jackpot winners in my career: “Everyone you have known since third grade will approach you for money, so change your phone, move and give your new number to only those that you would trust with your children/grandchildren’s life, and realize that some of those folks will disappoint you.” Tough words to be sure and true. In the case of the big winners, I’ve even suggested they hire a CNO – Chief No Officer.

But that is often not the main reason they express a desire to remain anonymous; safety is often raised. A most famous case comes from the land Down Under, where an eight-year-old boy was kidnapped for ransom as his parents had just won the top lottery prize. Graeme Thorne’s kidnapping and ultimate murder sparked a firestorm that ended up with law being passed permitting Australian winners to remain anonymous.

So in New Hampshire, the folks moving for anonymity would submit grief, privacy and safety as the main points to support their position.

What if I told you that the woman from Merrimack who won was my mother? She’s not, but does the public have a right to know if she were? My mother lives in Massachusetts, still plays occasionally, and there is no prohibition on her playing. She’s not buying from my lottery, not an employee of a lottery or MUSL, and she doesn’t live in my house. But would the public have a right to know the complete facts, and would they believe the facts I would present if she won? As a lawyer, licensed in Massachusetts, I could easily set up a trust for her, and then no one would know. Which leads to the case against anonymity – transparency, integrity, and that players should know that it wasn’t my mother who won, or that if it was, she at least won fairly.

So I gave a check worth \$325 million (she took the cash option) to two lawyers (well as you know we wire the funds, but the golf tourney check is always pretty cool) and the public doesn’t know – can’t know – the identity of the winner. A lot of players have money in that check, from all across the United States, so how can they be assured that their government is acting with integrity if they can’t shine a light on the outcome of the proceedings, and the process that led to it? That I’m doing my job as the Executive Director of the New Hampshire Lottery, and making sure the process is fair, honest and above-board?

The welter of laws that were passed in the 1960s and 1970s, called collectively Sunshine Laws, imbued that a free and independent press was necessary for the protection of the people, and that public documents are public and available for inspection by the public. What is called the Freedom of Information Act in federal law (FOIA – now a verb – “we got foia’ed”) was meant to allow press and people

access to make sure their government officials were doing what they are supposed to do. Each state has a similar law, and each of us as state officials is bound to it. This is exactly the law I thought I was following when I told the winner’s representatives that I had to release the name if she signed the back of the ticket – it was a public document, and I had to disclose it.

To be sure, have there been reported examples of misfortune that befell a lottery winner? Of course there have – but anecdotal evidence exists to prove or disprove almost any hypothesis, regardless of how fringe or solitary. Sadly, those exceptions and anecdotes are reported and the

public thinks everyone who wins is cursed – and that is what the judge believed. So the order came down to secure and keep secret a document worth \$325 million in cash, despite the fact that what I spend on pens is subject to public disclosure on demand. A third of a billion dollars – and it’s a secret.

As an ex-prosecutor of organized crime, there are a lot of secrets I keep, and so very many I wish I could unknow. (Is that a

word? Spellcheck doesn’t seem to think so.) But this one feels weird to me. I get asked a lot what her name is and I usually say something coy like what her name will soon be: i.e. “Mrs. Charlie McIntyre.”

So the debate will rage, legislators across the country will use this story and file bills to allow anonymity (really sorry folks, truly I am), but I can’t help but feel that it’s just not right to hand out that much money secretly.

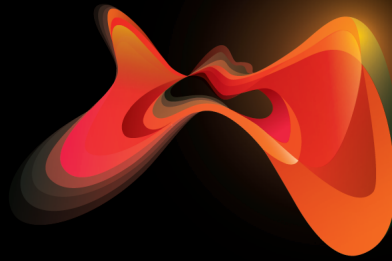
**“Where there’s a will...
there are relatives.”**



A handwritten signature in black ink that reads "Charles McIntyre". The signature is written in a cursive, flowing style.

Charles McIntyre

*Executive Director, New Hampshire Lottery/
NASPL President*



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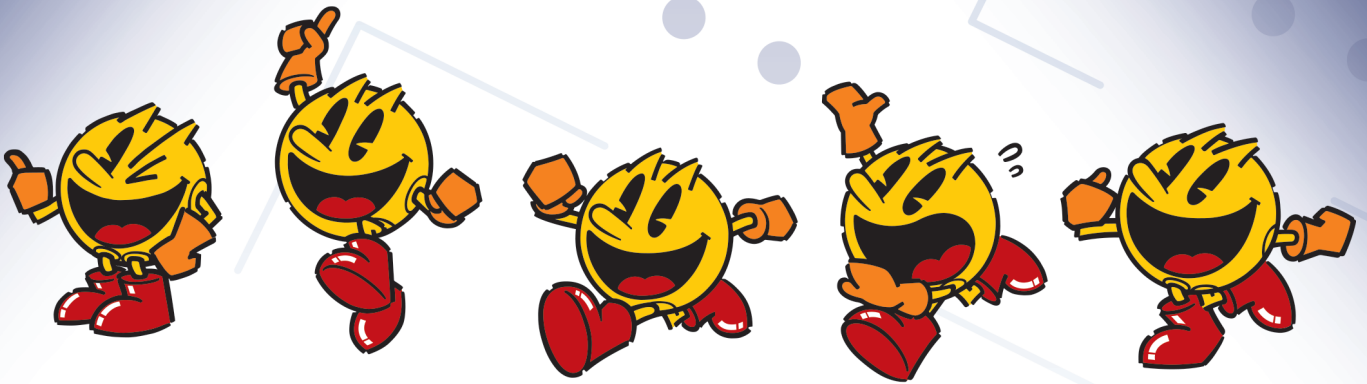
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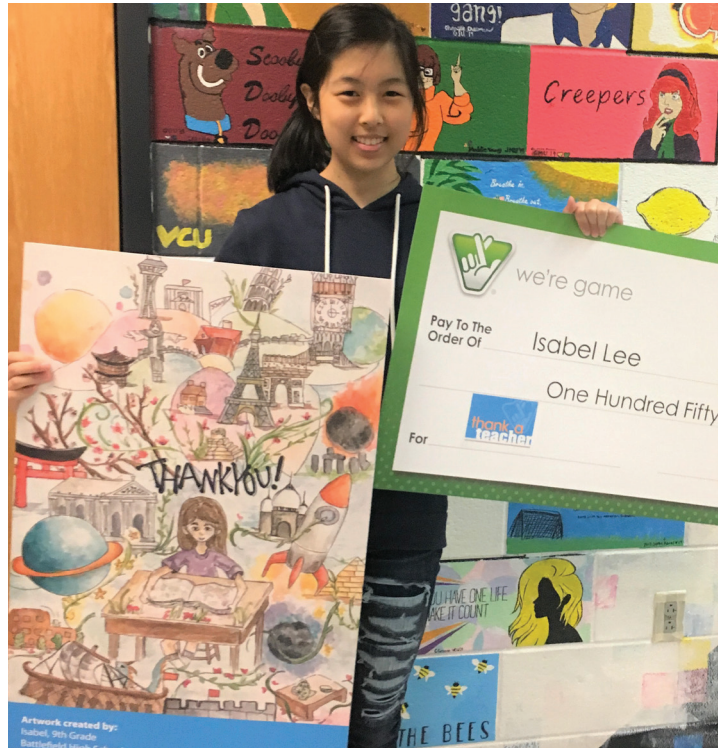
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Cleo Scott, a seventh-grader from Richmond, was selected from middle school entries.



Isabel Lee of Haymarket had no idea she'd won in the high school category until the surprise presentation at her school.

Student Artists Featured in Virginia Lottery's Thank a Teacher Contest

By Jennifer Mullen, Communications Manager, Virginia Lottery



When the Virginia Lottery launched its “Thank a Teacher” campaign in 2016, it was an immediate hit. The simple gesture of sending a thank-you note to a teacher who has made a difference in a person’s life caught on. In its first two years, Virginians distributed more than 70,000 thank you notes to K-12 public school educators.

Now those thank-you notes will have a distinctly different look, with three different designs created by students.

In the inaugural “Thank a Teacher Art Contest,” K-12 students from across Virginia submitted nearly 1,000 original designs. The three winning designs, one each for high school, middle school and elementary school students, were selected by a blue-ribbon panel of representatives of Virginia’s arts community.

The designs appear on the hard-copy notes and in the electronic versions which can be submitted from a website, thankateacherva.com. The notes are distributed in conjunction with the start of National Teacher Appreciation Week.

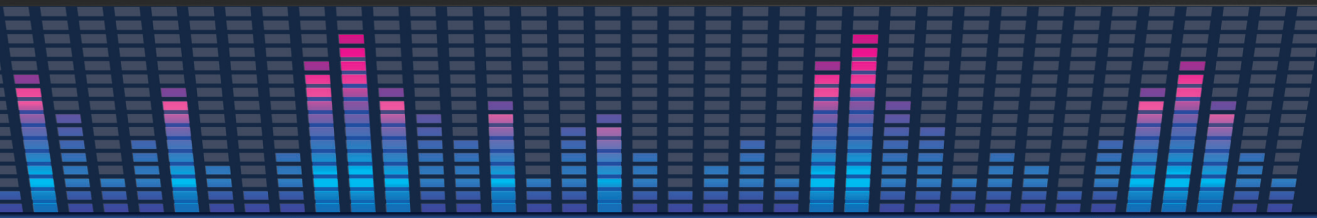
The three students whose designs were selected were unaware of the honor until Virginia Lottery representatives surprised them at their schools with the good news. Each received a \$150 gift card

and \$1,000 for their school’s art department.

“All of us at the Lottery are proud of our key role in supporting Virginia’s K-12 public schools, so it’s really meaningful when we have the chance to celebrate our great teachers and their most creative students,” said Virginia Lottery Executive Director Kevin Hall. “We were excited about adding this really interesting new component to the Thank a Teacher campaign. It’s great to be able to incorporate the artistic talents of this remarkable group of students.”

What makes the Thank a Teacher campaign truly unique are the prizes that go along with it. Teachers who receive thank-you notes can enter them in a special drawing for a chance to win Virginia-themed vacations or four round-trip train tickets to anywhere in the northeast corridor. The prizes, offered through partnerships with fellow Virginia agencies, were the first of their kind in Virginia. ■

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SPACE INVADERS
\$250,000
CASH INVASION

WINNING NUMBERS:

YOUR NUMBERS:
 PRIZE PRIZE PRIZE PRIZE PRIZE
 PRIZE PRIZE PRIZE PRIZE PRIZE
 PRIZE PRIZE PRIZE PRIZE PRIZE

WIN UP TO \$250,000!

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown for that number.

\$1 **FAST PLAY**
SPACE INVADERS
\$250,000
CASH INVASION

10	22	15	32	50
46	88	18	94	17
25	11	71	16	32
85	13	23	19	27

YOUR SHOTS
 98 41 61 55 79 18 12 36 95
 45 60 23 28 80 56 63 88 16

HOW TO PLAY
 Match any of YOUR SHOTS to the numbers below each base Invader to eliminate them. Eliminate at least three Space Invaders to win a prize.

Win \$1
 Win \$10
 Win \$100
 Win \$1000
 Win \$10000
 Win \$100000
 Win \$1000000

\$2 STATE LOTTERY
SPACE INVADERS
\$250,000
CASH INVASION

YOUR NUMBERS:
 PRIZE PRIZE PRIZE PRIZE PRIZE
 PRIZE PRIZE PRIZE PRIZE PRIZE
 PRIZE PRIZE PRIZE PRIZE PRIZE

WINNING NUMBERS:

\$500 BONUS!
 Reveal a "B" symbol and win \$500 instantly!

WIN UP TO \$250,000!

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown.

THE INVASION IS COMING!



Iowa Lottery Wins International Gaming Compliance Award for Work in Investigation

The long-running case culminated in 2017 guilty pleas from three men.

The Iowa Lottery has won an international gaming-compliance award for its work in the long-running lottery jackpot investigation that uncovered fraud against U.S. lotteries and resulted in guilty pleas from three men.

GamblingCompliance on April 18 named the Iowa Lottery its 2018 recipient for outstanding achievement in compliance. The organization's annual awards that recognize excellence in 11 categories focused on regulatory compliance and responsible gaming were presented in London. The lottery was one of five finalists worldwide for the gaming compliance award.

"I'm enormously proud of the work we put in and the perseverance investigators showed through the years in bringing this long-running case to a successful conclusion," Iowa Lottery CEO Terry Rich said. "This was a crucial opportunity for us to pinpoint

security enhancements and new technologies that we could bring to our operations. I'm confident in the integrity of our games and know we will continue to aggressively monitor and make improvements to protect against vulnerabilities identified."


GamblingCompliance, with headquarters in London and its U.S. hub in Washington, D.C., provides independent legal, regulatory and business intelligence to the global gambling industry.

The jackpot investigation case began with a lottery ticket purchased in Des Moines in December 2010 and culminated in 2017 with guilty pleas from three men who admitted they illegally claimed prizes by rigging lottery drawings in five states. Eddie Tipton, the man at the center of the investigation, installed malicious computer code that allowed him to predict winning numbers in some lottery drawings.

Tipton pleaded guilty to three felony charges in Iowa and Wisconsin and was sentenced in August 2017 to up to 25 years in prison. He had conspired with friends and family to claim lottery prizes in Colorado, Kansas, Oklahoma and Wisconsin and attempted to claim a lottery jackpot in Iowa, which ultimately was not paid.

Tipton's younger brother, Tommy Tipton, also pleaded guilty in the case, as did Tipton's long-time friend, Robert Rhodes.

"It's appalling that the person at the center of the case once worked at a lottery industry vendor organization and willingly committed crimes," Rich said. "He was brought to justice and we have moved forward with an even greater understanding that we must trust but verify in all areas of our operations. We're pleased that this international award recognizes the team for that effort." ■



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Interstate online poker launches for Delaware, Nevada and New Jersey

Online poker players in Delaware received good news on May 1, when New Jersey was added to its poker network. The tiny state's online gaming platform, conducted in partnership by the Delaware Lottery and its three racetrack gaming facilities, is expected to be the prime beneficiary of the new agreement. For the past three years, the Delaware Lottery's poker platform has shared liquidity with WSOP.com in Nevada. The addition of New Jersey to the pool means Delaware players will see even larger game selection and number of players.

To make the historic interstate agreement happen, new poker software from WSOP.com and 888Poker was cleared in testing by the regulatory bodies in Delaware, Nevada and New Jersey, paving the way for pooling players from all three states – a major step for gaming operators in the U.S.

The linking of all three states allows customers in Delaware, Nevada and New Jersey to play poker against each other. This shared-liquidity gives way for larger prize pools, better game selection, wider time zone coverage and expanded tournament offerings. Shared-liquidity describes the method of previously segregated poker platforms combining to allow those previously segregated players access to the same shared pool.

The process has demonstrated that different regulations administered by multiple regulatory bodies can work proactively together to provide entertainment in a safe and secure environment for consumers. The protection of players and game integrity drove this collaboration which serves to benefit the players, states and operators.

"This has been a huge collaborative effort from all involved and it is important to thank the elected

leadership and regulatory authorities in Delaware, Nevada and New Jersey for their dedication and diligence to help move online poker forward," said WSOP.com's Head of Online Poker Bill Rini. "Everyone has had the end user in mind throughout this process, and as a result, we believe the United States for the first time in a regulated environment, will have a large-scale multi-state offering that will propel the industry forward..."

During this process of pooling players from different states, WSOP.com and 888Poker have made a number of upgrades to the software that will enhance the user experience and keep players engaged.

"The DGE has been happy to be part of this process, and to see it implemented so expeditiously after the signing of the agreement is a testament to all of the parties involved," said Robert Moncrief Jr., Deputy Chief of the New Jersey Division of Gaming Enforcement's Technical Services Bureau. "We are pleased to see this long-sought multi-state poker agreement come to fruition. This will raise jackpots and provide even greater opportunities for play. It also paves the way for additional states to join and grow the regulated, legal online poker market."

"The Delaware Lottery is very pleased to be able to offer Delaware's online poker players this exciting opportunity to enhance their gaming experience," said Vernon Kirk, Director of the Delaware Lottery. "The Multistate Internet Gaming Agreement has proven to be a great vehicle for allowing its member states to take advantage of such cooperative efforts." He noted that Delaware has seen an early, steady increase in daily active players since New Jersey was added to the network.

"The NGCB is pleased to be part of this collaborative effort between



regulators, operators, and the platform manufacturer to achieve the common goal of providing a sound gaming experience for patrons across multiple jurisdictions while still meeting our individual jurisdictional requirements," added Nevada Gaming Control Board chairwoman Becky Harris.

"Pooling poker players from three states will be a significant regulatory step in the US and is very exciting for our players and partners," said Yaniv Sherman, 888 Senior Vice President and Head of Commercial Development. "The guidance and coordination provided by the regulators in the three states has been instrumental to the potential success of shared liquidity."

This transition required Delaware and Nevada consumers to download the new poker client and create a new account to be able to participate. This also means the existing Delaware and Nevada poker software ceased to operate after this process took effect. New Jersey players with an existing account are able to play without delay.

888's proprietary technology powers 888Poker and WSOP.com and operates in all three states. 888Poker operates exclusively in Delaware for the Delaware Lottery; 888Poker and WSOP.com offer poker to the New Jersey public; and in Nevada, WSOP.com is the exclusive operator using 888's platform. ■

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Making A Difference



Faced with challenges, all living beings have an innate fight or flight response. For most species, instinct kicks in one way or the other, honed by generations of survival. As human beings, we have a choice. Faced with a personal tragedy of the highest order, Mary Neubauer chose to fight – to call on every ounce of her extensive experience in legislative and public relations to bring about change to help those who face similar circumstances. The Iowa Lottery's Vice President of External Affairs made a real difference in a way she never dreamed.

"Mary is a true public relations pro," said Terry Rich, the Lottery's President and Chief Executive Officer. "Her experience, passion and drive are key elements in the success of the Iowa Lottery. Then God gave Mary a turn in life to use her life-long passion to help the mental health needs of others. The rewards of that mission will be felt by many for a long time to come."

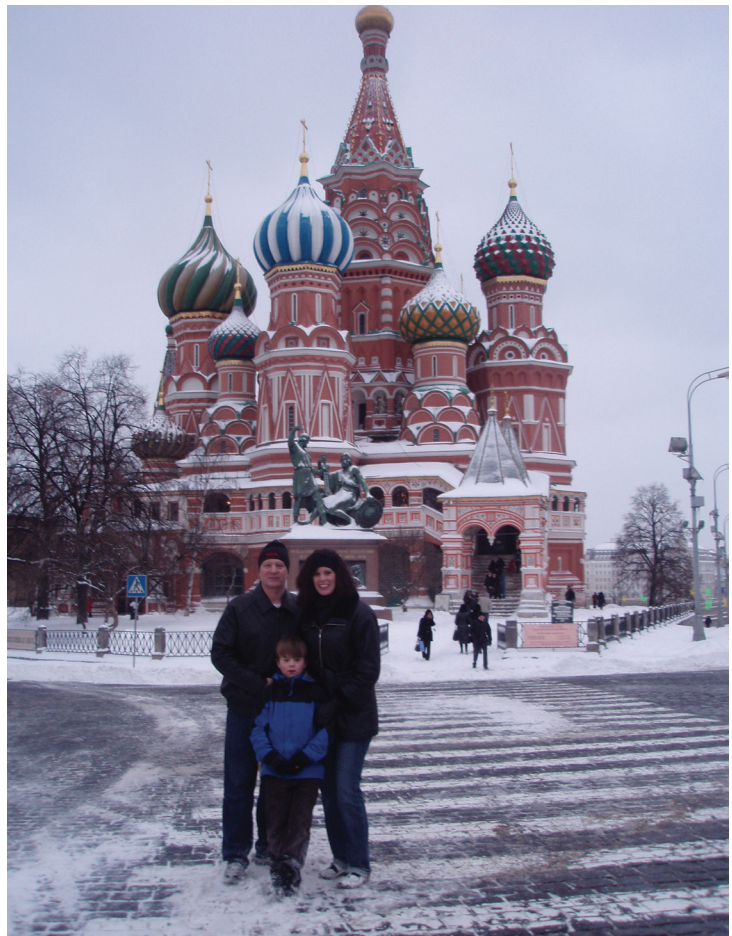
Neubauer first joined the Iowa Lottery in 1999 as the Manager of Public Affairs after spending her early career primarily as a legislative reporter; she was named to her current position three years later. She appreciates the non-competitive nature of the lottery industry when communications challenges come up. "I consider myself incredibly blessed to have been able to build friendships with my communications counterparts throughout the industry – they are talented, smart, dedicated staffers who are experts at what they do." She never hesitates to pick up the phone to get advice if she has to deal with a particularly tough line of questioning – getting an outside perspective can be invaluable. "The best ideas are sometimes those that are borrowed!"

Over the years one thing that has changed is the speed at which responses to critical situations is needed. "Years ago, we might have had a few days to respond in a crisis, but today, any organization is lucky to have a couple hours in which to formulate a response." And she knows how to deal with a crisis – she was at the epicenter of the jackpot investigation case involving Eddie Tipton, developing communications techniques to manage the Iowa Lottery's message during the seven-year investigation.

Last fall, she faced a crisis of a completely different kind together with her husband Larry Loss, the Lottery's Executive Vice President. In 2009, the couple had traveled to Russia to adopt an 11-year-old boy named Sergey (he would come to spell his name as Sergei over time because people mispronounced his name with the traditional Russian spelling). They knew instantly upon meeting him that he was their new son. As he grew up in Iowa, he developed

Mary Neubauer

Vice President, External Affairs, Iowa Lottery





into a fun-loving teenager who was fascinated by science, loved animals and enjoyed baking and cooking. He was a gifted athlete, excelling in soccer, football and track before wrestling and rugby became his passions. And as a typical teenage boy, he was crazy about girls.

But unlike most boys, he was hiding a terrible internal struggle with mental illness. He eventually was diagnosed with PTSD, major depression, anxiety and survivor's guilt from his tumultuous and abusive childhood in Russia. Multiple times he tried to take his own life, and he ultimately died on September 25, 2017.

Instead of allowing the tragedy to consume themselves as well, Mary and Larry set about to tell Sergei's story, driven by the incredible frustration they felt over the years as they tried to find mental health resources to help their son. They became advocates for change, and after months of hard work – and tapping into Neubauer's expertise in legislative affairs – two new mental health bills were signed by Iowa governor Kim Reynolds on March 29. One requires suicide-prevention awareness training annually for all K-12 educators in Iowa. The other is a complex-needs bill that considerably improves the landscape of mental-health services in Iowa.

"Both bills passed the legislature unanimously, which is almost unheard of for all but the least controversial ideas you could possibly imagine," marveled Neubauer. "Human services and mental health bills just don't pass unanimously, so this was an astounding, jaw-dropping outcome."

While there is more work to be done, she can for the time being take a little respite, taking comfort in the fact that Sergei's legacy continues on as she and Larry adapt to a life without him.

In whatever spare time she can muster, Neubauer has volunteered for different causes, including the adoption of retired racing Greyhounds and funding-raising for NAMI, the National Alliance on Mental Illness. She has a bachelor of science degree in journalism from the University of Kansas, and is a past recipient of the NASPL Powers Award.

What are some of the legislative initiatives you have been involved in, and are there any secrets to successfully working with elected officials?

The interesting thing about the legislative process to me is that it generally takes as much (or nearly as much) effort to change just a couple words in the law as it does to change an entire chapter of Code.

One of the legislative projects I'm particularly proud of was the change in the law we made so that a portion of Iowa Lottery proceeds each year benefits Iowa veterans and their families through the Iowa Veterans Trust Fund. I can't imagine a more deserving group of people for the lottery to help, and the public understands exactly how the money is being used, which has been a huge benefit to our lottery. We also recently changed the law so that the Iowa Lottery could utilize touch-screen technology in the self-service kiosks that we deployed last year. When the law governing the lottery was written years ago, touchscreens didn't exist in vending machines and weren't even on the technology horizon. That obviously has changed, and we were able to clearly explain to legislators that we needed to make the change so the lottery could evolve along with technology.

Legislative relations is likely the most challenging part of my job. I utilize the same skills in legislative relations that I do in other facets of my job: I am willing to "spin" an issue to present the lottery's viewpoint, but I will never spin something so far that it isn't true. When people reach out to me, I get back to them as quickly as I can – I understand the urgency that



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comes with legislative relations and the fact that an answer delayed even a few hours can mean you will have completely missed an opportunity.

I do my best to take complicated language and explain it in terms that everyone can understand. And I thank people a lot. In today's highly-charged political environment, legislators often get yelled at and told in no uncertain terms what they're doing wrong. But they are real people with real lives who are dedicating a huge chunk of their time to serving as a state lawmaker. I truly believe that they deserve thanks for their service and I make it a point to routinely send hand-written notes thanking people when they have helped me.

What were the key tenets of properly handling the Tipton case?

It was obvious that something was amiss from the earliest contact we had with those trying to claim the multi-million-dollar Hot Lotto jackpot that was won in December 2010 in Des Moines. I took one of the first calls that the lottery received, and the man I spoke with flat-out lied. We absolutely believed that we needed to determine what had occurred if we were to protect the integrity of our games and the billions of dollars at stake in

them. It was an ultimate version of the modern-day mantra, "If you see something, say something."

We did our best to support and cooperate with law enforcement once the criminal investigation began, and we did our best to communicate and be open with the public about what was occurring and why. But those two forces can sometimes be opposing taskmasters: Some details of a criminal investigation simply can't be revealed at the time that the public or the media may want them to be, because doing so would compromise the entire case or put in jeopardy a citizen's right to a fair trial.

There were times when we simply couldn't answer questions we were receiving from the media, the public or other lotteries because of the restrictions involved in the criminal-investigation process. We did our best to explain that, but people weren't always happy with us, and we had to live with that.

The case obviously ended up being an extremely large, complicated situation that spanned multiple states and involved multiple jackpots, not to mention computer hacking and malicious code. In a perfect world, the case wouldn't have taken as long as it did to play out, but real life isn't like

the movies. I still marvel at the work that our industry and law-enforcement investigators did in building the case and following the evidence over the years.

In the end, I believe the case was a crucial moment that has resulted in our lottery having better information and new tools to protect the integrity of our games. We at the Iowa Lottery are even more aware today that we have to remain vigilant if we're to stay ahead of those who would try to commit crimes.

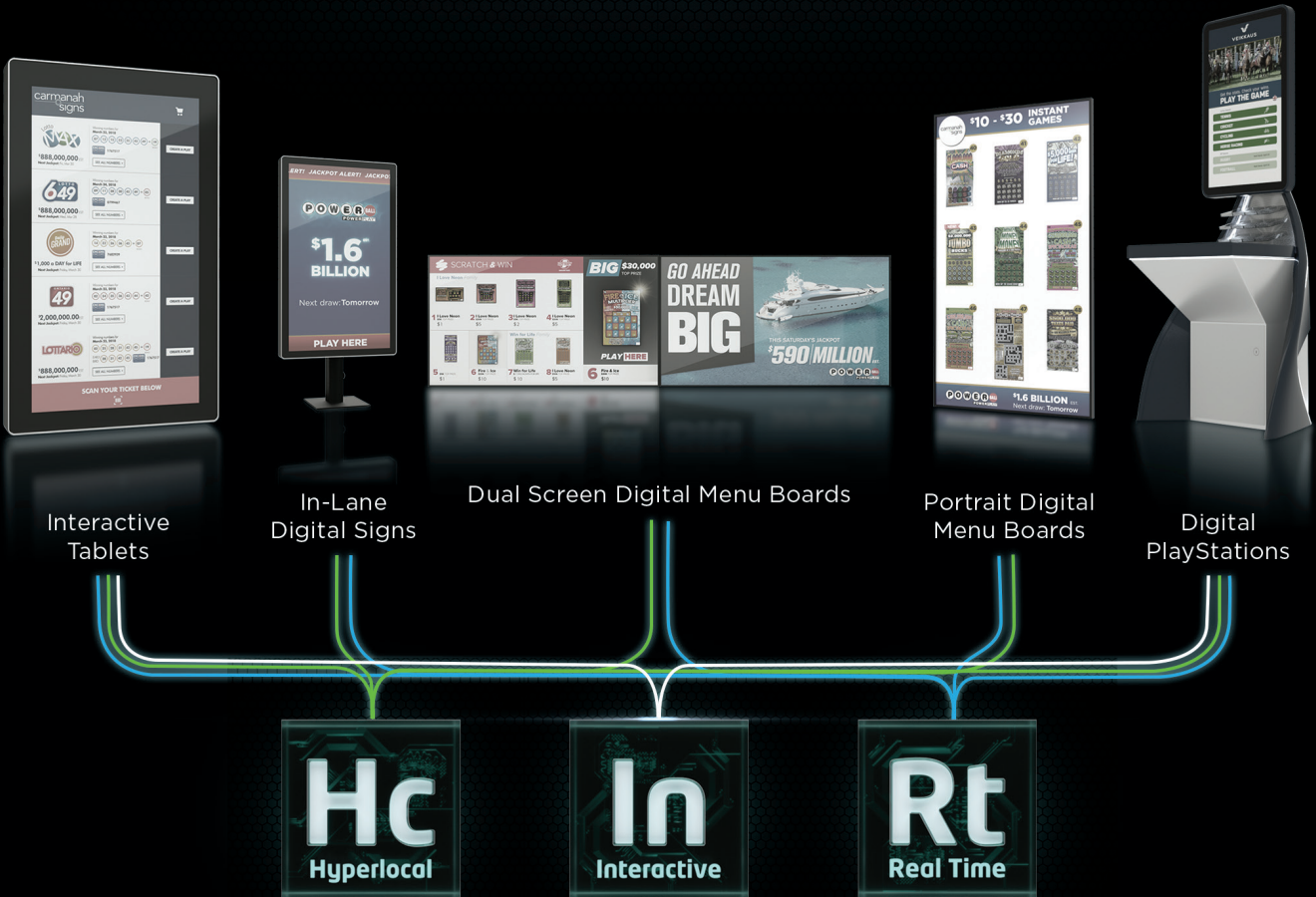
How do you get the media to cover good lottery stories?

If I recall correctly, perception studies have shown that as human beings, we remember negative details much more strongly than we do positive ones. It's how we're wired as a species – and it has likely helped us survive through the ages! I think the statistics show that it takes 11 positive experiences to balance out the impact of one negative experience. So in some ways, I understand that none of us are immune to "negative news."

My staff and I continue to do our best to be good story-tellers. A news release we sent out near Valentine's Day this year featured a woman joking about the "cheap gift" that her

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husband got for her. It was a lottery scratch ticket that ended up winning a \$100,000 prize. That story got huge play in the media and online because of the “cheap gift” reference. Without that element, it would have been just another winner story. So, we do our best to find the interesting little details and then let those shine through.

We also have changed the approach we utilize with our news releases, understanding that newsrooms today are routinely running with very thin staffing. We take a harder look today at the difference between entertainment and news and do our best to only send out releases about newsworthy items. We don’t want to waste reporters’ time.

Tell us a great experience from your near 20 years at the Iowa Lottery.

I’ve gotten to meet hundreds of winners of \$1 million or more, and thousands of winners at levels below that. Every story is different, and each winner has his or her own unique perspective to share. Their enthusiasm and excitement are catching. It reminds me that no other organization gets to do what we do in terms of giving away prizes!

One of my favorite stories of all time involves a quirky little detail. A man in his golden years came to the lottery on a Monday to claim a prize. He had known on the Friday before that he had won, but it was after business hours that day, so he knew he would have to wait a few days before claiming

his prize. He said he was nervous that something would happen to his winning ticket. So, I asked him where he had kept it over the weekend. He said he put it in his dentures case because no one would ever look there! I remember just laughing and laughing with him that day. It was possibly the most unique answer I have ever heard. He was right: Who would look in a dentures case for a lottery ticket? I love stories like that!

How has the experience with Sergei changed you?

I truly believe this has made me more grateful for my own life and for the opportunities and the experiences that I have had. It has made me more aware of the struggles of others, and I believe it’s made me more empathetic to people around me. I try to live a “be kind” mantra every day, because it does matter.

We have shared Sergei’s story on several occasions, and will continue to do so moving forward. It’s important for his story, and the stories of others, to continue to be told so people can understand. Getting two bills passed was a great success, but there are still improvements to be made and other initiatives that need attention.

A friend coined the term Sergei’s Soldiers for a NAMI Walk for Mental Health, and we thought it was absolutely perfect. We have used that phrase ever since to signify our push for change. ■

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WHICH KENO?

STEPHEN WADE, PRINCIPAL, LOTTERY MANAGEMENT CONSULTING, LLC.



Once my eyes were opened to the peculiar charms of Keno, it occurred to me that there might be something important to learn from how players use the many value propositions offered by the game. Typically, it is possible for players to pick anywhere from one to ten numbers, and to bet on the lottery's draw matching some or all of them. Given that the lottery draws 20 from a field of 80, the likelihood of the lottery's draw matching that one number picked by a 1-spot player is pretty high – one in four – and the payout for that win is correspondingly low. On the other hand, the likelihood of the lottery's draw matching every element of a player's 10-spot pick is about one in nine million, and the payout can be correspondingly high. Given this range of opportunities, what do players buy?

I realized that while the definition of Keno does not speak to how often the lottery makes its drawing, the practical reality of the game must depend on how quickly results are served. In some US jurisdictions, only one drawing per day is allowed by law. Lotteries that offer Keno once per day generally find that it has a

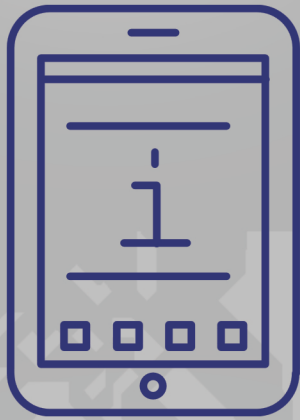
small following and does not do a lot of business. An increasing number of lotteries offer Keno in a 'quick draw' form, with drawings every four or five minutes through part of the day. Keno in this form can be very important source of revenue. If Keno every four minutes is good, might not Keno on demand – that is, instant Keno – be better still?

As it happens, the Michigan Lottery is in a better position than anyone to answer that question. The Michigan Lottery was selling quick-draw Keno when legislation was enacted allowing them to venture into selling lottery games over the internet (iLottery). Working with their partner NeoPollard, they were able to develop instant Keno games to suit the new platform. The outcome probabilities behind these on-demand games are the same as in a Keno draw game, but there is not a lottery draw that happens on a published schedule. By all accounts, the Michigan experience with iLottery has been very positive. A browse through their online (digital) offerings shows more than 50 game titles, of which four are varieties of Keno. I will refer to this group as digital Keno, to avoid confusion with one member of the group that is called Instant Keno.

Given this abundance of choice, and the continuous expansion of Michigan's digital business, I am not sure that I would learn much about fundamental player preferences by comparing across digital Keno game titles. The digital Keno games vary not only in obvious things like graphics and whether a multiplier is part of the game definition, but also in non-obvious things like time on the market (novelty vs. familiarity) and the rate at which the players' spending is returned as prizes (that is, the lottery's prize expense).

On the subject of prize expense, the Michigan Lottery digital games all recognize the principle that as players wager more frequently, they need to see a higher rate of financial return in order to stay engaged in the game. Just as the shift from once-a-day Keno to quick-draw Keno is usually accompanied by an increase in prize expense from 50 percent to about 65 percent, the shift from quick-draw Keno to Keno-on-demand is accompanied by a substantial increase in prize expense. The tradeoff between volume and profitability is understood in a general way. Fine-tuning the game offerings to improve the bottom line is a promising area for innovation.

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However, within a single game title, the visuals and the prize expense are stable, and there are still ten different wagers available. The rest of this article focuses mostly on identifying the “sweet spots” within each game, after recognizing major differences among games.

The table to the right is based on data kindly provided by Victor Marmorstein, Digital Games Program Manager for the Michigan Lottery, in September 2017. For three of the digital Keno titles that had many months of market history at that time, it shows the proportion of spending on each of the ‘spots.’ For contrast, the corresponding distribution of spending in quick-draw Keno (Club Keno) is shown in the far-right column. The table reveals that spending tends to go to different spots in different games. The concentration of spending at the 10-spot in the digital games stands in contrast to the concentration at 4- and 5-spots in Club Keno.

We know that when comparing instant games, many players express a preference for big top prizes, while others speak of smaller prizes as appearing more winnable. Within Club Keno, the size of the top prize increases from \$75 to \$410 to \$1,100 as the number of spots played increases from four to five to six. Among these three bets, though, the 5-spot is much preferred, and the 6-spot is neglected. What is distinctive about the experience of playing the 5-spot? With reference to the charts below, I suggest the answer is in the winning experience provided to most players who spend less than \$200 on the games.

In the following graphs, each prize-tier is represented by a wedge. The wedge first appears at the level of spending where we can say, “most players who spend this much will win this particular prize tier.” The thickness of the wedge represents the average value of wins across many players (the Expected Value, or Return to Player, at this level of play).

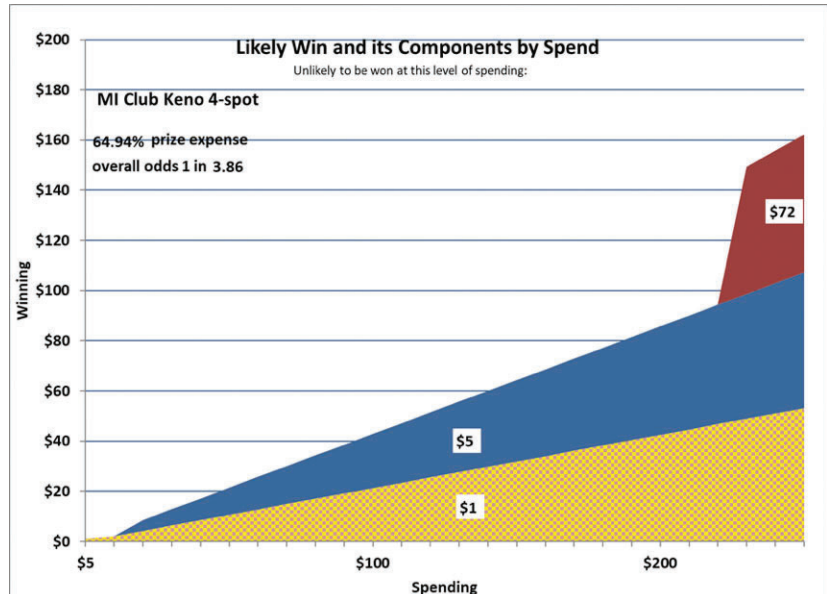
The most common prize in the game is the first to appear as spending increases. Usually this is also

Distribution of Wagers: Michigan Digital Keno and Club Keno

Share of Bet Counts (%) within each Game

Number of Spots Played	Instant Keno Multiplier	Instant Keno	Fuzzball Keno	Club Keno
1	0.1	0.6	20.0	0.1
2	1.4	0.7	1.5	9.6
3	2.6	1.1	1.0	10.7
4	7.1	15.5	8.6	24.0
5	9.1	8.1	5.2	35.6
6	3.1	9.8	4.3	3.4
7	9.4	11.0	9.3	4.0
8	9.4	15.3	5.6	7.3
9	15.2	8.6	8.4	0.9
10	42.6	29.2	36.1	4.4
RTP (approximate)	77%	87%	87%	65%

Michigan Club Keno 4-Spot



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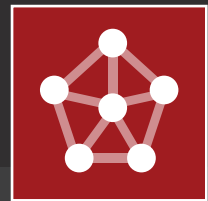
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Classifieds



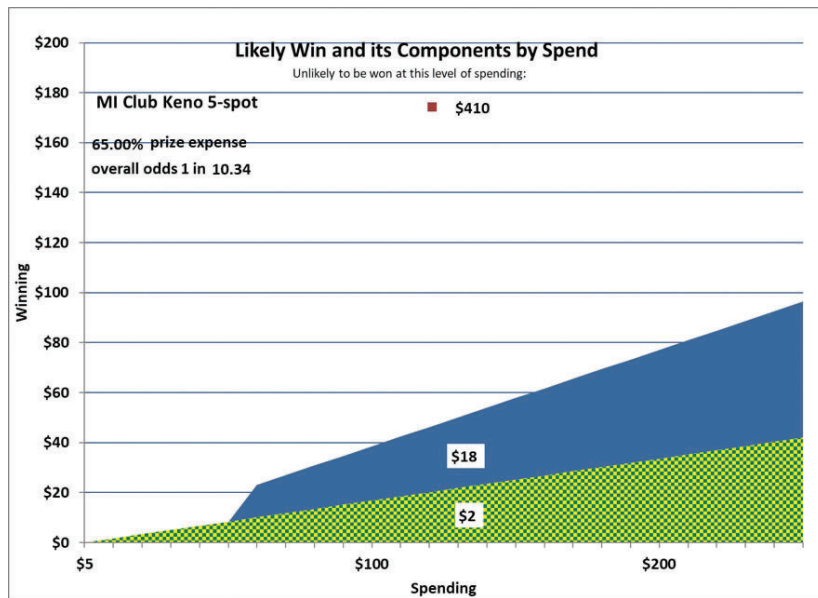
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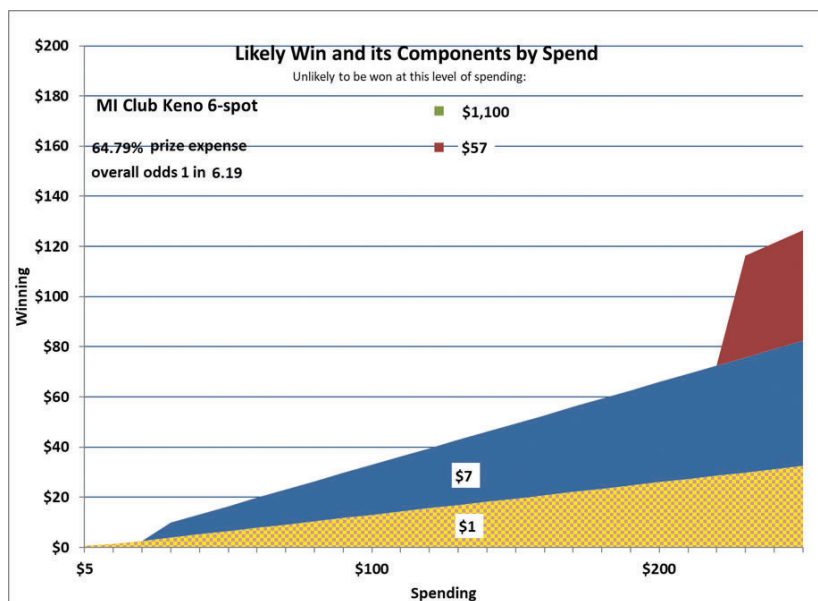
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Michigan Club Keno 5-Spot



Michigan Club Keno 6-Spot



the lowest-value prize. In these charts, the lowest-value prize is represented differently depending upon whether it is the same as the wager (a break-even prize of \$1, as in the 4- and 6- spot Club Keno games) or bigger (as in the 5-spot Club Keno game).

First, what does not differ much among the three: the return to player for the first \$200 spent is not high – around 35 to 40 percent. Next, what distinguishes the 5-spot from the 4- and 6-spot is the absence of a celebration-worthy prize for most players who spend between \$200 and \$250. A further distinction of the 5-spot is that it avoids the break-even prize that accounts for a big share of the return to player in the other bets. The 5-spot wager returns double-your-money wins from fairly early, and 18-fold wins to most who spend \$50 or more. But it pays nothing larger to most players who spend less than \$1,000. Does this seem like a less satisfying winning experience, compared to winning \$57 (6-spot) or \$75 (4-spot) for less than \$250 spent? Perhaps it is. But success in the lottery business is not always about satisfying the customer, it is about keeping the customer engaged. And I submit that the higher dollar volume attracted by the 5-spot Club Keno prize structure suggests that it is superior in keeping players engaged. Quite likely, most players spend less than \$200 in a session. Even though the rate of return to the player is similar, winning in chunks of \$2 or \$18 appears more engaging than winning a similar amount in chunks of \$1 and \$5, as in 4-spot Club Keno. The rate of return for spending less than \$200 is notably lower in 6-spot, and players may feel this.

The preference for 10-spot play among the digital Keno games stands in contrast to the concentration at 4- and 5-spots in Club Keno. Why are players more willing to go for the higher spots in the digital Keno games compared to Club Keno? A glance at the prize tables shows that the digital games are very much more oriented toward keeping the player engaged, especially at high spots. Although the prize expense is much higher in the digital games, the size of the top prize is 1/10 that in Club

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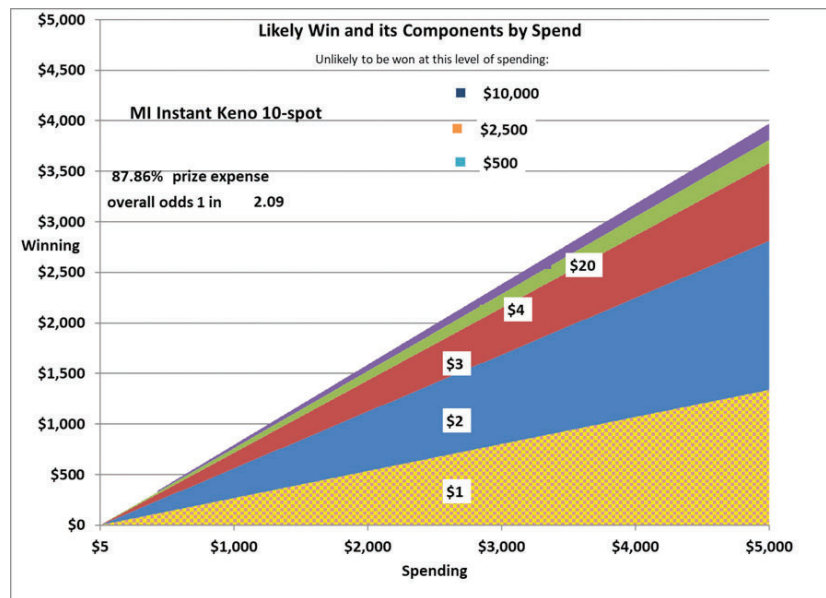
Keno. The extra return to players is delivered mostly in small chunks, not in show-stopping amounts. Common outcomes, that are near-wins in Club Keno, are paid wins in the digital Keno games. A typical offer is shown in the first chart on this page.

However, among the digital Keno games there are still some notable sweet spots, aside from those with highest top prize. These are exceptions to the pattern discussed above.

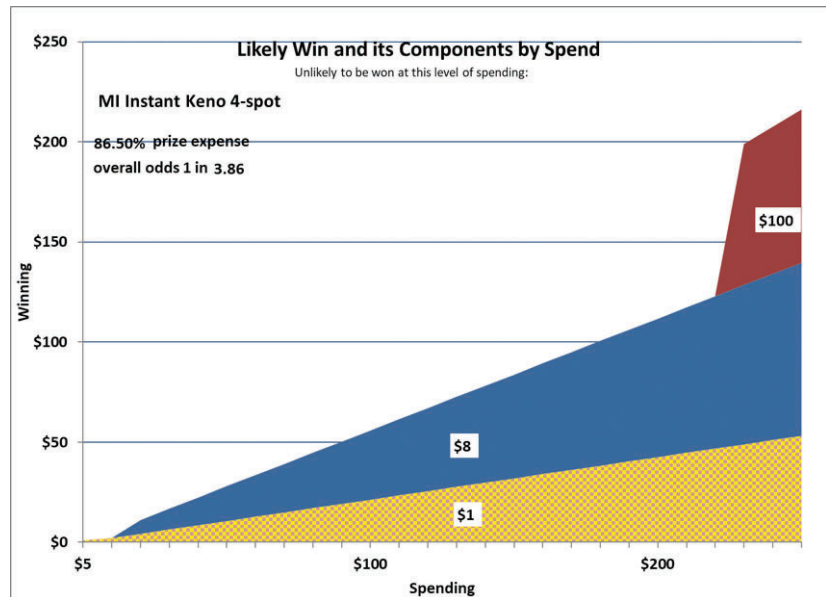
The first sweet spot that caught my attention was the 1-spot bet in Fuzzball Keno, attracting 20 percent of the spending in that game, while no other 1-spot bet took even one percent of the volume in the other games. A glance at the corresponding prize table showed why: Every bet in 1-spot Fuzzball Keno wins something! The lottery pays double the wager in the event of a match (probability one in four), or half the wager in the event of no match (probability three in four). Instant Keno has a similar prize expense, but it pays 3.5 times the wager for the 1-spot win and otherwise nothing. Evidently, the distinctive ‘double or half’ proposition answers a player preference that is not met by other games.

As a further exception, within Instant Keno, there is a notable player preference for 4-spot play. For this wager, in contrast to the higher spots just mentioned, the prize structure is oriented toward actually delivering a notable top prize. Fully 30 percent of the value of the wager goes to fund the \$100 top prize, and that prize is within the likely winning experience of players who spend more than \$230. Compared to the Club Keno 4-spot examined earlier, the number of prize tiers and the probability of winning them is the same, but setting the middle prize at \$8 instead of \$5 may help sustain engagement in a way that eventually brings more players an actual top-prize win. In this case, the accumulation of player dollars to the 4-spot Instant Keno may show that the \$100 prize is relatively reachable.

Michigan Instant Keno 10-Spot



Michigan Instant Keno 4-Spot



These examples illustrate the versatility of the Keno framework. Within the one game definition, we find it possible to build a huge variety of gaming propositions. Unfortunately, this may make it hard to explain to players just what

Keno is, other than a game involving extraordinarily many numbers. As the digital era provides improved insight into how individual players use the game, it will be very interesting to learn whether one player uses primarily one spot, or several. ■

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Jennifer LaPlante



Elizabeth MacRae

PLAYER PANELS:

How to harness your clients for research

Jennifer LaPlante, Director of Knowledge and Insights, and Elizabeth MacRae, Research Manager, Atlantic Lottery

Atlantic Lottery is riding an innovation wave. With new retail and iLottery operating systems, and a growing culture of innovation, the company is evolving its products faster than ever. We have had to refocus our research and analytics efforts to align with our new market potential and the ability to more easily expand our product portfolio.

Why a player panel?

Our innovation team focuses on a design thinking approach, which basically means that each step of the design process emphasizes customer input from concept, to prototype, to final product before it gets launched. In addition, our marketing and operational teams need to conduct a broad range of studies to inform and guide strategic and operational decisions. The cost of general population market research has become increasingly expensive, making it challenging to reach our target audiences to collect statistically representative data from niche player bases. Our online panel provides us with direct access to a sizable sample of engaged players willing to provide their opinion through online surveys.

Over the past five years, Atlantic Lottery has been growing its online community of players to help inform decision making. We use a third-party web-based platform to survey our community. The tool gives us full control over the design and execution of online surveys, data analysis and reporting.

Unlike qualitative research like focus groups, we are able to direct surveys to specific or broad player groups. Within a 48-hour period we can often have feedback from 1,500 players. This ensures we incorporate players' perspectives in our informed decisions.

Representative of our demographic

The Insiders, as we call them, are made up of lottery players from the four provinces that make up Atlantic Lottery's jurisdiction. This ensures we have representation of all urban and rural areas within Atlantic Canada when conducting our research. The Insiders are a vast demographic mix of age, gender, income and education ranges.

We often reach out to players for qualitative research, recruiting players to visit us for a focus group or one-on-one discussion. Recruitment through our panel is a cost effective way to find specific players. Some of our regional games are played by a small segment of the population; our panel incurs no incremental cost to reach out directly to these players versus costs associated to finding them through traditional focus group recruitment methods.

Not only does our online panel platform provide us with a direct relationship with players, we also have a community of retailers who sell lottery as part of their job. This tool allows us to collect anonymous opinions from retailers on topics like operations, educational tools and their overall satisfaction with Atlantic Lottery.



Attracting and engaging our customers

We have built our community of players through contests, promotions, opt-in during signup for our online services, and promotion of registration through social media.

From an engagement perspective, we offer incentives for Insiders and retailers to participate in every study. We also recruit Insiders to come into the Atlantic Lottery offices to participate in one-on-one research initiatives. Seeing lottery products players have selected for sale can also act as an engagement factor.

Value of the panels

The collective input provided by our community through targeted surveys provides Atlantic Lottery with insight and validated learning from players. We establish each study with an objective to garner insight about certain player demographics and categories to make informed decisions about new products, advertising, communications and product innovation.

In the past year alone, Atlantic Lottery had more than 150,000 panel engagements, resulting in a total of 44,400 survey responses. We completed more than 70 studies. Each year we derive approximately \$1 million to \$1.5 million worth of research from our panel.

Fast, cost efficient and effective

Timeliness is a strong factor in a lot of the panel research effort. Turnaround time for most projects is typically four to six business days, but we have also provided insights with timelines as short as 24 hours. As an example, this has been very useful during prototype development for our upcoming mobile-enhanced upgrade to our sports-betting website. We were able to develop the mobile site design, share with our sports players, make changes based on feedback, and test the newer design. The entire turnaround of customer validation of concept design happened repeatedly within a matter of a few days. Our ability to leverage the opinion from players on our products and concepts reduces the development time and ensures we garner valid customer input when making developments.

We have also given the business the ability to make informed decisions before a product or campaign is launched as opposed to shifting strategy and making costly adjustments mid-campaign. Having customer insights before a launch and advertising program evaluations has resulted in greater efficiency with our marketing initiatives and increased engagement with our stakeholders. ■



Lottery Leadership Institute Recap

By Mackenzie Whitacre, NASPL Communications Coordinator

This year marked the 25th anniversary of NASPL's Lottery Leadership Institute, a unique conference focused on industry education, improved leadership practice principles, effective communication, emotional intelligence and more. A record number of attendees – myself included – gathered in Des Moines, Iowa, to participate in informational lectures and discussions, teambuilding exercises and other interactive sessions comprehensively designed to make us all better leaders.



T

he three-day event kicked off with a few words from NASPL Executive Director David Gale and Iowa Lottery President and Chief Executive Officer Terry Rich. After an introduction of the NASPL staff and a warm welcome to Des Moines, attendees broke into groups for a classic team challenge. Each group was given the task of creating a stable, freestanding tower using only spaghetti, string, masking tape and a marshmallow. Every team dove right in,

working together to beat the clock and defy gravity.

"This is the most interactive group we've had so far," said Gale of the enthusiastic attendees.

It was a great way to break the ice and prepare everyone for the interactive exercises ahead.

For the remainder of the day, returning guest speaker John Rodgers presented an engaging seminar on leadership training using the Dale Carnegie method. Often citing Carnegie's *How to Win Friends and Influence People* (required reading for all LLI attendees), he reminded us that we don't have to be in a management position to be a leader. Everyone is a leader in one way or another. Furthermore, there are always opportunities to hone our leadership skills; no one is perfect. When individual leaders continuously strive to evolve and progress, everyone and everything around them improves as well. Rodgers boiled this sweeping concept down to one quotable phrase: "Everybody wins when a leader gets better – not perfect, just better."

Throughout the presentation, Rodgers provided us with pragmatic techniques to work toward accomplishing that goal of continuous improvement. These included tips direct from the Carnegie text, such as expressing genuine interest in other people, avoiding condemnation and showing honest and sincere appreciation. The key thing to remember: "It's not about me." We were often instructed to break into groups to explore and discuss subjects like determining core values, thinking outside the box and how to "turn frustration into fascination."

Rodgers also taught us the art of "stacking" – an extremely handy memory technique wherein one applies a mental combination (or "stack") of unique visuals to something otherwise difficult to remember. Using this method, everyone in the room was quickly able to recall and recite long lists of items, including the names of the original thirteen colonies – in order of settlement, no less!

After an educational first day, everyone headed out for a bit of fun at West End Salvage, a downtown event center and shop featuring one-of-a-kind furniture, antiques and jewelry. We all enjoyed some live music and excellent barbecue, provided by Smokey D's, while competing in a scavenger hunt that spanned the building's four floors of unique items.

Industry Knowledge

The following day's agenda focused more closely on the lottery industry and its relationship with retailers, vendors and the public. To begin, Gale presented Lottery 101. He discussed the history



of lotteries and NASPL and highlighted current and future NASPL objectives, including evolving retail efforts, responsible gambling initiatives and government relations programs. It was a brief but comprehensive rundown of the industry, helpful for both newcomers and lottery veterans alike.

"Lottery 101 helped fill in many blanks from the incomplete info that I have learned over the years," said one attendee.

Next on the agenda was a responsible gambling presentation by NASPL's resident expert Lori Rugle, Ph.D. To start the session, we broke into small groups to discuss what responsible gambling means and how it is addressed by individual lotteries and vendors. It was interesting to see how these answers varied from person to person. Rugle discussed the history of problem gambling and the progression of awareness and treatment options. She spoke specifically about the initiatives that NASPL and state lotteries have been involved with, such as Problem Gambling Awareness Month and NASPL's Responsible Gambling Verification Program. Her hope for the future is that responsible gambling remains "at the heart" of what lotteries do.

Later that day, Rich led two panels in question and answer sessions, asking questions sent in by LLI attendees prior to the conference. The first panel discussed lotteries and their retail partners, and was comprised of Larry Loss, Executive Vice President of the Iowa Lottery; Randy Ratcliff, Marketing Director of Git N Go Convenience Stores, Inc.; and Anne Johnson of Walmart. The second panel focused on vendor relationships and included Kim Lee, IGT's Vice



President of Diversity and Inclusion; Jeff Hewitt, General Manager of Intralot, Wyoming; and Mark Hoffman, Scientific Games' Vice President of Lottery Systems Operations. Both panels covered meaningful topics, like the best ways to establish successful "win-win" partnerships, the importance of accountability, and what the future holds.

The afternoon was also filled with fun, competitive team building exercises. After breaking into new groups, we all worked with our teammates to complete a number of mental and physical exercises, including puzzles, brain teasers, dexterity tests and more. In a surprise twist, the final challenge was a rap battle (following an impromptu dance party)! It was a tight race, but Team 2 ultimately reigned victorious. While the activities were certainly a fun and enjoyable way to get the blood pumping, they also served as additional reinforcement and practice of the leadership skills we picked up in prior sessions.

Unique Experiences

The last day of the conference took us offsite for inside looks at lottery operations, first for a tour of Scientific Games and the Multi-State Lottery Association. Each group walked us through their facilities and gave us a rundown of their day to day roles.

Finally, we headed to Iowa Lottery headquarters for a

I think the we all left the Lottery Leadership Institute with valuable lessons that will transfer over to both our professional and personal lives. I know I did.

meal provided by Brick Street Market, the passion project of \$202 million Powerball winner and Iowa native Mary Lohse. After lunch, Lohse and her husband spoke to us about how that win has changed their lives and enabled them to achieve their dreams and make a positive impact in the lives of others.

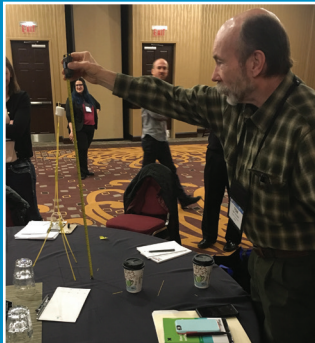
We also heard from Iowa Lottery executive staff members about what leadership means to them, and broke into smaller, role-specific groups for interactive discussions applicable to each department.

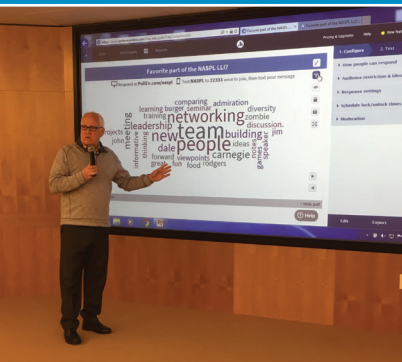
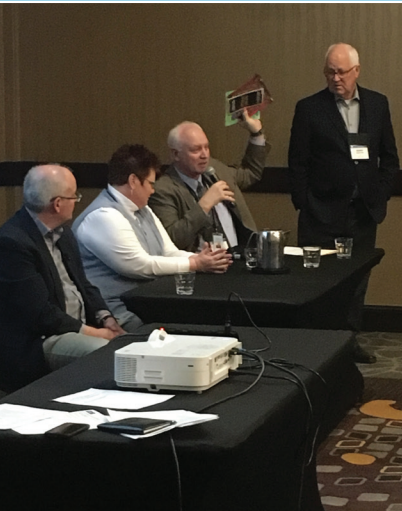
The final speaker was Catherine Huggins, Chief Advisor to Iowa Governor Kim Reynolds. Huggins delivered an inspiring presentation, taking us on her journey from a government internship in college to her current position. Along the way she provided us with advice on how to recognize opportunities, navigate tough situations gracefully, avoid "landmines" and find win-win scenarios.

Over the course of those three jam-packed days, we all gained a more comprehensive view of the industry and what it means to be a leader. Thanks to insightful, passionate speakers and thoughtfully planned exercises, we were able to take away a wealth of meaningful knowledge and advice. We formed new relationships and learned to recognize our own strengths and weaknesses. And we had fun while doing it!

I think the we all left the Lottery Leadership Institute with valuable lessons that will transfer over to both our professional and personal lives. I know I did. ■

Scenes from NASPL Lottery Leadership Institute







Atlantic Lottery

Atlantic Lottery's Innovations in Employee Responsible Gambling Training



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

By Lori Rugle, Responsible Gambling, NASPL

In this second article on key dimensions of NASPL's Responsible Gambling Guidelines, I thought it logical to follow the first piece on retailer training with a focus on employee training. This is a critical component of lottery RG practice as it addresses the need to engage ALL lottery employees in promoting RG. This is a challenging proposition – promoting responsible gambling may seem reasonable for those “frontline” staff who interact with retailers and lottery customers, but how does RG relate to someone working in finance or in the warehouse?

NASPL's Responsible Gambling Guidelines include a section focused on employee engagement and training on responsible gambling. A summary of ways that lotteries are encouraged to promote RG awareness and actions among their staff is included in the sidebar on the next page, and a full description can be found on the NASPL Matrix website. The guidelines in this domain recognize that it is key to the success of an RG program to engage a broad range of lottery employees. Lotteries are encouraged to convey the importance of RG within the lottery culture to all employees.

The Atlantic Lottery provides an excellent example of how these guidelines can be implemented. I would

like to thank Atlantic Lottery for sharing their training videos, and particularly thank Corporate Social Responsibility Advisor Jackie Leonard-Janes for sharing her time for this article.

Responsible gambling practices and programs are embedded in Atlantic Lottery's Corporate Social Responsibility (CSR) Framework. Their stated goal for the Players & Products pillar, “To create a player-centric company where responsible gambling guides all decisions,” says it all. This wording leaves no doubt as to the importance Atlantic Lottery puts on their RG program. This emphasis is reflected in the effort and commitment they have shown in their employee RG training as a core part of their overall CSR certification training program.

Employee CSR Certification

Leonard-Janes described Atlantic Lottery's employee CSR certification program – the first North American lottery to implement such a program. Level I launched in 2012 and Level II followed in 2013. All new employees are required to complete Level I certification within 45 days of hire and Level II within 6 months. Level I was designed to create an in-depth awareness of what Atlantic Lottery is doing to support responsible gambling

and corporate social responsibility, and to develop a recognition that all employees are involved in the RG process. Level II was designed to be a more comprehensive view of responsible gambling with a focus on deepening employees' understanding of the Lottery's commitment to RG in order to engage and inspire their personal investment in RG.

This involved three specific goals for the program:

1. To change and boost employee commitment and understanding of the Lottery's RG/CSR program.
2. To result in employee behavior change when it comes to RG/CSR and Atlantic Lottery's role in supporting it in the gaming industry – for example by increasing talk about RG, doing so more comfortably and applying RG to their work.
3. To measure as many aspects of the program as possible to create a good learning and sustainability model for the program.

In order to accomplish these goals, a main focus of the training was to develop greater awareness among employees regarding how RG applies

to their work and their roles within the Lottery. They wanted to provide employees with the tools and messages they could use to speak comfortably about RG within the Lottery and within their community. The goal was to increase staff confidence in applying RG to situations they commonly encounter, whether responding to customers, retailers, other staff members or at the family dinner table. According to Leonard-Janes, the hope is that their RG trainings would enable employees to normalize RG conversations in any and all settings.

She also described the best practices that Atlantic Lottery had used in the development and implementation of their CSR certification program. As you may notice, these mirror many of the concepts in the NASPL RG Guidelines.

Best Practices and Regular Feedback

First of all, Leonard-Janes emphasized the need to involve and engage employees in developing their RG training both in terms of content and process. Focus groups were utilized to develop content and better understand what format would be most useful in implementing trainings. Additionally, employees were used throughout the video trainings to present their own perspectives and put RG into their own words. Leonard-Janes emphasized that it was critical to have multiple departments represented in the CSR certification program development team to represent a broad range of employee perspectives.

There is also a need to make employee engagement and training an ongoing process. "You can't just launch a program," she stated. "You have to keep the dialogue going. You need to be listening to understand areas where employees need more help or are having trouble

engaging." You then need to be able to respond to employee needs and concerns quickly. This involves using multiple ways of communicating: employee intranet, newsletters, blogs, in-person meetings, etc. Additionally it was key that managers communicated their commitment and support. A tactical list of initiatives in which employees were engaged was developed to promote and support RG/CSR. Employees were asked to add to the list, and successes were acknowledged along with ideas brought forward about what else could be done or could be done better. After this tactical list was compiled, the CSR/RG program team "took their show on the road," holding a variety of in-person meetings to further engage employees.

Not only did Atlantic Lottery engage employees in the development and implementation of their RG certification and training program, they also collaborated with community stakeholders in the problem and responsible gambling fields. Experts in these fields were included in training videos to provide specific content on the importance of RG, the scope and nature of problem gambling and the importance of RG for awareness, prevention and intervention to reduce potential harms of gambling activities. Individuals in recovery from gambling disorder were also included in the training videos to present their essential perspective.

The importance of having the total commitment of the highest levels of organization management was also key to the success of Atlantic Lottery's program. An executive champion was assigned to the CSR certification program development team and managers were supported in communicating the importance of this program for all employees. The team also included members from a variety of departments including Social Responsibility, Human Resources (Corporate and Casino Divisions),

NASPL: Key Employee RG Engagement and Training Guidelines Summary

Lotteries are encouraged to:

- **Include staff from a variety of functional areas and departments in RG development.**
- **Include responsible gambling goals in the lottery's overall and departmental strategic plans and performance measures.**
- **Communicate responsible gambling initiatives and results throughout the agency in a variety of formats.**
- **Include responsible gambling training in employee onboarding.**
- **Include responsible gambling training updates in mandatory annual agency compliance training.**
- **Engage employees in developing and implementing responsible gambling awareness activities during Problem Gambling Awareness Month and other national and international RG campaigns.**
- **Include staff in the development of responsible gambling training.**
- **Provide all staff with training about problem gambling resources for assistance. Provide player- and retailer- facing staff with enhanced training support as appropriate.**
- **Collaborate with community responsible and problem gambling advocates and providers and utilize community stakeholders, as appropriate, to present and update trainings.**

“You need to be listening to understand areas where employees need more help or are having trouble engaging.”

Casino Operations, Responsible Gambling, Marketing, Communications and the Project Management Office. Atlantic Lottery basically was willing to invest widely in this effort. This commitment came through in the amount of time and effort made in developing the employee engagement and training program, the amount of time that they were willing to give employees to complete the certification program and the strength of the compliance monitoring and program evaluation components of the program.

To further reinforce Atlantic Lottery's commitment to responsible gambling and the broader commitment of CSR, in 2015 they introduced scenario-based RG training for all employees in their Red Shores casinos in Prince Edward Island. As venue-based locations, Red Shores employees interact with players directly and face unique situations when it comes to RG. The program was created based on input from Red Shores employees who helped identify common RG-related situations they face daily. The goal with this training is to better equip employees with the necessary tools and training to address these common RG scenarios.

Continuous Development

In 2016 the Lottery instituted a refresher training for all employees that updated content and additional staff interviews specifically focused on RG initiatives and successes that had occurred since the original videos were developed. This refresher also

incorporated changes based on the initial program evaluation findings, and additional improvements are in process to respond to ongoing employee feedback.

Leonard-Janes stated that findings from the program evaluation were encouraging and very useful in helping to structure continuous program improvement. Results reinforced that the CSR and RG training helped employees become more comfortable in how to talk to people outside of Atlantic Lottery about RG and social responsibility, and that the certification program provided employees with a shared language.

The importance attributed to this training program was also reflected in employee opinion that training should be mandatory for all staff. However, a common concern was the length of the training videos. The initial two-level certification program took over five hours, which many staff found too long. Additionally, the certification included a knowledge test which many staff reported was intimidating. Employees recommended that the content could be broken into smaller segments and that it should be focused on practical skills and on-the-job applications rather than theoretical or data-driven information.

Such honest and helpful suggestions about the process and procedures of this certification initiative are currently being utilized to revise the program. The trainings are being shortened and the knowledge testing methodology is being modified. There will be more interactivity and “real time check-ins and summaries” in order to

maintain high levels of engagement and retention. The focus will be on practical skills and information with direct application to jobs and real world situations – the goal is to keep it concise, simple and relevant.

Additionally, Atlantic Lottery will be incorporating new best practice perspectives from external experts in RG. They have rebranded from responsible gambling to their PlayWise brand, as feedback from both experts and customers had indicated that RG is overly associated with problem gambling. The association with problem gambling contributes to many individuals discounting RG messages as not relevant to them, their needs and interests. The Lottery wants to be able to speak to all customers, not just those who may experience problem gambling. The PlayWise brand conveys the notion that playing lottery games wisely for fun and entertainment is a message for everyone. This rebranding has also led to a deeper consideration of other ways in which language around lottery play may be stigmatizing, and has resulted in a greater focus on talking in terms of support opportunities rather than simply treatment.

Leonard-Janes explained that there will be a soft launch phase for the newest edition of their CSR/RG certification program, consisting of two to three weeks of beta testing to evaluate delivery modalities, including mobile-enabled applications, and to receive feedback on content and format. This feedback will be utilized to develop the final revised training with a rollout from the top down. As with the previous certification initiative, the communication plan for this company-wide rollout involves all communication vehicles from in-person meetings to corporate intranet.

Atlantic Lottery will continue to monitor and evaluate their successes and “keep learning as we go,” said Leonard-Janes. ■



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A Fresh Look at Lottery in the Mountain State

The West Virginia Lottery charted a growth path by strategically re-evaluating everything from its product mix and price points to sales incentives and retailer communications. Lotteries of any size can follow suit.

Since its inception in 1985, the West Virginia Lottery has contributed more than \$9.5 billion to improving education, the quality of life for senior citizens, and tourism that showcases the natural beauty of the Appalachian region. Beginning in fiscal year 2013, regional economic slow-down has driven lottery sales and transfers lower year-over-year and spurred the Lottery to explore the best ways to revive sales.

In response, the Lottery's operational teams considered a broad range of new approaches and implemented a program of growth initiatives, with promising results. Many of the same elements can be adapted by other lotteries to fit their needs.

"We have a duty to generate funds that benefit West Virginians, so we charted a new path to do something different. IGT approached us with a variety of tools. We also looked at other lotteries and relevant businesses, and used this information to spearhead a strong product plan. We then worked closely with IGT to create a customized sales plan that was good for our retailers," said Tommy Young, Deputy Director, Marketing, West Virginia Lottery.

"Every jurisdiction is different, but we decided that while finding new and different ways to attract players, there was no better time to speed up growth opportunities by going back to the basics and taking advantage of strategies and ideas that have been successful for others," noted Michael Thaxton, the Lottery's Product Development Manager. "We looked at the business environment from every angle and tried to find the best way to execute from each unique stakeholder's perspective — retailer, player, vendor, and the State."

Instant Wins

Recognizing the need to adjust the product mix, which heavily featured games in the \$1 to \$3 price-point range, in October the Lottery kicked off a program of aggressive growth initiatives with a

focus on instant ticket sales. Shortly after the introduction of a \$10 and a \$20 game, the Lottery's marketing team consulted with specialists from IGT to assess player needs and introduce corresponding changes to the instants portfolio. These have included additional facings of high price point games, the introduction of new game types with prize wins more appealing to casual and core players alike (for example, games with more mid-tier prizes or games with no breakeven or high top-prize), as well as a selection of spotlight games.

"The Lottery looked at players' preferences and feedback to determine how the instants product and price mix needed to evolve. With some strategic shifts, we are seeing a reversal in the negative sales trend," noted Michael Kumar, IGT Senior Director, Same Store Sales, whose team worked with Thaxton and the rest of the Lottery's marketing team to analyze, optimize and rebalance the instants portfolio. The portfolio changes have yielded a seven percent year-over-year instant sales increase in the six months since the initiatives began last October.

A Program of Strategic Actions

To fully realize the potential of the new products, the Lottery carefully coordinated product, marketing and sales activities in collaboration with IGT's West Virginia sales team, corporate Same Store Sales and Retail Sales & Execution teams on action plans to execute a strategic sales plan to support the games.

"Along with introducing a new game approach, we're also working with everyone who touches the games. We want to get them excited," noted Young. "This includes helping our sales reps work with retailers to introduce new games and helping retailers communicate with our players."

"With the teams from IGT, we've been making a series of changes in the field to help make sure the new product plans are successful," said Senior Marketing Specialist Kayla Brown, who oversees retailer

How did West Virginia achieve 7% growth?

- Re-evaluate price points and product mix
- Introduce spotlight games
- Enable partial-pack returns
- Launch product education and training
- Enhance retailer and lottery sales representative incentives
- Increase new game activations
- Increase facings
- Create new communications
- Refine focus on corporate accounts
- Optimize lottery sales routes
- Launch new branding and merchandising

relations and corporate accounts and is involved in managing the Lottery's retail promotions and incentives programs.

Within the span of a few months, the Lottery implemented the following elements of a wide-ranging action plan:

Product Education and Training.

A series of training sessions gave IGT sales teams access to lottery sales data for their retailers and a 360-degree view of lottery to support them in initiating more productive conversations with retailers. "The sales team is expanding their vision of what they do," noted Danielle Davis, Manager of Sales Enablement, IGT, who tailored the modules for the group and worked to deliver the training. "These sessions let them practice more of a consultative role and set them up to have better opportunities to interact with retailers."



West Virginia Lottery sales representatives discuss sales-driving initiatives through retailer role play exercises.

Changes to Incentive Programs. In the past, lottery sales incentive programs were primarily based solely on draw game and instant sales. With the changes to the instants portfolio, incentive programs have been refocused on specific instant ticket games that are critical to the Lottery's growth plan, with goals aligned across telemarketing, field sales and retailers.

The scope of retailer incentives has also expanded to reward both sales growth and other behaviors to enhance lottery relevance to both the retailer and the player at the point of purchase. Strategies such as rewarding retailers for double facing certain instant ticket games in anticipation of an upcoming game have yielded a guaranteed spot in the bin for new "spotlight" games as they hit the market; contests for retailers to drive faster instant ticket pack activations and validations have helped move games out of the bin and eliminate stale inventory; and corporate account incentive programs have enhanced sales across many stores at the same time, and also improved relationships with players by encouraging retailers to explain the benefits of the games to lottery players.

Increase New Game Activations. Sales representatives out in the field aren't the only ones who can encourage retailers to get new games out more quickly. Along with new training, IGT instituted a

contest for members of the inside sales team, who can win monthly prizes for hitting their goal and have an additional opportunity to win with a quarterly drawing.

Increase Facings and Enable Partial Pack Returns. The Lottery is working on improving penetration not just by facing a game once, but sustaining a continuous presence at retail. And this is where enabling partial-pack returns and reducing pack sizes for high price point tickets brings value to the Lottery's ability to assist retailers in driving the business, noted Kumar.

New Communication Pieces. To strengthen awareness across the lottery value chain, the Lottery has begun issuing infographics and other focused pieces to share valuable information about games and related topics with sales representatives and retailers. These pieces — for example, highlighting the selling points of a new game or winner awareness — have proved to be so popular with retailers that many of them now display them for their players. "Retailers really liked that the benefits of instant games were easy to understand, concise and ultimately assisted players, so they did not have to answer questions that were tied to purchasing decisions," said Davis. In addition, the Lottery broadened the focus of its retailer communication and sales aid, "Launch Pad," to include



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GAME OVERVIEW
Play style: Key number match;
Bonus area play style: Match 3
Features: 20X and 10X features; Two bonus
play areas for more chances to win
Top prize: \$150,000
Payout: 17.04%
Odds: 13.53

Price: \$20



Game

Game Overview

Selling Points

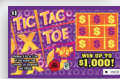
\$2 962 — RED WHITE & BLUE



Play style: Key number match
Top prize: \$7,000
Payout: 61.04%
Odds: 16.20
Features: Tripler feature

- Veterans ticket
- Patriotic look and feel just in time for Memorial Day. Players can support WW Veterans by buying a bunch to pass out to family/friends at their Memorial Day celebrations. Gives retailers a great opportunity to Ask for the Sale!

\$1 950 — TIC TAC TOE



Play style: Tic Tac Toe
Top prize: \$1,000
Payout: 61.03%
Odds: 15.33

- Easy and quick to play and win
- Familiar game play style makes this a great ticket for anyone who play, including people who do not generally play Scratch-offs.

articles about effective lottery product retailing and other topics of interest at retail, while still providing new game introduction, alerts and promotional information.

Corporate Accounts. The Lottery recently entered a new partnership for the sale of Travel Keno with the Buffalo Wild Wings chain by using data and analysis from other jurisdictions to help establish sales goals and expectations for this new relationship with the Lottery. Moving forward, the Lottery will continue to use IGT's proprietary Retail Market Insights (RMI) database, which shows retailer performance in West Virginia relative to other states, to help identify opportunities for growth with new retail chains, as well as the potential product expansion with the current network of corporate accounts.

Optimizing Routes. To help reduce drive times and give the 16 sales representatives more time with retailers, the Lottery will carry out a program of route optimization. In a preliminary exercise, new sample routes led to 9,800 fewer miles traveled by the team, a routing efficiency that eliminated more than 238 hours of redundancy in just one month. All sales territories were re-evaluated to better align call frequency to ensure that top-selling retailers received visits by representatives more frequently. Mapping software was then used to ensure that these visits also resulted in greater travel efficiency. New routes were established, which ultimately decreased the total distance traveled by representatives by approximately 20 percent from current routing schedules. In addition, the optimization

project will result in more equitable routes, meaning that no single sales representative will be overly burdened in comparison to his or her colleagues. This new sales protocol is expected to continue growth potential and provide representatives with more time for meaningful sales-driving conversations and initiatives.

Looking Ahead

In its commitment to operating with integrity and efficiency, the Lottery is continuing to advance its retail sales and execution practices along with other efforts to save time and money, helping to spur growth and transfers to good causes. "We're now creating a refreshed brand campaign, as well as pushing for better merchandising and support for winner awareness," noted Sara Harpold, Advertising Manager, West Virginia Lottery. Following its upcoming central system conversion, the Lottery will also have more advanced business-intelligence reporting capabilities, an enhanced ESMM system to enable more powerful communication messages, and other tools to drive growth for the future. Together, the changes should help keep the view from the Mountain State bright. ■



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GAME CHANGERS





25 Years of HOPE

The Georgia Lottery is celebrating its silver anniversary this year, and its record of success has had a tremendous impact on the lottery industry.

By Patricia McQueen

When you can send students to college on scholarships and grants, that's a good thing. When you can put money in family pockets every week by sending four-year-olds to pre-kindergarten programs for free, that's a good thing. The Georgia Lottery was founded on those principles, and that's a good thing.

Created with a constitutional amendment voters approved in November 1992, the Georgia Lottery launched in just seven months on June 29, 1993. It was an immediate success, with sales reaching full first-year expectations after only five months.

Twenty-five years later, that success continues. Cumulatively through the last fiscal year, the Georgia Lottery has transferred more than \$18.7 billion to the state's Lottery for Education Account. Most of that has been used to send more than 1.8 million students to college in Georgia and to pay for more than 1.6 million four-year-olds to attend pre-K programs. Educational facilities have also benefitted from lottery funding through technology upgrades. In fiscal 2017 alone, a total of more than \$1.1 billion was raised for education – the most ever in Georgia in a single year.

The original signature product for college-bound students was always the HOPE (Helping Outstanding Pupils Educationally) scholarship program; it has been joined by the HOPE Grant and the Zell Miller Scholarship and Grant (named after the former Governor who established the Lottery; more on that later).

With such success comes the inevitable challenges – maintaining revenues in order to fund the demand. “We remain focused on our mission to maximize revenues for HOPE and Pre-K,” said President and Chief Executive Officer Gretchen Corbin. “We are working hard to responsibly maximize revenues and ensure the long-term viability of the educational programs that we fund.”

Five years ago, the Georgia Lottery was handed an additional responsibility – the administration, enforcement and licensing of coin-operated amusement machines (COAM). Revenues are generated from centralized monitoring operations, licensing fees, fines, penalties and processing fees, and from auctioning additional master license privileges. COAM operations returned \$47.5 million to the Lottery for Education Account in fiscal 2017.

Variety of Games

On the traditional lottery side, there are a variety of instant and draw games in Georgia's product portfolio. “Both draw and instant games play an important role in our overall portfolio,” said Corbin. “Our daily numbers games, Cash 3 and Cash 4, continue to be the strongest piece of our portfolio with Mega Millions and Powerball offering us



opportunities to grow our profit margins as the jackpots grow.” Inventory management, spotlight games to increase awareness and creating new promotional efforts are all part of the plan to continue game success, she added.

Instant games are available at the \$1, \$2, \$3, \$5, \$10, \$20, \$25 and \$30 price points; the latter were introduced for the first time during fiscal 2014. The \$10 games generate the most sales, with \$610 million in sales during fiscal 2017, or about 20 percent of total instant sales. Families of games are popular, including X the Money, Jumbo Bucks, Rapid 7s, Cash Payout and Loaded games at various price points.

On the draw side, Georgia's largest games are Cash 3, which generated almost \$554 million in sales during fiscal 2017, and Cash 4, which produced \$278 million in sales. Both benefitted from the addition of a third daily drawing in February 2017, and an added 1-Off option also helped refresh the games. There is also a five-digit daily numbers game, Georgia 5, drawn twice daily.

Other draw games include the multi-state games Mega Millions, Powerball and Cash4Life, plus Georgia-only games Fantasy 5, Jumbo Bucks Lotto, 5 Card Cash and All or Nothing (drawn four times daily).

The monitor game Keno! is played every 3 ½ minutes, and a Keno! To Go option lets players view any specific drawing online or on a mobile device. Keno! was the Lottery's third largest draw game during fiscal 2017, generating almost \$189.7 million in sales.

The Lottery's newest draw-based product is Print n Play, instant-win games played through the lottery terminals, launched in November 2016.

Online Progress

Georgia became the second American lottery to launch an online sales platform in November 2012, following the ground-breaking Illinois Lottery which had begun online sales the previous March. Available draw games at launch were Mega Millions, Powerball and Fantasy 5; Keno! was added later. Instant-win online games (dubbed Diggi games) were introduced in November 2014. Diggi games are currently offered at various price points from 50 cents to \$10, with prizes up to \$150,000.

Players club members may play online through a



The Georgia Lottery's "Aunt Edith" campaign for the relaunch of Mega Millions last fall has won numerous advertising awards.



web browser or through the Lottery's mobile app. The first step is to set up an iHOPE account online and add funds either using a debit card or bank transfer. All prizes up to \$5,000 are automatically paid to the accounts.

Total online sales during fiscal 2017 were just over \$33 million, with Diggi games accounting for \$10.6 million of that figure. The popular instant-win online games help the Lottery attract younger adult players, as they are one of the most popular products for players age 18 to 35.

"Our strategy has been to grow our Internet sales channel incrementally and responsibly," said Corbin. "With the addition of a mobile app in 2015 and mobile web functionality in 2017, our platform continues to evolve. As a result, we have seen increased engagement and participation with players. We will continue to look for opportunities to enhance our product offerings and provide an improved user experience for customers."

Anniversary Celebration

To help celebrate its 25th anniversary, in March the Lottery introduced a \$3 25th Anniversary scratch ticket and launched a year-long 25th Anniversary Cash Giveaway promotion. The scratch ticket offers three top prizes of \$205,000 and overall odds of winning any prize of 1 in 3.69.

The promotion runs through December 23 and offers players chances to win monthly prizes of up to \$25,000 and two \$1 million prizes. Players may enter all non-winning scratch tickets through the Lottery's promotional website or through a special promotional app. Terrific Cash Tuesday drawings are being held monthly, beginning April 24. Each month 2,785 winners are randomly chosen for prizes ranging from \$25 to \$25,000. Players may enter up to 30 tickets per day, and they receive a number of entries corresponding to the value of the non-winning tickets entered (i.e., a \$1 ticket gets one entry; a \$20 ticket gets 20 entries).

Entries not chosen to win the monthly prizes are eligible for two Big Cash Event drawings, to be held August 10 and January 1, 2019. For these two drawings, 25 winners will be randomly selected to win prizes from \$25,000 up to \$1 million.

Strategies for Growth

The large product portfolio and a steadily growing online sales platform certainly contribute to Georgia's ongoing success. But it's not all about products – it's also about engaging with players through marketing and promotional opportunities. The 25th anniversary celebration is just one example. Even more engaging is a series of innovative experiential sponsorships developed together with its advertising agency BBDO. These include the Atlanta Falcons Halftime Event, the Atlanta Hawks Halftime Event, the July 4th WSB-TV Salute to America media sponsorship, and various other executions.

Last fall, the Lottery introduced Aunt Edith, a "mascot" for Mega Millions, in an integrated advertising campaign. In

February, that campaign won seven ADDYs at the American Advertising Awards, including a Gold Addy for the Aunt Edith social media campaign. "We plan to continue with innovative and compelling marketing initiatives that resonate with our players," said Corbin.

Georgia has also initiated programs designed to "maintain product relevance at retail" – testing Linq3's Play at the Pump, for example, and planning to introduce the company's Lottery Gift Card this summer. Other activities include expanding self-service offerings statewide, expanding corporate business development in non-traditional retail environments, providing enhanced equipment at retail, and offering retailer-focused incentive programs. Much of that will be facilitated by the installation of a new IGT Aurora system this fall, the first full system refresh in 15 years.

All of these programs are designed to responsibly keep the dollars flowing to the students and families who need it the most. "We will continue innovating and trying new things to make games more rewarding for both players and retailers so our beneficiaries can continue to grow as we do," said Corbin. ■

Selected Georgia Lottery Highlights

June 29, 1993: Georgia Lottery sales begin, two days before target date, with more than \$13 million in tickets sold on the first day. A launch celebration is held at Underground Atlanta with George Jones and the Pointer Sisters providing entertainment.

July 6, 1993: Tremendous first-week sales are the equivalent of \$7.80 per capita, the highest first-week per capita sales ever. Retailers numbering close to 5,000 sell more than 52 million tickets during the first week, and players across the state win more than \$25 million in prizes.

July 12, 1993: Demand is so high for the first two instant games (Instant Cash and Georgia Millionaire) that the third and fourth games (Cool Cash and Magnolia Millions) are introduced weeks ahead of schedule.

August 10, 1993: Cash 3, the Georgia Lottery's first draw game, is introduced.

December 1, 1993: Five months after start-up, Lottery sales surpass \$463.5 million, the amount projected for its entire first year.

June 29, 1994: The Lottery celebrates its first anniversary at Underground Atlanta. Total sales for the first year are \$1.1 billion, and first-year per capita sales of \$164.81 eclipse the previous record of \$128 set by Florida in 1988.

March 14, 1998: The Lottery launches its official presence on the Internet at www.galottery.com.

July 15, 2003: In recognition of the Georgia Lottery's 10th anniversary and more than \$6 billion to education, Governor Sonny Perdue proclaims this "The Georgia Lottery's Six Billionth Dollar Day in Georgia."

November 14, 2006: The Lottery opens two kiosks at Hartsfield-Jackson Atlanta International Airport.

January 25, 2007: The one-millionth HOPE recipient is celebrated at Georgia State University.

November 25, 2012: The Lottery becomes the second American lottery to launch online ticket sales. Powerball, Mega Millions and Fantasy 5 tickets are available for purchase online.

April 10, 2013: The Lottery statutorily assumes the regulatory duties of compliance and enforcement of Class A and Class B Coin Operated Amusement Machines (COAMs) in Georgia. Strict licensing standards, financial responsibilities and connection/communication protocols are governed by GLC rules and state law.

November 18, 2014: Diggi Games (instant-win games) are added to the Lottery's online play portfolio.

July 16, 2017: The Lottery announces a record transfer of \$1,101,062,911 to the State Treasury's Lottery for Education Account. This is the first time the Georgia Lottery has transferred over \$1.1 billion in a single fiscal year, bringing the total raised for educational programs in the state of Georgia to more than \$18.7 billion.

October 21, 2017: The Lottery launches the Mega Millions "Aunt Edith" ad campaign; the campaign would win seven ADDYs at the American Advertising Awards, including a Gold Addy for the Aunt Edith social media campaign.

Georgia's Impact on the Industry

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hey say imitation is the sincerest form of flattery. If that's the case, then the Georgia Lottery should be very flattered indeed.

It has had an impact on the lottery industry that transcends borders and goes well beyond the confines of the southern state.

Six of the eight lotteries launched in the years after Georgia's debut in 1993 have copied its model in various ways, with scholarship funding being the common denominator in all six. At least two other existing lotteries created new scholarship programs to add to their education funding.

New Mexico was the first copycat, established in 1996 and funding Legislative Lottery Scholarships. The Oklahoma Lottery began in 2005 and includes scholarships and grants among its education programs.

Three lotteries included the word "education" in their names, the first time beneficiaries had ever been part of a lottery's name. The South Carolina

Education Lottery began sales in 2002, the Tennessee Education Lottery in 2004 and the North Carolina Education Lottery in 2006. Not surprisingly, all three of those states border Georgia, so officials there knew pretty much first-hand what had happened in Georgia and wanted some of that success for their own states.

In 2009, Arkansas took it one step further, establishing the Arkansas Scholarship Lottery; there was no mistaking its beneficiary. "I don't think lottery in Arkansas would have passed had it not been designated to go towards scholarships for higher education," said Director Bishop Woosley. Previous attempts to establish a lottery in the state always failed, but "people understood that the costs of higher education were growing," so the scholarship message finally resonated.

Florida and Kentucky also saw the writing on the wall. Not wanting to be left out of this successful model, and seeing the rising costs of education, they launched scholarship programs funded by lottery proceeds. Florida's Bright Futures scholarships debuted

in 1997, and Kentucky added several scholarship and grant programs beginning in 1999.

The Georgia Model

The Georgia Lottery came to be in 1992/93 because of the passion of the late Zell Miller, then-Governor of the state. He knew his proposed lottery shouldn't replace dollars to education – it should fund entirely new programs. "He wanted it to really make a difference for Georgia," recalls Rebecca Hargrove, current President and Chief Executive Officer of the Tennessee Education Lottery who had been named by Miller to a similar post to launch the Georgia Lottery. "His dream was to allow anyone with a B average to go to college regardless of what their income was."

She added that Miller had also learned, by reviewing the most successful lotteries in the world, that a public corporation structure made the most sense. "He married the corporation model with the idea of



enhancement dollars being used in an incredibly popular way, and it was a key to tremendous success. On all kinds of levels, the Georgia Lottery just worked.”

When Tennessee started going down the lottery path, they decided to copy just about everything Georgia did in the hope that lightning would strike twice. The constitutional amendment, the enabling legislation that designated lottery proceeds as enhancement funds for new programs, creating a corporate structure, and even hiring Hargrove and some of her team to run it – all of that created the Tennessee Education Lottery.

Tennessee took it a little slower, however, focusing on scholarships to begin with along with after-school programs. It’s always better to add programs than to take anything away, and potential performance was still a wild card. As it turns out, it has been successful enough to add new scholarship and grant opportunities, including those for non-traditional students. Fourteen programs are currently funded by lottery dollars in Tennessee, and Gov. Bill Haslam’s Drive to 55 initiative is focused on increasing the number of Tennesseans with a post-secondary degree or credential to 55 percent by the year 2025. Lottery funds continue to play a big role in that effort.

Although Arkansas didn’t follow Georgia and Tennessee down the corporate path, Woosley doesn’t think being in a state agency has hampered it

too much. “Sometimes things just take longer than they should, but you learn to deal with it and plan accordingly.” He noted that there’s a very strong “right to know” belief among Arkansas’ political leadership, so everything the Lottery does is an open book. “They wanted the public to know everything that we are doing; everything is subject to public disclosure. “From that standpoint it’s been a good thing.”

Making it Easy

While lottery-funded scholarships certainly have the impact of keeping the best and brightest students in each state, they also provide several key advantages for the lotteries involved. “It makes us much more popular with major stakeholders,” said Hargrove, from government officials to editorial boards. “Everyone sees the positive benefits.”

“It’s a never-ending good story, one we can tell over and over,” agreed Woosley. There is an endless supply of students and parents who have benefitted from scholarships in Arkansas (some 275,000 to date). “Most people in the state have probably been touched by this in some form or fashion.” He explained that Arkansas recently launched a new campaign, #ThisIsWinning, and a lot of it involves having scholarship recipients and their parents tell the story. “If you play the

lottery and win, obviously it’s great because you’ve won a prize. But if you don’t win, that money is going towards something that benefits Arkansas – it’s tangible and you can see the students that have received scholarships.”

Another great benefit is the impact it has on a lottery’s own employees. “Our employees feel good about going to work every day, because they know what they do sends kids to college,” said Hargrove. “They are proud to be working here.”

It all ends up being an upward spiral and everyone wins. That said, there have been instances in several jurisdictions where lottery revenues have struggled to keep up with demand for scholarships, especially as the cost of a college education increases. It should all be based on moving targets, noted Woosley. “As long as the lottery exists, the reality is that there will be ongoing adjustments.”

In the end, though, the programs serve the purposes of keeping the students in each state, of increasing the educational opportunities for every citizen, and improving the overall level of education in each jurisdiction, especially in some of the poorer states that have gone down this road. For all these reasons, there’s no doubt that the Georgia model has had an unprecedented impact in the lottery industry. ■



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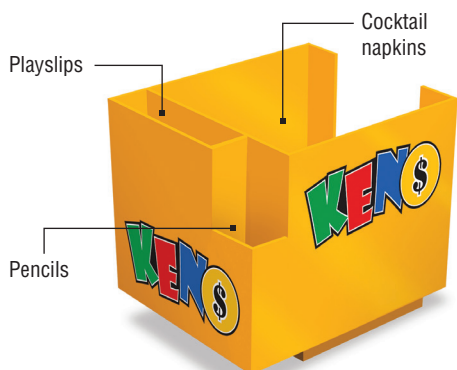
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A New Deal in Illinois

In January, Camelot Illinois took over the private manager role for the Illinois Lottery, starting a new chapter after a tumultuous seven years.

By Patricia McQueen

This year marks the beginning of a new era for the Illinois Lottery, one that Acting Director Greg Smith hopes will make everyone quickly forget the recent past. His initial goal was to not let prior experience define private management in Illinois, but rather, “make it better.” He has worked hard to see it through, and on January 2, Camelot Illinois began its term as the Illinois Lottery’s private manager.

For a few years, one of the hottest topics in the American lottery industry was this notion of private management – basically outsourcing some of a state lottery’s functions to a private company. The thinking was that such a company, not bound by governmental bureaucracy, could drive revenue growth better than a state agency ever could. That it could deliver more revenues to beneficiaries unencumbered by a tangled web of state processes, procurements, budgets and other limitations.

Although the Texas Lottery was established 26 years ago with a considerable amount of outsourcing, it wasn’t until the second decade of the new century that the idea gained steam. The State of Illinois was the first to move forward with the concept, passing legislation in 2009 that mandated a private management model for lottery operations. It was followed down that path by Indiana and New Jersey.

In Illinois, Northstar won a competitive bidding process, receiving a 10 year contract that commenced in 2011. Initially there were some sales improvements, but ultimately the company’s targets were not met – in fact they were considerably underperforming. Northstar had to pay Illinois to cover the shortfalls, and to make matters worse there were disputes about goal setting and other ongoing problems with the relationship. Having had enough, then-Gov. Pat Quinn, who pushed the original private management model, hashed out a termination agreement in 2014. However, that was deemed not in the state’s best interests by the Attorney General, and a new agreement was crafted in 2015 under incoming Gov. Bruce Rauner.

That meant there would be a new bidding process for another private manager, and Northstar would remain in place until a new contract was signed.

The New Process

Smith took over as the head of the Lottery in October 2016, just in time to see the evaluation-of-the-bid process begin; an RFP had been issued the previous July with the following guiding factors:

- Eliminate conflicts of interest;
- Incentivize lottery to innovate and grow online sales;

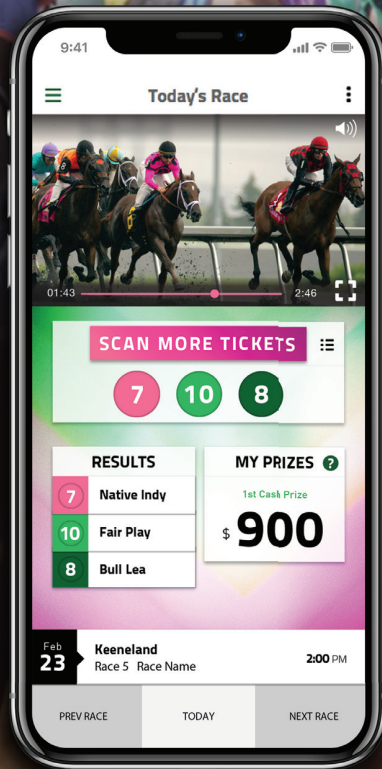
- Eliminate risk of financial shortfalls to common school fund;
- Ensure greater transparency and openness;
- Create a fair bidding process for all interested bidders; and
- Expand and grow lottery revenues and customer base.

RFPs were also issued for significant subcontractors – the gaming system, ticket printing services and the iLottery platform. Twelve bids were received for those services in September 2016, from which the private manager candidate(s) could pick and choose to assemble a team for that bid due in November 2016.

As it turned out, Camelot Illinois was the sole bidder for the private management contract. “You are always optimistic when you put out an RFP that you will get multiple bids so you have a good portfolio to choose from,” said Smith. “But nothing mandates how many responses are required.” The important thing is that the candidate is qualified and has experience. “Camelot’s resume is good, and they were interested in getting a large state in which to exercise their skills in the U.S.”

An evaluation committee spent the next few months reviewing the bid to determine if the Lottery could move forward with contract negotiation; by March 2017, they decided to proceed. An agreement with Camelot was reached in October 2017, with a

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January 2 starting date as the manager. Northstar continued through that date, and the existing gaming system and ticket contracts remain in place this year as a transition is underway. INTRALOT will take over the gaming system in December, and Scientific Games will provide the instant games.

Key Goals

The negotiations with Camelot Illinois were driven by five key goals – broad strategies that would help ensure that this time, the private management model would be a success (although there are never any guarantees). Smith noted that a good agreement serves as a backstop in case the partnership ends up being less than ideal – a place to find answers, requirements and even penalties in case there are difficulties. Illinois Lottery staff worked hard to make sure the agreement was better than before, addressing weaknesses and finding areas of improvement.

“Nobody ever wants to be the first in lottery. We were the first to have this type of private management model, and then we were the first to address its shortcomings. It was a chance to improve the position we were in.”

The key goals became the negotiating points:

Aligned incentives. “The manager only makes money when the state makes money,” said Smith. While there is a base management fee, the manager is eligible to receive additional incentives only if net income exceeds the targets spelled out in the agreement. Those targets require a minimum amount to education, the Lottery’s primary beneficiary, and that dollar figure increases annually by the value of the consumer price index. In any given year, total incentive compensation to Camelot may not exceed five percent of total net income. “They are not compensated by growing sales at all costs; they are compensated by profits and only after we hit a certain level.” That formula helps keep operating expenses in check. Camelot has indicated that its contracts with major suppliers offer significant savings over the 10-year

term of the management contract. And for the first time, instant ticket printers will be compensated on net sales, not gross sales.

Transparency. It is critical that the manager is responsive to public needs and concerns, provides information whenever the lottery asks for it, and is cooperative in the face of any FOIA requests. Camelot will provide regular audits and a publicly released annual report to ensure transparency and support corporate responsibility.

Eliminate conflicts of interest. The manager could not be the gaming system vendor or the instant ticket vendors; this was a significant departure from the previous agreement. “We thought removing those conflicts of interest was more beneficial to the management agreement,” said Smith. The manager could, however, provide the iLottery platform if so desired – that is typically a different type of arrangement, not necessarily compensated based on sales.

Responsible lottery growth. The goal is to responsibly grow the player base. In its operation of the U.K. National Lottery, Camelot’s strategy has always been to encourage a lot of people to play a little.

New technology and innovation. The Lottery wanted the latest in modern technology in the gaming system and ticket printing. Along with all new terminals and system software, Camelot will introduce a next-generation iLottery platform in December, when its contract with INTRALOT commences. And a big part of its plan is to optimize the retail environment to improve the customer experience. That includes developing new point of sale materials and helping retailers create the ‘perfect store,’ showing them the benefit of tweaking the lottery sales environment.

Crafting the final document was a long process, with give and take on both sides. “It’s a complicated agreement, and we had some tough

conversations,” explained Smith. “But we believe we have all these goals embedded into the contract.”

Gearing Up

He is looking forward to seeing what Camelot can do as it flexes its muscles in Illinois. He knows the company is very focused and really wants to succeed in the state. “The ball is in their court – first, in working and partnering well with the Illinois Lottery, and second, executing their plan with success.”

Smith knows the company has a strong marketing arm. “They are a data and analysis driven company, and they will take their successes in their other jurisdictions and approach Illinois with that experience.” Hopefully, by studying the Illinois market in detail, they can bring about an increase in sales and revenues.

After all, Illinois Lottery sales have been flat for four years, while most of the other big lottery states have been growing. “I think Camelot and its vendors are excited about the opportunity here, where there’s plenty of potential to increase sales and make us a competitive lottery more representative of our player base. There’s a good runway to work off of here.”

Smith is also looking forward to what Camelot might do for iLottery sales, given the company’s experience running the largest iLottery system in the world (the U.K. National Lottery).

Ultimately, what will drive the success of ‘private manager v.2’ will be the quality of the relationship – the interaction between the Lottery, Camelot and its subcontractors. And Smith likes what he has seen so far. “That, for me, is what the excitement has been about – we’ve seen really good interaction. Everyone has learned things and listens to each other. That’s what develops a good relationship.”

And he knows it’s the responsibility of the Lottery to tell Camelot that ‘we’re going to let you do your job and we are going to make you do your job.’ Although there are no guarantees, he really hopes it goes well this time around. “I think we’re on a good path.” ■

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It's All in the Contract

One of the most challenging aspects of lottery operations is the vendor contracting process.

By Patricia McQueen

There are 45 American lottery jurisdictions, and there are pretty much 45 different ways to issue RFPs and go

through the procurement process for a major gaming system contract. It's time consuming and often leads to challenges by the vendors. In many jurisdictions, lotteries must utilize an existing government procurement process – despite lotteries' differences from other state agencies, they are often forced into a mold that doesn't quite fit.

"The notion of standardizing lottery procurements across jurisdictions is a noble one, but state procurement rules are sometimes not specific to the lottery even within each state," lamented Gordon Medenica, Director of the Maryland Lottery and Gaming Control Agency. "I think that's just going to be a frustration that we are going to have to continue to live with. If anything, we see some states trying to standardize procurement rules within the state itself, so that the purchase of everything from road salt to lottery marketing follows the same template."

The frustrations continue once a winning bidder has been selected; even if there are no challenges from losing vendors, it may mean a change in suppliers, with a whole new team

coming in to install and service the system. While such installations are now pretty much routine, they still have the potential to upset the apple cart.

It's no wonder lotteries don't enjoy going through the process very often and have generally migrated to ever-longer contract terms to avoid some of the risks involved. However, extending contracts for technology-based products always carries its own risks. Here's an eye-opener – the iPad was introduced just eight years ago, in April 2010. Many lotteries were already into 10-year contracts when the revolutionary tool first hit the market – a new category of technology that would become indispensable for lottery sales reps and even retailers. Who knew?

Most gaming system contracts currently written are for eight to ten years, with extensions that may turn that into 15 years or more. Sometimes those extensions are signed at the beginning of the contract term, sometimes they are based on performance during the contract. Lotteries may add a little bit of protection to help insure that technology doesn't just pass them by. For example, the North Carolina Education Lottery awarded a 10-year gaming system contract to IGT in 2016, and the company's eligibility

for a five-year extension at the end is determined by whether or not upgrades and improvements are made to the system by the eighth year of that contract.

So one key to a successful long-term contract is the level of contingencies within that contract that allow for technology changes. "I am not on principle opposed to long term contracts as long as we have terms within the contract that preserve the flexibility that we are needing to stay nimble and strategic," said the Oregon Lottery's Chief Gaming Operations Officer Farshad Allahdadi, who is trying to solve the problem from another angle (more on that later). "If we can draft a contract that talks about openness and integratability and flexibility – if those kinds of concepts can be included, then I'm less concerned about the contract duration."

Around the industry, the Arizona Lottery has one of the shortest current contract terms for a gaming system – a five year base contract with five one-year extension options. "While criteria for the current contract was established prior to my arrival, the Arizona Lottery is dedicated to developing partnerships that meet the needs of our aggressive business goals," explained Executive Director Gregg Edgar. "Having shorter contracts

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“The old way worked perfectly well for the old problem. We recognize that there are new problems that might need new solutions.”

**Farshad Allahdadi,
Oregon Lottery**

allows us greater flexibility as well as the ability to address the anticipated demands of our retail customers – who are operating under an ever-changing backdrop due to the proliferation of online competition.” He added that the Lottery is looking to align all of its contracts to “give us the greatest flexibility to leverage new technologies and efficiencies to build sustainable growth.”

Outliers to the general range do exist for specific reasons. The Oklahoma Lottery, for example, is prohibited by law from having any contract of more than one year’s duration. As a result, its gaming system contract is set up as a one-year contract with nine available one-year renewals.

On the other end of the spectrum is the Rhode Island Lottery’s 20-year contract with IGT, which is due to expire in 2023. That contract was part of a special economic development package with the state that kept the company (then GTECH) from moving its headquarters out of Rhode Island. Despite what the long term might imply, however, the contract has included numerous advances and upgrades over the years. And as some technologies predicted at the beginning didn’t materialize, others came in to take their place. “It has been a living, breathing document as we’ve gone through the years,” said Director Gerald Aubin. As a bonus, the Lottery gets a home town advantage that means serving as a test market for industry innovations. “We often have the newest and latest products, and testing of many new products takes place here.”

Maryland is one of the more recent states to award a new contract,

selecting incumbent Scientific Games last year and settling on a seven-year initial term with one potential three year extension and a provision for a transition year at the end. While Medenica said that towards the end of a long-term contract equipment and technology eventually does start feeling obsolete, he doesn’t think the length of current contracts is a real problem for lotteries. “Even though we all talk about how rapidly technology is changing, it really hasn’t been too much of a constraint in terms of sales. Also, the contracts tend to be long term so that the vendor has sufficient time to amortize the large capital expenditures they make on our behalf.”

A Different Approach

Oregon’s Allahdadi is a relative newcomer to the lottery industry, now in his fourth year. With an economics background, he is trying to think outside of the box with respect to the Lottery’s technology needs and the procurement processes used – trying to map the business problem to the business solution. “The old way worked perfectly well for the old problem. We recognize that there are new problems that might need new solutions.”

Those “new problems” are a changing player base, multiple systems (retail, online and mobile, video and potentially even sports) that require a level of integration that he doesn’t think exists in the lottery vendor community today, and the smooth flow of data between those multiple systems. “We need solutions with a middle layer of integration so that we can introduce or extract gaming solutions without disrupting the entire network.”

He believes current contracting procedures, and current technologies offered by lottery vendors, are still not where the industry should be. They are still too much designed as single-vendor eco-systems. “The large, monolithic, complicated, and inflexible vendor contracts and solutions of the past are really becoming dinosaurs,” he said, adding that lottery systems need to be built on open architectures that are vendor-agnostic. The Oregon

Lottery has enlisted Gartner Consulting to help it navigate the waters, to help build the open architecture and highlight the key considerations and capabilities that are needed.

It might take a while to find the right path for Oregon, given the complexity of the environment. “We want to make business decisions and vendor and systems selections with an eye towards their holistic impacts and how we are going to support everything. All of our systems need to talk to each other.

“There seems to be this feeling of being captured and that you can’t really break away from the gaming vendors. We are trying to challenge that without really being disruptive to our player base. I think there’s a solution there for us, we just haven’t landed on it yet.”

In the meantime, Oregon’s existing contract with IGT – the only systems vendor the Lottery has ever had – will expire in 2020, and something has to be done. Allahdadi doesn’t think a typical procurement process is appropriate at this time when so much about the future remains in flux. So earlier this year he received permission to negotiate with IGT directly in order to sign a new contract for its traditional lottery operations, rather than go out to bid. It will help the Lottery get new equipment to the market more quickly at a time when there’s so much more at stake.

Going it Alone

While Oregon considers building on its internal strengths, the Massachusetts Lottery remains the only American lottery to manage its own gaming system, and there are several advantages to going it alone. “Based on our understanding of industry models for third-party facilities management costs, the cost savings of running our own system are significant,” explained Executive Director Michael Sweeney. He estimates an eight-figure annual savings based on current sales levels, allowing the Lottery to keep its administrative and operational expenses at around two percent of sales, the lowest in the U.S.

Another key benefit is flexibility and response time, meaning the Lottery can get whatever equipment it wants from whatever vendor it chooses, on

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“It positions us to be compatible with as yet undeveloped technology.”

Michael Sweeney,
Massachusetts Lottery

its own terms. “We are not limited to one vendor and its timing.”

The biggest negative, perhaps, is not being able to keep up with the latest in technology; after all, the system being replaced was originally installed in 1997. Another downside is not being able to call upon a vendor’s large investment in research and development. That said, the current project is being done in a fashion that will allow easy future updates. And because it’s not tied to one particular vendor, “we have the ability to take advantage of the research and development of a large pool of vendors, not limited to traditional lottery vendors.” That pool includes, for example, companies that specialize in mobile and digital technologies.

The Lottery is currently undergoing a massive replacement project, funded by a bond issue authorized by 2014 legislation that allocates up to \$65,000,000 for the “costs associated with upgrades and replacements to agent and terminal hardware, a host system, terminal applications and related components.” The project to replace approximately 8,000 terminals at some 7,500 retail locations has been underway since last summer and is expected to be completed by the end of this year. The Lottery has been working with IGT since 2017 to develop a new central gaming system, which should be placed in service in the first half of 2019.

As noted, it’s the first gaming system and terminal replacement since 1997, but by design it will be the last one done as a single project. It is being structured to “virtually eliminate the possibility of having to replace the

entire host and hardware system at the same time,” explained Sweeney. The system will communicate with different types of hardware, allowing the Lottery to purchase whatever terminals and other equipment that will best service the variety of agents that sell lottery tickets. “It positions us to be compatible with as yet undeveloped technology.”

Three vendors have been qualified to provide agent location hardware – IGT, Scientific Games and Intralot. To date, the Lottery has purchased equipment from both IGT and Scientific Games, and at this writing about 3,500 new terminals are up and running under the existing gaming system.

Aside from the structure that will allow for component upgrades in the future, Sweeney is most looking forward to the new technology’s ability to incorporate marketing opportunities – special offers to players, greater promotional options, additional engagement with VIP Club members. He’s also looking forward to utilizing advanced analytical data to inform sales and marketing decisions.

Instant Choice

Of course the gaming system contract is not the only major vendor contract lotteries must deal with. All but two American lotteries offer instant games, and for almost all of them, those games are the largest single product line.

About two-thirds of American lotteries hold contracts with more than one instant ticket printer; many hold contracts with all three major printers currently serving the market – Scientific Games, Pollard Banknote and IGT. Many designate one company as the primary,

guaranteeing it a certain percentage of games (which might range from about 50 percent up to 95 percent) and having it handle the ancillary business of warehousing, distribution and marketing support.

“I think it makes all the sense in the world to have contracts with all three printers,” said Medenica, which allows lotteries to decide what games to offer based on all the games out there. Maryland’s current contract gives a minimum of 75 percent of games to its primary vendor Pollard, but having contracts with everyone allows the Lottery to browse all the catalogs and hear the sales pitches. “There are always things to learn,” especially when it comes to what games have done well in other jurisdictions. “There’s a lot of looking around the rest of the lottery industry on instant games; that’s where the cooperation is really great.”

A few lotteries don’t designate any of the printers as primary or require a minimum percentage of games from a specific printer. Arizona, for example, has an instant ticket management contract with IGT for distribution and warehousing, but has printing contracts with all three printers. “We have purposely avoided the primary print vendor contract to push the vendors for their best materials,” said Edgar. “We like the competition and leveraging the strengths of our three print vendors to meet the demands of our players.”

Still, some lotteries still choose to work with only one ticket printer. Sometimes it is because their market is small. “We just use Scientific Games right now because our print runs are so small it’s cost prohibitive to use others,” said Delaware Lottery Director Vernon Kirk.

Other lotteries feel that each of the vendors has such a comprehensive catalog that they don’t think they are

“I think it makes all the sense in the world to have contracts with all three printers.”

Gordon Medenica,
Maryland Lottery

Current U.S. Lottery Gaming System Contracts

Jurisdiction	Total traditional lottery sales, FY17 (in millions)	Vendor	Contract end date	Available extensions / other notes
Arizona	\$852.0	Scientific Games	August 2021	Up to five 1-year
Arkansas	449.1	Intralot	August 2026	
California	6,233.5	IGT	October 2026	
Colorado	555.3	IGT	June 2021	Two 2-year
Connecticut	1,216.3	Scientific Games	April 2023	
Delaware	215.8	Scientific Games	October 2022	To be determined
District of Columbia	218.7	Intralot	March 2020	
Florida	6,156.5	IGT	April 2031	Two 3-year
Georgia	4,528.9	IGT	September 2025	
Idaho	239.9	Intralot	September 2027	Two 5-year
Illinois	2,846.2	Intralot	October 2027	Contract to be implemented in December 2018
Indiana	1,213.1	IGT	June 2028	Through IGT Indiana
Iowa	352.2	Scientific Games	June 2020	
Kansas	258.0	Scientific Games	October 2027	One 5-year
Kentucky	1,000.5	IGT	July 2021	One 5-year
Louisiana	455.0	Intralot	June 2020	Two 1-year
Maine	265.9	Scientific Games	June 2021	
Maryland	1,931.5	Scientific Games	May 2025	Up to four years
Massachusetts	5,084.8	None		
Michigan	3,329.8	IGT	January 2021	
Minnesota	563.5	IGT	November 2023	Three 1-year
Missouri	1,342.7	IGT	June 2022	Up to three years
Montana	52.7	Intralot	March, 2023	
Nebraska	173.8	IGT	June 2021	
New Hampshire	299.2	Intralot	June 2020	
New Jersey	3,186.9	IGT	June 2029	Through Northstar New Jersey
New Mexico	126.0	Intralot	November 2023	
New York	7,679.1	IGT	August 2020	Out to bid
North Carolina	2,428.1	IGT	April 2027	One 5-year
North Dakota	27.6	Scientific Games	June 2022	Up to two years
Ohio	3,001.7	Intralot	June 2019	Four 2-year
Oklahoma	151.5	Scientific Games	August 2023	One year contract renewed annually*
Oregon	332.2	IGT	November 2020	
Pennsylvania	4,001.0	Scientific Games	June 2019	Out to bid
Rhode Island	249.9	IGT	June 2023	
South Carolina	1,635.7	IGT	May 2028	
South Dakota	49.3	IGT	August 2019	Out to bid
Tennessee	1,611.9	IGT	June 2022	Up to seven years
Texas	5,077.5	IGT	August 2026	
Vermont	122.4	Intralot	June 2020	
Virginia	1,989.9	IGT	October 2024	Two 3-year
Washington	673.3	IGT	June 2026	Up to 10 years
West Virginia	166.5	IGT	June 2025	Three 1-year
Wisconsin	602.8	IGT	June 2024	Three 1-year
Wyoming	25.3	Intralot	August 2024	Two 5-year

Sales exclude casino-style gaming.

*Oklahoma state law prohibits contracts longer than one year, so contract is renewed annually for 10 years; end date shown assumes all renewals are made.

“You want to choose a vendor based on its ability to drive business in your state...”

**Gordon Medenica,
Maryland Lottery**

missing out. For the longest time, the Oklahoma Lottery had a profit restriction that no variance in ticket offerings could offset; that changed last year. “Now that we get to be a real lottery, there aren’t any products offered by any vendor that will make us so much more successful by having used their products,” said Executive Director Rollo Redburn. “We concentrate on the features that our players like to play; we have enhanced payouts so that our players are playing more; we change up the lineup to keep the players interested in playing. Adding another vendor adds some levels of complication. It’s less complicated the way we do it and we’re not really limited by product selection.”

In addition to selecting games from vendors, Arizona, Maryland and most other lotteries also design their own games – unique themes or brands known in specific jurisdictions or regions. These types of games often “have delivered returns well beyond sales revenue to include community partnerships, new player data, earned media value and social chatter,” said Edgar.

The Future

As for the future of technology-based contracts, it will be interesting to watch what the Oregon Lottery does. And while it is unlikely that other states can emulate the Massachusetts Lottery, the basic idea of using technology from multiple vendors – and of building in the flexibility to change as the years go by – is something that successful businesses around the world have been doing for decades. Should lotteries be that much different with billions of dollars at stake?

What about shifting the vendor compensation model to focus on profits instead of sales? An admirable goal, perhaps, but one that is more difficult than it sounds. “Part of the problem

trying to do that is defining the terms,” said Medenica. Net win (sales minus prizes) is one thing, but other factors affect profitability. Certainly draw games generate more profit in terms of margins than do instant games. “We would need to make sure that people are properly focused on the best balance between the two, but I’m still not sure if that would actually impact the efforts being made by the vendors.”

And speaking of compensation, the constant drive by state governments to seek the lowest possible costs is not conducive to the health of the lottery vendor community. Medenica doesn’t agree with the theory that lowest cost is better for lotteries. “You are much better off with a vendor who is making good money on your contract, because then they are highly motivated. You want to choose a vendor based on its ability

to drive business in your state; you shouldn’t be focused on buying terminals for the least amount of money.”

One way to help with that is to evaluate technical factors of bids much more heavily than financial factors – to the extent allowed in a given jurisdiction. In fact, that might be considered the single most important ‘best practice’ for vendor contracting.

Finally, as technology continues to evolve and products become more and more similar, software, service and support will become the defining aspects of a particular vendor’s bid. Software, reporting, marketing and product design can help distinguish vendors, and can provide the extra support lotteries might need if a state has budgetary limitations. Then it’s up to the lotteries to make the best choices given their needs. ■

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The graphic is a promotional poster for the PDS 2018 conference. It features a bright orange background with a white scalloped border. At the top, the text 'PDS 2018' is written in large, white, bold letters. Below this, the tagline 'Share expertise, build relationships and shape our industry' is written in a smaller, white font. In the center, there is a graphic of a blue map of Florida with a white outline. The word 'ORLANDO' is written across the map in large, white, bold letters with a red outline. To the left of the map, there is a circular logo with 'PDS' and stars. To the right, the year '2018' is written. Below the map, the dates 'JULY 23-26 2018' and the location 'DOLPHIN HOTEL' are written in white. At the bottom, the text 'REGISTER NOW!' is written in large, white, bold letters.



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- Wednesday October 24: Conference Sessions conclude at 1:00pm, followed by Lunch and Reception

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SPORTS BETTING:

OPENING THE FLOODGATES



Shortly before this issue of *Insights* went to press, the U.S. Supreme Court made its long-awaited decision on the fate of sports betting in the United States. At issue was a challenge by New Jersey against the 1992 Professional and Amateur Sports Protection Act

(PASPA), which effectively prohibited most states from offering legal sports betting. The Court had heard arguments in the case last December, and on May 14 ruled in favor of New Jersey, effectively striking down PASPA as unconstitutional.

Across the country, legislators and gaming operators alike have been preparing for this eventuality, with sports betting bills introduced in many states and casino and racetrack operators getting ready for what they assumed was inevitable. At this writing, Monmouth Park in New Jersey expected to be the first racetrack to open a sports book in late May. Voters in that state had already approved sports betting at racetracks and casinos.

In April, the Rhode Island Lottery was the first American lottery to issue an RFP on sports betting; bids were due May 18. The Lottery initially envisions sports betting at its two gaming facilities – the existing Twin River Casino and a new casino in Tiverton opening this fall – although additional locations and online options may be considered in the

future. In its pre-bid conference on April 24, mandatory for potential bidders, some 18 vendors participated; most were from outside the U.S. In the end, though, only IGT submitted a bid.

In recent years, the Delaware Lottery has been the only U.S. lottery to offer a limited form of sports betting. In the days after the Supreme Court decision, Delaware Gov. John Carney announced that the state would quickly move forward with full-scale sports betting including single-game wagering. Under state law passed in 2009, Delaware may authorize betting on professional and collegiate sports, with the exception of games involving Delaware-based teams.

On May 17, Delaware Finance Secretary Rick Geisenberger issued the following statement: “Following Monday’s ruling by the U.S. Supreme Court and consultation with the Delaware Attorney General’s Office, we are confident that Delaware has the legal and regulatory authority to authorize sports gaming in Delaware. The Delaware Lottery has had plans in place for months, and we will begin training lottery and casino staff early next week. We will continue to provide public updates as we prepare to launch full-scale sports gaming in Delaware next month.”

These states’ actions are the tip of the iceberg. Over the coming months much will be happening as other jurisdictions come to grips with the possibilities of sports betting and gaming operators plot their strategies. On the following pages you will find a few initial considerations from the lottery industry perspective.

SPORTS BETTING

NASPL STATEMENT ON SPORTS BETTING

On May 18, 2018, NASPL issued the following statement on the U.S. Supreme Court's decision.

In the wake of the U.S. Supreme Court decision regarding sports betting, U.S. lotteries remain keenly focused on any activities that might help or hinder their mission to maximize revenues for good causes in all lottery jurisdictions, according to the lottery industry's North American trade association.

"As states begin to consider sports wagering, the lottery industry is ready to help establish the real-world network that would be involved if called upon to do so," said Charles McIntyre, Executive Director of the New Hampshire Lottery and President of the North American Association of State and Provincial Lotteries (NASPL). The organization, based in Concord, Ohio, represents all government-sanctioned lotteries in the United States and Canada.

McIntyre noted that U.S. lotteries already have strong relationships with more than 200,000 retail locations across all lottery jurisdictions, many of which are the bars, clubs and pubs that would be natural venues for sports-betting products. In addition, some American lotteries already sell their products on the internet, a potential avenue for sports betting if a state allows that option. McIntyre also noted that all lotteries have the technical expertise to offer a wealth of detailed sports information – upon which sports bettors rely – via their well-developed websites, and most also have mobile apps.

The U.S. Supreme Court ruled May 14 that states themselves should have the right to regulate and tax sports betting, and that it was unconstitutional for the federal government to ban them from doing so.

The Court's decision came in the case of *Murphy*, Governor of New Jersey vs. the National Collegiate Athletic Association, a challenge by New Jersey to the federal Professional and Amateur Sports Protection Act (PASPA), which banned all states outside of Nevada from offering single-event sports betting. Three other states -- Montana,

Oregon and Delaware -- were allowed to offer limited forms of sports betting under PASPA.

The Court determined that PASPA, passed by Congress in 1992, attempted to "regulate state governments' regulation" of their citizens by preventing them from enacting sports betting laws. The Court said that under the U.S. Constitution, Congress does not have the right to do so. The Court also noted that under the 10th Amendment of the U.S. Constitution, all legislative power not conferred on Congress is reserved for the states.

"The legalization of sports gambling requires an important policy choice, but the choice is not ours to make. Congress can regulate sports gambling directly, but if it elects not to do so, each state is free to act on its own. Our job is to interpret the law Congress has enacted and decide whether it is consistent with the Constitution. PASPA is not," Justice Samuel Alito wrote for the Court.

McIntyre noted that NASPL members agreed to a resolution in 2011 and reaffirmed it by acclamation in 2012 that states have the right to determine the best gaming alternatives for their own jurisdictions. The resolution states:

"NASPL, on behalf of its membership, is opposed to federal legislation that would encroach on the traditional state prerogative to regulate gaming within each state's borders. Bills such as this would federalize the internet as a gaming portal, and create a costly and duplicative federal gaming-licensing regime, and moreover, they would impair the ability of states to represent the sensibility of their citizens, which states are uniquely qualified to do and which they accomplish by regulating gaming within their borders to, among other reasons, raise revenue for worthy causes. We believe that the use, regulation, and ultimate beneficiaries of the internet for gaming are best left to the legislative determination of each state. Throughout U.S. history, states have retained, under the Tenth

Amendment to the Constitution, the authority to establish their own gambling policies and the federal government has deferred to the states by enacting only the laws necessary to support state policies. Lotteries move cautiously and deliberatively toward new revenue opportunities, always keeping in the forefront the express mission to maximize the dollars for the good causes supported in each state and the District, and the regulatory and statutory framework within which the individual lotteries operate."

This resolution was adopted in the face of proposed federal regulation of internet wagering, but its principles apply to any attempt by the federal government to impinge upon states' rights. The Supreme Court made it clear that PASPA did exactly that.

Estimates claim that Americans spend anywhere from \$67 billion to \$400 billion on illegal sports gambling annually. In addition to forcing those interested in sports gambling to engage in unlawful behavior, PASPA prevented states from enacting consumer protections, hindered law enforcement from investigating and prosecuting illicit activity, and unlawfully blocked state lawmakers from acting on the will of their own residents.

"NASPL respects the sovereignty of state governments to legislate gambling within their respective jurisdictions," McIntyre noted. "Member lotteries operate within strict state laws to transparently support benefits to good causes while protecting the population by offering safe games in a legal and socially responsible manner.

"The court's ruling on PASPA will help preserve the founding principles and integrity of American lotteries. The ruling will also potentially provide the freedom necessary to enhance the more than \$22 billion that American lotteries returned to their states in FY2017, helping to fund a wide range of programs, services and scholarships within each state."

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RISK MANAGEMENT FOR LOTTERIES: ONE OF MANY SPORTS BETTING ISSUES

By Michael Pollock and Lee Richardson, Spectrum Gaming Group

The U.S. Supreme Court decision to overturn PASPA has turned the entire U.S. gaming world on its head, with casino operators, regulatory agencies, pari-mutuel facilities, European suppliers and other stakeholders scrambling to gain a foothold and establish a position in a brave, new world that emerged with the force of a judicial explosion.

No group of stakeholders is more important to this issue than lottery directors, whether or not their state has a direct role in casino operations. If there was ever any doubt that lotteries and casinos would continue to operate in distinct, separate silos, those doubts have vanished.

Thanks to NASPL and its ability to disseminate best practices, we expect that lotteries will be well positioned to address a variety of emerging issues. Key among those issues is risk management, which we define as the use of tools and techniques designed to manage liabilities that accrue when a sports bet is placed by a player and accepted by a sportsbook.

Clearly, that is a critical function of profitably managing a sportsbook. It can be argued it is the very essence of the operation. Risk management was a concern of the Rhode Island Lottery, which we addressed through the development of a comprehensive RFP for a sports betting service provider.

There are a variety of proven techniques available, including MARS -- mitigate, accept, refuse, share. Risk can be mitigated through the fluctuating use of odds offered and the limiting of individual event-based liabilities, bets can be accepted or refused -- partially or wholly -- by the sportsbook, and risk can also be shared, under contractual terms, with or on behalf of third-parties.

In order to generate a profit, a sportsbook must first offer odds, and then accept a bet at those odds which will, in the long-run, create a theoretical profit. And whilst those odds will need to be sufficiently competitive to attract a bet, and will be based on the likely probability of the outcome

of a sporting contest, a variety of other factors -- including betting patterns, player sentiment and preferences -- can, and do, affect how risk is assessed and how liabilities are both monitored and managed.

Any lottery operator seeking to move into this sector will need to become comfortable with the volatility inherent in managing a sportsbook; unlike virtually all lottery products and derivatives, which are based on calculated, but random, probabilities, sports betting is a skill-based activity, where the operator pits its odds-setting and liability- and risk-management skills against the forecasting skills of the player. And whilst sportsbook players do not always act rationally when betting on individual events, they do, in the long-run, demonstrate at least some aspects of the so-called 'wisdom of crowds;' the vast majority of sportsbook players lose in that long-run, beaten by the superior risk-management skills of the successful sportsbook.

The issue of risk management is emblematic of the challenges that lotteries will face, and the core first step is to ensure that your business model is prepared, and that your staff fully grasps the nuances of this issue.

Other issues that lotteries must confront will be ensuring that sports betting is established to provide the optimal economic benefit to the state, and to advance each state's respective public policies, which will range from economic and employment growth, to maximizing fiscal impacts to, in certain states, urban and tourism growth.

The core of our advice is that getting it right is more important than getting there first.

Michael Pollock is Managing Director of Spectrum Gaming Group, and Lee Richardson, Spectrum Senior Sports Betting Associate, is also CEO of Gaming Economics. Pollock and Richardson are principals in Spectrum Gaming Sports Group.

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NATIONAL COUNCIL ON PROBLEM GAMBLING ADDRESSES SUPREME COURT RULING

Shortly after the U.S. Supreme Court decision on *Murphy vs. National Collegiate Athletic Association*, the National Council on Problem Gambling (NCPG) issued a statement on the implications of the ruling. By repealing the Professional and Amateur Sports Protection Act (PASPA), the Supreme Court opens the door for any state to legalize sports betting.

"[The] ruling by the Supreme Court is the largest potential expansion of gambling in our nation's history now that an additional 49 states have the opportunity to legalize sports betting. NCPG believes the expansion of legalized sports gambling in the United States will likely increase gambling participation and gambling problems unless steps are taken to minimize harm," says Marlene Warner, President of the NCPG Board of Directors.

"Everyone who profits from sports betting bears responsibility for gambling problems. The only ethical and economical way to maximize benefits from sports betting is to minimize problem gambling harm," said Keith Whyte, NCPG Executive Director. "Therefore, any governmental body and sports league that receives a direct percentage or portion of sports betting revenue must also dedicate funds to prevent and treat gambling problems."

"As the national advocate for problem gamblers and their families, NCPG encourages everyone involved in the expansion of sports betting to work with us to minimize harm and maximize sustainability. NCPG is neutral on legalized gambling and works with all facets of the industry, including legislators, regulators, operators, manufacturers, customers and health care, as well as the recovery community," said Whyte.

NCPG's wide-ranging and deep experience in these fields since 1972 allows the organization to provide a clear-eyed perspective on both the benefits and pitfalls of legalized gambling, and to find a middle way that addresses concerns on all sides. Revenues from legalized sports betting must be viewed in the context of social costs. Research has shown that current gambling activity generates over \$115 billion in overall revenue to local, state and federal government, but also results in \$6.5 billion in associated costs, including criminal justice and healthcare costs. These costs are often hidden and difficult to see. Approximately 2% of adults experience gambling problems, or approximately 5 million people. These social and economic impacts must not be ignored.

Whyte noted that the subject of responsible gaming has been a critical focus of the lottery industry for years and that those efforts should not go unnoticed as states consider sports betting options. "As leaders in the lottery industry continue to embrace responsible gaming, they have the opportunity to make a case for taking the lead on the legalization, regulation and operation of sports betting in their states."

The NCPG Board of Directors issued a Resolution on the Legalization of Sports Gambling in February 2017 that included specific recommendations on preventing problem gambling and encouraging responsible gaming for three key stakeholder groups: legislators and regulators; leagues and teams; and the media. In March 2018 the Board followed up by issuing Responsible Gaming Principles for Sports Gambling Legislation. Both of these documents are available on the NCPG website at www.ncpgambling.org.

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2018 CALENDAR

June 4-6, 2018

European Lotteries Industry Days 2018

Marriott Hotel
Prague, Czech Republic

June 11-14, 2018

NASPL Directors Meeting & Dialogue

Westin Portland Harborview
Portland, ME
Hosted by the Maine Lottery

July 13-15, 2018

NCLGS Summer Meeting
Cleveland, OH

July 23-26, 2018

NASPL Professional Development Seminar

Swan Hotel
Orlando, FL
Hosted by the Florida Lottery

September 25-28, 2018

NASPL 2018 Annual Conference

Hilton Cleveland Downtown Hotel
Cleveland, OH
Hosted by the Ohio Lottery

November 18-22, 2018

World Lottery Summit 2018

Buenos Aires, Argentina

December 2018

NCPG/McGill University RG Lottery Holiday Campaign

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

June 17-20, 2019

NASPL Directors Meeting & Dialogue

KingsMill Resort
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
Hosted by the Pennsylvania Lottery

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 Seminar

Grand Hyatt Denver
Denver, CO
Hosted by the Colorado Lottery

December 2020

NCPG/McGill University RG Lottery Holiday Campaign



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