

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

INSIGHTS

January/February 2019



FOCUS ON: RETAIL

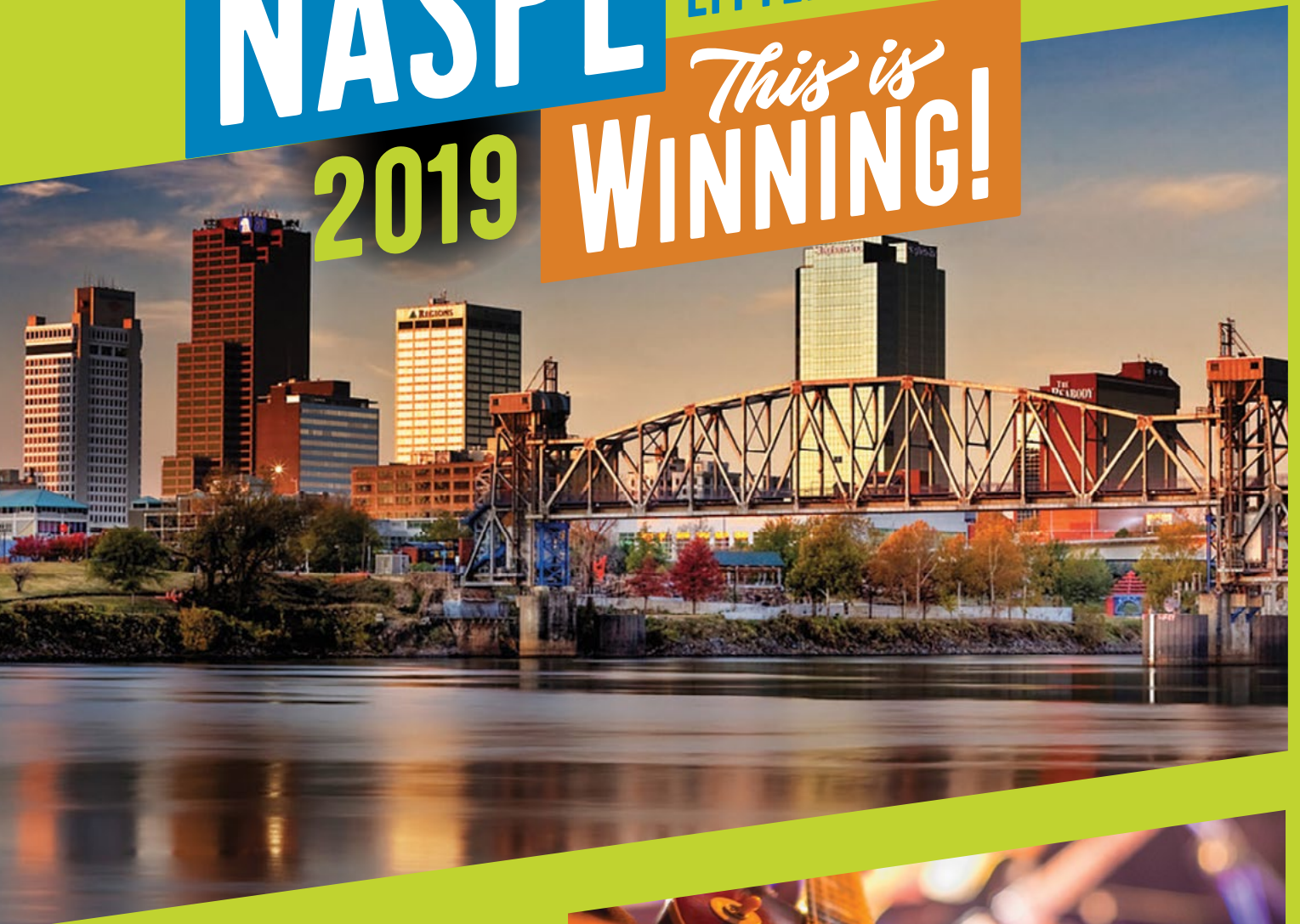


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FROM THE NASPL PRESIDENT



In the last edition of *Insights*, I closed my commentary with the following: “So keep moving forward, embrace technology, but don’t ever forget who your core customer is and who built your business. More to follow...”

So let’s talk more about our traditional core customers – those players who are not always comfortable with technology. We are certainly in an era where we attempt to market our games and promotions to younger, more tech savvy individuals, but at the same time we are marketing to the traditional older demographic who are less familiar with technology and who like to keep things simple. The lottery industry and virtually all consumer product and service industries are grappling with the same dilemma: Do we force new technology on all customers and completely eliminate traditional methodologies, or do we keep providing an alternative means of conducting business using traditional non-technology processes?

Many of you are probably frequent business travelers and are aware of technology’s impact on something as simple as trying to order food and beverage at an airport café. Recently I stopped at such an eatery, and at each seating station was a small tablet sized computer screen with multiple icons. I wanted to place an order with the server, but was told all orders had to be placed using the tablet and that cash was not accepted.

As I fumbled around trying to navigate my order on the tablet, I thought it was crazy that there wasn’t a traditional method for ordering. Things were going south very quickly and I asked the server to assist. I finally placed my order, but it’s a good thing I didn’t need to use old fashioned cash. I also noted that I was asked to add a tip while placing the order. When did we start tipping on self-service, and before even getting our meal? That sounds backwards to me.

Others strolled into the café and it was clear that older customers were more confused, perplexed, and quite frankly pissed off, that they were being forced to use the new technology. One tablet malfunctioned, and the server had to intrude on another customer’s space in order to place an order using another device. I understand there are many advantages of the new ordering system, including placing orders remotely, but



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taking away the human element and more specifically leaving no alternative for those not desiring to use the technology, in my opinion may be a mistake.

Back on the home front, we've noticed several things about our players and their relationship with technology. The Ohio Lottery runs a weekly television show called Cash Explosion Double Play. Each week we receive roughly 12,000 entries eligible to be chosen as a contestant on the show. We allow both online and mail-in entries; roughly 25 percent of all entries are still mailed in despite the availability of a convenient and cost-saving online entry process. That 25 percent is still a significant portion of the player base.

Our winning numbers information is available via several modern means, such as our website and mobile app. Yet the Ohio Lottery still receives over 2.2 million phone calls per month to obtain winning numbers the old-fashioned way. Again, that's a pretty significant number.

We recently conducted a second chance drawing that only allowed online entries. An elderly gentleman sent in a brown paper bag of tickets with a note – "I don't have a computer, don't have the internet and don't tell me to go to the library to enter my tickets." We even had complaints from the local library about non-tech savvy players asking for librarian assistance to enter their second chance tickets into the computer; library staff felt that wasn't a service they should be performing.

I'm not intending to bash technology or endorse going backwards. We as an industry certainly need to embrace technology, but we need to find the right balance and think it out

wisely. You can't force technology on everyone; you might just lose some core customers if you do. Those could be the same customers that built your business over the past decades. How many customers still fit into this more traditional demographic? I don't know, but my best speculation is that it is still pretty significant with at least 25 percent still falling into this category. And 25 percent of \$3 billion in sales is \$750 million, no small chunk of change!

Whenever we do a technology-based promotion and are able to run a demographic analysis of the resulting consumer profile, we get all excited when we believe we attracted a younger demographic. Maybe we'll learn that the average age of the player entering the contest was 35 years old! Now for the real question. Does this really mean we attracted the younger demographic or did we simply alienate the older demographic?

We must remember that a significant loyal segment of our customer base is still those 50 and older, who enjoy playing lottery and are likely less tech savvy, but who have financial resources way beyond what millennials have. Let's not forget that. Should every promotion, game or process have a traditional alternative for non-tech savvy individuals? Maybe not. But any good plan should at least consider how you can accommodate those individuals that built your business over the years.

Embracing both traditional and non-traditional players is also something that our retailers have to struggle with. This month's *Insights* is dedicated to all things retail. Let's learn from each other what we all are doing to make the most out of our brick and mortar retail establishments and how to connect with all our customers, whoever they may be.

Dennis Berg

*Director, Ohio Lottery Commission
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A Look Inside CIBELAE

As the regional association that represents lotteries in North America, NASPL would like to recognize its four sister organizations around the world. First up, we welcome an update from CIBELAE, which represents lotteries primarily in Central and South America.

CIBELAE is the Ibero-American Corporation of State Lotteries and Bets.

Its beginnings date back to October 1988. During these thirty years, the Corporation has maintained its three main objectives:

- Train, professionalize and modernize the institutions and personnel that make up our corporation.
- Promote the integration of its members, not only the countries that comprise it but other regions as well.
- Promote the adoption of consistent legislative policies for the regulation and control of recreational activity by the state agencies that comprise it.

As a non-profit civil association, we have our governing and administration bodies: the General Assembly, the Board of Directors and the Executive Management.

The members are categorized as Regular Members, Regular Observer Members and Associate Members.

As a whole, CIBELAE brings together regulators from 20 countries in the region, which are joined by SELAE and ONCE of Spain, Jogos Santa Casa de Portugal, and La Pacifique des Jeux de Tahiti, with more than 50,000 direct employees within these organizations and over 100,000 points of sale in the region. Brazil, Mexico, Argentina, Chile, Paraguay, Uruguay, Bolivia, Costa Rica, Panama, Honduras, Dominican Republic, Guatemala, Colombia, Ecuador, El Salvador, Nicaragua and Peru represent the great bulk of the play market volume of Central and South America.

As for our associate members, some of



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the most important companies in the sector such as B-Gaming S.A., Scientific Games, GLI, Intralot, IGT, Playtech, Novomatic and Clarion accompany us, among others.

Our Work

We work in seven advisory commissions: Processes, Corporate Social Responsibility and Responsible Gaming, Training, Legal, Products, Technology, and Prevention of Money Laundering. These commissions are integrated by technical staff from the different agencies that make up the Corporation, to address CIBELAE's issues as well as inquiries and requirements of our members.

With the goal of reducing the differences between the lotteries and seeking compliance with industry best practices, CIBELAE is currently working on a regional survey of its market: game volume; type of products sold; number of points of sale; amount destined for good causes; and, above all, the needs from the point of view of training and advice for the official bodies that are part of the Corporation.

Another important objective to which we are committed is the fight together against illegal games, a serious problem that unscrupulously attacks our citizens by subtracting resources from the coffers of the States by reducing our income and consequently the resources destined for good causes, which is the main objective of our lotteries.

Following the line of our purpose as an organization, we understand that the joint work between the regional and international associations will strengthen us and help us to create awareness of the need for our work, as well as generate links that will allow us to exchange experiences, establish common policies, and share our successes and mistakes in the search for continuous and cooperative improvement.

We know that we represent much more than an entertainment activity, as it may seem at first sight. We are a genuine source of income for the State, and we generate sources of work, technological development, and infrastructure. By doing so, we contribute greatly to the growth of our countries. ■

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Continues Sports Betting Educational Efforts

Association Launches Newest Installment of “Insights Direct”

By Mackenzie Whitacre

Nearly one year has passed since the U.S. Supreme Court struck down the federal ban on sports wagering known as the Professional and Amateur Sports Protection Act (PASPA). With PASPA overturned, individual states now have the opportunity to establish their own regulated sports betting framework. This ruling generated a lot of buzz in the lottery world, and for good reason. But how does sports betting work? And how will it affect the lotteries?

As an industry, lottery institutions provide a well-suited channel for the operation and regulation of this exciting new chapter of gambling entertainment in the country. In fact, nearly 70 percent of the world’s sports wagering operations are run through lotteries. In the U.S., American lotteries already have strong relationships with more than 200,000 retail locations across their jurisdictions, many of which are the taverns and social hangouts that could be natural venues for sports betting products. Additionally, some state lotteries already sell their products on the internet, another potential avenue for sports betting if their jurisdiction allows that option.

Most importantly, adding sports betting products to lotteries’ rosters provides new opportunities to generate even more revenue for the causes that lotteries help support. As much as 96 percent of funds generated from traditional U.S. lottery games goes directly back into the local economy through prizes, retailer commissions and public beneficiaries. In fiscal year 2018 alone, U.S. lotteries transferred a total of \$23.4 billion to those beneficiaries.

Naturally, several states have taken action to bring legal sports betting to their districts. At the time of this writing

in mid-January, seven jurisdictions have established legal, state-regulated sports betting industries: Delaware, Mississippi, Nevada, New Jersey, Pennsylvania, Rhode Island and West Virginia. Of these, three states – Delaware, Rhode Island and West Virginia – have oversight controlled by their respective lotteries. Additionally, a tribal group in New Mexico is now offering sports betting in the state under an existing gaming compact. A handful of other districts have partial laws in place or are in the late stages of ironing out the legislative details. And every day more and more state representatives and industry leaders are joining in the conversation.

In some of these cases, lotteries have been directly involved in the process. In others, less so. However, according to NASPL Executive Director David Gale, it is critical that we, as an industry, do everything we can to understand the impact this new wave can have. Sports betting is complicated, and each jurisdiction faces different challenges. That’s why NASPL has introduced a series of sports betting white papers, webinars and workshops to keep the membership informed and educated on this evolving pursuit.

“Furthering our plan to provide you with as much timely and relevant sports betting information as possible, I am pleased to introduce our new series covering this extremely important topic,” said Gale. “We hope this series will help our membership make informed decisions about sport betting in their respective states.”

Teaming up with our friends in Canada, counterparts at European Lotteries and the World Lottery Association, and experts around the world, NASPL has launched the

newest installment of “Insights Direct,” the exclusive web series available to lottery CEOs and directors through the NASPL Matrix and via private link on YouTube.

In six episodes, NASPL will provide a fundamental outline of key sports betting components: Operations 101, Security and Integrity, Legal, Government Relations, Responsible Gambling, and Vendors and Suppliers. The series will address important questions, including:

- How does a sportsbook function, and what is the day to day business model?
- How can we educate legislators and gain their support?
- What does the illegal market look like, and how do we eliminate it?
- What steps do we take to ensure responsible gambling among our players?
- And more!

Though not every lottery will be directly involved in sports betting at this time, or perhaps even in the future, NASPL maintains that it is important to remain aware of changes and make our voices heard.

“We at least owe it to those who come after us a fair evaluation of this enterprise,” said Gale. “This is about so much more than just looking at a new product. It’s also about maintaining a strong presence in our market, attending to our competition and remaining relevant in a changing climate.” ■

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Teresa Schuttler

Secretary, Nebraska Lottery

Teresa Schuttler is a people person. So much so that not only does she enjoy her interaction with the public as a member of the Nebraska Lottery's administrative support group, she actively seeks out other opportunities to hone her people skills. For the Lottery, among other things she helps customers on the phone and at the customer service counter, assists with the prize claim process and is often out at various lottery events helping the marketing team with winners and contestants.

"Teresa clearly likes people and she demonstrates that every day in her customer contacts, whether across the counter with winners or on the phone with players who have questions about topics ranging from games and promotions

to their MVP Club accounts," said Lottery Director Brian Rockey. "She goes above and beyond and volunteers to help with promotional events and second chance contests, preparing prizes and helping to ensure the participants have a positive experience. Teresa is a great teammate."

Schuttler has worked for the Nebraska Department of Revenue for almost 33 years; she transferred to the Lottery division in 2004 after many years in the Department's legal division. While she loves meeting players – and winners – in person and gets plenty of opportunities to do so, one of her primary tasks is maintaining the Lottery's database of winners. She prides herself in knowing the names of regular customers even if she doesn't meet them all. She also helps process new retailer applications and finalizes the resulting

contracts, handles office supplies and office equipment, and manages all Lottery-owned vehicles.

As a long-time employee, Schuttler has seen a lot over the years. She appreciates the changes in the games – particularly scratch games – that have enhanced their appearance and made them easier for retailers and players alike. New looks, colors and textures, and even scented tickets, attract players, while bar codes have improved functionality. “Those have all been neat changes.”

She does wish Nebraska could have some of the technology advancements utilized by other lotteries around the country to help grow sales and improve both the customer and retailer experience, but they are not allowed under state law.

For most of her adult life, she has worked two or three jobs at a time. For many of those years, she was a single mother raising her son, Colby; she was fortunate to have her parents help with babysitting tasks so she could be a good provider. Although Schuttler is now a grandmother who enjoys spending time with her two granddaughters, she continues to work a second job as a premium bartender and concession attendant at Pinnacle Bank Arena during basketball season and at concerts throughout the year. “I guess it’s just in me to work, and it’s also another people thing. Bartending at the arena creates different kinds of relationships with people. It’s nice to talk with the regulars there.”

She actually held a third job for more than 30 years, as a cashier and supervisor at Shopko Stores, but gave that up when her mother became ill in 2016. After both her parents passed away last year, she thinks it’s time to slow down a little. Although basketball season keeps her busy at the Arena, she only works concerts a couple of times a month the rest of the year, and still thrives on the people contact. And there’s another perk – earning extra money to fulfill her passion for travel.

Schuttler actually has an associate degree in tour and travel – earned while working three jobs and raising her son – and worked briefly part time for a travel agency. Although the perks were great, the pay wasn’t. So now she uses her bartending gig to help pay for travels; she’s fond of Florida and Las Vegas, and has her sights set on other destinations as well. “There are a lot of beautiful places out there.” Hawaii and Europe are key goals; she’s fascinated by castles and their history. She also loves lighthouses – something shared with her mom – and always investigates their history when discovering them during her travels.

You would think she has no time for anything else, but she’s a regular volunteer on election days and also loves watching movies.

You started at the Nebraska Lottery because you thought it would be fun. What’s the most fun you have had in your 15 years on the job?

I just love what I do here! For nearly 40 years I’ve worked various jobs interacting with the public in different situations, not just at the Lottery. As a people person, here there’s nothing better than getting to meet people, giving them lottery prizes and making them happy! I have some regulars that come in and they are always friendly. I hear their life stories – people just want someone to talk to and someone to care. And it’s really fun when we can give someone who needs it that big prize and see how their life can change as a result.

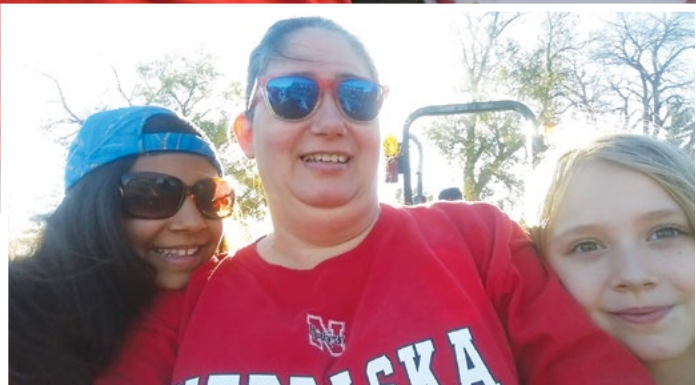


Since you are often the first person big lottery winners see when they check in for their claim, do you have any thoughts about making winners more comfortable in the limelight?

It’s important to be friendly, to try to talk with them and to be happy for them. There are always winners who refuse all publicity, but once they are in the winners’ lounge, our public information and marketing teams always try to talk with them about how they purchased their winning ticket, what they did with it and what their plans are for their winnings. We do interviews with any winner of \$1,000 or more, but of course it’s the million dollar winners that get the media attention. Since winners in Nebraska are public record, we explain that the media will find out who big winners are eventually, and that if they just agree to initial publicity it’s usually old news the very next day. With our guidance, we can help them put out only the information they want to release. Nothing will change their mind if they insist on no publicity, but many decide they are better off to control the story and just get it out there and over with.

In dealing with customers, what is your biggest challenge?

A lot of it has to do with understanding the games – how they are played and how to win. Around here I’m called the Pick 3 guru, because I can usually explain the game in a way that helps people understand how it works. With four bet types, it can be somewhat confusing, especially because we can’t fit all the possibilities on the back of a play slip. Scratch tickets can also be confusing – sometimes people think they have a winning ticket but the retail terminal says otherwise. I usually ask them to bring the ticket in so I can help them, and once I explain it they understand. I don’t think our games are particularly difficult, as we do make them as simple as possible. I think people just get so excited sometimes, looking for that big win, that they might overlook things. I’ve been in retail dealing with people for almost 40 years, and sometimes people want what they want and are not going to pay attention to what the rules say.



Since you often assist with promotions and events, what has the most success in Nebraska?

Any of our second chance promotions do pretty well. Truck & Buck used to be our most popular second chance drawings with one of the trucks offered as a second chance prize, but all the truck prizes were moved to the instant-win prize structure. Other than that, our most popular second-chance drawings are usually those that offer cash prizes, although we have one going now with our The Voice scratch ticket that offers a grand prize VIP trip to Las Vegas and Los Angeles. All our contest entries are made through our Most Valuable Player Club; players register and enter drawings via our website. The drawings help increase our ticket sales and help build our MVP Club membership.

Our big annual summer promotion is probably the one people look forward to the most. This past year, players had a chance to win up to \$25,000. We did five drawings, each with five contestants, and all of the 25 contestants are guaranteed to win at least \$2,500. These contests always have fun elimination rounds to get to the grand prize. Some of these drawings are done at the Nebraska State Fair and we get really big crowds there.

My primary job for all these drawings is to make sure we get the

letters out notifying players they were selected and to make sure they come to the event. If they can't, I make sure we have a proxy for them. I was actually a proxy myself once and it just so happened I won a prize for that player. It was a lot of fun, but it was kind of defeating because I got to celebrate for the player but couldn't actually keep the prize I "won."

How did you get started volunteering for elections and what does that mean to you now?

My mom started me doing that maybe 20 years ago. Initially I was a judge, which is someone who is at the polling place from before polls open (setting things up) until after they close (making sure the ballots are counted and secure). Through the years I have moved up, and now I'm an inspector. It's like a supervisor – in addition to being at the polling place for 14 hours on election days, I pick up all the equipment the day before and contact all the other volunteers to make sure they will show up as scheduled. For me, I do get a patriotic feeling helping people go through the voting process. And it also goes back to my being a people person. I love meeting all the voters as they do their civic duty. ■

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Billions are the New Millions

By Scott Morasch, Ipsos

As far as comparisons go, it's basically apples-to-apples. Two giant U.S. lottery games go back and forth trading the biggest jackpots of all time in the country. The rules for each game are nearly identical: players pick five numbers from a fairly large pool of numbers and a sixth number from a separate, relatively smaller pool; the more numbers you match during the draw, the more you win. They both offer jackpots, on a regular basis, that can change people's lives in an instant. And, they have both eclipsed the magical billion-dollar threshold in the past three years.

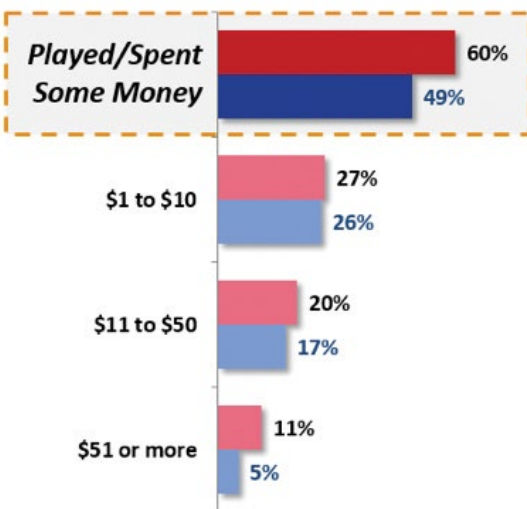
Powerball did it in 2016 during a lottery ticket bonanza that saw 60 percent of adults in the U.S. take their shot at nearly \$1.6 billion. This past October, Mega Millions joined the billion-dollar club with a jackpot that rolled into a \$1.537 billion snowball won by a single ticket purchased in South Carolina.

Two games. Nearly identical rules. Billion-dollar payouts. Powerball hooked its talons into the nation and generated buzz from coast to coast. For Mega Millions, just under half of adults played for the big payout and for those who did play, 30 percent say they didn't start playing until the jackpot reached \$1 billion.

Why did one lottery game captivate the country while the other came and went without as much fanfare? To understand more about the nation's excitement and participation in these games, our Lottery and Gaming practice at Ipsos dove into the data and compared player behavior during the two massive paydays. We conducted similar surveys with players following each jackpot run to understand buying habits and jackpot thresholds. Comparing those data sets has revealed some interesting differences between the two games and how players reacted then, and now, to the alluring notion of becoming a billionaire.

Spending During Billion \$ Jackpot Rolls

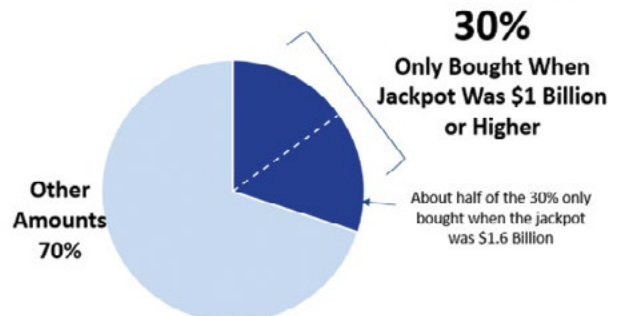
■ Powerball (2015/2016)
■ Mega Millions (2018)



A Million Dollars Ain't What it Used to Be

In our younger years, a million dollars used to sound like a lot of money. Becoming a millionaire was a dream to aspire to. But nowadays, a meager million seems like a speck of dust compared to the monstrous wealth we see out there, and for many folks, it's not really a 'quit-your-job' amount of money. Is the same true with lotteries? As jackpots grow ever larger, could the desire to cash in on the colossal, to forgo the big and the huge, and to wait for the kind of wealth we've already seen some people win, be the new normal? Based on our research, this could be the direction we're heading. As we noted previously, 30 percent of players who bought tickets during the most recent jackpot frenzy say they waited for the Mega

What Mega Millions Jackpot Amounts Players Bought Tickets For (Among Those Who Bought During the Jackpot)



Lottery doesn't always make it on the shopping list



Nearly half of lottery purchases are unplanned, which makes being seen critical to being top of mind. Our integration with big box retailers and 91% of grocery make us the gateway to new players. Our access to high-traffic areas like checklane and gift card racks allow you to connect better with your players and increase sales to infrequent and casual players. **Learn more at [Linq3.com](https://www.linq3.com)**

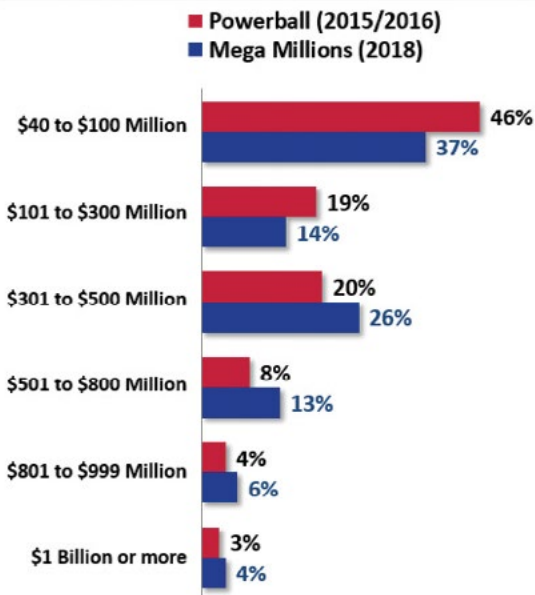


Millions to reach a billion, and roughly half of those people — or 15 percent of ticket buyers — waited for the jackpot to hit the full \$1.6 billion estimate. After all, the billion-dollar benchmark had already been set by Powerball and with it, perhaps, came the expectation that billions are attainable and even realistic. Through that lens, a million dollars, or \$500 million, or \$800 million, doesn't appear to resonate the way it did just a few years ago.

Chasing Billions

Many players, commonly called jackpot chasers, seldom play the lottery until the jackpot reaches a level that piques their interest. For both the 2016 Powerball and 2018 Mega Millions surveys, approximately 30 percent of people who hadn't bought any tickets within the past month leading up to the big jackpots could be qualified as jackpot chasers, saying they would only consider purchasing future tickets when the jackpot is "high." What number constitutes high? Interestingly, in the Powerball survey from 2016, 35 percent of jackpot chasers gave a figure over \$300 million. In the 2018 Mega Millions survey, it was 49 percent (+14 points in just two years). For jackpot chasers, seemingly ever-increasing jackpots are raising the bar for when the "chase" should begin.

Jackpot Size Needed Before Purchasing
(Among Those Who Say They'd Only Purchase for a High Jackpot)

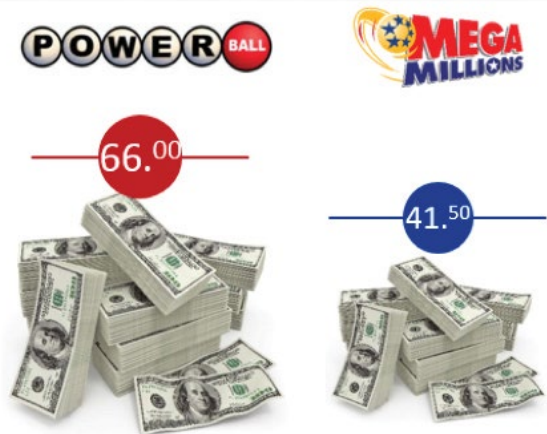


Same Game, Different Name

Brand recognition may also be playing a role in Mega Millions' comparatively weaker figures versus Powerball. For one, Powerball is 10 years Mega Millions' senior, making it more familiar to the American populace. When we analyzed spending habits, we saw that during the Powerball craze, the average reported spend was \$66.00 per person, while Mega Millions garnered an average spend of \$41.50 per person.

Why was there an almost \$25 difference between the amount people were willing to spend on essentially the same game and the same payout? Was the Powerball brand really that much stronger than Mega Millions? Maybe. Another consideration could be that Mega Millions had more recently upped its price from \$1 to \$2 per

Average Amount Spent
(per person, among those who played/spent something)



ticket (in October 2017), which may have detracted some people from purchasing tickets. Powerball, on the other hand, raised its price by the same margins three years before its big payout, giving people more time to get accustomed to, and comfortable with, the higher ticket price.

Looking at the situation in its entirety, it could be a combination of factors that led to the differences we see between the Powerball and Mega Millions jackpot periods: brand awareness and loyalty tipped in Powerball's favor, price hikes too close to the jackpot, the novelty of a billion dollars having lost some of its cachet...or something else entirely. While there may not be a smoking gun to point to, surely some or all of these factors played a role in some people's decisions on whether or not to buy in for the 2018 Mega Millions payday.

An Opportunity Emerges

While many of the numbers present challenges and questions for lottery marketers, the data also points to opportunities to reach new markets and motivate a new generation of players to take their shot at fortune. For example, 21 percent of players had not purchased a Mega Millions ticket in more than a year before the jackpot started its roll, and 16 percent had never purchased a ticket before in their lives. That means 37 percent of the players were not actively involved in Mega Millions previously. While there is no doubt that many of these people only decided to play once the jackpot reached a certain level, there is also an opportunity to examine this situation and look for hooks to entice these occasional players to get involved more regularly — to convince them to play even when the jackpots haven't climbed into the stratosphere.

In our previous discussion about jackpot chasers, that data set also revealed another 40 percent of people who hadn't bought any tickets within the past month leading up to the big jackpots saying they will never play again. Never is an awfully long time, and it's likely that many of these people feel that the jackpot ceiling has finally been reached. Time will tell on that front, but if they played once, surely some can be convinced to play again. Future marketing efforts could target these players with initiatives that reinvigorate them, that play on the same motivators that convinced them to play in the first place. Whether the jackpot is \$100 million or \$2 billion, we're talking about life changing sums of money that, surely, a great many of these players could be enticed to play for, provided the right marketing angles are covered.

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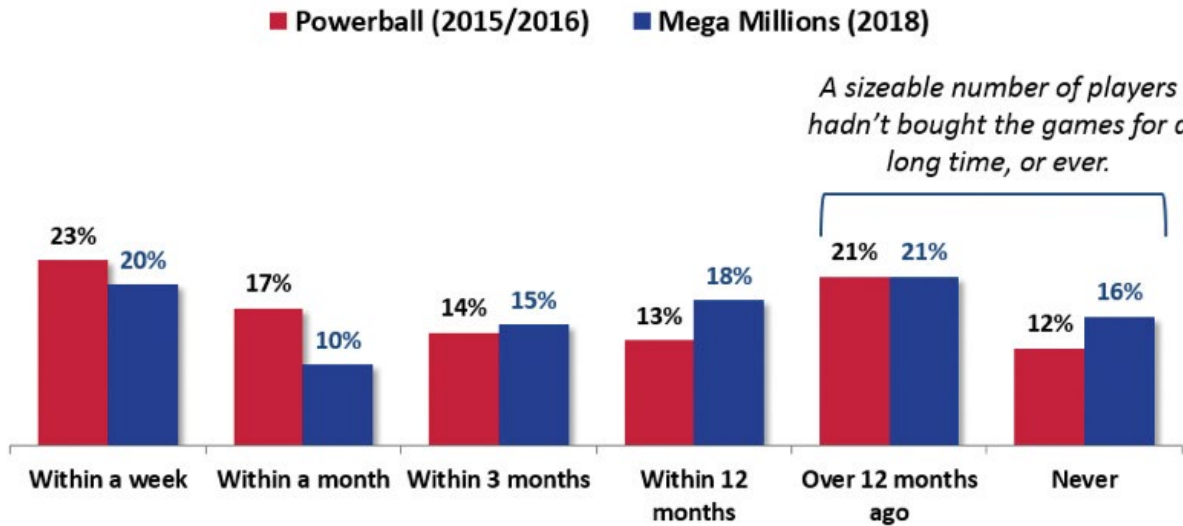
code to set up
and play—receive
pick picks via text



LinQ3

BLACKHAWK NETWORK

Most Recent Purchase Before Record Jackpot Started
(Among Those Who Bought During the Jackpot)

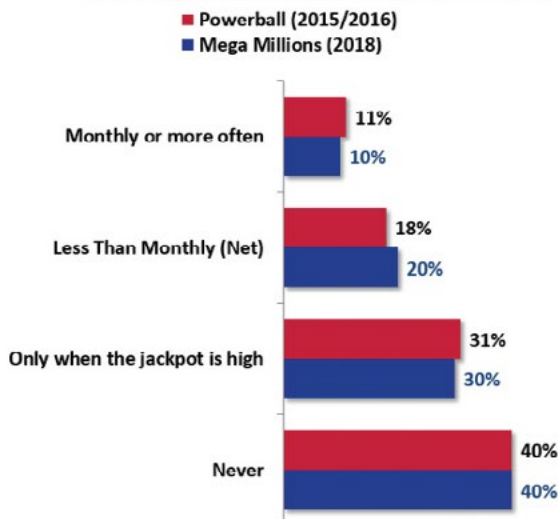


We Keep on Rolling

The fact is, everywhere we look today, we are flooded by news of billionaire software kingpins, athletes, celebrities, and musicians. Extreme wealth is commonplace in the media landscape and we are, as consumers of media, bombarded every day with the exploits and intrigues of the super-rich. For most of us, a \$50 million lottery jackpot would change our lives in ways we cannot imagine. Yet, when we hear about the billionaires around us, and the fledgling billionaires who grow rich from a lottery ticket, we become desensitized to this staggering level of wealth. Somehow, it seems attainable, and worse yet, expected.

For lottery games like Mega Millions, the challenge is obvious: convincing people to play when the jackpots are lower. This is essential to keep lotteries financially viable. If we continue to see these massive jackpot rolls combined with diminishing player interest and further desensitization to the huge dollar figures, lotteries will have some difficult decisions to make, including perhaps higher ticket prices and making the games harder and harder to win. One thing is clear, and that is jackpot “fatigue” is real, and it’s constantly getting worse. What we do about it, and where we go from here, remains the billion dollar question. ■

Expected Future Frequency of Play
(Among Those Who Don't Play the Games Often)



About the Study

These are some of the findings from two separate Ipsos polls conducted January 14-15, 2016 and October 24-25, 2018. Both surveys sampled adults 18+ from the continental U.S., Alaska and Hawaii using an online survey in English. The 2016 survey polled 1,006 respondents and the 2018 survey polled 1,005. Data were weighted to ensure that the sample’s composition reflects that of the adult population according to U.S. Census figures.



Scott Morasch is a Vice President at Ipsos and works out of the company’s office in Vancouver, B.C. He has designed and implemented research studies in nearly 25 U.S. states, in addition to studies for MUSL and lottery industry vendors, and has research experience in all Canadian lottery jurisdictions.

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SIMULATED PLAY, REAL GAINS?

We may, by listening to potential players, hear some ideas that sound like something other than Numbers, Lotto or Keno. This would be refreshing. Rather than rejecting these as 'not lottery games,' we can try to codify them, with suitably random elements, and let large-scale simulations show us what they can do.

STEPHEN WADE, PRINCIPAL, LOTTERY MANAGEMENT CONSULTING, LLC.



Over the Christmas holiday, I got to visit with my daughter, who was between semesters in school.

As we have done for many years, we brought out the Scrabble game and she won a game or two. I like Scrabble. It is about words, and it insists on putting letters together in spatial order, to mean something. Putting words together to make meaning is natural to us, as speech. Putting letters together perhaps draws on similar resources as speech, but it exposes a lack of fluency in all of us. The letters, after all, have no meanings in themselves; one thing leads to another only as sounds. Those who like the game find this amusing, engaging and maybe even tiring. One game of 500 points tends to be enough.

"Let's play something different," she said. "How about those lottery games you work on? How do you even play those?"

In our household, as in most households of people who work for lotteries, no one plays lottery games. The idea of a game where you can win money is appealing enough, but how to go about it is not obvious.

Sticking to the basics, I said, "You pick some numbers, the lottery picks some numbers; if they match, you win."

"Why does it have to be numbers?"

"It doesn't. It's just about matching. We could play with letters. We could play with

these tiles. Take the simplest game, maybe Pick 3. Let's take 10 letters – maybe the first 10? And I'll show you."

We sorted through the tiles, whereby I was reminded that 'F' and 'J' are very rare in Scrabble, but at length we got the set: ABCDEFGHIJ. I turned them face down and scrambled them on the table. "OK now you're the player, take one, write it down, put it back, and scramble. Do that three times."

She did so.

"Now I'll be the lottery; I do the same thing. You lose. Odds are 1 in 1,000 to match exactly; better odds to match in part. Did I mention that most people don't play this for amusement?"

"What if we didn't put the tiles back?"

"Then it would be like Lotto, a different game."

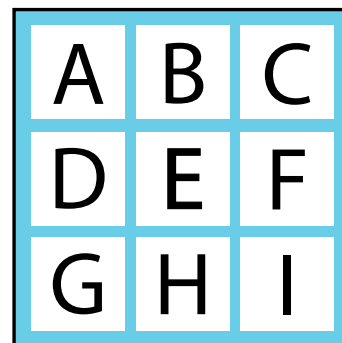
She said, "What if we drew them all, so it's just about order?" She sorted the 10 tiles in order and pushed them into a string.

"That would be different still. I don't know of a lottery game like that. You could do that. If there's only one right order, how hard it is depends on how many symbols you use. That could get pretty hard, pretty quick. Let me see."

In my house, I am never far from a way to compute N factorial, so I came back with: "For 10 symbols it would be about 3.6 million to one; with nine, about 363,000 to one."

"That sounds too hard to be much fun. Couldn't we do something more interesting? What if you pushed them together and scored on any way to get them touching, in order?" She pushed the pieces from the string together into a loose patch. "Nine fits better than 10." She put the 'J' aside and made a square of Scrabble tiles, 3x3.

"Best score is all touching an alphabetical order. So, the best you could get would be:"



I HAD FUN ONCE.

IT WAS AWFUL.

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Match any of the WINNING NUMBERS to any of the YOUR NUMBERS, instantly win 20 TIMES the PRIZE shown for that number. Instantly win ALL 10 TIMES the PRIZE shown for that symbol.

Match any of the WINNING NUMBERS, win PRIZE shown for that number. Get a "🐾" symbol, instantly win 10 TIMES the PRIZE shown for that symbol. Get a "🐾" symbol, instantly win 20 TIMES the PRIZE shown for that symbol.



Match any of the WINNING NUMBERS, win PRIZE shown for that number. Get a "🐾" symbol, instantly win 10 TIMES the PRIZE shown for that symbol. Get a "🐾" symbol, instantly win 20 TIMES the PRIZE shown for that symbol.

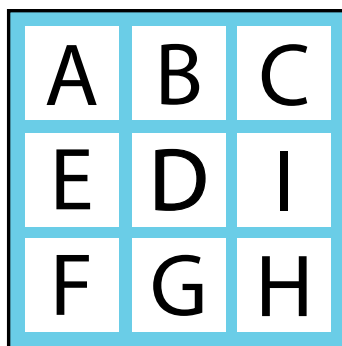


Match any of the WINNING NUMBERS, win PRIZE shown for that number. Get a "🐾" symbol, instantly win 10 TIMES the PRIZE shown for that symbol. Get a "🐾" symbol, instantly win 20 TIMES the PRIZE shown for that symbol.

"But," I pointed out by moving tiles, "this would be just as good:



"And if diagonals count, you could do:



"So, it looks like there may be several ways of arranging that are all equally good. That may not work for a lottery game. You only want one winner."

"Why is that?" she asked. "That seems like a very twentieth-century attitude."

"Ok, so plays that are equally good could share a prize, but we'll have to know how many are equally good. And if the top prize needs all nine letters touching, what do you get if it's close but interrupted?"

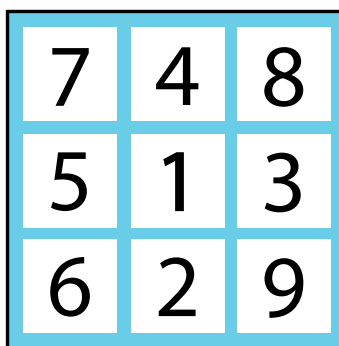
"Nine letters touching means eight points of contact – call them links? So you could just count links, and if there are seven you could pay a smaller prize..."

"How big a prize? We would need to know how likely it is to get eight links, or seven, and so on. And this looks simple but it's really kind of complicated. The places aren't all the same: The corners have three neighbors, the sides have five and the center has eight! So, you're always going to get a link from the center."

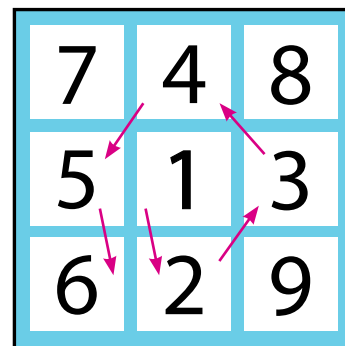
And that was about the limit of my theoretical insight. But the idea of a lottery game that had some geometry

to it appealed to me, and the physical action of moving the tiles around with their faces concealed and then turning them up felt like something that would translate from the Scrabble board to my phone. So I wanted to understand how this might work as a lottery game. Pretty quickly I realized that the theory was not like any lottery game I knew of, even though I understood perfectly how to play the game. This was frustrating until **I realized that I understood enough to teach a computer how to play the game.** So rather than worry about the theory, I spent a couple of enjoyable hours building an Excel workbook to play the game. I laid out a wager on a grid and worked out how to score it by counting links.

I will sketch what I did, not to try to impress you with my Excel skills, but to reveal that it was really pretty simple. A key was to consider the points of contact between cells of the 3x3 grid: There are 20, in fact (of which eight join the center cell to its neighbors.) If the symbols in these cells are adjacent in alphabetical order, that point of contact has a link. Since Excel is good at alphanumeric sorting, it is easy to convert a sequence of letters (GDHEACFBI, in left-to-right, top-to-bottom reading order) to a sequence of numbers. Then, when the numbers in adjacent cells differ by one, this identifies a link.



Starting with the center cell, for instance, we can evaluate links by putting, in each of the eight neighbor cells, an IF statement that returns "1" if the contents are in sequence (i.e. occupant of center cell is 1 greater or 1 less than the occupant of the neighbor cell, and "0" otherwise. Each of the corner cells has another two points of contact to evaluate, and the side cells have among them four diagonal contacts, for a total of 20 questions to be asked. The score for the play is then just the total of links: five in the example above.



Of course, a human might play visually, without thinking any of this. My point here is that we don't have to mimic the way a human plays the game; we just need be able to score it correctly. Once I was satisfied with this part, I wrote some code to run in the background to do this over and over, recording the wager and writing the results each time. I verified the result manually ten times, then let it run 100 times and verified the last 10, then 1,000 times to get an estimate of how long it would take to get one million results. Finally, I set up the index for one million and let it run – for hours, as it turned out, on my machine.

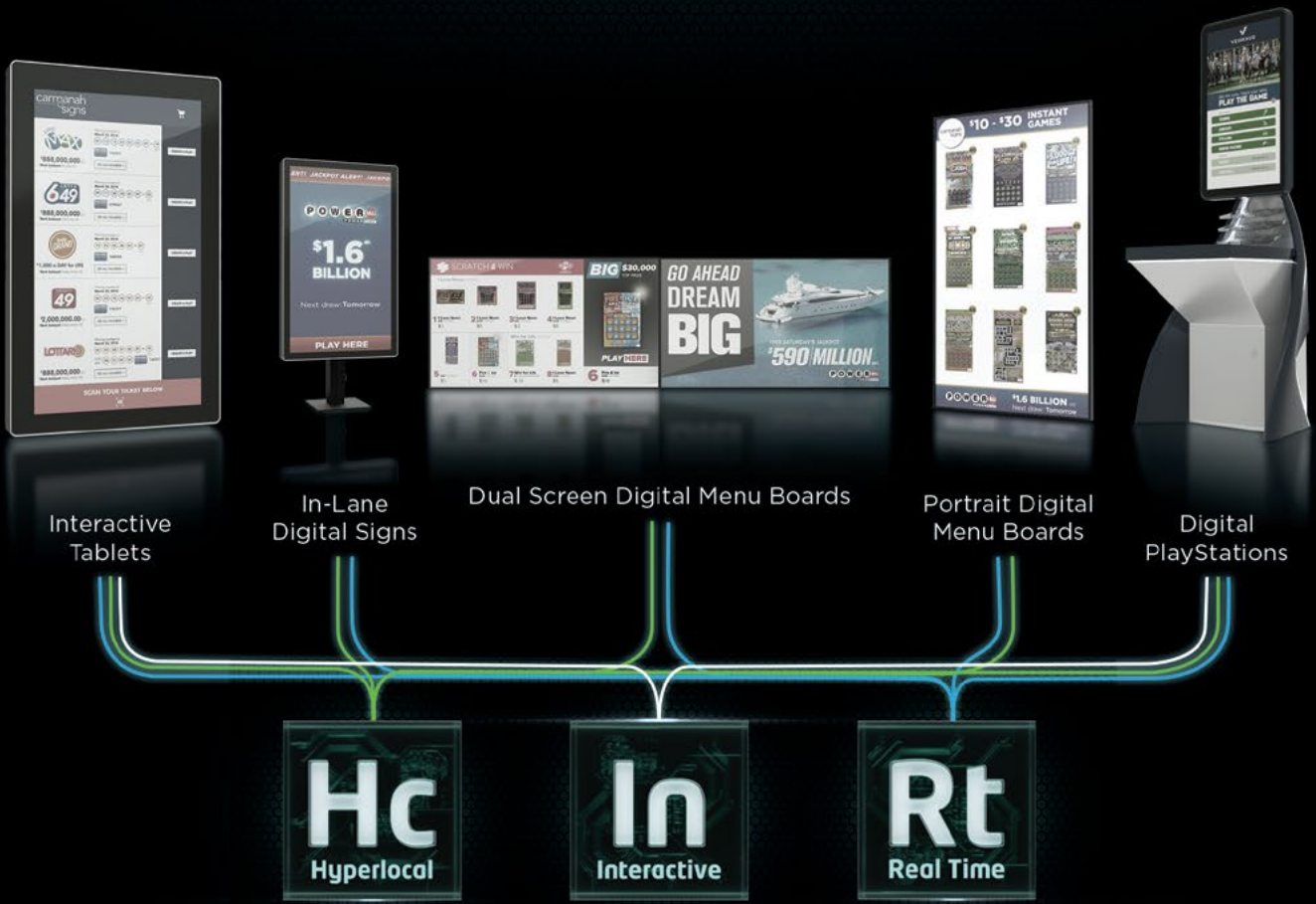
The result that I got from the first million suggested the sort of prize table that is shown on the next page.

What I thought was striking about it was the abundance of middling results; that is, four or five links out of the possible eight. These might correspond to near-wins – "close, but just out of the money." This is a key feature of Keno, and in my view the main reason Keno works so well for repeated play. I pointed this out to my daughter, who supposed I could be forgiven for thinking that way.

"Now can you put some Scrabble back into this? How about prizes for making words?"

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Simulated Play Table

Links	Games	Apparent Odds 1 in	Prize	Prize Cost for \$1 bet
8	2,089	479	\$75.00	\$0.157
7	30,528	32.8	\$6.00	\$0.183
6	147,855	6.76	\$2.00	\$0.296
5	301,882	3.31	\$0.00	-
4	311,405	3.21	\$0.00	-
3	162,767	6.14	\$0.00	-
2	40,219	24.9	\$0.00	-
1	3,255	307	\$0.00	-
Total	1,000,000			\$0.635

I balked at this, but then realized that the list of real English words that could be made this way would be short, and that my patient computer could tabulate how often they occurred. So even randomly spelling words could be a feature of a lottery game. How about paying the top prize only if "BIG" appears in the top row of a random scramble? I certainly have the means to evaluate that.

The point of this article is not that the little game described here has useful properties (even though I think it does). The point here is that it is not necessary to start from math that we completely understand to build lottery games that are entertaining for a human. Rather, we can start from some human's idea of what might make an entertaining game, then express the rules so that we can discover the game's properties by letting a computer play it. Computers are patient: You can play as long as it takes to get precision. Several runs of one million games gave slightly different counts for each outcome, but over the long run the estimate for eight links in this game stabilized at 1 in 463.

The simulation method is my message. And the method may be surprisingly accessible. The example described here did not depend on arcane knowledge, or a specialized computing platform. Rather, we used the ubiquitous Excel platform and familiar functions. This is not to claim that Excel is absolutely the best platform for this sort of work, but rather that it is plenty good enough to get useful results.

THIS IS AN INVITATION TO LOOK AT THE PLAY AND THE PLAYERS FIRST, AND THE PROBABILITIES LATER.

This is an invitation to look at the play and the players first, and the probabilities later. Not every concept that looks interesting to a player will support a lottery game prize structure that makes sense. Simulations may expose properties that need "fixing," or they may reveal that the concept is simply unworkable, from a quantitative point of view. Lotteries may have presumed that new game ideas will come from the industry's vendors, through some process inaccessible to the lotteries themselves. My assertion is that we may, by listening to potential players, hear some ideas that sound like something other than Numbers, Lotto or Keno. This would be refreshing. Rather than rejecting these as "not lottery games," we can try to codify them, with suitably random elements, and let large-scale simulations show us what they can do. The tools are within your reach. And we know that picking up tools and making things can be very empowering. A lottery that takes this up is likely to feel a win through engaging the skills of lottery staff, even if it does not immediately result in a new lottery game. Why not play? ■

Stephen Wade, Principal, Lottery Management Consulting, LLC.

Welcome to the NASPL Matrix



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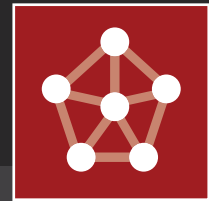
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PUBLIC HEALTH APPROACHES TO RESPONSIBLE GAMBLING



LORI RUGLE, NASPL

In the swirl of all the holiday activities that are part of year end busy-ness, I was doing my holiday grocery shopping and also having thoughts about writing my next responsible gambling (RG) article running around my head (not quite like visions of sugar plums). As I walked by the instant ticket vending machine, I noticed a sign, clearly handwritten by a store employee, taped to the machine. The sign, shaped like a star read, "Great Stocking Stuffers."

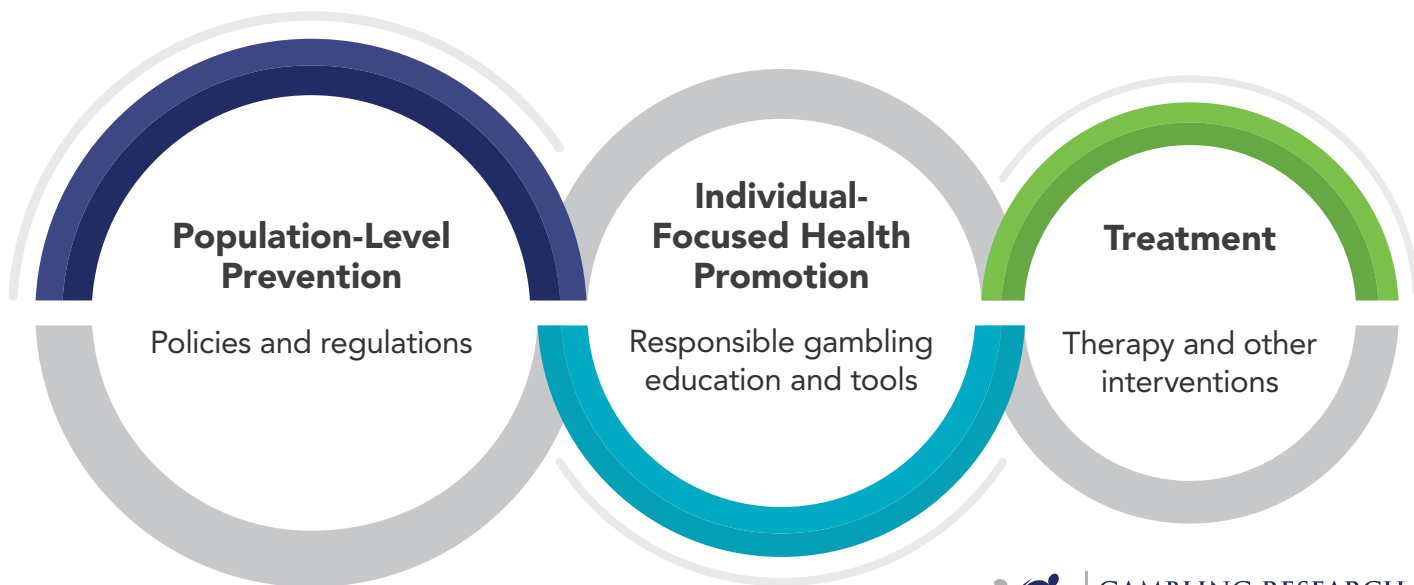
I thought about the webinar I had just done the day before for a large group of treatment providers where I had appreciatively announced that for the first time ever, all North American lotteries had signed onto the McGill Holiday Lottery Campaign. The "stocking stuffer" sign at my local grocery store reminded me that while we are making progress, we still have a long way to go to increase awareness of RG perspectives and practices that may not yet have made their way down to retailers and all those involved in lottery sales. Not much time to rest on our laurels. A moment to appreciate our gains and then continue to look toward where we need to go from here.

One source of direction that I became more deeply aware of in the past month (another type of holiday gift) was Gambling Research Exchange Ontario (GREO). I attended one of their webinars on "A Public Health Approach to Gambling." This webinar, presented by Jess Voll, MPH, Credentialed Evaluator,

Knowledge Broker, Evaluation, was somewhat of an epiphany for me. It brought together thoughts and ideas that had been rumbling in my brain for some time trying to come together in a cohesive, useful structure. From the webinar, I dove into the treasure trove of materials and information on GREO's website, www.GREO.ca, and from there to my phone to contact Jess to see if I could interview her to for this *Insights* article.

GREO, known as the Ontario Gambling Research Center (OGRC) prior to 2015, is an independent not-for-profit organization that is funded by the Ontario Ministry of Health and Long-Term Care. Funds are derived from a percentage of slot machine revenues in the province. The name change to GREO in 2015 represented the organization's transition to an increased focus on the translation of gambling knowledge into evidence-informed actions aimed at minimizing and eliminating harms from gambling.

From GREO's public health perspective, it is important to understand that problem gambling is not just a problem that resides within an individual who suffers from a gambling disorder. Neither does the harm of gambling reside solely in gambling products. If problem gambling resided in purchasing lottery tickets, playing bingo games, or playing casino games, anyone who engaged in these activities would become addicted. Rather, with grounding in the World Health Organization's 2008 report on the social determinants of health,



and the increasing evidence regarding gambling related harm, this public health perspective supports the need to address the “many societal, behavioral and biological determinants that influence the distribution of gambling harm in the population” (Elton-Marshall et al., 2017).

GREO’s proactive public health framework emphasizes the need for interventions and policies that cover all levels of intervention, diagrammed above, to prevent or mitigate gambling-related harm, promote healthy lifestyle choices, protect vulnerable or high-risk groups, and reduce population health inequities and broader societal determinants of gambling related harm. Additionally, a public health perspective needs to consider a broader, evidence-based scope of gambling related harms. GREO cites the work of Langham and colleagues in conceptualizing gambling harms across multiple dimensions, across a range of individuals and groups (in additions to the problem gambler) who experience the harm, the types of harm they experience and the time frame in which the harms occur (from immediate crises to generational impacts).

Voll reports that GREO has been funding “ground up” mobilizing efforts through working with community public health units to integrate minimizing gambling harm into their existing health promotion efforts. Also in their community forums, Voll stressed the necessity of having the conversation about how to create supportive environments in which efforts to minimize gambling harms can

thrive. The GREO model also maintains that there needs to be a “top down” approach as well in developing gambling policies and regulations that will allow minimizing gambling harms to be the “default option.” That is, in discussions around potential benefits of gambling vs. potential gambling harm, how do we make the option that best supports health at the individual, family and community level the preferred option?

This becomes a critical and challenging discussion as we look towards expanding gambling access through the introduction of new gambling venues, whether brick and mortar or even more significantly through online forms of gambling and through legalizing additional forms of gambling such as sports betting. As Voll reflects, this includes that difficult discussion of priorities, recognizing gambling as an economic activity whose goal is to raise money for jurisdictions while also recognizing the responsibility of governments and corporations to minimize gambling harm. A public health perspective encourages the development of necessary environmental conditions that permit gambling as an economic activity while prioritizing harm prevention.

KEY ROLE OF LOTTERIES IN MINIMIZING GAMBLING HARM

Another aspect of the GREO perspective stresses the need to consider the broader pool of individuals who gamble beyond simply those who have

THE GREO PUBLIC HEALTH PERSPECTIVE

A public health perspective of gambling harm encourages a shift from a narrowed focus on individual gamblers to a broader understanding of the physical, sociocultural, and environmental contexts in which problematic gambling behavior develops. This proactive public health framework emphasizes the need for interventions and policies that prevent or mitigate gambling-related harm, promote healthy lifestyle choices, protect vulnerable or high-risk groups, and reduce population health inequities.

crossed the line into addictive gambling. Often when the harm of gambling has been considered in research, prevention or treatment interventions, the harm from those with a gambling disorder is all that is considered. However, those who may only exhibit one or two symptoms of problem gambling or gamble more than average (in terms of time or money spent) represent a significantly larger “at-risk” group that may represent a larger burden of harm to society (Brown & Rockloff, 2018). Also, from GREO’s public health perspective, this “at-risk” group along with an even larger group of recreational gamblers is important to target for reducing and preventing gambling harms. As one research study stated, “Problem gamblers were all ‘at-risk’ and ‘recreational gamblers’ at some point.” As lottery play is among the most common forms of gambling among adults, points of sale of lottery products are extremely important places for education regarding healthy gambling guidelines and problem gambling prevention.

Lotteries can be at the forefront of presenting and promoting inclusion of a public health perspective on minimizing gambling harm to legislators, regulators and other policy makers. Voll and GREO see the Ontario Lottery and Gaming Corporation (OLG) as a major stakeholder in its community engagement efforts. GREO also provides independent research management support to OLG. Voll stated that OLG staff has participated in GREO webinars as well as in a recent provincial forum that included a full array of community public health agencies.

“GREO is one of our most important partners and one of the most important agencies in Ontario,” said Sheona Hurd, OLG’s Executive Director, Social Responsibility. “GREO, through its research and information exchange, gives insight into the impact of gambling to make gambling safer for consumers and operators.” OLG also works closely with GREO on many research projects. OLG funds GREO to administer and conduct RG research independently in order to provide a layer of separation to allow for the highest level of integrity for their research. Currently OLG and GREO are partnering to research such topics as self-exclusion and the community impact of introducing a casino.

This open dialogue of how addressing gambling-related harms could be incorporated into health promotion activities was very successful, and public health participants were very pleased at the openness and accessibility of OLG staff. Community based forums and dialogues are key components of bringing all sides of the conversation together to understanding and mitigating gambling harms.

PUBLIC HEALTH INTERVENTIONS TO ADDRESS GAMBLING HARMS

GREO suggests the following areas for consideration in designing public health interventions:

Education, Communication, Training and Public Awareness: Educational strategies are needed to provide community healthcare providers, mental health and addiction counselors, educators, parents and the general public with relevant and accurate information about risks and warning signs for problem gambling and the impact of problematic gambling on families and communities.

Advertising, Promotion and Sponsorship: NASPL advertising guidelines specifically set forth recommendations regarding responsible advertising. However, as we face another wave of expanded gambling (particularly in the U.S.) through legalized sports betting and online gambling, additional challenges will be presented. These include issues such as advertising during sporting events and endorsements by celebrities who are popular with young people and other at-risk groups. Developing limits to such marketing and developing counter-marketing strategies to reduce the appeal of gambling to vulnerable groups requires open discussion and proactive planning.

Regulation of Gambling Content: While lotteries are already engaged in doing this in a variety of ways, such as through regulating the speed of games, assuring the accuracy of information on the odds of games, etc., other interventions remain to be considered. These might include how gambling risk and harm messages may be included in games and advertising, and tracking gambling behavior to provide customer feedback or establish voluntary or mandatory limits.

Regulating Accessibility: Regulations already exist in this category, such as establishing minimum age for gambling to protect youth from gambling harms. However, as we consider new technologies and games, the public health implications need to be revisited. For example, how can monetary limits be set on cashless play? Can only debit cards be used or can credit cards be used? Will sports betting be allowed within brick and mortar casinos, at all lottery retailers, and/or online? The public health impact of all these decisions needs to be a key part of these discussions.

Research, Surveillance and Exchange of Information: Coordinating and funding community surveillance efforts to understand the public health impact of gambling in the population is essential to guide and support effective public health

initiatives. Lotteries can be key stakeholders in sharing their data with public health and problem gambling researchers to strengthen our understanding of gambling related harms and risk factors as well as the effectiveness of public health interventions.

Voll emphasized that GREO is just beginning to bring together stakeholders, including OLG and other gambling operators, with public health policy makers and organizations to create and implement effective public health interventions to minimize gambling harm. This work certainly builds on many activities in which lotteries have already been engaged. I began this article with my story of the “stocking stuffer” sign on a lottery instant ticket vending machine at my local grocery store. We have come a long way, but there is still much to be done. As we approach Problem Gambling Awareness Month (PGAM) this coming March, it is a perfect time for lotteries to enhance efforts to incentivize retailers to display RG awareness messages and materials throughout the month. Also, it is a great opportunity for all lotteries, in collaboration with your state/provincial PG/RG advocacy, prevention and treatment stakeholders, to reach out to local public health departments and agencies to expand community education and awareness.

My thanks to Jess Voll and GREO for sharing their information and knowledge. Again, please visit the GREO website at www.GREO.ca. Also, as you get ready for PGAM this March, look for all the information and materials provided by the National Council on Problem Gambling at www.NCPG.org. ■

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Q&A

WITH TERRY RICH



Terry Rich served as Chief Executive Officer of the Iowa Lottery Authority from February 2009 until his retirement at the end of December. Under his leadership, the Lottery increased its annual sales by almost \$130 million and annual proceeds by more than \$27 million. During that time, the Iowa Lottery also cracked the largest fraud in the history of the American lottery industry. Rich also served a term as NASPL President in 2014-15 and challenged incoming lottery CEOs to look at situations in new ways.

Just before he left his position, Rich shared some of his thoughts about the lottery industry with *Insights* Editor Patricia McQueen. He's looking forward to being out of the spotlight for a while, and he's sure his next role – whatever it may be – will be as rewarding and fun as was his time at the Iowa Lottery.

You made it through three governors, including a party change. Any thoughts about the political nature of lottery leadership?

What happens really depends on the structure of the lottery organization. Those with more stable lottery CEOs are generally lotteries established more recently as corporations or other independent authorities, or were restructured at some point since their inception as a state agency (like Iowa). Here in Iowa I was only the second CEO in its history; Ed Stanek was the first. One of Ed's key accomplishments was the establishment of the Iowa Lottery Authority in 2003; among its tenets is that lottery operations should be "free from political influence." That was a godsend for me as a CEO.

It also might help if a lottery CEO's term was arranged so that it didn't coincide with governors' elections. My term in Iowa began and ends in the middle of our governor's term, so I always had at least two years with a new governor. I think that really helps.

How would you like to see the industry evolve with respect to the national games?

Lotto games have never followed the scratch ticket model of higher payouts accompanying higher price points. Why can't there be a \$5 or \$10 lotto game, with the same type of matrix in use today, and just increase the payout percentage to 60 or 65 percent so there could be many more smaller prizes? It can't really be done with existing games because some states still have profit percentage requirements, but new games could be adopted where they are feasible. I don't see any reason why what we did with scratch games couldn't work with draw games – \$30 and even \$50 scratch games are clearly successful at the high end.

An international game would be another possibility, but I think it should also be a new game. I don't think the industry should just expand Powerball to other countries, for example. The original



“Now the industry is looking at innovation through online sales, and sports betting will help get there. That will allow lotteries to do some cool new things, and changes in leadership will also bring in new innovative ideas.”

intent of Powerball was to allow small states to have access to the big jackpots. If we simply expand existing games, it will be even harder for smaller states to get big winners, defeating the original purpose of multi-state games. Good, well-positioned brands need to stay as the base games for the lotteries here.

I think there's also potential in “selling” a game to one of the industry's vendors – letting them run the game and do all the marketing, with a guaranteed return to the lotteries. Lotteries wouldn't have the operational headaches and states could concentrate on their own operations.

What about other new game concepts?

With more states adopting online sales, I think there's a natural game for that channel. A few years ago as the industry was brainstorming ideas, there was one I really liked, but maybe it was before its time. Call it “Name Your Lottery” or “Name Your Prize.” It could reside online in a lottery's loyalty club. Basically every day, or every week, you could create a new game by asking players to choose what prize they might like to play for if they had the opportunity to buy a ticket for a buck. Once you had a popular choice, you could make the offer online and start collecting sales. Once the prize was fully funded, you'd run the raffle to select the winner. It could be something as simple as an iPad or a car; really the prize could be as small as \$100 or as large as millions. It's a guaranteed return for the lottery, and the players get to decide what prize they want to play for. It's all about convenience, and this concept is driven by the consumer – not us telling them what they want.

What is the potential of the industry's current products?

If you look at any business model, innovation is the next step. When I started at the Iowa Lottery, we had just ended TouchPlay games; at the time we thought we'd never hit those sales and revenue numbers again using just our other products. But we did – with the same products we had, we were able to sell more tickets. There were new developments in draw games and new innovations in the scratch ticket business. Now the industry is looking at innovation through online lottery sales, and sports betting will help get there. That will allow lotteries to do some cool new things, and changes in leadership will also bring in new innovative ideas. I'm a big believer in change – many big companies change their CEO every four to eight years just so they don't get complacent. That might be the sweet spot of change; the problem with many lotteries is that new CEOs can come and go within a two-year period. That's probably too short to effect change.

New companies often try to provide innovation, but find it difficult to break through. Any thoughts on encouraging new industry suppliers?

It's tough for new companies, for sure. They can partner up with one of the big vendors, but that limits their business potential. If they try to pound the pavement and reach lotteries directly, it will take them a while to break in. I think there is a certain group of lottery CEOs who will be most receptive to new ideas from new companies – those who have been in their positions for a few years and are most willing to find ways to make their mark. As for the

others, the newest CEOs don't want to make waves, while those who have been around the longest are comfortable in their success and are happy to let others take chances first. I would advise any new company trying to do business with lotteries to have at least three years of cash flow with which they can keep knocking on doors. And I hope they keep knocking, because that's where innovation will come from.

We know you don't want to dwell in the Eddie Tipton fraud case, but do you have any final thoughts on its impact on the industry?

I started at the Iowa Lottery as a marketing and sales guy, and I probably leave it with a reputation for insisting on the importance of ethics and integrity in the industry. The industry dealt with the case and we got the perpetrator. Did it have any impact on public perception and sales? Time will tell. We just had two of the most successful years in history. It's impossible to say if lotteries would have done any better without going through the case. I just know I'd never want to be put into that position again.

What are your thoughts about winner anonymity and the importance of publicizing big winners?

Some of that relates to what I just said about Tipton. If Iowa allowed for anonymous claims, we probably never would have discovered the fraud. I'm a strong believer in publicly announcing winners. People need to know who winners are so they know for sure there actually are real winners, and it's not someone working at the lottery (even though here in the States lottery employees are not allowed to play) or retailer employees who win all the time. There certainly may be instances where a big winner might need extra safety measures – and a lottery can help with that – but I can't think of any lottery winner in this country who has been hurt by or put in danger simply because they won a prize. All the negative things you hear were caused by people who already knew the winner, and it's likely they would have known about a big prize whether the winner was anonymous or not. Lottery winnings aren't unlike other big transactions – here in Iowa, for example, if you sell a farm for \$10 million, that's public information and publicized in newspapers.

How do you get increasingly reluctant big winners to agree to publicity?

The key is making them understand that the media will often hound them or try to find out who they are, so it's better to let the lottery help them through the process. In Iowa, we always asked our big winners what we did right and what we did wrong. Most of them are happy they got the media interview over with, that we helped them know what to say and how to respond to all the inevitable requests. They really found out that it is fun to be a winner. If you handle it right, it's worth the experience.

Iowa's big Powerball winner last fall was worth millions of dollars in free publicity, because she ended up being a good winner who did all the right things. She proved that any small town person can win; it added credibility to the lottery. We helped her be well prepared for the news conference when she claimed her prize, and once she got through that news conference all she had to do was decline further interviews.

As you depart, what do you think are the most pressing issues facing the industry?

I think the most important thing is for more lotteries to be allowed to modernize and offer online sales. Sports betting is going to open that legislative discussion in many jurisdictions; it will be a way for more lotteries to join those that already offer online sales. This is happening now and lotteries need to be a part of it. That said, there is still strong demand for paper lottery tickets and that isn't going away anytime soon. I'd just advise everyone to do what feels right. Lotteries are very transparent and the public will spot any effort to take shortcuts. Each state decides what its citizens want and that is the most important thing.

What do you want to be your lottery legacy?

As an idea guy, where a few ideas out of a million worked. I had a lot of fun! Truthfully I was excited to play a role in a lot of important industry initiatives – cross-selling Powerball and Mega Millions, the move to \$2 Powerball, national promotions for Powerball and the standardization of the Powerball logo. That last one was really the effort for which I could claim ownership. I also recognized the retail expertise of then-newcomer Terry Presta, appointing him to lead NASPL's retail committee during his time as Executive Director of the Kansas Lottery.

I do believe that people can stay around too long to be effective. As I said earlier, CEOs of big corporations often stay for only four to eight years. By leaving on top, someone will step in with new ideas to take the organization to the next level. I'm glad I can go out on top, on my terms. I had a great staff in Iowa that will keep it rolling for years to come, no matter who sits in the CEO role. I hope the new CEO comes in with new ideas and fire in his belly to continue great things. ■





FIFTEEN YEARS OF DRAW GAMES

The North Dakota Lottery, America's first with only draw games, celebrates its 15th anniversary in March.

By Patricia McQueen



On March 25, 2004, the North Dakota Lottery opened for business. It was one of five lotteries that launched in the early part of this century, joining dozens of existing lotteries, but at the time it was unique among them all. Rather than filling retail counters with colorful instant tickets at various price points, its offering was limited to multi-state draw games. From launch, the new lottery faced challenges other lotteries would never have to deal with, but at the same time it has certain advantages that other lotteries might envy.

With \$31.3 million in sales in fiscal 2018, the North Dakota Lottery is the country's second-smallest lottery. Not surprisingly, the smallest is the Wyoming Lottery, which joined North Dakota in 2014 as the only two lotteries without instant games. But that's okay, since the limitation was by design in both states.

"First and foremost, the Lottery's goal is to provide a service to the citizens of North Dakota," said Director Randy Miller. It was the desire of those citizens to play Powerball that was the driving force behind the creation of the Lottery – 64 percent of voters approved a constitutional amendment in 2002 that enabled participation in multi-state games. The law passed the next year established the Lottery as a division of the Office of Attorney General and further restricted the product line to multi-state draw games.

Powerball ticket sales began March 25, 2004; it was followed later that year by Hot Lotto on June 24 and Wild Card 2 on September 23. Those two games have since been retired; Hot Lotto was replaced by Lotto America in 2017. 2by2, now played with Kansas and Nebraska, was added on February 2, 2006, and Mega Millions was introduced on January 31, 2010. The final of the five games currently in the lineup is Lucky for Life, with sales beginning in North Dakota on January 31, 2016.

"We have to do many of the same things other lotteries do – offer attractive games that add value to the product mix, license retailers in convenient locations, advertise and promote the products, provide quality service and control operating expenses," explained Miller. That said, some of those things need a little more focus in an environment where sales are highly jackpot-dependent and many options available to other lotteries don't exist.

One of the most important things is providing the highest possible level of customer service and convenience, for both players and retailers. A new gaming system contract with Scientific Games (the Lottery's vendor since inception) in 2014 brought

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in new terminals with Lottery InMotion customer-facing screens and new jackpot signs for the Lottery's 450 retailers, along with 50 new self-service terminals.

With just 450 retailers, even with the Lottery's small staff it's possible to help those retailers individualize their store setups and develop sales strategies to assist with onsite promotions. "It's all about working closely with them and building that customer service relationship," said Miller. The self-service terminals alleviate pressure on the store clerks – especially during times of high jackpots – and players find them convenient at all times, with the added ability to check their own tickets.

Along with the new system in 2014 came a new Players Club, which "keeps players engaged and rewards them for their continued patronage, which has been very important for offering that top level customer service and convenience for

players." Players also enjoy the convenience of online play; first by subscription starting in November 2005; then with single-draw purchases beginning, again with the new gaming system, in July 2014. "There are still a limited number of lotteries out there that offer online play, so we are very fortunate to offer that for players, even though we are limited to draw games."

After customer service comes the need to develop innovative marketing promotions and campaigns. Player research helps determine what players are really looking for, and the Lottery works closely with its ad agency to offer promotions that fit well and are most productive in terms of increasing sales and participation. "We have very high, positive end results of our promotions," noted Miller.

The final piece is an intensive focus on controlling operating expenses, because the jackpots which drive sales

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are so unpredictable. "It comes down to minimizing operating expenses by optimizing efficiency." Some examples of that are sharing employees – particularly accounting and technology employees – with the I.T. and Finance & Administration divisions of the Office of Attorney General. The Lottery also takes advantage of low-cost media buy opportunities by committing to one year contracts for advertising. By doing that, the rate reduction is significant, and radio spots in particular can be used at any time during the contract – those spots are key to some of the Lottery's promotions.

THE POWER OF PROMOTIONS

In the absence of instant tickets to balance out the product portfolio, plus the added challenge of relying on big jackpot games for about two-thirds of its sales, North Dakota has utilized promotions extensively to keep its games in the public eye. To help fulfill its promise of customer service for both retailers and customers, an 'EZ button' has been used on all retailer terminals since the early days – properly producing the right qualifying purchase for the current promotion. The button uses an icon that matches the logo for the promotion; a player can ask for the current promotion and the clerk just needs to press that button and the system does the rest.

Most promotions are based on "buy x, get y" or "nth ticket" mechanics. Prizes come from the Lottery's advertising and marketing budgets, so it can get interesting during each year depending on how jackpots run and how well the promotions do. "We are usually pretty close in our forecasts, but sometimes unpredictable influences – such as large prize winners during the promotional period – create excitement around the particular game, so sales and participation jump," explained Sales and

Marketing Manager Ryan Koppy. "We do budget for that, though, with different scenarios."

Some of the more effective promotions in recent years include:

A seven-draw promotion for 2by2.

Run annually for four weeks, this promotion just gets better and better. "Every year that we have done it, we get record sales for the promotion," said Koppy. Players purchase a ticket for seven consecutive drawings in the game for \$7, and every nth purchase produces either a free ticket for another seven drawings or \$500 cash instantly. Research has shown that what players want, and what would make non-players play, is simply more winners. Because of that, "2by2 is a great launching point for new players or infrequent players, because the odds of winning are 1 in 3.59," by far the best of any of the games offered. And even though it's a multi-state game, there are plenty of North Dakota winners of the top \$22,000 prize, so it doesn't have the same feel of the other multi-state games. All of that means that 2by2 is a stepping stone for players who may try other games down the road. That better likelihood of winning experiences also means 2by2 tickets are often used as rewards for promotions featuring other games.

Three Great Deals. For example, 2by2 features prominently in this promotion that has been offered in various forms over the past few years. In late 2018, it ran for six weeks. In this variation, players receive a free 2by2 ticket if they purchase two Mega Millions plus Megaplier tickets (for \$6) on Mega Mondays. Similarly, on Lucky Wednesdays, the free 2by2 ticket comes with three plays of Lucky For Life for \$6. Finally, on All Star Fridays, three plays of Lotto America with the All Star Bonus for \$6 nets that free 2by2 ticket.

Instant-win promotions. These have varied over the years in terms of the prize value and the game on which they are

run, but have the benefit of producing more winners, and instant winners at that. Free tickets are often included as one of the prizes, simply because they provide even more chances to win. For example, in February there will be an Instant Luck promotion for Lucky For Life, with a chance to win a free ticket (a \$2 value) or instant wins of \$10 or \$100. "We used to do \$5 prizes or \$50 prizes," said Koppy. "The goal of the smaller prizes was really to get them to play again, so we decided instead to offer more free tickets. That way players and retailers alike are hearing 'instant winner' much more often."

Powerball and Mega Millions promotions. With Powerball's brand recognition as the original game for the Lottery, fewer promotions focus on that game. Sometimes there are cross-promotions between it and Mega Millions. But since promotions are typically planned out many months ahead of time, it can be challenging with one of these big jackpots games, because all lotteries want to avoid promotional giveaways when the jackpot is high. In August 2017, in honor of Powerball's 25th year, North Dakota did a Power 25 promotion – for four plays of Powerball with PowerPlay (\$12), players had a chance to instantly win \$25. While the jackpot ended up being pretty high during that time, Koppy was still surprised how well the promotion went even after the jackpot was hit. North Dakota also participated in the national Power Cruise promotion in 2017, and that was also very successful.

WINNING MATTERS

A common thread in all of these promotions is to increase the number of winning experiences – it is those winning experiences lotteries depend upon to sell their products. As a very small lottery, North Dakota sometimes seems to get lost among

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other states when it comes to big prizes. There has yet to be a big jackpot winner in the state, but a North Dakota player did take home a \$3 million Mega Millions windfall in 2016; currently the largest prize ever won in the state. The year before it was Powerball's turn, producing a \$2 million winner. There have been other big Powerball winners, along with second prizes of \$25,000 a year for life in Lucky For Life. And as noted, 2by2 is a very popular game in part because it produces regular North Dakota winners of its top prize of \$22,000. Residents don't even seem to think of it as a multi-state game, noted Kopyy.

And he just loves the happy faces from players who have won these prizes. "They can't believe that they won, that it wasn't their neighbor or someone in a larger city. That's where the excitement comes in." He is pleased that many of these bigger prizes have been won when the jackpots

were under \$200 million. "People aren't just buying when the jackpots are big; we're seeing these winners across the board at all jackpot levels."

After each of these big winners, the Lottery will see a sales spike in that game. All big winners are promoted on social media (primarily Facebook) and in store on the Lottery InMotion screens. North Dakota allows winners to stay anonymous, though, so there is often a challenge to get that publicity.

Press releases are only issued for winners of at least \$100,000, so even with all the \$22,000 2by2 winners it's hard to get traditional media coverage. But those types of winners, anonymous or not, can light up the Lottery's Facebook pages, especially if they are from a small town. Kopyy cited a recent \$50,000 winner in Rutland (population about 155); two separate Facebook posts had more than 20,000 hits.

"If it's a big winner from a small town, it's huge and everybody talks about it. And we get that spike in sales afterwards."

ALL ABOUT BRANDS

Ten years after launch, it was decided to refresh the brand at the same time the new gaming system was installed. "It was a whole facelift with all the new technology, so we thought we'd roll out a newer, updated brand image at the same time," said Kopyy. Coincidentally, the Lottery was also doing an RFP for a new ad agency, so it tasked respondents to come up with ideas for a new branding campaign. Whether that meant a new spokesperson (for years it was Lady Luck) or something completely new was left to the bidding agencies.

The winning agency utilized the 'Imagine the Possibilities' tagline and created a new logo, which launched in May 2014. The idea stemmed in part from the Lottery's regular player questionnaires (sent out every two years); when asked about what they thought about lottery, players regularly say 'dreaming of winning' and what they'd be able to do if they won.

The Lottery went through another rebrand last May, this one focused solely on its online sales program. One of the first lotteries to offer online subscriptions in 2005, even after the addition of single-draw sales in 2014 the option was still identified as a subscription service – and wasn't sending the right messages to North Dakota residents. "A lot of research had shown that many people thought 'subscription' meant getting a newsletter, or winning numbers by email," said Kopyy.

So last May, the Lottery introduced Pick & Click, the new brand for its online sales program. All five draw games offered in North Dakota are available online; players can purchase tickets for one draw, for a week of draws, or for virtually any time period they choose up to one year. Along with the rebrand, a mobile app was introduced (late May for Android; early June for iOS) – the Lottery's first app. It allows registered players to purchase tickets via their mobile phones anywhere in the state, adding a whole new level of service offered by the Lottery.

ONLINE GROWTH

That is the area in which Miller and Kopyy see the most opportunity for growth – online and mobile sales. The Pick & Click rebrand, campaign and mobile app were all introduced at the end of fiscal 2018, so good things are expected for the current year – especially with the \$1.5 billion Mega Millions

BIRTHDAY CELEBRATION

Although the Lottery's actual 15th birthday is March 25, the birthday celebrations will come over a three-month period this summer. There's a simple reason: budgeting. It's easier to schedule big promotions at the beginning of a fiscal year than at the end.

And there's a big one coming, if all the agreements come together and are finalized (still tentative at this writing) – the Powerball New Year's Rockin' Eve Promotion. "Due to the timing of this promotion [July and August], we felt this the best way to really celebrate 15 years," said Koppy. Two North Dakota Powerball players will win an all-expenses paid trip for two to the New Year's Rockin' Eve party in New York City to see the ball drop on December 31, 2019. The Lottery also plans to give away 15 \$1,000 cash prizes during this promotion.

The birthday party will actually begin in June, with special signup bonus points offered to new members joining Lottery's Players Club. In July, Club members will receive an extra 5x point multiplier on all lottery tickets purchased.

If the Powerball promotion falls through, there is a backup plan to offer a trip through a Players Club points promotion and perhaps a Cash Dash promotion in August to wrap things up. Players have come to love Cash Dash when it is offered – and they are very excited when the instant cash promotion returns after a hiatus.

jackpot in October. For fiscal 2018, total online sales were just over \$1 million, a 19 percent increase over the previous year.

It can only help that there are some big prizes being awarded from purchases made through the online sales channel. Pick & Click just had its first really big winner on January 12 – a \$1 million Powerball prize.

Pick & Click was supported heavily at launch using mostly online advertising – on social media, YouTube, online radio and the like. There was some television and radio at the beginning, and some messaging at retail through the LIMs. "We know some people are uncomfortable asking for tickets from a retail clerk, so we let them know they could purchase on their phone or computer," said Koppy.

Retailers generally don't mind – in these cases it was probably a sale they weren't going to get anyway. And if they have regular customers, those customers can choose their favorite retailer in their online profile, who then gets a sales commission on every online purchase made by that player.

The second phase of the Pick & Click branding campaign ran for a few weeks beginning December 10. It was much more focused on promoting the mobile app, which had only just launched after the rebrand. "There's a real opportunity to grow sales with Pick & Click, and pulling in the younger generation is key," said Administrative Staff Officer Missy Steele, who oversees Pick & Click. She and Koppy both emphasized that the way to do that is with the app, because those younger adults use their phones for everything.

Coming in at the tail end of that second advertising campaign was another online-only promotion that began January 2. For a limited time, every \$10 Pick & Click purchase on Mondays, Wednesdays and Fridays received a \$2 discount.

Players are also reminded that they can purchase tickets for up to a year at a time using the mobile app or online, so they never have to miss a draw. At some point, Koppy indicated that a discount for extended term purchases may be added as a new benefit.

MANAGING EXPECTATIONS

Dependent as it is on draw games, and especially jackpot games, from inception there was always a good chance that the North Dakota Lottery would experience sales and profit swings never experienced by lotteries with instant tickets that help balance their portfolios. In the past three years alone, that has played out dramatically.

In fiscal 2016, for example, when Powerball set the world record jackpot of \$1.586 billion, sales were up about 32 percent and net funding transfers were up 54 percent, by far



the largest increase in good cause revenues of any American lottery that year. But payback is tough – in fiscal 2017, sales were down more than 22 percent. Many lotteries were down that year, but not as dramatically as North Dakota; across the U.S. traditional lottery sales were down just 0.7 percent. The roller coaster ride continued in fiscal 2018; although there weren't any billion dollar prizes during the year, there were several large jackpot runs, and North Dakota sales were up more than 13 percent. That was double the overall performance of the industry across America.

With the return of the magical 'billion' mark in October, this time by Mega Millions, fiscal 2019 should be another good one. Who knows what will happen next year, but the measures outlined above – a portfolio of regular promotions and particularly the development of Pick & Click and the mobile app – are all designed to continue growth in both sales and revenue to the state's General Fund.

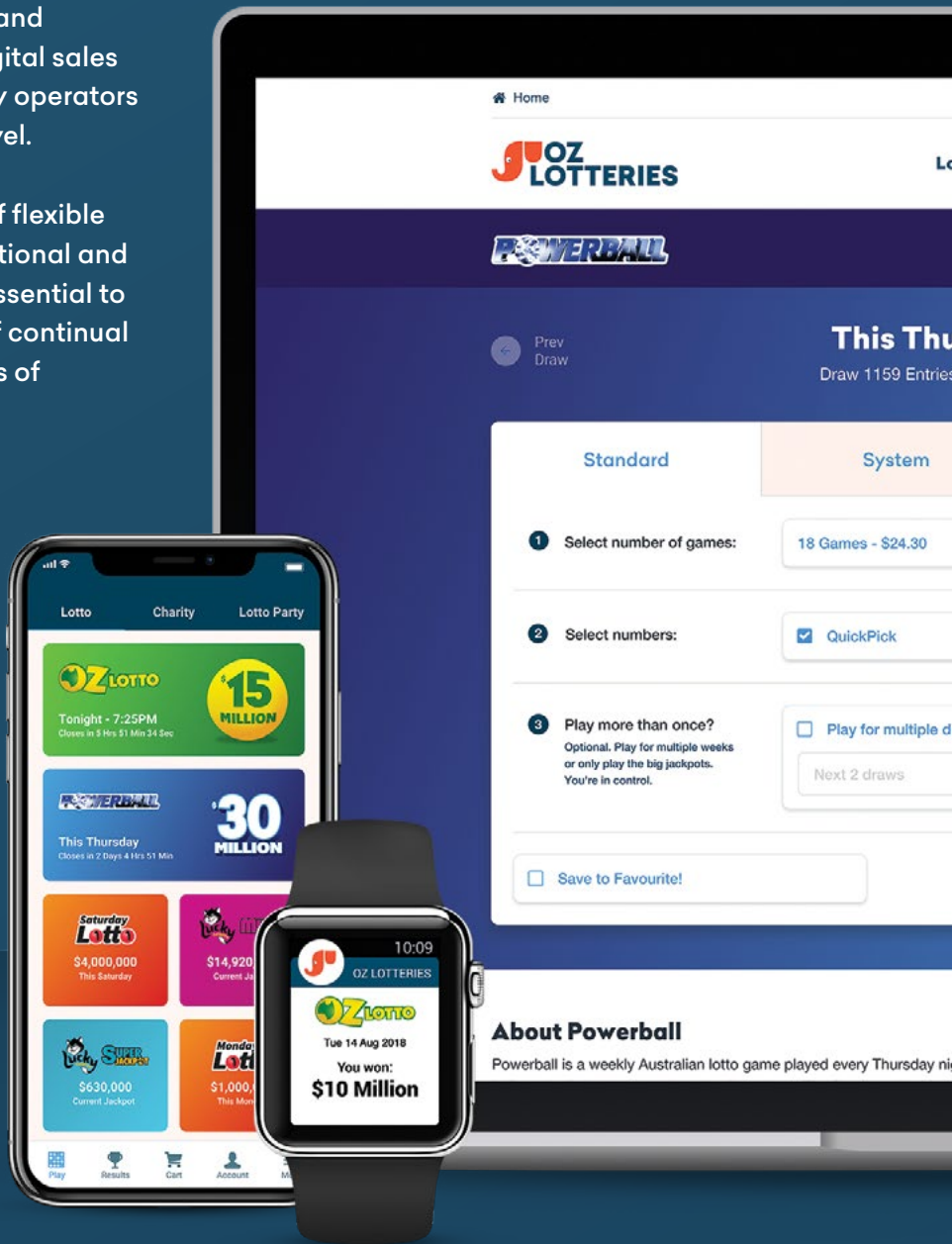
The good news in all this is that political leaders – who decided this is the way they wanted their lottery – understand the volatile nature of the only products the North Dakota Lottery is allowed to sell. Lotteries in many other jurisdictions face constant pressures to deliver ever-increasing revenues to beneficiaries and it can often be challenging to meet those demands even if a lottery offers a wide variety of products.

"We are fortunate in North Dakota that we don't have that kind of revenue pressure in regards to meeting certain sales expectations," said Miller. "Legislators know that there's only a certain amount of revenue that we are going to take in, and we can't expect more than that. They are well aware of other opportunities out there with other lottery products, but seem to be content with the current direction the Lottery is headed. And as I stated earlier, first and foremost our goal is to provide a service to the citizens of North Dakota, and to ensure the integrity, security and fairness of lottery operations." ■

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IT'S ALL ABOUT RETAIL

Retailers small and large are the reasons lotteries can provide much-needed revenues for their beneficiaries.

By Patricia McQueen

Lotteries sold \$77.8 billion in traditional products during fiscal 2018 – primarily instant games, lotto and other numbers games and keno. Another \$7.8 billion came from video lottery and casino activities operated by lotteries in eight jurisdictions. Together, those revenues meant that \$23.4 billion was transferred to lottery beneficiaries, including education, the environment, economic development, senior citizens and more.

Those are very impressive numbers. But they wouldn't be possible without lotteries' partnerships with the retail organizations that sell the games. In fiscal 2018, about \$4.8 billion was earned by some 216,000 lottery retailers across the United States that sell traditional lottery tickets. Those retailers range from independent single-store owners to massive corporate chains with thousands of locations across the country. Although retail commission rates vary by jurisdiction, that averages out to just over 6.1 percent of sales paid to retailers.

In addition to the commissions from traditional lottery tickets, the gaming operations of eight lotteries added more than \$3 billion to the coffers of selected types of retailers, from racetracks and other casino operators to bars and pubs.

Convenience stores (with and without gas) remain the dominant trade style in which traditional lottery products are sold, but grocery stores are also a

big category for lotteries. A myriad of other retail types exist and in some cases are growing significantly in lottery market share. Bars and restaurants, for example, are prime candidates for keno, which has spread to several new jurisdictions over the past few years. And lotteries are making inroads into big box retailers and some non-traditional outlets as well.

INNOVATIVE LOCATIONS

Some of those non-traditional locations indicate just how important selling lottery has become – surveys regularly show that a majority of adult consumers approve of and have played lottery games at some point. And while consumers may be migrating more and more towards online purchases of goods for their regular daily activities, they will always need physical stores and service establishments. So it's not surprising that lotteries have been successful with selling tickets in more unusual locations. Here is a sampling of such relationships.

The **Arkansas Scholarship Lottery** relates the story of a pawn shop that went all-in with lottery, starting a "scratch parlor" concept. "Pretty soon they ended up at the top of the sales

216,000
U.S. lottery retailers

\$4.8 BILLION
Commissions paid to
U.S. lottery retailers

ranker," said Sales Director Mitch Chandler. They were selling so many tickets that their players often cashed some very large wins.

"Unfortunately, staff changes resulted in the focus changing and they lost the momentum. But it certainly highlights the importance and impact individuals have on sales, and the more advocates we can encourage, the higher our sales will be."

Of the more than 3,500 retailers that sell lottery products for the **British Columbia Lottery Corp. (BCLC)**, there are currently 202 stores in its Retail Stores Group (RSGs). BCLC owns these stores, which sell lottery products exclusively, but they are operated by independent contractors and entrepreneurs in accordance with BCLC policies and standards. RSGs are designed to develop highly visible, high volume and profitable retail outlets that showcase the depth of BCLC's lottery products and services. The retailers earn compensation through ticket sales and are responsible for all aspects of running the business. BCLC's involvement includes selecting store sites and negotiating licences and leases. There are plans to add 10 stores in this category each year.

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CHECK OUT THE NEW LOOK.

The **California Lottery** has increased its footprint and visibility in social trade styles such as coffee and donut shops, restaurants and bars. These locations average over \$50,000 per month in Hot Spot sales, representing close to 30 percent of total Hot Spot revenue. Played every four minutes, Hot Spot delivers continuous entertainment to players via the Hot Spot monitors throughout the day. Players can even check their numbers anytime and anywhere with the Lottery's mobile app. These Hot Spot social establishments are provided with posters, banners, napkins, coasters with Quick Pick featured, table tent cards, coffee cups and glasses to support Hot Spot sales.

Louisiana is one of many jurisdictions with a large casino industry. **Louisiana Lottery** tickets are sold in several casino gift shops, and the Lottery has partnered with them for in-store promotions. Other casinos have given away lottery tickets as an incentive for club members to make casino visits.

Another that has developed relationships with casinos is the **Massachusetts Lottery**. "The introduction of casinos in Massachusetts has created a unique business category for us in that we are partners with them while also being competitors; the Massachusetts expanded gaming law requires casinos to be Lottery retailers," explained Director of Communications Christian Teja. The first to open, Plainridge Park Casino, has become one of the Lottery's highest performing retailers, with vending machines throughout the facility and Keno available at multiple bar locations. "We worked closely with Plainridge in advance of its 2015 opening to strategically place our machines and put us in position to be successful." When it opened, Lottery personnel were available to assist as necessary as the casino staff familiarized itself with daily operations.

"We have taken a similar approach with MGM Springfield, which opened last August, and are hopeful that we will see similar results."

Minnesota's two racetracks – which also operate card clubs – sell **Minnesota Lottery** tickets through a kiosk and several strategically placed vending machines. Lottery products are also sold at the Minneapolis-St. Paul International Airport, with the Airport Foundation-MSP serving as the retailer. A centralized kiosk is manned 11 hours a day during the week and six hours a day on the weekends, and there are some 20 vending machines strategically placed throughout the airport's two terminals.

The **Missouri Lottery** has developed new vending machine service models to reach new customers at various locations in the state. As a part of its overall sponsorship program, vending machines were added to specific



Top: California Lottery Hot Spot location. Above: Missouri Lottery's airport vending machine.



Idaho Lottery kiosk at a Boise Mall.

venues, including professional sports stadiums and a variety of performance arenas. Per contractual agreement, machines are placed at Busch Stadium, Kauffman Stadium, Arrowhead Stadium, Enterprise Center, Sprint Center, Ball Park Village and the Hollywood Casino Amphitheater. Strategically located throughout the venues, these vending machines are Lottery licensed and serviced by Lottery personnel. They offer fans another opportunity to purchase Lottery products outside a traditional retail setting, while enjoying football, baseball, hockey, concerts and the like. Lottery personnel also service vending machines in place at the Kansas City International Airport; the Lottery pays for the space in which the machines are located. This model has been used in malls as well. A final model is a route service hybrid model, where the Lottery maintains machine inventory and reconciliation responsibility, but the retailer maintains the license and is responsible for the cash.

The **Texas Lottery** counts some unusual trade styles among its nearly 18,000 retailers. Selling lottery products are such locations as ranch supply and feed stores, car washes, coin-op laundries, clothing stores, gift and novelty shops, business and financial service centers, a beauty salon and even

the fan gift shop at the Dallas Cowboys stadium.

Vending machines may sometimes be found along highways across the country. The **Vermont Lottery** has placed ITVMs at interstate rest areas and hopes to expand that program more in the future.

The **Virginia Lottery** has also placed machines at highway rest areas, but in its case, the machines are operated by the Virginia Department of Transportation (VDOT) with Canteen (the vending wholesaler) serving as the Lottery's retailer for sales. Canteen is a vendor for VDOT and their contract together allows the Lottery to work with Canteen.

LOTTERY DIRECT

While they rely on retailers of all shapes and sizes for the vast majority of sales, all lotteries do sell tickets to players who drop into their headquarters and regional offices. Many lotteries also sell direct to consumers as they travel to state fairs and other events. It is rarer that a lottery has a dedicated store or even kiosk where they sell direct without a specified retailer or agent doing the operations, although those are more common outside the U.S., including Canada. As already noted, airports are

becoming more popular places to sell lottery products, either using a retailer in the process or operating the stores and/or vending machines directly.

The **Georgia Lottery** has taken the latter route, selling directly to consumers at kiosks in the Hartsfield Jackson Atlanta International Airport. The kiosks, located in the North and South baggage claim areas, are operated by Georgia Lottery employees. They sell all lottery products, cash winning tickets, pay claims up to \$25,000, and accept cashless transactions.

The holiday time of year is prime time for shopping, and the **Idaho Lottery** operates a kiosk at the local shopping mall in Boise. Staffed by the Lottery's event team, the "Wooh Crew," the holiday-ticket themed kiosk opens just before Thanksgiving and runs through the end of December. It is open during typical mall hours, 10am to 9pm daily, with extended hours around Thanksgiving/Black Friday, Christmas, Christmas Eve, etc.

The **Nebraska Lottery** has two mobile trailers where lottery tickets can be sold special events, and also has a storefront at the Pinnacle Bank Arena where tickets are sold during concerts and sporting events.

Ontario Lottery and Gaming (OLG) uses pop-up lottery kiosks at various

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Ontario Lottery and Gaming uses pop-up lottery kiosks at community events.

community events throughout the year either through sponsorships or marketing initiatives. The pop-up kiosks were present at popular events across the province, such as The Honda Indy Toronto, Boots and Hearts, Taste of the Danforth and North by North East. Every event with a kiosk was very successful with great exposure to non-core lottery players.

The **Virginia Lottery** is another that sells at an airport (in its case Richmond International Airport) and serves as its own retailer.

Washington's Lottery is in the middle of an exciting new project that will culminate in its first retail store, expected to open in Spokane in June. The Department of Imagination store will be a new environment that lottery players have never before experienced in the state. This retail store will be a modern, trendy, imaginative way to showcase Lottery products and engage players in a new retail environment.

CORPORATE SUCCESS

At the opposite end of the spectrum is partnering with large corporate accounts. While some recent initiatives

with these chain stores are included in the roundup beginning on page 54, others are summarized here.

Getting back to basics is a focus this year for the **Georgia Lottery**, for both corporate accounts and independent retailers. The focus has been on premium lottery visibility, keeping dispensers and vending machines full, immediate activation of new games, the use of planograms to ensure top performing games are in each location, and superior management of Scratcher orders and inventory.

The **Kentucky Lottery** developed a key customer program with Circle K, committing to some specific cooperative dollars. "In return, we got key positioning at their annual trade show where we could talk to managers about lottery, along with an in-store commitment to 30 games at the counter, a four-game feature tower in each store, and self-service vending in nearly all locations to supplement counter sales," explained President and Chief Executive Officer Tom Delacenserie. "We also got commitment to get one pole sleeve and one gas pump for POS to support each game launch." Another big development in Kentucky was the launch of the Linq3/Blackhawk gift card at Kroger, which resulted in the Staples office supply

chain making the request to become a Kentucky Lottery retailer.

Strategies being employed by the **Louisiana Lottery** have helped with some of its corporate accounts. A few tactics used with corporate grocery chains include running the Lottery's radio advertisements over their in-store public address systems and providing promotional artwork for them to use as bag stuffers. These efforts are especially helpful in creating awareness for new retailers. For larger chains that have a strong social media presence, the Lottery tags their handles and profile pages when posting about large winning tickets claimed/sold, and runs geo-targeted paid ads in social media when new chains come aboard.

The conversion to a full-vending planogram from the **Massachusetts Lottery** has proven to be successful for an in-state chain of family restaurants and a regional supermarket chain. Previously, these retailers had been responsible for choosing which instant tickets to stock and the order in which to display them in the machines. "Now, we determine the products and update the planogram with each ticket launch," said Teja. All they have to do between launches is replenish the stock as needed. "Not only has this resulted in

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increased sales at these locations, but it has been a significant time saver for their employees.”

The **Minnesota Lottery** has made new business development a priority this year. The Lottery’s Assistant State Sales Manager and Corporate Accounts staff are taking the lead on this initiative; part of the Lottery’s sales rep bonus this year is based on their hitting new business recruitment goals. Since last July 1, over 40 new retailers have been added. This year the Lottery has also begun a ticket sampling initiative in the field. Sales reps have a monthly budget of scratch tickets to utilize in approaching new or lapsed players at retail to engage them in the trial of lottery games in order to help gain new players and beef up the player pipeline. Sampled each month are one of the Lottery’s \$1 or \$2 scratch tickets which would most appeal to this targeted audience.

An in-lane advertising wrap was tested by the **Missouri Lottery** in collaboration with the corporate chain Shop ‘n Save in selected grocery stores in the St. Louis area. The pilot was conducted at five Shop ‘n Save



Missouri Lottery in-lane wrap.

stores with a total of 18 total lanes wrapped. The pilot ran for six months – the length of time the wraps were designed to visually sustain. Pick 3 and Pick 4 products were promoted at these locations, and sales for the games during the 26-week pilot showed a 15 percent lift when compared to the same period last year. This was significantly higher than the statewide sales increase (six

percent) in these products during the same time frame.

Ontario Lottery and Gaming (OLG) has been busy with a number of new programs in partnership with corporate accounts. They include:

- Kiosk Wrap Program: In fiscal 2019, OLG partnered with Gateway Newsstands and CNIB to update current kiosks with branding to take advantage of prime retail locations. A unique and clean look was created to help bring awareness to lottery brands.

- Lotto 6/49 and Toronto Blue Jays Sock Program: OLG executed a program with the Toronto Blue Jays to create Lotto 6/49 and Toronto Blue Jays branded socks; these socks were given away with a “Gift with Purchase” program at Circle K locations in Ontario.

- Monopoly Store Takeovers: In January, OLG partnered with four Circle K locations to advertise the new Monopoly Big Ticket. All existing POS locations in these stores was taken over to create excitement around the new game.

- Cross Promotions: Cross promotional opportunities were increased by partnering with Wrigley’s (Excel Gum), Carlton Cards and Dare Foods.

- Social/Digital: OLG’s digital and social media presence was increased through key account partners, leveraging these platforms to help drive OLG and lottery awareness.

The **Texas Lottery’s** products department staff works with IGT key accounts to offer a limited number of month-long exclusive co-op promotions



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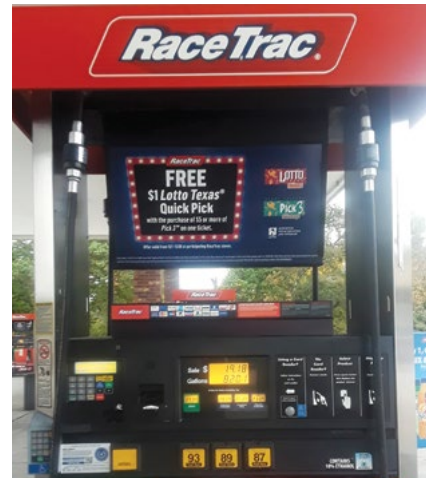
Texas Lottery RaceTrac promotion.

to support a selected draw game. Nine monthly promotions took place in 2018; three were with the chains H-E-B, RaceTrac and Star Stop, and the others were with stores that are members of the regional retail groups Greater Austin Merchants Association, South Texas Merchants Association, Sunbelt Merchant Group, North Texas Business Alliance and Greater Houston Retailers Cooperative Association. As an example, the November co-op promotion with RaceTrac offered a free \$1 Lotto Texas quick pick with a purchase of \$5 or more of Pick 3. The promotion ran at 122 RaceTrac locations in Texas, and resulted in a 24.5 percent increase in Pick 3 sales

at those locations, compared to a 3.8 percent decline in Pick 3 sales during the month at all Lottery retailers.

The **Virginia Lottery** noted two successful corporate account promotions in 2018:

- Grocery dashes were a lot of fun last June. Customers who purchased \$10 of Mega Millions on a single ticket received an entry into a drawing to win the top prize of a grocery dash valued at \$750 or a secondary prize of a \$250 store gift card. Participating chains included Food Lion, Kroger, Weis, Food City, Shop 'n Save and Shoppers. Two dashes at each chain were awarded. Dashers had three minutes to run through the store



putting as much in their cart as they could. The lottery paid for up to \$750 in merchandise (certain items were excluded). Weis featured their dashes through a live feed on their Facebook page and a writeup of the dash was on the front page of the *Free Lance-Star* newspaper. The Lottery featured a dash at Food Lion on its Facebook page. The local NBC affiliate covered a Kroger dash. Total lottery sales increased by 36.6 percent during the promotional period at the participating chains.

- Wawa Win Gas for a Year promotion. During the month of October, customers who purchased \$10 of Powerball on a single ticket at Wawa received an entry in a drawing to win Free Gas for a Year valued at \$2,500. Four prizes were given away. Total sales for the month were up 64 percent, beating the trend of the c-store category by 10 percent.

BUT WAIT, THERE'S MORE

On the following pages you will find more examples of some of the great things lotteries have done with their retailers. From promotions and other initiatives to help them with sales, to rewarding them for their hard work, to helping them with store makeovers, lotteries never stop pushing the envelope. NASPL would like to thank those lotteries that contributed to this special issue of *Insights* for sharing their creative ideas with others. After all, imitation is the sincerest form of flattery. ■



Virginia Lottery grocery dash.

retail sold *digital games*



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RETAIL INITIATIVES

Lotteries around North America are always looking for new ways to work with retailers to increase sales, to make things easier for them and to generally keep improving and enhancing relationships with their most important partners. We asked lotteries to describe some of their most important or innovative recent retail initiatives, and their edited responses follow.

By Patricia McQueen

ARKANSAS SCHOLARSHIP LOTTERY

For the past three years, we've focused on three things in the retail environment. We want to have the right games on sale in each store, with perfect in-store execution of collateral and bin placement, while we continue to build relationships with people who will help us sell more product. So we ask ourselves in each store environment, are we doing those three things?

We knew we were inconsistent in our bin appearance across the state. So we chose the best number system and set about standardizing our in-store look and feel. Our POS was challenged because we just didn't have enough different designs that could be adapted to many different store footprints. Our marketing department went full throttle and now we would consider POS a massive group win.

And then we knew if we were going to enlist the help of owners, chains, managers and clerks, we needed to have one overarching communications content plan to share the importance of positive behavior, such as keeping bins full and uncluttered, asking for the sale and continually creating the environment of fun and games.

Our activation program was a big hit; we treated it as a contest to see who

could get the most games activated the quickest. And that worked. The faster we can activate the new games, the larger the lift for that game.

In the end, we were able to harness the vast effort of our marketing and sales representatives in the stores in an aggressive manner to drive best practices. Two years after the effort began, we set a new sales record for our relatively young lottery.

BRITISH COLUMBIA LOTTERY CORP.

BCLC prides itself on pushing the boundaries for an enhanced lottery player experience. In 2018, we became the first lottery corporation in Canada to install digital signage on gas pumps as one means to drive awareness of Lotto 6/49 and Lotto Max jackpots amongst customers as they gas up their vehicles.

We initially piloted them at 10 Shell sites, and will roll out to an additional 75 sites in early 2019. Other Shell stations across B.C. will have the option to have the pump toppers installed once they upgrade their pump systems to the compatible model. The pump-topper signage has been successful in supporting retailers' overall sales growth, including a 10 percent lift in lottery sales alone.



BCLC digital pump signage.

CALIFORNIA LOTTERY

The California Lottery has implemented the Lucky Retailer program over the past five years. To qualify to become a Lucky Retailer the following parameters had to be achieved:

- Sold at least one winning ticket of \$100,000 or more during the previous calendar year.
- Paid out an average of 400 or more winning tickets per week during the previous calendar year.

AS A LUCKY RETAILER, YOU CAN BE DISCOVERED HERE:

- Visit the Lucky Retailers page on the Lottery's website at calottery.com/Lucky-Retailers
- Enter Address, City/State, or Zip Code and select "Show Me Lucky Retailers"
- List of "Lucky Retailers" closest to the location you requested will be displayed showing Store and Location, Distance, Game Type, and Qualifications as a Lucky Retailer



As a Lucky Retailer, you will receive the following special POS materials to display in your store:



NOTE: The window poster includes space for stickers to be placed with every consecutive year your store earns the Lucky Retailer qualification.
 Although every effort is made to ensure the accuracy of the information in the Self-Search, mistakes can occur. In the event of any discrepancies, Federal Law, State Law and Lottery rules and regulations prevail. Program controlled by the Lottery. ©2018 CALIFORNIA LOTTERY. Must be 18 years or older to purchase, play, or claim. ©2018 California Lottery® 2018

2018 LUCKY RETAILER

CONGRATULATIONS!
 You have qualified to be one of the Lottery's Lucky Retailers for 2018!
Details of the program are listed inside.

California Lottery Lucky Retailer Program.

- Paid out an average of \$4,000 or more in winning tickets per week during the previous calendar year.

Since the program's inception in 2013, the Lottery has increased the number of Lucky Retailers from just over 4,000 to 6,500 retailers in 2018. This represents over 25 percent of our retailer network. This program has motivated retailers to actively display Scratchers and point of sale campaign materials, promote draw games and winner awareness, and ultimately increase overall sales. Aside from being identified on the Lottery website, Lucky Retailers receive unique posters, door decals, terminal locators or triaramas.

IDAHO LOTTERY

We partner with several chains across the state two to three times a year on large scale, in-store, sales driven promotions. These promotions are a part of our Strategic Retailer Initiative. This program strives to align the Lottery's marketing strategies and goals with a select group of key corporate accounts and their annual marketing initiatives. Our efforts vary from incredibly simple to extremely complex. All direct involvement is based on the retailer's needs and desires and fit appropriately within their existing marketing/advertising plans.

The ideas were as basic as buying a \$5 scratch ticket and receiving a free ice cream bar. Part of the cost was picked up by the Idaho Lottery and surprisingly our

retailer partners got vendor participation on some aspects of these promotions. We've also included messaging on Idaho Lottery draw tickets for various game offers and created Player Advertising Display messaging that was specifically designed for that chain of stores.

Then there were immensely complicated and intense promotions that consisted of mass media advertising, including remote radio broadcasts at their locations. These include our interactive, on-site "Wooh Crew" event team and public relations. This is usually



Idaho Lottery "Wooh Crew."

done in conjunction with a particular Scratch game and/or draw game. We often include live radio broadcasts and support the efforts with our owned media channels including e-mail blasts and social media. In the past year, we have supported three campaigns – one in the early summer for our summer Scratch campaign, one in the fall (a tailgating series of events) to support our collegiate themed Scratch games, and one we just concluded to support our Idaho \$1,000,000 Raffle and our Holiday Scratch game lineup.

All of these efforts were presented and completed at both nationally recognized chains with billion dollar footprints and locally owned, Idaho-only businesses that gross in the millions of dollars per year.

KENTUCKY LOTTERY

About a year ago we started to systematically track when new instant games are activated during each launch week. The purpose was to see how well our retailers were doing in getting new games activated and on display after receiving them. We set a goal to achieve 90 percent penetration, meaning we wanted 90 percent of all our full-service retailers to activate the new games and put them on display within three days of launch. For the first time ever, we committed to support each instant

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launch with both game-specific POS and TV/radio support, so we wanted to be sure our retailer partners were engaged in the program by supporting our launches and getting the games out for sale.

We quickly learned we were falling quite short of our goals, with three-day averages between 50 and 75 percent throughout the state. The sales leadership team then developed an action plan which included better preparing retailers to receive the new games by selling down older inventory, testing a retailer self-return initiative which allowed retailers to pull Lottery-designated active games during a limited window, deactivate them and hold for rep return. We also sent detailed alerts to every sales rep three times a day during launch week notifying them if a retailer has activated at least one of each game or none of the games.

This resulted in our best launch ever, achieving 90.66 percent (first time above 90 percent) activation of four new games, including our latest \$25

game. We also achieved our second-best Scratch-off sales week at \$17.8 million (second-highest in the history of the Kentucky Lottery, only behind the first week in lottery history which was \$27 million).

We've since improved on the activation percentage – now routinely achieving more than 95 percent penetration. This initiative was one of the major reasons we achieved record sales in Scratch-offs in FY18 and had our highest six months of Scratch-off sales ever in FY19.

LOTO-QUÉBEC

Formule Groupe. Formule Groupe allows consumers to play the lottery in groups with people they don't necessarily know. Their ticket shows all the combinations for their group but is only worth one share, affording them complete independence from the other members of the group. And because it makes it much easier for retailers to

create and sell group tickets, Formule Groupe sales have more than doubled since it first appeared in 2011-2012. Over the course of just six years, Formule Groupe has become a high-growth product for both retailers and Loto-Québec. In fact, we expect to reach a record total of 3,200,000 groups created this year alone. These results were achieved through numerous promotions and POS material. Our sales force has played and continues to play a critical role by offering training and marketing support to retailers throughout its network.

Holiday Combo retail marketing initiative. We grouped together three premium commission lottery products, branding them as a Holiday Combo package to provide retailers with a high-yield bundle that is easy to sell. It included an advent calendar ticket, a gift tag ticket and a Célébration ticket (our annual televised draw/variety show). We partnered up with retail chain Couche-Tard (Circle K) to implement an aggressive customized in-store campaign. This included ad screens for their ATMs, cashier backwall displays and a variety of other holiday combo signage.

LOUISIANA LOTTERY

We all know how valuable winner awareness can be as a product testimonial, especially when it is retailer-specific and posted at the point of sale. The challenge is making that message timely and consistent with the rest of the Lottery's branding. One solution we devised is using game-specific graphic poster templates. Each week, we take a data file of winning tickets sold (for draw games) and validated (for scratch-offs) that meet certain prize thresholds and import that information into those templates. The data includes the selling retailer, the prize amount, draw date, game and sales rep and route for reference. The posters are then available for digital download at each regional sales office in PDF format, where they can quickly be printed on-demand and distributed for delivery and posting by sales reps during their route calls. Retailers really enjoy being noticed for selling these winning tickets and the



Loto-Québec's Formule Groupe.

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posters cause a lot of player chatter at the point of sale. The relevance and timeliness of the postings add a new dimension to our in-store branding and product marketing.

Using these same processes, we've also begun using infographic flyers containing store-specific data on performance whether that be annual sales/commission or their ability to grow the percentage of multistate game sales that include the multiplier option. These flyers have assisted sales representatives in explaining the benefits of the Lottery to their retailers in a fun, easy-to-comprehend way using the store's own data!

MISSOURI LOTTERY

Gemini Retrofit for Traditional Keno Retailers. The Missouri Lottery recently rolled out Gemini Touch vending machines. In many instances, the new machines replaced existing Gemini Ultras, thereby leaving surplus Ultras available for placement at other retail locations. Most of this additional inventory went to grocery stores and truck stops; however, we saw an opportunity to tap into yet another retailer base with the extra inventory.

A plan was developed to reduce the facings of the Ultra machines and then offer them to the social retailer network – i.e. bars and restaurants. It was a great opportunity to offer self-service games to customers in environments where retail staff – servers, bartenders, etc. – may not be as easily available to devote time to lottery sales.

With collaboration between the Lottery and IGT, machines were retrofitted with metal plates to cover the bottom rows of these machines to create 12- and 16-game Ultra vending machines – the sweet spot in terms of the number of facings ideal for social and liquor-by-the-drink establishments. To date, over 90 retrofitted machines have been placed.

Marilyn Monroe Scratchers Ticket and Omni-Channel Promotion. When the \$5 Marilyn Monroe Scratchers ticket launched, the Missouri Lottery used an omni-channel marketing approach to build synergy across all departments, including Sales, Events,



Missouri Lottery's Marilyn Monroe Scratch Ticket and Omni-Channel Promotion.

and Communications. This was achieved through the following coordinated efforts:

- Retail promotions and retailer events. More than 200 onsite promotions were held by lottery sales reps. This included wheel spins for prizes, standees for selfies, prize pack giveaways, and the opportunity for retailers to sweeten the pot by co-branding their own promotions in conjunction with the lottery event. This allowed for additional product sampling, as well as the ability for retailers to offer other store products.

- Convenience store owners walked the red carpet with "Marilyn" at their annual trade show and went home with souvenir photos.

- Early sales and promotion at public events. We brought the ticket to life at events attended by tens of thousands of visitors, as well as through themed "Marilyn Monday" radio contests.

- Social media contests and support. In addition to product support on our

social platforms, the Missouri Lottery also asked fans to vote on their favorite ticket scene for an entry into a "Marilyn Monroe Giveaway" on Facebook. The organic contest (i.e. no paid advertising support) had more than 3,500 entries and awarded prize packs that included Scratchers tickets, tumblers, T-shirts and a tote bag. Additionally, our social media mentions climbed as fans across the state had fun tagging us in their pics with "Marilyn."

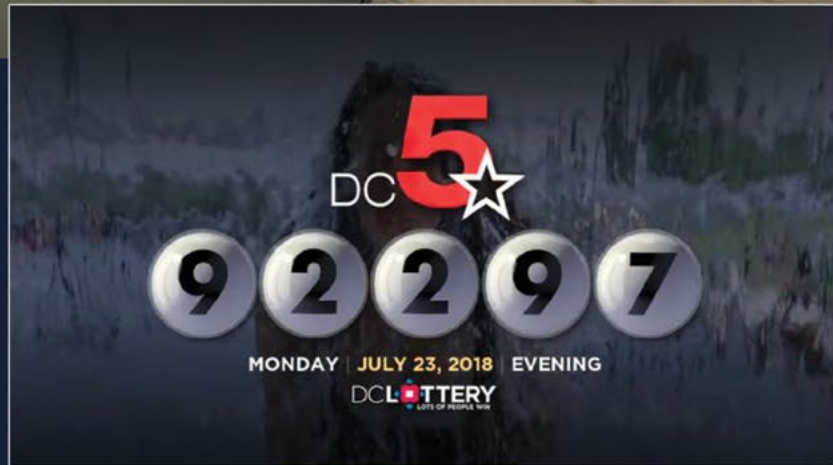
NEW YORK LOTTERY

To support the 2018 Holiday Instant Ticket launch, the New York Lottery graphics team collaborated with our partners at McCann Worldgroup to design and develop a special holiday display showcasing four different holiday-themed products in tandem with another popular offering: pre-printed holiday-themed envelopes to make

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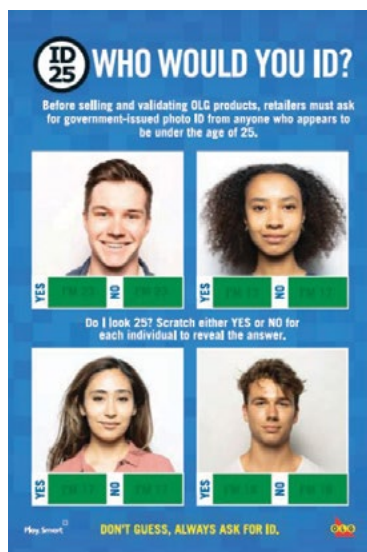
Above: New York lottery counter displays. Below: OLG's ID25 training program.

gifting holiday tickets that much merrier, and convenient. This festive display was created to both focus consumer attention on the holiday games and to relieve retailers from manually distributing the envelopes as has been done in the past. The counter display elevates the perceived value of the holiday tickets and brings an element of the Lottery's Holiday advertising campaign "The Gift That Dreams Are Made Of" into the retail environment at or near the point of purchase.

Building upon the sales success of that holiday envelope display, our graphics team again collaborated with McCann to design a custom on-counter display unit to promote a popular consumer promotional item – the Scratchier Coin. The so-called Scratchier-in-the-Box display was created to support the January launch of the X-Series family of scratch-off games. The scratchier coins are available free with the purchase of any X-Series product, while supplies last, and can be used by retailers to reward loyal customers and welcome new ones.

ONTARIO LOTTERY AND GAMING

OLG launched a retailer compliance training program called ID25. We produced a mock scratch ticket that created an interactive conversation about ID25 with our retailers. Retailers



had to look at photos of individuals and scratch either "Yes" or "No" to the question "Do I look 25?" The actual age of each individual was revealed under the scratch off material. The intent was to convey the message "Don't Guess – Ask for ID." The program produced a five percent improvement in our ID25 mystery shopper results.

Another retail initiative OLG developed was an app that assessed potential new retail locations. The Prospector App combined Statistics Canada data with lottery specific data to help identify potential retailers based on multiple factors. This will be used as the primary tool to help expand our network

over the next two-plus years.

For retail environments, OLG created the INSTANT Infinity Merchandiser which showcases our new Big Tickets that launched in the fall of 2017. The Big Tickets and merchandisers have been quite successful among retailers. The merchandisers have been accepted and distributed to almost all retail locations across the province. Retailers must have the merchandiser to sell the Big Tickets.

PENNSYLVANIA LOTTERY

Act 42 of 2017 resulted in the largest expansion of gaming in recent history for Pennsylvania. It created new forms of competition for the Lottery, and also created new sales growth opportunities for the Pennsylvania Lottery sales team.

One of those opportunities is iLottery. Our iLottery affiliate program allows our brick-and-mortar retailers to receive a commission for signing up new iLottery players. This gives our physical retailers a connection to the new iLottery product, and can help increase sales of online and traditional games.

Another new opportunity is our monitor games: Keno, Xpress Football and Xpress Car Racing. Monitor games have made it possible to set up new partnerships with bars, taverns and civic clubs. Our sales representatives have successfully recruited over 500 new retailers this past fiscal year and during the current fiscal year we are looking to recruit an additional 600 new locations.

The expanded hours of play of these games gives us an opportunity to recruit and promote outside of our traditional business hours. As a result, we have added sales representatives with different working hours, working evenings and Saturdays to promote monitor games at retail. Additionally, sales representatives working these different hours provides us with an opportunity to look at how we merchandise other retailers during these hours as well.

The Act 42 expansion has also provided us an opportunity to have our traditional brick-and-mortar retailers be rewarded through bonus commissions when they help us grow sales incrementally to reach our sales goals. We have implemented this program and refer to it as the "three-legged stool



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Jackpocket



Above: New Pennsylvania Lottery uniforms. Right: Vermont Lottery's tour t-shirts.

of retailer compensation.” The first leg provides retailers an opportunity to earn a bonus commission, 1.5 percent above the standard commission, when they exceed their quarterly sales baseline goals. The second leg is to compensate retailers who opt in to our proven lottery best practices program. The third leg gives retailers the ability to earn bonus commissions when they promote and sell specific games.

We also identified an opportunity to improve the Pennsylvania Lottery's professional appearance through the use of uniforms. This addition was made in order to increase brand awareness and better identify our staff to assist with their daily interactions with players and retailers. Uniforms enable the sales staff to be seen in a more professional manner and help to build brand impressions. This will assist us with the recruitment of monitor games and full product portfolio locations so that the staff is easily identified when entering prospective locations. Additionally, uniforms will assist with putting customers at ease when approached by a district sales representative at a promotion, due to the professionalism of the Pennsylvania Lottery uniform.

VERMONT LOTTERY

Summer is our strong promotion season especially when it comes to supporting our instant tickets. For the past three years, we've gone on a summer tour where we bring one of our cash booths (we call it the Cash-N-Ator) and lottery swag, and schedule events (including food and drink) at predetermined lottery locations throughout the state. Players buy a spotlighted ticket for the tour, at that retailer only, on that day of the tour stop. Non-winning tickets are placed into a draw drum and we draw up to seven names over a two hour period (normally 11am-1pm) for a chance to grab up to \$3,000 in the Cash-N-Ator. We support the tour with radio, retail specific POS social media posts and tour-specific swag (tour t-shirts with tour stops and dates on the back, like a concert tee). We have had 10 tour stops and we include the three single A minor league baseball games we sponsor with the Cash-N-Ator as well.

There are five regional territories in the state and we try to double up locations in a couple of them rotating each year. We look for advocates of

the lottery – retailers that go above and beyond and have a history of collaboration. Chains and independents are included. We do try to pick new retailers when and where we can. There's physical criteria that's part of the selection process too – outside electricity, overhead shelter if needed, parking availability for sustained periods of time, ability to provide food and drink, bathroom facilities, etc.

The retailers hosting each tour stop are included in our radio advertising and get retailer specific POS announcing the tour stop. We've been doing it long enough that we have groupies who follow the tour (you can only get in the Cash-N-Ator once a summer though). Retailers have a captive audience for about two hours buying tickets and other items, not to mention all the social media traffic we generate.



In addition to the seven winners that get in the Cash-N-Ator, we offer seven second prizes which, normally, are \$50 gift cards to be spent at that location or chain – repeat business for the retailer.

Elsewhere, within the past three years we adopted shipping our instant games once a month. This allows for planning both for the Lottery and our retailers, while generating enthusiasm at regular intervals in the marketplace and with customers.

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Movie themed scratch ticket experience at a Washington mall.

VIRGINIA LOTTERY

Weekend pack-outs. We've tested weekend vending pack-outs for the last six months, which have proven to positively impact sales. We hired a part-time sales merchandiser who works Friday nights (5pm-10pm), Saturday/Sunday (eight hour days) and Monday mornings (5am-10am). Their only responsibility is to pack out vending machines in 28 grocery retailers. Test results showed if we added this service to ~650 vending machines, we would experience ~\$20 million in incremental sales annually.

Servicing low volume retailers differently. We call them "D" retailers because they have low sales volume and they are visited by reps once a month. We added a Sales Retailer Service Representative (Glen McCabe) who calls on a list of retailers for the entire state every week. These retailers are part of his route, which frees up other sales reps so they can spend time either in retail

locations that have more opportunity or recruiting new retailers (traditional and non-traditional). Generic POS is being produced quarterly so it won't have to be updated as frequently. Scratch tickets are also managed differently – no initial allocation of new games, these retailers only sell core games, and there are fewer ticket returns; when there are ticket returns (end of game or LTP) a sales merchandiser will physically visit these retailers to return tickets.

Retailer training conducted differently. We are researching if we can outsource all retailer training (equipment, new products, etc.) Like the new way we serve low volume retailers, this will also give our sales reps additional time in retail locations that have opportunity or to recruit new retailers.

MobilePlay only retailer recruitment. Expanding the retailer base to non-traditional locations through IGT's PlaySpot Bluetooth solution, launching in March.

WASHINGTON'S LOTTERY

We placed our brand message on our lottery vending machines. We created live action videos that were from the perspective of someone living inside of the machines. This was a fun way to grab people's attention and get them to engage with us.

In our retail stores, we also run LVM and ESMM videos for specific scratch games and promotions throughout the year.

We created a movie themed scratch ticket experience at one of our malls in Washington, where we placed movie posters for each scratch game, with the entire area themed like a movie theater premiere. Innovative escalator underside creative is used to point people towards our Lottery selling kiosk. ■

X



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SLICE OF THE PIE CELEBRATIONS IN IOWA

By Diane McCool, Iowa lottery

Lerynne West had a hankering for some pizza and coffee during a break from moving into her house in Redfield, Iowa, so she stopped at the closest Casey's General Store to give in to her craving. She got the food and drink, but she also purchased a \$343.9 million-winning Powerball ticket that day.

Her life changed a lot after her substantial win and her generosity to others with the prize money is still becoming evident.

As part of the celebration of West's good fortune, the Iowa Lottery and Casey's got together to kick it up a notch and throw a party for the whole city of Redfield, giving every resident a "slice of the pie."

To make each of Redfield's 830 or so residents a winner too, the Iowa Lottery and Casey's said, "Have a slice of the pie and a lottery play on us!" The promotion was announced with an event at the store that included a big check presentation. Bonus prizes were mailed to all addresses with a Redfield zip code. Inside were two free coupons, courtesy of the Iowa Lottery: one for a free Casey's pizza, valid only at the Redfield Casey's; and the other for a free easy-pick Powerball play. A letter from Casey's Vice President of Marketing Mike Richardson and then-Lottery CEO Terry Rich encouraged residents to "enjoy the fun of this moment as the national spotlight shines upon Redfield."

With more than 2,000 stores across the Midwest and South, the Iowa-based Casey's chain is known for its made-from-scratch pizza. Casey's is currently the fourth largest convenience store chain and the fifth largest pizza chain in the U.S.



As an added "topping," the Redfield Casey's store decided to donate its \$10,000 bonus received for selling the jackpot-winning ticket back to the community of Redfield. The store donated \$5,000 to the local high school, \$2,500 to the Redfield Fire Department and \$2,500 to the Redfield First Responders.

Rich said the Lottery had fun working with Casey's to spread the excitement around. Richardson added, "Having the opportunity to invest this money back into the Redfield community is an honor for us. We've always been proud of our rural Casey's communities and are happy to share this gift with them."

In the Oct. 27 Powerball drawing, West's ticket split that night's \$687.8 million grand prize with a ticket purchased in New York City. When she claimed her

prize, West talked of sharing her winnings with family and friends, purchasing a new car, and taking a long vacation – or several.

The 51-year-old and her family also have established a charitable foundation to help causes important to them. The Callum Foundation is named after West's grandson, Callum, who was born prematurely last April and lived just a day. The charitable foundation (www.callumfoundation.org) is focused on making grants in the core areas of alleviating poverty and hunger; education; animal welfare; and veterans affairs.

West said that she and her three daughters daydreamed for years about winning the lottery, and the plans they ultimately put together are a result of all that dreaming. ■

INSPIRED

THE SEASON NEVER ENDS

A New Virtual Sports
Lottery Game

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VIRTUAL FOOTBALL

RETAIL REWARDS

Most lotteries have some sort of retail incentive program, based on meeting certain goals – not always just sales goals. And not surprisingly, if retailers can meet other performance goals – often involving desirable POS execution, it has the effect of increasing sales as well. There may also be programs rewarding high-level retailers in other ways. We asked lotteries to tell us about these programs and their edited responses follow.

By Patricia McQueen

GEORGIA LOTTERY

We have a Sales Tiers program in which we identify retailers by sales tiers based on their sales levels, and there are corresponding benefits at each level. To determine sales levels, we examine call frequencies, whether retailers will be on initial allocation for new game launches, and inventory recommendations. We occasionally have limited games that only go to high tier retailers, and these are some of the things we use to determine who those high tier retailers are. Our sales tiers are represented as Diamond, Platinum, Gold, Silver and Bronze. We also have door decals that the sales reps place at stores to identify their assigned tier. Retailers are very interested in elevating their level and are eager to work with sales reps to maximize their sales opportunities.

KENTUCKY LOTTERY

We revamped our retailer incentive plan for fiscal 2019, developing three different ways for retailers to earn incentives. The first (carried over from the old plan) looked at sales performance – if a retailer exceeds their goal, they get an incentive. The second, which is new, covers what we call “Excellence

in Execution.” We now give retailers a reason to stretch and grow by rewarding them for best practices with key measurement criteria. These include activating all new games by Wednesday of launch week; carrying a minimum of 24 games (including requiring games at the counter); having 10 percent or less out of stocks; following exact game planograms; and placement of at least one semi-permanent Scratch-off game-specific point of sale item. Also new is the third opportunity, which we call “Best of the Best.” This rewards our best retailers by giving them an incentive if they carry at least 24 games on the counter AND a 24 game or higher vending machine. They must meet a higher level of weekly sales to qualify for this incentive than in the first two programs. In its entirety, this new plan has been a key driver in adding games to the counter, as well as adding vending to supplement counter sales.

LOUISIANA LOTTERY

We do not have a structured retailer awards program currently, although we do categorize our retailers in tiers based on sales volume. We have executed clerk-based customer service recognition programs in the past that have been effective in creating awareness of best

practices. In the way of retailer relations, we host key or high-performing retailers at Pelicans and Saints games and reward good retailers this way from time to time. We regularly utilize assets from various sports sponsorships for our retailers, such as tickets to live sporting events.

MISSOURI LOTTERY

Our Club Keno Development Program was designed to help low producers grow their business by increasing sales and engagement. In partnership with IGT, the Missouri Lottery created and executed the program for Quarter 4, which ran from Oct. 1 to Dec. 31, 2018. A total of 125 retailers were targeted for inclusion in the program, including 102 Gemini Ultra retrofit retailers (see page 58 for details on the retrofit). IGT representatives visited the retailers weekly and coached the wait and bar staff, providing training on Gemini Ultra and best practices, as well as conducting pop-up promotions. They also demonstrated effective “ask for sale” techniques for Club Keno, made recommendations for POS/signage optimization and outlined methods for improved winner awareness.

Retailer incentives allowed bartenders and wait staff to participate

in a “sell, sign & win” promotion. If they were able to sell a five-draw or greater Club Keno ticket from either the terminal or the vending machine, they were entered into a drawing to win prize packs and tech prizes like Amazon Fire tablets.

Through the ninth week of the program, we were maintaining a healthy sales increase from 60 percent of the participating retailers. Additionally, 46 percent of program retailers performed better than the rest of the Club Keno/social retailers in the same district. Overall, we experienced a five percent increase in average weekly Club Keno sales from program retailers.

NEBRASKA LOTTERY

Last summer we ran a retailer incentive program for the Ultimate Bonus Crossword Super Ticket which ran for 14 weeks. For every pack of Ultimate Bonus Crossword the retailer settled, they would earn \$10 in bonus commission. Our top retailer settled 42 packs of the game. We had great success with a bin expansion project for the launch of the this ticket. In order to receive that retailer incentive bonus, the retailer had to add a new larger bin with highly visible placement. Not only did we receive great placement, we gained an extra facing at most accounts and will continue to run different Super Ticket games using the extra facing in the future.

NORTH CAROLINA EDUCATION LOTTERY

We all know that retailer incentives can drive sales. The N.C. Education Lottery had a recent success story in the creation of a special promotional incentive for our retailers to support an important price point – our \$5 scratchers. Last winter, we saw our \$5 instant sales were not where we wanted them to be. In response, our sales team came up with a unique promotion to raise awareness of this important part of our lineup and create a healthy competition to drive sales. We called it our High Five Promotion. We challenged our retailers to increase their \$5 sales by 10 percent over a six week period, between April 1 and May 12. If they did, they could win entries into a drawing for a total of \$250,000 in prizes – 200 \$500 prizes, 50 \$1,000 prizes, and 20 \$5,000 prizes.

Introducing Ultimate Bonus Crossword
The new \$20 Crossword Super Ticket.



RETAILER INCENTIVE
Earn a \$10 bonus commission for each settled pack through October 20, 2018.

- Settled packs eligible for bonus commission must have a minimum of one validation per pack.
- Must be an active retailer on October 20, 2018.
- Must continue selling the \$10 Lucky Numbers Super Ticket.
- Bonus commissions will be credited to retailer's weekly settlement report.
- A special display unit will be provided for the new Ultimate Bonus Crossword ticket.

CROSSWORD TICKETS The \$2, \$5 and \$10 Crossword tickets are among the highest selling Scratch tickets each week.



Displaying The Ultimate Bonus Crossword Ticket
This oversized ticket requires a Goe 2 display unit. For an in-store display, use a pole with base. This option will give the product the greatest visibility for players while taking up the least amount of counter space.



Telescopes from 18" to 27" high.

Other Display Options



If you have a Goe 2 display, a new wall tag is attached.



If you have a promoter unit, a new unit can sit on top.

April 1 – May 12, 2018



SALES PROMOTION
Increase your sales on \$5 games for a chance to win.*

\$250,000 In Prizes!

Prize Level	Winners**	Total Prizes
\$5,000	20	\$100,000
\$1,000	50	\$50,000
\$500	200	\$100,000
Total Prizes To Be Awarded		\$250,000

Districts - There are two districts comprised of six regions. * West District - All retailers in the Asheville, Charlotte and Greensboro Regions • East District - All retailers in the Greenville, Raleigh and Wilmington Regions

All \$5 scratch games are eligible for this promotion.
*Contact your Sales Rep. to obtain your goal.
**Equal number of winners to be drawn for each district.

nclottery.com MUST BE 18 TO PLAY. Net proceeds benefit education. Problem Gambling Helpline: 877-718-5543.



FOCUS ON: RETAIL

The prizes were split evenly between our state's two major sales districts, one representing the Eastern region and the other our Western region. The more \$5 packs a retailer sold, the more drawing entries could be earned. For example, a store would get one entry into the drawing for meeting the 10 percent goal of increasing \$5 sales. Then, for each additional \$5 pack they sold during the contest, they would get two more entries.

Our sales reps asked their retailers to keep a variety of \$5 games in the dispenser for sale; to ask for the \$5 sale; and feature a "Manager Pick" of a \$5 game. "This really engaged our retailers," said Deputy Executive Director of Sales Terri Avery. "We gave them a challenge. We created competition. And the competition improved our partnership." During the six-week promotion, 70 percent of our retailers hit their goals of increasing \$5 sales by 10 percent. In fact, we sold \$60.4 million in \$5 tickets, exceeding the promotion's goal by \$7.4 million.

"We think incentives like this do more than lift sales for one quarter," said Avery. "The competition and the chance to win meaningful prizes helped reinforce to our retailers the value of keeping ticket dispensers fully stocked and the success of asking for the sale."

OHIO LOTTERY

The Ohio Lottery kicked off a new retailer incentive program July 1, 2017, the start of fiscal 2018, to reward retailers who meet specific sales goals and instant ticket activation targets, along with other qualifiers. Retailers are monitored on a quarterly basis, earning commission bonuses by meeting program criteria and increasing sales 2.5 percent or more during the quarter compared to the year prior. By the final quarter of fiscal 2018, almost 98 percent of eligible retailers were part of the program. Together, these retailers shared \$9.9 million in commission bonuses during the program's first year and helped secure a \$158.4 million increase in traditional lottery sales for the fiscal year.



TEXAS LOTTERY

The Texas Lottery recognizes top sales performers for the calendar year with promotional merchandise and plaques. The Top 100 in each of 12 categories are mailed a congratulatory letter from the TLC Executive Director and promo items are then delivered by their sales rep. In addition, the Top 10 in each category receive a plaque.

VIRGINIA LOTTERY

We created a statewide retailer incentive called the 1st Day Double. Retailers who activated and put out for sale the new scratch games that launched in August on the first day

of sales received an extra five percent commission on those packs. Retailers who activated and put out for sale the new scratch games that launched in August on the second day of sales received an extra two percent commission on those packs. Finally, retailers who activated and put out for sale the new scratch games that launched in August on the third day of sales received an extra one percent commission on those packs. Stores who qualified for extra commissions in August were able to have the same incentive in September with those new scratch tickets. Every lottery retailer had the chance to earn an extra \$145 in commissions through this retailer incentive, and scratch sales increased 14.9 percent in August and six percent in September. ■



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IN THE CLUB

Many lotteries formally recognize their best retailers with some sort of non-monetary compensation. Here are two examples of lottery retailer 'clubs' that have taken this recognition to the next level.

By Patricia McQueen



KANSAS LOTTERY DIRECTOR'S CLUB

For many years, the Kansas Lottery recognized its top retailers with the Director's Club "Tour" in which the Executive Director led a small contingent of staff members to virtually every

corner of the state to pass out awards and branded merchandise to top-selling retailers – members of our Director's Club. This was all done with wheels on the ground. While the idea of seeing retailers in their own bailiwick was appealing at first, the reality wasn't. We might drive 150 miles to see one retailer in the far corner of the state and be there

a mere 15 minutes, just long enough to say "hi" and take a photo!

Four years ago, then-Executive Director Terry Presta came up with a better way to show appreciation when we began inviting our top retailers to a Director's Club "event." The event, held at Kansas Star Casino, includes dinner, overnight accommodations, a bag



of nice lottery items, a slew of raffle prizes, free slot play, entertainment and recognition on stage. While free stuff is always a driver, a post-event survey we conducted showed it was the recognition on stage in front of their peers that meant the most to our retailers.

The Director's Club Event has gotten bigger every year. This past year we recognized 116 retailers in the categories of \$1,000,000 Club (those retailers who sold more than \$1 million worth of Kansas Lottery tickets the previous year that are not recognized in the other categories), Top 5 Convenience Stores, Top 5 Grocery Stores, Top 5 Social Environment (primarily bars and restaurants), Top 5 Miscellaneous, \$500K and Above, and Most Improved Retailer (with sales of at least \$150,000). For something different at the last event, we hired Curtis the Mentalist to entertain retailers.

MISSOURI LOTTERY MILLION DOLLAR CLUB

We created this prestigious club in 2011 to recognize retailers who sold \$1 million or more in lottery products in a given calendar year. At that time, there were 20 retailers that qualified as members. For 2018, the eighth year of the program, we have grown to nearly 80 members expected to make the club. It's been well demonstrated over the years that there is significant engagement and effort from both sales staff and retailers to reach this exclusive club.

To honor each retailer, the Missouri Lottery hosts an appreciation event at the location, celebrating their success along with their customers. The retailer receives a large gift box with premium items for their staff,

a framed certificate to display in their store, and a radio remote to promote and highlight the event and their accomplishment. In 2018, there were three retailers with sales over \$2 million; they are considered "Diamond" status and receive some additional recognition.

Players at these events win prizes, sample tickets and enter for second chance drawings. The events are also promoted on social media platforms to further recognize the retailer and encourage attendance at the onsite event.

We have a similar club for Club Keno/social retailers that reach \$250,000 in Club Keno sales for a calendar year (Keno Crown Club) and another club for fraternal retailers that reach \$250,000 in pull-tab net sales for calendar year (Pull-Tab Platinum Club). Numbers for each continue to grow. ■

A NEW LOOK

Freshening or changing the lottery look at retail can have a startling effect on sales, and as a result many lotteries have done retail makeovers on either a permanent or temporary basis. They range from simply replacing signage, ticket displays or other POS here and there to a complete retail renovation when it comes to lottery products. Here are things some lotteries have done in this area.

By **Patricia McQueen**



BCLC's "Painting the Store Orange."

BRITISH COLUMBIA LOTTERY CORP.

When it comes to retail, a new look can inspire creativity and even sales. In 2018, BCLC took that to another level by "Painting the Store Orange" to drive awareness of Daily Grand, a national lottery launched in 2016 in which players have the chance to win a grand prize of \$1,000 a day. Four retail locations took part in the Daily Grand makeover from September 4 to October 1, 2018. We wrapped each store in Daily Grand

branding, and players had a chance to enter to win a Daily Grand gift basket that included branded swag, hockey tickets and other tech items. BCLC saw a significant increase in sales of Daily Grand tickets at the locations.

CALIFORNIA LOTTERY

Our retailers have increased their average Scratchers facings or display from 24 to 32 games and improved visibility of our games. By consistently organizing games by price point and

providing planograms to retailers every month, new and fast-moving games are merchandised prominently to make decision making easy for players. This addresses one of the key barriers to purchase Scratchers mentioned by players – that there are "too many choices" or they "don't know which game to play."

COLORADO LOTTERY

We do have a store makeover program for retailers that enables us to design lots of cool and interesting collateral for our retailers. We have designed things like ball returns at a bowling alley and umbrellas for outdoor seating. Our sales team works with the retailers to decide how and where things are placed, and they encourage the stores to try new, eye-catching spots. It's definitely a process that happens in the field with the hard work of those sales folks.

We typically pick high volume independent retailers in high traffic areas to maximize the effectiveness of signage. We go in with the goal of building a partnership with these retailers to gain better positioning of lottery tickets to increase sales. One of the retailers has agreed to have the local media film at their store when there is a high jackpot. Some retailers focus on indoor signage while we try to emphasize outdoor signage to draw the attention



Colorado Lottery bowling alley makeover.

of people driving by to both lottery and their store. The biggest impact has been better lottery awareness, better merchandising of lottery products and better relationships with this group of retailers.

GEORGIA LOTTERY

The Georgia Lottery Corporation (GLC) sales team has completed over 1,000 Product Display Makeovers. These makeovers include updating to more visible Bingo dispensers, adding or updating dispenser numbers for a more uniform appearance, displaying Scratchers so that all of the ticket art is visible, adding winner awareness and installing GLC branded counter paper. We have improved product visibility and brand awareness at these locations. We typically see a five percent increase in total sales on average.

We have enhanced our POS placement by providing the sales representatives a monthly Field Focus email with a retailer environment diagram attached. The reps are laser

focused and in sync with our initiatives by receiving the focus plan. In addition, we have added four-game dispenser towers to select retailers. We place families of Scratchers during their release in these towers and highlight them with a topper. Our family games typically index higher than other games in a similar category.

KENTUCKY LOTTERY

We do a complete POS makeover every six weeks in support of our new Scratch-off game launches. This typically includes several items inside the store such as a Gemini topper, dispenser topper, play center takeover poster, static window cling and counter mat. We also target store exteriors with pole sleeves and gas pump toppers. In addition, sales reps do business reviews regularly and make recommendations for improvements. Our goal is to keep displays fresh, including replacing dispensers and play centers every three to five years, or as needed.

LOUISIANA LOTTERY

We find that one-size-fits-all merchandising doesn't happen across all retail types. We explore different ways to promote our product based on the opportunities or challenges each type of retailer faces. These include:

- In-Store Menu Boards: Grocery stores, where our product is sold at the customer service counter, can be especially challenging. We developed a customizable menu board of games to hang on entry doors at one of our grocery chains to increase interest in our \$1 and \$2 games. We are also having great sales success out-facing menu boards on the windows of enclosed customer service counters where our dispensers are not readily viewable.
- Lighted Dispenser Boxes: We conducted a pilot at some of our high traffic retailers willing to dedicate the counter space to ultra-highlight our product.
- Exterior Menu Boards: We have a chain of gas station retailers that offers products via a kiosk with no interior

FOCUS ON: RETAIL

shopping space (and clearly no room for a customer-facing dispenser). So, we created exterior menu boards (similar to a burger joint drive up menu) which aid in both the promotion and purchase of our products.

MINNESOTA LOTTERY

Knowing that outdated and cluttered signage hurts the ability to attract new consumers, the Minnesota Lottery has recently developed a retail merchandising program to coordinate signage, identify ideal placement for products and signs, and provide merchandising training and support at the store level. By unifying signage elements, designing messaging for specific consumer touchpoints, and simplifying the ordering process, our goal is to have an exciting brand presence that will be inviting to potential and current customers, and create a cohesive look at retail locations across the state. The signage was designed to have unifying and connecting elements such as color, font or background design so players can see those pieces and instantly identify that lottery is sold at that location.

In addition to unifying signage elements, we have also focused on owning our space at retail. One example is the development of a Tower Topper. This piece is used on top of a ticket dispenser and allows us to prevent other brands from encroaching on lottery space. The Tower Topper is also a great addition to a register or nearby shelf to help gain placement at other touchpoints in the store.

The new merchandising program has been easy for both Lottery and store staff to adopt and implement. With these efforts, the Minnesota Lottery will have a modernized brand image in store while reducing waste, reducing cost, increasing impressions and growing sales.

MISSOURI LOTTERY

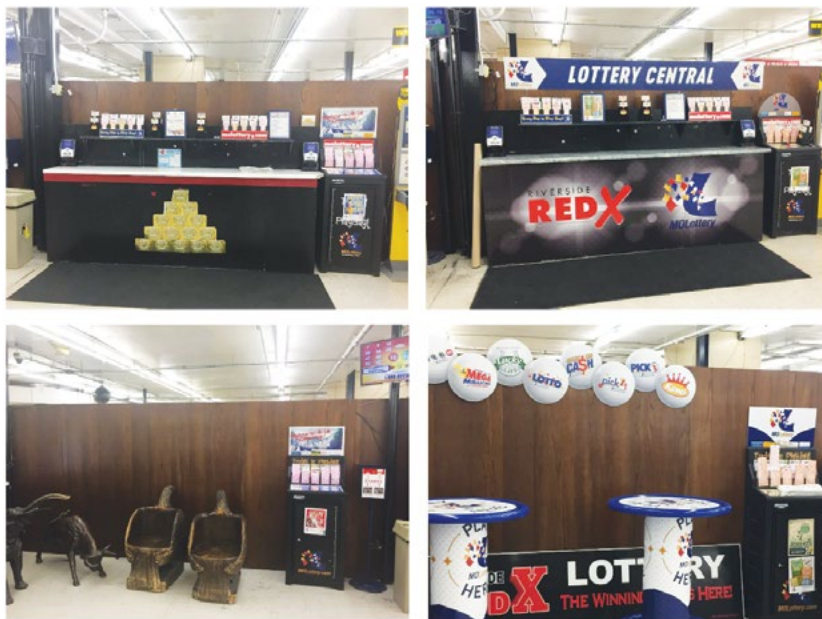
Retailer Makeover: In 2017, the Missouri Lottery collaborated with the Riverside Red X retail location in Riverside (near Kansas City) to optimize the lottery space within their store. This retailer has long been a top-performing Lottery



Minnesota Lottery signage before (top) and after.

retailer in the state and continues to explore ways to improve their customer engagement, sales of Lottery products and proceeds to public education. They already had a designated “Lottery Central” area within their store, so we worked with them to rejuvenate the

space with more modern signage and merchandising. This included a customer “scratch and play” area that also introduced new tables, a better branded sales window, and an enhanced play center display. This business strives to be the Number One retailer in the state



Missouri Lottery retailer before (left) and after (right).



Missouri Lottery lighted menu board.

and has moved up to the Number Two ranking (from Number Three) in the first year after its makeover.

Lighted Menu Boards: We continuously look for ways to optimize facings at retail and drive sales with our Scratchers product line. Last year, we began offering lighted ticket menu boards (a Schafer Systems item) to retailers, replacing their standard menu boards. This was a great tool to negotiate with retailers in an effort to increase their Scratchers facings and ultimately drive sales. The lighted board draws the customers' attention to our games, while providing a modern look that retailers and players love.

NEBRASKA LOTTERY

The newest display we are introducing to retailers is the lighted ticket menu board. The boards come in a variety of sizes and give customers better visibility of our products. We have seen

significant sales growth in stores that have installed them. We also introduced a "What's New" flyer every time a new game is coming out to create excitement before the game is available.

NORTH CAROLINA EDUCATION LOTTERY

The more oars in a boat, the faster it can be rowed. The same is true when it comes to ticket dispensers and the sale of scratchers. The more facings of instant tickets that are displayed, the more chances that a ticket is going to get seen and sold. In the last four years, the N.C. Education Lottery has driven up the average number of facings in its 7,000 retail locations to 33.5 on average per store, up from an average of 26 facings in 2015. A large part of the credit for that increase is what we call our "All-In-One Dispenser." The dispensers, created for us by LD Plastics of Massachusetts,



North Carolina positioned its new dispenser as an exclusive opportunity.

can display 30, 36 or 42 games more efficiently than our other styles. One reason retailers like it is it provides more facings with a smaller footprint – only 9 inches deep for all sizes. The 30-game unit is 26.5 inches wide and 23 inches high, the 36-game unit is also 26.5 inches wide but 27 inches high, and the 42-game unit is 31 inches wide and 27 inches high.

"As the new dispensers started to show up in stores in 2015, they created a bit of a stir," said the Lottery's Deputy Executive Director of Sales Terri Avery. "We decided to increase the buzz by promoting the All-In-One-Dispenser as something special, something exclusive, and something only available first to our best instant sellers."

To qualify for the dispenser, a retailer signed an agreement that they would keep all the slots filled and not allow it to be blocked by any other merchandise. And they had to increase the number of facings in their store by at least six. The numbers tell the rest of the story. In 2015, total ticket facings added up to 178,000 in 6,800 retail locations. By 2018, total facing had grown to 230,000 with 6,891 locations. "What we did that was unique is presenting this to retailers as a special opportunity," said Avery. "Instead of the typical lobbying for more counter space, we created demand for a special product and that demand led to more facings overall."



OHIO LOTTERY

A formalized retailer makeover program has been in existence at the Ohio Lottery since 2012, with sales representatives working closely with regional office staff to promote and prioritize retailer store makeovers. Members of the regional sales staff work together to improve both

curbside and in-store appeal of selected retailers. Initially dubbed “Summer Fun” projects, sales reps work in teams of three to four people throughout the summer and fall to improve the customer experience at retail and refresh the Ohio Lottery’s brand image among its network of licensed retailers. These teams have completed approximately 400 makeovers in the past year.

Cleaning and removing clutter on store fronts and providing suggestions for an easy-to-navigate front counter are among the top priorities, especially for independent retailers, who may not have a formal in-store design strategy. Sales representatives work directly with retailers to determine what signage must stay among the store’s offerings and what can go.

For the outside of each store, the sales team utilizes branded Ohio Lottery resources to draw attention to lottery games as customers enter and exit. Inside the store, signage promoting winner awareness and front counter improvements, including updates to instant ticket displays (double facings, call outs, new displays, etc.) are made to enhance the visibility and attractiveness of our product offerings.

One great example of how better presentation can impact sales comes from a 2018 makeover at Tony’s 76 in Port Washington, Ohio (see photos). The retailer improved draw game sales by 47 percent and instant games by almost 67 percent when compared to the year prior to the makeover.

PENNSYLVANIA LOTTERY

We have created an “opt in” incentive program focused on best practices for all qualifying retailers. These best practices are:

- Moving to or increasing scratch ticket sales from the counter.
- Providing space to place a scratch table or a place to watch monitors.
- Adding a winner awareness area.
- Increasing indoor and outdoor signage; conducting and asking for the sale or a second chance drawing.

The opt in program allows retailers to receive incentives based upon their sales averages and the number of best practices implemented at their locations. This program is managed through an employee portal. The sales representatives take a before picture. Then after a best practices deployment, they take an after picture and submit the results to a Lottery area manager for approval. Once the manager signs off, the employee portal creates a record of the research, which the Lottery accounting department can access.

TEXAS LOTTERY

The IGT sales representatives implemented a new emphasis on retail execution in 2015 that continues today. Things like moving scratch ticket displays from in-counter to on-counter, or from the back counter to the front counter; moving play stations from the back of stores to the front near the door; and placing customer-facing monitors on telescoping poles to improve visibility are samples of better retail execution. In addition to resetting store displays, IGT provides reps a monthly Sales Execution Guide developed collaboratively with the TLC Products department staff and focused on merchandising consistency. The guide contains

specific instructions on merchandising placement, start and end dates for various POS items and more.

The Lottery is pilot testing on-counter 4x4 lighted ticket menu boards at six Circle K/CST locations in El Paso. These stores continue to sell scratch tickets from the in-counter displays, but all 4x4 cards are displayed in the lighted menu boards between the stores’ two main registers. If successful, these will be expanded to all 72 store locations in El Paso.

And in what could be the start of a future makeover for multi-lane stores, a pilot test of an in-lane scratch ticket display began last September.

VERMONT LOTTERY

This past year we converted all in-counter instant ticket displays to a new model and style allowing for higher capacity in the same space and clarity for the customer. We have seen incremental sales across the board for those retailers making the change.

VIRGINIA LOTTERY

Our Super Stores makeover program was put on hold due to the merchandising RFP we issued; we wanted to evaluate all of our point of sale items at retail from the playcenter down to the door decal. Although we awarded a contract, we have also put that on hold due to other priorities here. That said, we are still moving forward with designing a digital playcenter and digital menu boards to help improve the lottery footprint at retail while we finish other projects. Also, last spring we launched a 32-week test of instant ticket display units in 15 stores with partners Fastrak Lottery Solutions and IGT. We wanted to see if a more modern, redesigned scratcher display, at a more prominent place at the point of purchase, would increase sales at retail. Sometimes customers have blinders on if a display is in one position for a long period of time. ■



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A RETAIL TRANSFORMATION IN ILLINOIS

The new private manager of the Illinois Lottery is gearing up for a complete retail store makeover, with all new permanent point of sale to be installed this spring after a technology upgrade this winter.

By Patricia McQueen



Sample of a current Illinois Lottery retailer counter.

It's a new day in Illinois. On January 2, 2018, Camelot Illinois took the reins as the Illinois Lottery's new private manager, with a new level of excitement and anticipation in the air. Although the company has been hard at work since then, the time is now for some of the big things taking place. Part of its first full year business plan,

which began last July 1, was to make two major retail investments, to refresh and modernize the retail environment.

One was the implementation of a whole new suite of retail technology, and the new system provided by INTRALOT was expected to be installed in February. The other is the introduction of all-new permanent point

of sale equipment, and that is on target for a spring rollout.

"We talk a lot here about delivering a modern lottery experience," said Camelot Illinois General Manager Colin Hadden, adding that although digital channels are important for the future, the fact is that retail "remains a very, very important channel for us. We are



Artist's rendering of the same counter with the new PPOS.

committed to really refreshing the retail look and feel," both functionally and visually.

The investment includes new retail terminals, vending machines, signage, ticket dispensers, play centers – everything needed to sell lottery at retail. Lotteries are used to technology upgrades; after all, every lottery goes through system conversions from time to time. Less often is a complete transformation of all the related in-store merchandising materials, especially permanent point of sale (PPOS) equipment.

Camelot has drawn on its experience with retail transformations in other markets, particularly in the U.K. and Ireland, to develop the new look, realizing that all jurisdictions are different. "We were really keen to do something that was right for the Illinois market."

THE DEVELOPMENT

To do that, Camelot took a user-centric process, combining its own experience with detailed local retailer feedback in Illinois that began in the very early stages. Initial concepts were

tested with retailers and based on that feedback, a prototype suite of PPOS was manufactured so everyone could see what it looked like and how it felt in order to receive further feedback. That was accomplished with both private viewings with retailers and a retail road show last September.

Three events were held – one in the Chicago area, one in Springfield covering central Illinois, and one in Collinsville for the southern market. Retailers were invited to enjoy a luncheon, hear about Camelot's plans for the Lottery's new direction, examine the prototypes and provide feedback on how the units would fit into their stores. In total, about 250 retailers attended the three events, from single-store independents to chains of all sizes.

"These events were a huge success – the feedback we got was fantastic" on both the equipment and the company's plans, noted Hadden. A survey was done at the end of each event, and at that point 88 percent of the retailers in attendance said they were ready to give counter space to the new terminal and instant ticket dispensers. And the orders for the equipment were coming in – about 2,200 just from these events. "We were very pleased."

The feedback on the equipment itself led to a modification of some of the designs. Perhaps not surprisingly, the retailers felt the units were a little too big and clunky. "I completely understand that," said Hadden, adding that there is almost always a challenge between what lotteries want to place on retail counters and what amount of space retailers are willing to give up. "So we went back to the drawing board to adjust and trim down the equipment – it went on a diet!" The end result was sleeker with a significant reduction in the footprint. "We were delighted with the final outcomes." All the units are now in production, with an expected rollout beginning this spring.

It was a lot of work, but with a ten year contract, Camelot really wanted to get it right. "It's also making a statement of how important we feel retailers are to the lottery business and its future. We've built some great relationships along the way; for a lot of the retailers it was really the first time they sat down and spoke with us." So in addition to providing the necessary feedback on the equipment itself, it was truly a valuable relationship-building exercise.

New Retail Promotion & Presentation Kit

Innovative new counter and store equipment will enhance and maximize sales performance



Camelot ILLINOIS



THE PIECES

As the suite of PPOS was designed, Camelot knew they needed three things. First was flexibility, because there can't be a one-size-fits-all solution. Second was the need to be integrated, so every piece of equipment looks like it came from the same family. And finally, it needed to be modular – going beyond flexibility to ensure that no matter what size and footprint was selected by each retailer, they still maintain the modern look and feel. Nothing is lost in design as the units are reconfigured.

The new INTRALOT terminals are the technology center; compact units that contain both the terminal and printer, with the media screen built into the terminal on the customer side. The instant ticket dispensers can be configured as small as 3x3 bins or as large as 8x8 bins. The “standard” size is a 28-bin unit. But regardless of the size, it still looks like an integrated unit and clearly presents any number of tickets. The blue and yellow color scheme was chosen for its visual impact, while

maintaining the colors in the Lottery's logo. “We call it the ‘maximum sales driver,’ affectionately known as the ‘maximizer,’” said Hadden.

Jackpot communicators are attached to the maximizers, either at the top if height isn't a concern, or along the side. The playslip stand, which includes an integrated ticket checker, can be either counter-based or a free-standing unit.

Everything is designed to be low profile, so clerks have line of sight with customers – something very important to many retailers. “They don't like to be buried behind a mountain of jackpot screens, media screens and plastic boxes. We really worked hard to make the most of that space and to give the retailer flexibility.”

Interestingly, the jackpot signs are designed to max out at \$999 million. Three years ago, lotteries were scrambling to deal with billion-dollar jackpots on signage, but sticking to millions on the new signs is a deliberate decision. “The consensus among our retailers here is that \$999 million is more

impactful, more impressive than \$1.3 billion,” explained Hadden. That's what the retailers wanted, so that's what they will get.

All of the new PPOS items are of course designed to have the most positive impact on the retailers themselves. “We are very conscious that our equipment sits in someone else's shop,” so it was important to make retailers happy, to give them something they will be proud to have in their stores. That said, by providing this modern look and feel, the additional goal is that store customers will pay attention to the eye-catching, consistent and inviting designs. “We hope that it will also attract players – that our core players will be pleasantly surprised, and for our light and lapsed players, it will give them an opportunity to reconsider what lottery is all about.”

BUILDING RELATIONSHIPS

In addition to the development of fresh new PPOS materials, Camelot has also been working hard with its



lottery sales staff to change the way they interact with their retail partners. Rather than focus on simply taking orders, pack activation and pack returns, there is a new emphasis on working with the retailer on a consultative basis, to develop strategies and plans to help them grow sales. “We want them to be trusted growth partners” instead of just sales reps.

Part of that is using data effectively to easily compare one retailer to others that sell lottery in the nearby area. For example, if one retailer’s sales are just 50 percent of the average in the area, that’s an important piece of information that can be used to help that retailer do things to improve sales. “We are encouraging our LSRs to have those selling conversations with retailers, which hasn’t traditionally been done,” said Hadden. “You can never get perfection, but we feel it’s important to change the dialogue.”

Camelot is also working closely with some of its biggest corporate accounts, which historically have been vending-only lottery retailers. With a presentation called the “Power of Lottery” as part of its sell-in package, the company can show these big chains, in a very concise manner, two key points.

First, why lottery is important to retailers – what it actually does for

their bottom line. After all, it’s more than just selling lottery tickets; lottery brings more people into the stores. And second, how important lottery positioning is in-store. It’s no small feat to overcome questions about space and labor issues, but it can sometimes be done. “It is easy to forget the basics of why lottery is important for retailers. Although it took time, we’ve been very successful in persuading a couple of our larger chains that actually placing lottery on the counter was a good idea.” He’s excited about adding counter sales to previously vending-only locations.

Camelot jump-started its relationship building with a very successful MLB promotion last summer involving both the Chicago White Sox and the Chicago Cubs. Both consumers and retailers benefitted from the promotion, which provided a VIP experience for the grand prize winners and an afternoon at the ballpark for the most successful retailers. “It was a great day for everyone, and great for building those relationships.”

NEXT STEPS

Completing the retail transformation with technology and PPOS is, of course, just the first major step in Camelot’s Illinois journey. Once provided with the

equipment, retailers still need to follow through, and Camelot has in mind ways they can consistently implement the “perfect store.” “We know that well presented, well positioned and planogram-compliant execution is what is key to consistently selling and consistently growing sales,” said Hadden. A work in progress at this writing was developing the right incentive programs to encourage that proper behavior and execution, not just sales.

For larger chains in particular, Camelot is exploring how other consumer products companies partner with and incentivize those big accounts, and looking at ways to work with and provide content for those chains’ own loyalty schemes. “We are working on quite sophisticated CPG-like engagement with these retailers so they can make the most of the lottery category.”

Camelot has also undertaken a thorough geo-mapping exercise to examine retail potential throughout Illinois, helping to ensure that regions and trade styles are properly served, while identifying areas that are underserved. Surprisingly, they discovered that lottery was underserved in the Chicago area; not so surprisingly, grocery trade styles are also underserved.

As a result, Camelot has been in discussions with two or three big chains, and is also looking how to appropriately push recruitment in underserved areas. “We’ve taken a scientific approach to it, which should, we believe, lead to a more qualitative growth in retailers, rather than just a volume-driven gain.”

With the launch of a new website and app expected in February, Camelot is moving forward on the digital front as well. “Evidence shows that if we have a good digital offering, it brings in the tide of all boats,” emphasized Hadden. “Market after market after market has shown that retail doesn’t suffer. There are smart ways that you can make the digital channel work with retail, and retail work with digital. The real power is in how those two work together, rather than how they work apart. We see them as complementary.”

All in all, it’s an exciting new day in Illinois. “Our job here in many ways has just begun, but we’ve made a good start.” ■

WHERE PLAYERS BUY POWERBALL AND MEGA MILLIONS TICKETS

Simon Jaworski, President, Leger USA

The year 2018 provided another bonanza year for national lottery draw games Powerball and Mega Millions. According to Leger's latest December 2018 research, almost half of the U.S. population (49 percent) bought a Mega Millions ticket to try and win that life altering \$1.5 billion record jackpot last October.

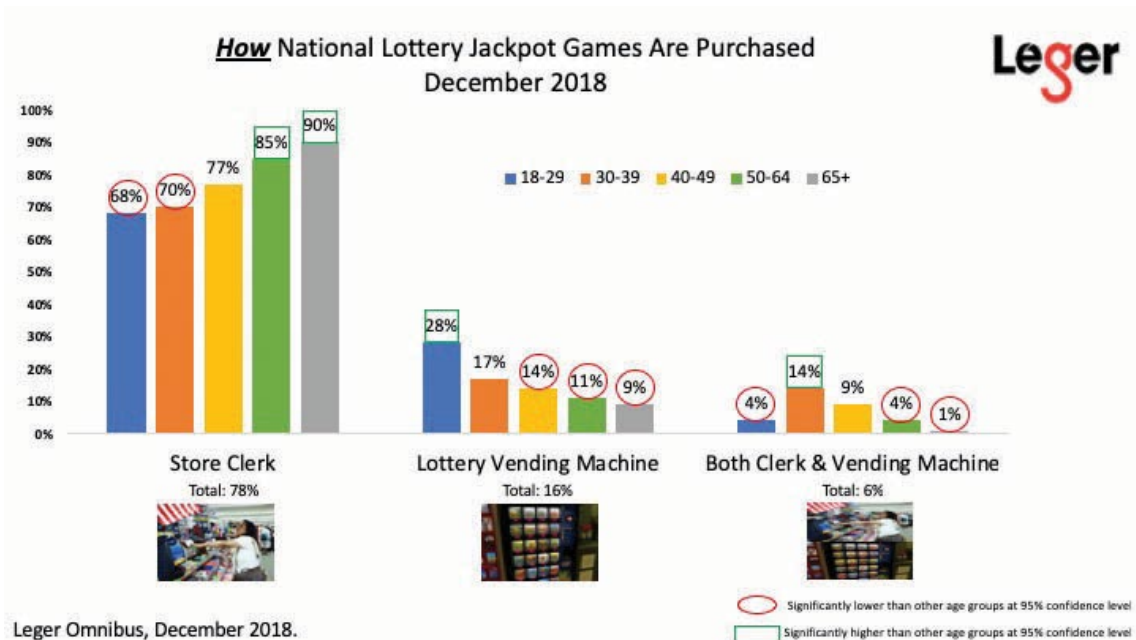
These numbers are remarkably similar to the \$1.6 billion Powerball

jackpot from January 2016, when 49 percent of Americans bought a ticket.

However, there is an underlying shift in the where and how lottery players are purchasing their lottery tickets. We'll deal with the "how" first. Back in 2016 only 16 percent of players purchased from lottery vending machines (as opposed to only a store clerk), but in the latest Leger data, 22 percent of purchasers of recent Mega Millions or

Powerball jackpot games in the fourth quarter 2018 have bought from the store vending machines, a significant and substantial increase.

Delving deeper into the analysis, one logical factor is driving the overall trend – younger lottery players, who are more in tune with technology as a whole, are seemingly more comfortable using lottery vending machines. In 2016, lottery players 18-39 years old



Where National Lottery Jackpot Games Are Purchased December 2018 – By Age

Leger



Leger Omnibus, December 2018.

over-indexed (131) on purchasing from the machines at 21 percent. However, this index has grown significantly in just three years to 141, with almost one third of 18-39 year old lottery players (32 percent) purchasing either Powerball or Mega Millions away from the store counter. This is in stark contrast to the 13 percent of 50+ year olds who purchased a jackpot game from lottery vending machines, despite this number increasing from the 11 percent level in 2016.

One interesting point to note is where lottery jackpot “pool play” is purchased. “Lottery pool” purchasers are twice as likely (32 percent) to utilize lottery vending machines for their jackpot game purchase than the average player.

The ‘where’ national lottery jackpot games are purchased is evolving as well, albeit at a much slower rate. Sixty-three percent of American Lottery players still buy their jackpot games at a convenience store, with c-stores with gas still dominating the industry at 45 percent. This is especially true in the Midwest region, where convenience stores over-index to the tune of 113, or 71 percent of purchasers.

Grocery stores account for around a quarter of lottery purchases (24 percent) for Mega Millions and/ or Powerball, and while “online/ iLottery” are still only at two percent

nationally, this level doubles to four percent among the key 18-29 year old demographic.

One underlying trend in all of this analysis is the fact there is virtually no difference between Mega Millions and Powerball in terms of where either game is purchased. Both \$2 games show no significant differences when comparing either lottery purchase locations, or use of vending machine versus store clerk whilst at those locations.

BUYER PREFERENCES

Leger also asked the U.S. population where, in an ideal world, would they like to be able to buy their Mega Millions or Powerball ticket. More than two-thirds stated they would purchase from “a local store, where I currently buy my lottery tickets,” and this was significantly higher among past month lottery players at 74 percent. Old habits die hard, as the famous phrase goes, and for more than three quarters of Americans who are over 50 years old, the ‘current store’ is comfortably the #1 option.

However, more than a quarter would like to buy online (at home) and almost a quarter (24 percent) would like to purchase via their smartphone. As you may expect, the smartphone

option strongly over-indexes among the Millennial/Gen Z audience, with 38 percent of 18-29 year olds wanting this instantaneous possibility. It also skews non-white, with one third of the ethnic population wanting the mobile solution.

When offered a specific choice of Mega Millions/Powerball purchase options, the “local current store” remains a clear winner, with 62 percent of Americans selecting it. However, 36 percent would still prefer an online option to purchase their draw game tickets, split almost evenly between “online at home” (19 percent) and “on my smartphone” (17 percent). The smartphone option skews younger (25 percent among the 18-29 year old group), female and households with kids.

Perhaps the most eye-opening statistic of all is the fact that among non-lottery players, slightly more (46 percent) would prefer an online option to buy Powerball/Mega Millions, compared to an in-store option (45 percent). Detractors may claim that this group of ‘never played lottery’ (currently at 14 percent) does not hold much market opportunity, but could it be that part of this group has just never felt comfortable purchasing lottery in a retail environment? Based on Leger’s latest data analysis, it is certainly worth examining this option in greater depth. ■

VENDING IS TRENDING

The consumer demand for convenience is reshaping the retail experience and opening up growth opportunities for lotteries.

By **Dan Morales, Senior Manager, Retail Sales Analytics, IGT**

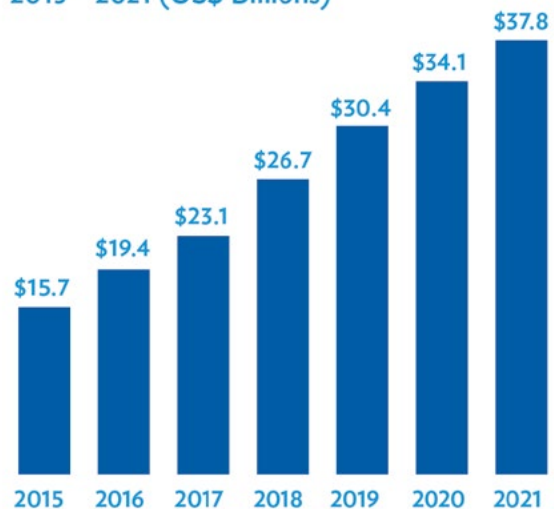


retail sales increased by 5.8 percent to \$22.74 trillion, and global openings of new brick-and-mortar stores increased 58 percent (MarketingLand.com). Trend research shows that 67 percent of the emerging consumer group known as Generation Z prefers to shop in a physical store rather than online – a preference that holds true for 50 percent of Millennials as well (MarketingLand.com). And within retail environments, consumers’ expectations are geared to convenience, with a full 45 percent of all sales in 2017 coming from self-service – not just for lottery, but across the board (Technavio).

As shown in the bar graph, the global self-service market has grown steadily between 2015 and 2018, from \$15.7 billion to \$26.7 billion. This upward curve is projected to increase to \$37.8 billion by 2021 (Zion Research Analysis), representing a compound annual growth rate of 15.8 percent.

In response to these numbers and trends, retailers at both the global and regional level are expanding self-service (see

**Global Self-Service Market Revenue
2015 – 2021 (US\$ Billions)**



There’s an interesting twist happening today in the evolution of brick-and-mortar retail. Far from being in decline – as industry observers once predicted – in-store buying is alive and well, as a mix of global, industry and consumer trends reshape the retail environment with new models and shopping experiences. The twist is that while shoppers are continuing to use physical stores, they expect the experience to include the convenience of self-service and vending options.

Worldwide, e-commerce sales grew to \$2.49 trillion in 2017 (eMarketer Estimates), yet that number still accounts for just 10 percent of total global retail sales. In 2017, worldwide

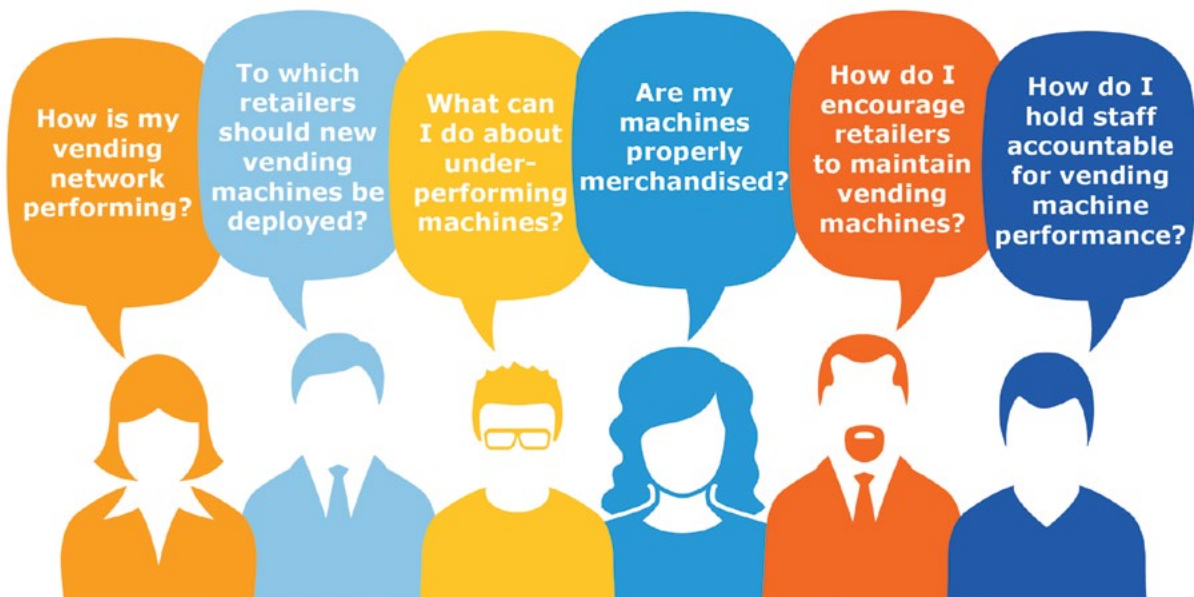


Figure 1

sidebar on page 88) with models that will continue to influence consumer expectations and behaviors into the future. Research firm ORC International projects that by 2020, 85 percent of business relationships will be managed by customers without any human interaction. These models and trends have the potential to propel lotteries into fresh territory as well. The more consumers get into the habit of using self-service, the more they will expect it to be available for all services and products – including lottery.

ADDING AND OPTIMIZING LOTTERY VENDING

It's beyond question that self-service vending can be effective at driving lottery sales. Among U.S. retailers where vending is an option, 37 percent of all lottery sales come from vending. In 2018, IGT analysis found that U.S. lottery retailers equipped with self-service lottery vending generated an average of 30 percent more in lottery sales than those without. Yet only about 15 percent of U.S. lottery retailers offer self-service today. Clearly, there's a significant opportunity for lotteries to expand self-service

while serving consumers' evolving preferences and habits.

Whereas once lottery vending was viewed as being suited chiefly for large-format grocery retailers, now U.S. jurisdictions are introducing lottery vending to a wider range of retailer trade styles. But as lotteries have experienced for themselves, simply installing new machines or methods of purchase will not necessarily generate the desired increase in sales. Success relies on having or accessing the resources to properly execute on every aspect of vending, including proper placement and consumer awareness. The goal is to ensure that the experience is effortless not just for players but for retailers as well.

Vending optimization encompasses the answers to all of the common business questions shown in Figure 1.

In IGT's view, answering these questions and maximizing the opportunity involves a holistic approach across three areas of focus:

1) Optimizing the vending network as it stands starts with a thorough analysis of the entire retailer base, including both vending and non-vending locations. The objective is first to understand, based on the retailers that do have vending and

the appropriate benchmarks, which locations are underperforming, and whether low-performing machines should remain in those locations. Through a complete analysis of a lottery's retailer network, it's also possible to see which non-vending retailers have a good profile for vending and network expansion opportunities.

2) Keeping the network optimized involves using in-depth network analysis to drive optimal execution. This includes establishing retention criteria for underperforming machines, assessing and improving field execution, and applying the right incentives and promotional strategies. Dealing with underperforming machines can also include holding not only retailers accountable for performance, but also the sales force and others involved in teaching retailers how to optimize sales for those machines. Sometimes vending can be salvaged at a location simply by refocusing on some of the basics that often get overlooked in vending management, such as planogram compliance, proper merchandising and promotional strategies, and the right mix of games, which may not be readily apparent. In addition, the right

EXPLORING NEW MODELS OF SELF-SERVICE AND CONVENIENCE

Major retail players are launching a variety of new models to provide convenient and consumer-friendly self-service options. For example, Amazon is projected to invest \$3 billion to open as many as 3,000 cashierless physical stores by 2021 (Morgan Stanley). The retailer's model, known as "Amazon Go," uses sensors and an e-commerce mobile application to charge items to shoppers' virtual Amazon accounts, enabling them walk out of the store with their purchases without waiting in lines or checking out at registers. In 2018, 7-Eleven ran a three-month trial in Irving, Texas, with a pay-in-store mobile app that allows customers to scan as they shop, rather than check out with a clerk at the counter. The company is now testing its Scan & Pay service in 14 more stores in nearby Dallas, with plans to expand into more cities in 2019.

Providing a convenient, self-service purchase experience is a priority for regional retailers as well. In August, the Indiana-based convenience-store chain Ricker's announced the introduction of a mobile checkout platform called GOSkip at all 58 of its Indiana stores, giving customers the ability to buy items via a mobile app prior to arrival or at the pump, before going in-store to pick up. The Texas-based H-E-B supermarket chain is piloting a system at 11 of its 300 stores that enables customers to scan items as they shop and pay on a mobile app before leaving the store.

incentive programs can help to positively shift retailer behavior for the long term by rewarding retailers up front for loading their machines consistently, preventing out-of-stocks, and merchandising properly.

3) Ensuring Long-Term Sustainability. Once the network is optimized, it's critical to establish a plan to stay on track moving forward. The plan should factor in performance benchmarks in-network, using the prior analysis to determine the right KPIs and suite of reports to hold staff or vendor's staff accountable for network performance.

RECENT EXAMPLES

Here's how some U.S. lotteries achieved immediate success by taking steps to optimize self-service vending.



Texas

Among the U.S. lotteries seeing success with formats that haven't been widely used in the past is the Texas Lottery, which had the vision to expand self-service vending with the RaceTrac chain of gasoline service stations. "In order to reach a wider range of players and increase scratch product facings, we needed to try something that was outside of our traditional grocery vending retailers," said Texas Lottery Products Manager Robert Tironi.

When the project began in 2016, RaceTrac locations carried eight lottery facings, and they were under the counter. Limiting

lottery space on the counter was important to the retailer, making expansion through self-service a logical option. A team from IGT worked with the Lottery and RaceTrac to carry out the project, which resulted in a 54 percent sales increase in 20 pilot stores over 12 months. Two years later, RaceTrac locations with vending are still performing more than 49 percent higher than those without self-service vending.

A similar story played out when the Texas Lottery worked with IGT to initiate a pilot program with selected QuikTrip convenience store locations throughout the state. Following installation in 2016, the pilot locations generated a 50 percent increase in total sales performance vs. QuikTrip stores without vending.



Indiana

In FY2018, when the Hoosier Lottery and IGT began an intensive optimization program, the Lottery's retail network was generating \$126 million in scratch ticket sales through self-service (FY2017), with an estimated 8.4 percent lost sales through out-of-stock situations. IGT implemented new out-of-stock reporting and procedures for retailers, and created incentive programs for both retailers and the sales team aimed at reducing out-of-stocks.

As a result of this optimization project, the Hoosier Lottery grew its self-service business by \$12.1 million (9.62 percent) in FY2018, and lowered the estimated lost sales percentage from out-of-stocks by 23.81 percent.



New Jersey

The New Jersey Lottery and IGT began an initiative in September 2017 to optimize the Lottery's instant ticket vending machine network, working to identify 141 under-performing instant ticket vending machines within the network that were candidates for relocation. IGT performed a statewide analysis on retailers to identify those with the best attributes to be successful with self-service. Importantly, most of these retailers did not previously offer vending. In addition to moving existing machines into the new retail locations, the Lottery implemented guidelines

with those retailers to keep the network optimized. Retailers signed agreements to place the machines at the front entrance/exit in each location, not to deviate from a 24-game planogram, and to keep the machines fully stocked.

As a result of these efforts, the New Jersey Lottery saw an overall 10 percent year-over-year improvement in instant ticket sales at the new locations in comparison to the rest of the state during the same period. A full 65 percent of retailers with relocated machines saw a sales increase over the previous year, and 35 percent of those retailers saw double-digit increases.

SUMMARY

In the cases described here, lotteries achieved significant sales growth in a short time using just some of the possible optimization strategies. The list of tasks for full network optimization can be daunting, and accessing the people-power and cross-functional views into all aspects of the vending network value chain may not be a luxury that all lotteries have at their disposal. IGT's Retail Sales and Execution Team supports lottery customers with the field knowledge, retail expertise, and resources to assist in this process. ■



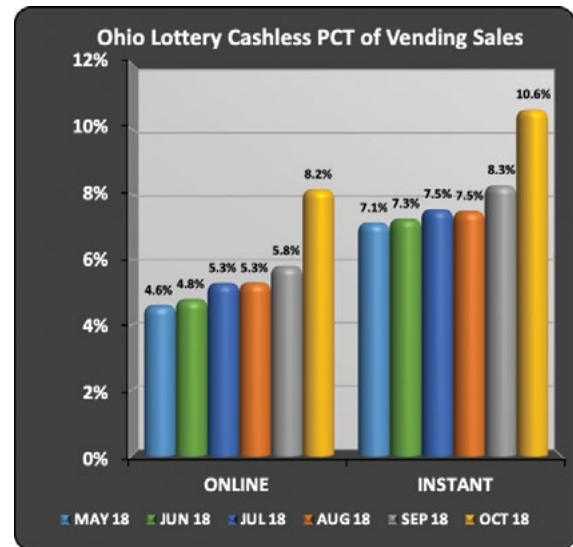
CASE STUDY: CASHLESS PURCHASING TRENDS THROUGH OHIO LOTTERY VENDING MACHINES

A look at the initial results of the Ohio Lottery's implementation of cashless payment options in vending machines.

By Scott Hoss, Senior Marketing Manager, INTRALOT

The Ohio Lottery began accepting cashless payments (credit and debit cards) through its self-service vending equipment on November 10, 2017. The Lottery utilizes two types of self-service vending terminals provided by INTRALOT: WinStations (referred to as TVM in the following charts) that vend both instant tickets and draw games, and the family of MP terminals that vend only draw games. Lottery players have become increasingly comfortable with this new form of payment and have increased their cashless spending month over month since the inception of the program. In order to help ensure responsible gaming practices, the Ohio Lottery added a velocity control measure that limits cashless spending \$700 per week. The basket size available to players per transaction ranges from \$10 to \$100 in increments designated by the Lottery of \$10, \$20, \$50 and \$100.

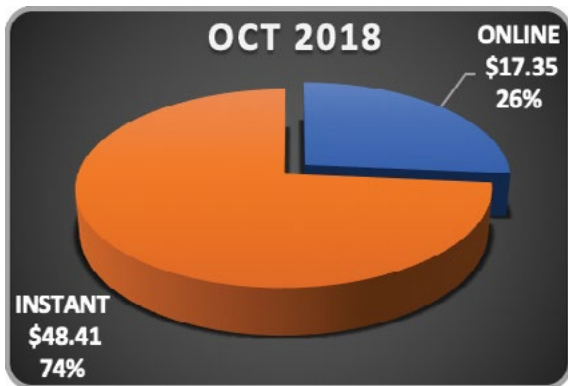
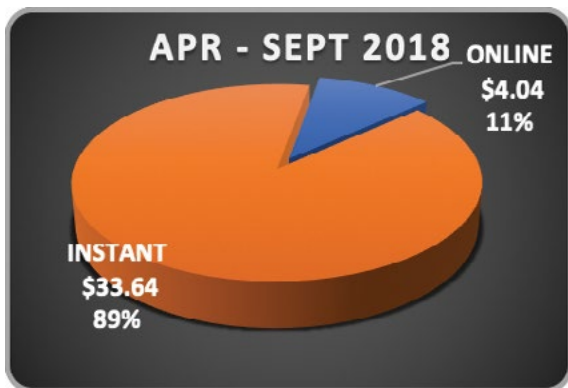
A breakdown of cashless spending over the last six months shows a month over month increase of cashless transactions (as a percentage of overall vending sales) as more and more players have become aware of and adopted the option of cashless payments. Data indicates players are spending slightly more on instant tickets using cashless pay than for draw games, but both categories have shown similar increases. The substantial increases in both game categories in October can be attributed to the Mega Millions jackpot run to nearly \$1.6 billion as well as the launch of holiday instant tickets beginning in mid-October. In fact, spending at all basket size increments was up significantly in October 2018 when compared to the previous months. The \$10 spend increased 74 percent, the \$20 increased 57 percent, the \$50 increased 61 percent, and the \$100 spend increased a remarkable 91 percent.



Cashless sales of instant and draw games are examined here independently. The instant ticket data shown refers to the entire category of instant tickets, not specific games. The Lottery's suite of holiday games was launched Wednesday, October 17, 2018. The WinStation vending machine sells instant tickets from 25 bins, along with six predetermined draw games and price point buttons, including the Mega Millions and Powerball games, and any Ohio Lottery game that can be played via a play slip. There are currently 2,012 TVM terminals in Ohio.

As mentioned earlier, cashless sales increased for both instant and terminal generated games in October, but terminal generated games saw a larger increase in terms of percent change, specifically for Powerball and Mega Millions. The distribution of average daily cashless sales from April to September 2018 compared to October 2018 shows significant growth for both instant and terminal generated games, culminating in an increase of \$13.31 average daily online increase and an overall increase of \$28 in cashless sales per vending terminal in October.

AVERAGE DAILY TVM SALES APR-SEPT 2018 VS OCT. 2018



There are many product mix variations in any given self-service instant ticket vending terminal, making it difficult to create an accurate analysis of the impact of cashless pay on individual games. The same is not true of the of the MP family of terminals where the products offered on the terminal remain consistent across all deployed machines.

There are currently 5,089 MP terminals deployed in Ohio, among eight separate retail trade-types. The "other" trade-type category in this analysis consists mostly of Turnpike locations that are open 24 hours per day.

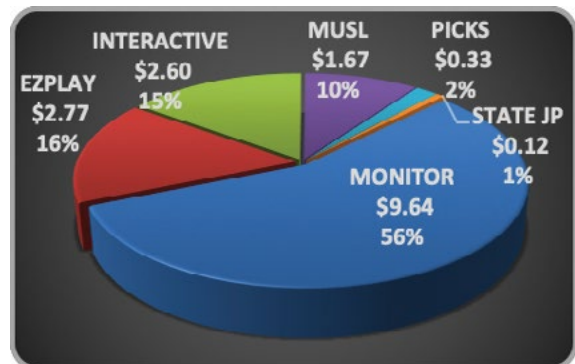
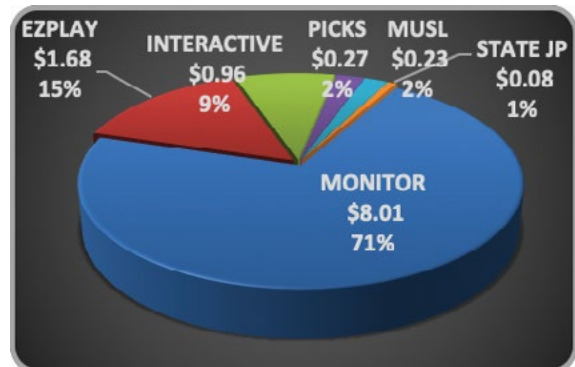
Games sold on the MP machines are broken out into six categories; MONITOR (Keno, Lucky One), EZPLAY (family of

terminal generated instant win games), INTERACTIVE (family of terminal generated instant win digital games), PICKS (Pick 3, Pick 4, Pick 5), STATE JACKPOT (Rolling Cash 5, Classic Lotto), MUSL (Powerball, Mega Millions, Lucky for Life). Note that Mega Millions is not specifically a MUSL game but is put into the MUSL category of multi-state games.

As these illustrations point out, the large jackpots of the MUSL games in October affected not only overall cashless spending by \$5.89 per day (or 52 percent) but also resulted in a significant increase in distribution of spending across all game categories. The percentage of average daily sales on these machines over the six months prior to October was two percent but climbed significantly to 10 percent in October.

The data also show that there was an ancillary benefit of the jackpot on the MP machines: Players that were playing to win the massive jackpot also tried the new instant win digital games that are played by interacting with the touchscreen of the MP terminal. INTERACTIVE games increased from nine percent of cashless sales on the MP to 15 percent of cashless sales in October. MUSL and INTERACTIVE categories did siphon some play from MONITOR game sales, but there was an overall increase in average daily sales.

AVERAGE DAILY MP SALES APR-SEPT 2018 VS. OCT 2018



CASHLESS PAY COMPARISON BY RETAIL-TYPE, APRIL- SEPTEMBER VS. OCTOBER 2018



The impact on sales as a result of the large MUSL game jackpots was realized across all retail business types. During this time, the business types that enjoyed the greatest increase in cashless sales in October were C-stores and Other (mostly Turnpike locations open 24 hours). The likely reason for larger increase in cashless sales at these business types is that patrons of those retail locations more commonly make cashless purchases. This analysis, along with market research conducted by Crestwood Associates in Ohio in the fall of 2018 taught us that players are more likely to make cashless payments for lottery games in business types where they routinely use their card(s). In business types such as bars where there was an assumption that cashless sales would surge, the growth in this trade-type has been limited, likely due to the fact that patrons are more likely to pay with cash in bars. The chart on this page illustrates the increase of cashless payments in each of the eight trade types and reflects the 52 percent increase in average daily cashless sales in October compared to average daily cashless sales during the six-month period prior to October 2018.

The research conducted by Crestwood Associates supports and reinforces the data that has been collected since cashless payments have been made available to Ohio Lottery players and is presented in this case study.

Additional findings that were not highlighted in the previous data but are important to note:

- Cashless adds a new level of convenience to lottery.
- With the expansion of cashless across the vending channel, there can be a synergistic effect that should create greater integration into player lifestyles resulting in higher satisfaction and increased sales.
- Cashless has been shown to have broad appeal, even more strong among the more frequent players.
- Games that are purchased more frequently or in spurts such as Instant, Keno, and EZPLAY have been shown to have strong fit; pick games appeal should also respond with the service counter expansion that is planned for January 2019 on the new POS device.

Finally, some additional Crestwood Associates findings of note:

- Perhaps the largest barrier is the historical perception of lottery as a cash business, which for some may take time to dissolve.
- Lottery may fit into a category of more casual purchasing that is often cash related; the concerns of problem gaming and privacy may help support this perception that will be slower to break down.
- Most players use some form of cashless purchasing and the amount of cash that they carry is limited, so cashless continues to be a natural fit for lottery. ■



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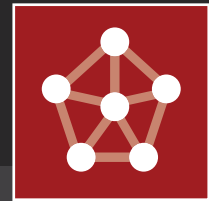
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2019 CALENDAR

February 26-28, 2019
PGRI SMART-Tech 2019
Hilton Fort Lauderdale Hotel
Fort Lauderdale, FL

March 2019
NCPG Problem Gambling Awareness Month

April 15-18, 2019
NASPL Lottery Leadership
Hyatt Regency Cleveland
Cleveland, OH
Hosted by the Ohio Lottery

May 13-16, 2019
La Fleur's 2019 LotMKT Trends
George Washington University
Washington, DC
Hosted by the DC Lottery

June 17-20, 2019
NASPL Directors Meeting & Dialogue
Kingsmill
Williamsburg, VA
Hosted by the Virginia Lottery

July 19-20, 2019
NCPG National Conference on Gambling Addiction & Responsible Gaming
Sheraton Denver Downtown Hotel
Denver, CO

July 22-26, 2019
NASPL Professional Development Seminar
Arizona Grand
Phoenix, AZ
Hosted by the Arizona Lottery

September 17-20, 2019
NASPL 2019 Annual Conference
Little Rock Convention Center
Little Rock, AR
Hosted by Arkansas Scholarship 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

October 26-30, 2020
World Lottery Summit
Vancouver Convention Center
Vancouver, British Columbia
Hosted by BCLC

December 2020
NCPG/McGill University RG Lottery Holiday Campaign



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